

NATURAL RESOURCES CODE

TITLE 3. OIL AND GAS

SUBTITLE C. POOLING AND COOPERATIVE AGREEMENTS

CHAPTER 101. COOPERATIVE DEVELOPMENT

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 101.001. DEFINITION. In this chapter, "commission" means the Railroad Commission of Texas.

Acts 1977, 65th Leg., p. 2566, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 101.002. EXISTING AGREEMENT RIGHTS. None of the provisions in this chapter restrict any of the rights that a person now may have to make and enter into unitization and pooling agreements.

Acts 1977, 65th Leg., p. 2566, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 101.003. APPLICABILITY. None of the provisions in this chapter impair the power of the commission to prevent waste under the oil and gas conservation laws of the state except as provided in Section 101.004 or repeal, modify, or impair any of the provisions of Sections 85.002 through 85.003, 85.041 through 85.055, 85.056 through 85.064, 85.125, 85.201 through 85.207, 85.241 through 85.243, 85.249 through 85.252, or 85.381 through 85.385, Subchapter J of Chapter 85, or Subchapter P of Chapter 91, relating to oil and gas conservation.

Acts 1977, 65th Leg., p. 2566, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 816 (S.B. 1670), Sec. 7, eff. September 1, 2007.

Sec. 101.004. CONFLICT WITH ANTITRUST ACTS. (a) Agreements and operations under agreements which are in accordance with the provisions in this chapter, being necessary to prevent

waste and conserve the natural resources of this state, shall not be construed to be in violation of the provisions of Chapter 15, Business & Commerce Code, as amended.

(b) If a court finds a conflict between the provisions in this chapter and Chapter 15, Business & Commerce Code, as amended, the provisions in this chapter are intended as a reasonable exception to that law, necessary for the public interests stated in Subsection (a) of this section.

(c) If a court finds that a conflict exists between the provisions in this chapter and Chapter 15, Business & Commerce Code, as amended, and finds that the provisions in this chapter are not a reasonable exception to said Chapter 15, it is the intent of the legislature that the provisions in this chapter, or any conflicting portion of them, shall be declared invalid rather than declaring Chapter 15, Business & Commerce Code, as amended, or any portion of it, invalid.

Acts 1977, 65th Leg., p. 2567, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

SUBCHAPTER B. COOPERATIVE AGREEMENTS IN SECONDARY RECOVERY OPERATIONS

Sec. 101.011. AUTHORIZED AGREEMENTS FOR SEPARATELY OWNED PROPERTIES. Subject to the approval of the commission, as provided in this chapter, persons owning or controlling production, leases, royalties, or other interests in separate property in the same oil field, gas field, or oil and gas field may voluntarily enter into and perform agreements for either or both of the following purposes:

(1) to establish pooled units, necessary to effect secondary recovery operations for oil or gas, including those known as cycling, recycling, repressuring, water flooding, and pressure maintenance and to establish and operate cooperative facilities necessary for the secondary recovery operations;

(2) to establish pooled units and cooperative facilities necessary for the conservation and use of gas, including those for extracting and separating the hydrocarbons from the

natural gas or casinghead gas and returning the dry gas to a formation underlying any land or leases committed to the agreement. Acts 1977, 65th Leg., p. 2567, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 101.012. PERSONS BOUND BY AGREEMENTS. Agreements for pooled units and cooperative facilities do not bind a landowner, royalty owner, lessor, lessee, overriding royalty owner, or any other person who does not execute them. The agreements bind only the persons who execute them, their heirs, successors, assigns, and legal representatives. No person shall be compelled or required to enter into such an agreement.

Acts 1977, 65th Leg., p. 2567, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 101.013. COMMISSION APPROVAL. (a) Agreements for pooled units and cooperative facilities are not legal or effective until the commission finds, after application, notice, and hearing:

(1) that the agreement is necessary to accomplish the purposes specified in Section [101.011](#) of this code;

(2) that it is in the interest of the public welfare as being reasonably necessary to prevent waste and to promote the conservation of oil or gas or both;

(3) that the rights of the owners of all the interests in the field, whether signers of the unit agreement or not, would be protected under its operation;

(4) that the estimated additional cost, if any, of conducting the operation will not exceed the value of additional oil and gas so recovered, by or on behalf of the several persons affected, including royalty owners, owners of overriding royalties, oil and gas payments, carried interests, lien claimants, and others as well as the lessees;

(5) that other available or existing methods or facilities for secondary recovery operations or for the conservation and utilization of gas in the particular area or field concerned or for both are inadequate for the purposes; and

(6) that the area covered by the unit agreement

contains only that part of the field that has reasonably been defined by development, and that the owners of interests in the oil and gas under each tract of land in the area reasonably defined by development are given an opportunity to enter into the unit on the same yardstick basis as the owners of interests in the oil and gas under the other tracts in the unit.

