

Chapter 520

2007 EDITION

Conservation of Gas and Oil

GENERAL PROVISIONS		520.220	Integrating interests or tracts within spacing unit
520.005	Definitions		
520.017	Fees; rules; disposition of fees		
520.025	Permit for drilling well or using well; extension; annual report; grounds for granting or denying permit	520.230	Approved agreement for cooperative or unit development of pool not to be construed as violating certain regulatory laws
520.027	Information holes; holes drilled as part of seismic program; trade secrets	520.240	Voluntary unitization of operations by lessees of tidal or submersible lands; Department of State Lands' function
520.035	Waste of oil or gas prohibited	520.260	Hearing to determine need for unitization of operations; required findings; order
520.045	Determination of waste of oil or gas	520.270	Plan for unit operations
520.055	General jurisdiction and authority of board; tidal lands; rules	520.280	Allocation of production under plan; ownership
520.095	Rules and orders; bond	520.290	When unitization order to become effective; supplemental hearings
520.097	Abandonment or completion of well; well logs and records; trade secrets	520.300	Amending unitization order
520.125	Authority of board to summon witnesses and require production of evidence	520.310	Unitization of area including area previously unitized; partial unitization of pool
520.145	Judicial review of board or department actions	520.320	Unitization order does not terminate prior agreements or affect oil and gas rights; acquisition of property during unit operations
520.155	Records, accounts, reports and writings not to be falsified, altered, destroyed or removed from state	520.330	Effect of operations in unit area
520.165	Aiding or abetting in violation of chapter prohibited		UNDERGROUND RESERVOIRS
520.175	Injunctions to restrain violation or threatened violation of chapter	520.340	Legislative findings
	SPACING UNITS	520.350	Property rights in underground reservoirs for natural gas storage
520.210	Establishment of spacing units for pool or field; purpose; scope; effect		PENALTIES
		520.991	Penalties

GENERAL PROVISIONS

520.005 Definitions. As used in this chapter, unless the context requires otherwise:

(1) “Condensate” means liquid hydrocarbons that were originally in the gaseous phase in the reservoir.

(2) “Field” means the general area underlain by one or more pools.

(3) “Gas” means all natural gas and all other fluid hydrocarbons not defined as oil in subsection (5) of this section, including condensate originally in the gaseous phase in the reservoir.

(4) “Information hole” means a hole drilled for information purposes only, including but not limited to core holes, stratigraphic holes or other test holes.

(5) “Oil” means crude petroleum oil and all other hydrocarbons, regardless of gravity, that are produced in liquid form by ordinary production methods, but does not include liquid hydrocarbons that were originally in a gaseous phase in the reservoir.

(6) “Person” means any natural person, partnership, corporation, association, receiver, trustee, guardian, fiduciary, executor, administrator, representative of any kind, or the State of Oregon and any public body as defined in ORS 174.109.

(7) “Pool” means an underground reservoir containing a common accumulation of oil and natural gas. A zone of a structure that is completely separated from any other zone in the same structure is a pool.

(8) “Owner” means a person who has the right to drill into and to produce from any pool and to appropriate the oil or gas produced therefrom either for others, for the person or for the person and others.

(9) “Protect correlative rights” means that the action or regulation by the board affords a reasonable opportunity to each person entitled thereto to recover or receive the oil or gas in the tract or tracts of the person or the equivalent thereof, without being required to drill unnecessary wells or to incur other unnecessary expense to recover or receive such oil or gas or its equivalent.

(10) “Seismic program” means the collection of seismic exploration data through a continuous field operation.

(11) “Sidetrack” means to reenter a well from the well’s surface location with drilling equipment for the purpose of deviating from the existing well bore to achieve production from an alternate zone or bottom hole location, or to remedy an engineering problem encountered in the existing well bore.

(12) “Unit area” means one or more pools or parts thereof under unit operation pursuant to ORS 520.260 to 520.330 and 520.230 (2).

(13) “Underground reservoir” means any subsurface sand, strata, formation, aquifer, cavern or void whether natural or artificially created, suitable for the injection and storage of natural gas therein and the withdrawal of natural gas therefrom, but excluding a pool.

(14) “Underground storage” means the process of injecting and storing natural gas within and withdrawing natural gas from an underground reservoir.

(15) “Waste of oil or gas” means:

(a) The inefficient, excessive or improper use or dissipation of reservoir energy of any pool, or the locating, spacing, drilling, equipping, operating or producing of any oil well or gas well in a manner that results or may result in reducing the quantity of oil or gas ultimately recoverable from any pool; or

(b) The inefficient storing of oil and the locating, spacing, drilling, equipping, operating or producing of oil wells or gas wells in a manner that causes or may cause unnecessary or excessive surface loss or destruction of oil or gas.

(16)(a) “Well” means a well drilled for the purpose of producing or storing oil or gas or other gaseous substances, reservoir pressure maintenance, disposal of produced fluids, and injection of water as part of a water flood.

(b) “Well” includes a well drilled in search of a new or undiscovered pool, or with the intent of extending the limits of a developed pool.

(c) “Well” does not include an information hole or a hole drilled as part of a seismic program. [1953 c.667 §1; 1961 c.671 §15; 1973 c.276 §1; 1977 c.296 §1; 2007 c.672 §1]

520.010 [Repealed by 1953 c.667 §21]

520.015 [1953 c.667 §2; 1999 c.59 §164; repealed by 2007 c.672 §24]

520.017 Fees; rules; disposition of fees.

(1) The following fees are established under this chapter:

(a) The application fee for a permit to drill a well, \$2,000.

(b) The fee for a request to extend the period for completion of drilling, \$500.

