

NYS law concerning gas-well spacings for multiple gas-bearing rock strata

S T A T E O F N E W Y O R K

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I N A S S E M B L Y

April 8, 2008

Introduced by M. of A. PARMENT, SWEENEY, MAGEE -- Multi-Sponsored by --
M. of A. CROUCH -- (at request of the Department of Environmental
Conservation) -- read once and referred to the Committee on Environ-
mental Conservation -- reported and referred to the Committee on Codes
-- committee discharged, bill amended, ordered reprinted as amended
and recommitted to said committee

AN ACT to amend the environmental conservation law, in relation to
statewide spacing for oil and gas wells

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEM-
BLY, DO ENACT AS FOLLOWS:

1 Section 1. Subparagraph 1 of paragraph b of subdivision 1 of section
2 23-0501 of the environmental conservation law, as added by chapter 386
3 of the laws of 2005, is amended to read as follows:

4 (1) "Statewide spacing" means spacing units for gas OR OIL wells that
5 are within ten percent of the following sizes, AS APPLICABLE, unless
6 another percentage is specifically stated:

7 (i) For Medina {polls and shale} GAS pools at any depth, 40 acres with
8 the wellbore within the target formation no less than {660} 460 feet
9 from any unit boundary, PLUS, IF APPLICABLE, THE NUMBER OF ADDITIONAL
10 ACRES NECESSARY AND SUFFICIENT TO ENSURE THAT ANY HORIZONTAL WELLBORE
11 WITHIN THE TARGET FORMATION IS NOT LESS THAN 460 FEET FROM ANY UNIT
12 BOUNDARY;

13 (ii) For Onondaga reef or Oriskany GAS pools at any depth, 160 acres
14 with the wellbore within the target formation no less than 660 feet from
15 any unit boundary, PLUS, IF APPLICABLE, THE NUMBER OF ADDITIONAL ACRES
16 NECESSARY AND SUFFICIENT TO ENSURE THAT ANY HORIZONTAL WELLBORE WITHIN
17 THE TARGET FORMATION IS NOT LESS THAN 660 FEET FROM ANY UNIT BOUNDARY;

18 (iii) For fault-bounded Trenton and/or Black River hydrothermal dolom-
19 ite GAS pools where the majority of the pool is between 4,000 and 8,000
20 feet deep, 320 acres with the proposed productive section of the well-
21 bore within the target formation no less than one-half mile from any
22 other well in another unit in the same pool and no less than {1000}
23 1,000 feet from any unit boundary that is not defined by a field-bound-
24 ing fault but in no event less than 660 feet from any unit boundary;

25 (iv) For fault-bounded Trenton and/or Black River hydrothermal dolom-
26 ite GAS pools where the majority of the pool is below {8000} 8,000 feet,
27 within five percent of 640 acres with the proposed productive section of

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets
{ } is old law to be omitted.

LBD15187-04-8

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1 the wellbore within the target formation no less than one mile from any
2 other well in another unit in the same pool and no less than {1500}
3 1,500 feet from any unit boundary that is not defined by a field-bound-
4 ing fault but in no event less than 660 feet from any unit boundary;

5 (v) FOR SHALE GAS POOLS AT ANY DEPTH, FOR A VERTICAL WELL OUTSIDE ANY
6 EXISTING SPACING UNIT FOR THE SAME FORMATION, 40 ACRES WITH THE WELLBORE
7 WITHIN THE TARGET FORMATION NO LESS THAN 460 FEET FROM ANY UNIT BOUNDARY;
8

9 (VI) FOR SHALE GAS POOLS AT ANY DEPTH, FOR A HORIZONTAL WELL OUTSIDE
10 ANY EXISTING SPACING UNIT FOR THE SAME FORMATION AND WITH A WRITTEN
11 COMMITMENT FROM THE WELL OPERATOR TO DRILL INFILL WELLS PURSUANT TO
12 SUBDIVISION 4 OF SECTION 23-0503 OF THIS TITLE, WITH ALL HORIZONTAL
13 INFILL WELLS IN THE UNIT TO BE DRILLED FROM A COMMON WELL PAD WITHIN
14 THREE YEARS OF THE DATE THE FIRST WELL IN THE UNIT COMMENCES DRILLING,
15 NOTWITHSTANDING THE TEN PERCENT TOLERANCE SPECIFIED IN THIS SUBPARA-
16 GRAPH, UP TO 640 ACRES WITH THE INITIAL HORIZONTAL WELLBORE OR WELLBORES
17 WITHIN THE TARGET FORMATION APPROXIMATELY CENTERED IN THE SPACING UNIT
18 AND NO WELLBORE IN THE TARGET FORMATION LESS THAN 330 FEET FROM ANY UNIT
19 BOUNDARY;