(b) A finding by the commission that the area described in the unit agreement is insufficient or covers more acreage than is necessary to accomplish the purposes of this chapter is grounds for the disapproval of the agreement.

Acts 1977, 65th Leg., p. 2568, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 101.014. JOINTLY OWNED PROPERTIES. None of the provisions in this chapter shall be construed to require the approval of the commission of voluntary agreements for the joint development and operation of jointly owned property.

Acts 1977, 65th Leg., p. 2568, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 101.015. COMMISSION REGULATION. An agreement executed under the provisions of this chapter is subject to any valid order or rule of the commission relating to location, spacing, proration, conservation, or other matters within the authority of the commission, whether adopted prior to or subsequent to the execution of the agreement.

Acts 1977, 65th Leg., p. 2568, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 101.016. PERMISSIBLE PROVISIONS. (a) An agreement authorized by this chapter may provide for the location and spacing of input wells and for the extension of leases covering any part of land committed to the unit as long as operations for drilling or reworking are conducted on the unit or as long as production of oil or gas in paying quantities is had from any part of the land or leases committed to the unit. However, no agreement may relieve an operator from the obligation to develop reasonably the land and

leases as a whole committed to the unit.

(b) An agreement authorized by this chapter may provide that the dry gas after extraction of hydrocarbons may be returned to a formation underlying any land or leases committed to the agreement and may provide that no royalties are required to be paid on the gas so returned.

Acts 1977, 65th Leg., p. 2568, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 101.017. PROHIBITED PROVISIONS. (a) No agreement authorized by this chapter may attempt to contain the field rules for the area or field, or provide for or limit the amount of production of oil or gas from the unit properties, those provisions being solely the province of the commission.

(b) No agreement authorized by this chapter may provide directly or indirectly for the cooperative refining of crude petroleum, distillate, condensate, or gas, or any by-product of crude petroleum, distillate, condensate, or gas. The extraction of liquid hydrocarbons from gas, and the separation of the liquid hydrocarbons into propanes, butanes, ethanes, distillate, condensate, and natural gasoline, without any additional processing of any of them, is not considered to be refining.

(c) No agreement authorized by this chapter may provide for the cooperative marketing of crude petroleum, condensate, distillate, or gas, or any by-products of them.

Acts 1977, 65th Leg., p. 2569, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

Sec. 101.018. EFFECT OF APPROVAL OUTSIDE OF UNIT. The approval of an agreement authorized by this chapter shall not of itself be construed as a finding that operations of a different kind or character in the portion of the field outside of the unit are wasteful or not in the interest of conservation.

Acts 1977, 65th Leg., p. 2569, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977.

SUBCHAPTER C. PUBLIC LAND

Sec. 101.051. AUTHORITY OF COMMISSIONER OF GENERAL LAND OFFICE. Subject to the approval specified in Section 101.052 of this code, the Commissioner of the General Land Office, on behalf of the State of Texas or of any fund belonging to the state, may execute contracts committing to the agreements declared lawful by the provisions of this chapter (1) the royalty interests in oil or gas or both reserved to the state, or any fund of the state, by law, in any patent, in any contract of sale, or under the terms of any oil and gas lease lawfully issued by an official, board, agent, agency, or authority of the state or (2) the free royalty interests, whether leased or unleased, reserved to the state pursuant to Section 51.201 or 51.054 of this code.

Acts 1977, 65th Leg., p. 2569, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977. Amended by Acts 1987, 70th Leg., ch. 948, Sec. 33, eff. Sept. 1, 1987.

Sec. 101.052. NECESSARY APPROVAL BY OTHER PERSONS AND STATE AGENCIES. (a) An agreement that commits (1) the royalty interests in land set apart by the constitution and laws of this state for the permanent free school fund and the several asylum funds, in river beds, inland lakes, and channels, and the area within tidewater limits, including islands, lakes, bays, inlets, marshes, reefs, and the bed of the sea, or (2) the free royalty interests, whether leased or unleased, reserved to the state pursuant to Section 51.201 or 51.054 of this code, must be approved by the School Land Board.

(b) An agreement that covers land leased for oil and gas under the Relinquishment Act, codified as Subchapter F in Chapter 52 of this code, must be executed by the owners of the soil.

(c) An agreement that commits the royalty interests in land or areas other than those covered by Subsections (a) and (b) of this section must be approved by the board, official, agent, agency, or authority of the state vested with authority to lease or to approve the leasing of the land or areas for oil and gas.

Acts 1977, 65th Leg., p. 2569, ch. 871, art. I, Sec. 1, eff. Sept. 1, 1977. Amended by Acts 1987, 70th Leg., ch. 948, Sec. 34, eff. Sept.

1, 1987.