20 (VII) FOR SHALE GAS POOLS AT ANY DEPTH, FOR A HORIZONTAL WELL OUTSIDE
21 ANY EXISTING SPACING UNIT FOR THE SAME FORMATION AND IN THE ABSENCE OF A
22 WRITTEN COMMITMENT FROM THE WELL OPERATOR TO DRILL INFILL WELLS PURSUANT
23 TO SUBDIVISION 4 OF SECTION 23-0503 OF THIS TITLE, 40 ACRES WITH THE
24 WELLBORE WITHIN THE TARGET FORMATION NO LESS THAN 330 FEET FROM ANY UNIT
25 BOUNDARY PLUS THE NUMBER OF ADDITIONAL ACRES NECESSARY AND SUFFICIENT TO
26 ENSURE THAT THE WELLBORE WITHIN THE TARGET FORMATION IS NOT LESS THAN
27 330 FEET FROM ANY UNIT BOUNDARY;

28 (VIII) For all other GAS pools where the majority of the pool is above
29 the depth of 4,000 feet, 80 acres with the wellbore within the target
30 formation no less than {660} 460 feet from any unit boundary, PLUS, IF
31 APPLICABLE, THE NUMBER OF ADDITIONAL ACRES NECESSARY AND SUFFICIENT TO
32 ENSURE THAT ANY HORIZONTAL WELLBORE WITHIN THE TARGET FORMATION IS NOT
33 LESS THAN 460 FEET FROM ANY UNIT BOUNDARY;

34 {(vi)} (IX) For all other GAS pools where the majority of the pool is
35 4,000 to 6,000 feet deep, 160 acres with the wellbore within the target
36 formation no less than 660 feet from any unit boundary, PLUS, IF APPLI-
37 CABLE, THE NUMBER OF ADDITIONAL ACRES NECESSARY AND SUFFICIENT TO ENSURE
38 THAT ANY HORIZONTAL WELLBORE WITHIN THE TARGET FORMATION IS NOT LESS
39 THAN 660 FEET FROM ANY UNIT BOUNDARY;

40 {(vii)} (X) For all other GAS pools where the majority of the pool is
41 6,000 to 8,000 feet deep, 320 acres with the wellbore within the target
42 formation no less than {1000} 1,000 feet from any unit boundary, PLUS,
43 IF APPLICABLE, THE NUMBER OF ADDITIONAL ACRES NECESSARY AND SUFFICIENT
44 TO ENSURE THAT ANY HORIZONTAL WELLBORE WITHIN THE TARGET FORMATION IS
45 NOT LESS THAN 1,000 FEET FROM ANY UNIT BOUNDARY; {and

46 (viii)} (XI) For all other GAS pools where the majority of the pool is
47 below 8,000 feet, within five percent of 640 acres with the wellbore
48 within the target formation no less than {1500} 1,500 feet from any unit
49 boundary, PLUS, IF APPLICABLE, THE NUMBER OF ADDITIONAL ACRES NECESSARY
50 AND SUFFICIENT TO ENSURE THAT ANY HORIZONTAL WELLBORE WITHIN THE TARGET
51 FORMATION IS NOT LESS THAN 1,500 FEET FROM ANY UNIT BOUNDARY;

52 (XII) FOR OIL POOLS IN THE BASS ISLAND, TRENTON, BLACK RIVER, ONONDAGA
53 REEF OR OTHER OIL-BEARING REEFS AT ANY DEPTH, 40 ACRES WITH THE WELLBORE
54 WITHIN THE TARGET FORMATION NO LESS THAN 460 FEET FROM ANY UNIT
55 BOUNDARY, PLUS, IF APPLICABLE, THE NUMBER OF ADDITIONAL ACRES NECESSARY

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1 AND SUFFICIENT TO ENSURE THAT ANY HORIZONTAL WELLBORE WITHIN THE TARGET
2 FORMATION IS NOT LESS THAN 460 FEET FROM ANY UNIT BOUNDARY; and

3 (XIII) FOR ALL OTHER OIL POOLS AT ANY DEPTH, THE WELLBORE WITHIN THE
4 TARGET FORMATION SHALL BE NO LESS THAN 165 FEET FROM ANY LEASE BOUNDARY.
5 WELLS COMPLETED UNDER A WELL PERMIT ISSUED PURSUANT TO CLAUSE (XII) OR
6 (XIII) OF THIS SUBPARAGRAPH THAT DO NOT PRODUCE OIL MAY NOT COMMENCE
7 PRODUCTION OF NATURAL GAS PRIOR TO MODIFICATION OF THE SPACING UNIT
8 PURSUANT TO APPLICABLE PROVISIONS OF THIS TITLE.

9 S 2. Subdivision 4 of section 23-0503 of the environmental conserva-
10 tion law, as added by chapter 386 of the laws of 2005, is amended to
11 read as follows:

12 4. The department may issue permits to drill infill wells on a reason-
13 ably uniform pattern within the spacing unit after an integration order
14 has been issued, if required, and only if it determines that drilling

15 infill wells is necessary to satisfy the policy objectives of section
16 23-0301 of this article. The distances from the unit boundaries set
17 forth in paragraph b of subdivision 1 of section 23-0501 of this title
18 shall apply to any infill wells. For purposes of this section, new
19 lateral wellbores drilled from the original wellbore in the unit are not
20 considered infill wells if they are drilled prior to the first product
21 sales from the original surface location. IN A SPACING UNIT ESTABLISHED
22 PURSUANT TO CLAUSE (VI) OF SUBPARAGRAPH 1 OF PARAGRAPH B OF SUBDIVISION
23 1 OF SECTION 23-0501 OF THIS TITLE, INFILL WELLS SHALL BE DEEMED NECES-
24 SARY, AND THE NUMBER OF INFILL WELLS REQUIRED TO SATISFY THE POLICY
25 OBJECTIVES OF SECTION 23-0301 OF THIS ARTICLE MUST BE DRILLED WITHIN
26 THREE YEARS OF THE DATE THE FIRST WELL IN THE UNIT COMMENCES DRILLING.
27 S 3. Subdivision 6 of section 23-0503 of the environmental conserva-
28 tion law, as added by chapter 386 of the laws of 2005, is amended to
29 read as follows:
30 6. {An order establishing} UNLESS IT IS EXTINGUISHED PURSUANT TO
31 SUBDIVISION SEVEN OF THIS SECTION, a spacing unit ESTABLISHED BY THE
32 DEPARTMENT shall be binding upon all persons and their heirs, successors
33 and assigns. Upon good cause shown, an order establishing a spacing unit
34 OR A SPACING UNIT WHICH CONFORMS TO STATEWIDE SPACING may be modified by
35 the department without conducting a hearing if a finding has been made
36 that no facts are in dispute after all affected persons have been
37 provided a reasonable opportunity to comment. IN A SPACING UNIT ESTAB-
38 LISHED PURSUANT TO CLAUSE (VI) OF SUBPARAGRAPH 1 OF PARAGRAPH B OF
39 SUBDIVISION 1 OF SECTION 23-0501 OF THIS TITLE, FAILURE TO DRILL INFILL
40 WELLS PURSUANT TO SUBDIVISION 4 OF THIS SECTION SHALL CONSTITUTE GOOD
41 CAUSE FOR THE DEPARTMENT TO INITIATE A MODIFICATION OF THE SPACING UNIT.
42 If necessary, upon issuance of {a modified} AN order which changes unit
43 boundaries, the well operator shall adjust the accounts for owners with-
44 in the original and modified units to reflect the modified boundary. Any
45 participation by new owners and any adjustment of revenue or royalties
46 {based thereon} RESULTING FROM PARTICIPATION BY NEW OWNERS shall be on a
47 prospective basis only. If the initial risk penalty phase pursuant to
48 title 9 of this article is in effect, any new owner added to the unit
49 may elect to be integrated as a participating owner, a non-participating
50 owner or an integrated royalty owner as defined by title 9 of this arti-
51 cle. Full well costs shall be assessed against new participating owners
52 and non-participating owners and included in the risk penalty calcu-
53 lation. If the initial risk penalty phase has concluded, any new owner
54 added to the spacing unit may elect to be integrated as a participating
55 owner or an integrated royalty owner on a prospective basis only.
56 S 4. This act shall take effect immediately.

N.B. The gas-well spacing units for the different gas-bearing formations highlighted above are not exclusive.

Much of central New York is underlain by multiple formations. Therefore a given square mile may contain many different formations, each of them with their own spacing densities.

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For more information visit: <http://www.un-naturalgas.org/>