(c) The fee to modify operations at a well, \$1,500.

(d) The fee to sidetrack a well, \$500.

(e) The fee to plug and abandon a well, \$1,000.

(f) The annual renewal fee for operation and maintenance of a well, \$1,500 the first

renewal year and \$500 for each subsequent year.

(g) The application fee for a permit to drill an information hole is to be determined by the State Department of Geology and Mineral Industries based on the estimated cost of review and approval, and the number and location of holes to be drilled. The fee may not exceed \$1,000 per information hole.

(h) The fee for approval of a seismic program shall be determined by the department based on the estimated cost of review and approval, but may not exceed \$1,000.

(2) The governing board of the State Department of Geology and Mineral Industries by rule may specify a schedule of fees for costs incurred by the department for activities related to field designation for purposes of this section.

(3) All moneys received by the State Department of Geology and Mineral Industries under this section shall be paid into the State Treasury and deposited in the General Fund to the credit of the Geology and Mineral Industries Account established in ORS 516.070. [2007 c.672 §3]

520.020 [Repealed by 1953 c.667 §21]

520.025 Permit for drilling well or using well; extension; annual report; grounds for granting or denying permit.

(1) A person may not drill or use a well without first obtaining a permit from the State Department of Geology and Mineral Industries and posting any bond that may be required pursuant to ORS 520.095 (1). Drilling must be completed within one year from the date the permit is issued unless an extension is granted under subsection (2) of this section. When drilling has been completed, the well must be maintained under a permit until it is properly plugged and the site is reclaimed.

(2) An unused permit may be extended by the department for a reasonable period upon receipt of a written request from the permittee before the expiration date of the permit. The request shall be accompanied by a nonrefundable fee established under ORS 520.017.

(3) A permittee maintaining or operating a well shall provide the department with an annual report on a form provided by the department. Subject to the determinations in subsection (4) of this section, a permittee shall renew the permit for a well by paying the fee established under ORS 520.017.

(4)(a) If upon receipt of the application the department determines that the method and equipment to be used by the applicant in drilling or operating the well comply with applicable laws and rules, the department shall issue the permit.

(b) The department may refuse to issue, refuse to renew or revoke a permit issued pursuant to this section if the department determines that methods or equipment to be used or being used in drilling or operating the well do not comply with applicable laws or rules, or that the well will not be operated and maintained or is not being operated or maintained in compliance with the permit and applicable laws or rules. [1953 c.667 §5; 1973 c.276 §2; 1977 c.296 §3; 1981 c.146 §1; 1991 c.526 §1; 2007 c.672 §4]

520.027 Information holes; holes drilled as part of seismic program; trade secrets.

(1) A person may not drill an information hole or a hole drilled as part of a seismic program without first applying for approval from the State Department of Geology and Mineral Industries and paying the fee established in ORS 520.017. The application must be submitted on a form provided by the department and must include all information requested by the department.

(2) A person issued an approval under this section shall comply with all terms of the department's approval and any other applicable law or rule. The department may not require the person receiving approval under this section to provide information from seismic programs. The department may require the submittal of information from information holes, but the information is a trade secret under ORS 192.501 and is not subject to public disclosure under ORS 192.410 to 192.505. [2007 c.672 §6]

520.030 [Repealed by 1953 c.667 §21]

520.035 Waste of oil or gas prohibited.

The waste of oil or gas, as defined in ORS 520.005, is prohibited. [1953 c.667 §3; 2007 c.672 §7]

520.040 [Repealed by 1953 c.667 §21]

520.045 Determination of waste of oil or gas.

The State Department of Geology and Mineral Industries may determine whether waste of oil or gas over which it has jurisdiction exists or is imminent. In the exercise of such power the department may:

(1) Collect data.

(2) Make investigations and inspections.

(3) Examine properties, leases, papers, books and records, including drilling records and logs.

(4) Examine, check, test and gauge oil and gas wells and tanks.

(5) Hold hearings.

(6) Provide for the keeping of records and the making of reports.

(7) Take such action as may be reasonably necessary to enforce this chapter. [1953 c.667 §6; 2007 c.672 §8]

520.050 [Repealed by 1953 c.667 §21]

520.055 General jurisdiction and authority of board; tidal lands; rules. (1) The governing board of the State Department of Geology and Mineral Industries has jurisdiction and authority over all persons and property, including tidal submerged and submersible lands of this state under ORS 274.705 to 274.860, necessary to enforce effectively this chapter and all other laws relating to the conservation of oil and gas.

(2) In addition to and not in lieu of any other powers granted under this chapter, the board may adopt rules and issue orders necessary to regulate geological, geophysical and seismic surveys on, and operations to remove sulfur from, the tidal submerged and submersible lands of this state under ORS 274.705 to 274.860. [1953 c.667 §4; subsection (2) enacted as 1961 c.619 §40; 1969 c.594 §57; 2007 c.672 §9]

520.060 [Repealed by 1953 c.667 §21]

520.065 [1953 c.667 §8; renumbered 520.210]

520.070 [Repealed by 1953 c.667 §21]

520.075 [1953 c.667 §9; 1961 c.671 §16; renumbered 520.220]

520.080 [Repealed by 1953 c.667 §21]

520.085 [1953 c.667 §10; 1961 c.671 §17; renumbered 520.230]

520.090 [Repealed by 1953 c.667 §21]

520.095 Rules and orders; bond. The governing board of the State Department of Geology and Mineral Industries may adopt rules and issue orders, and the department may issue orders, as may be necessary in the proper administration and enforcement of this chapter, including but not limited to rules and orders for the following purposes:

(1) To require the drilling, casing and plugging of wells to be done in such a manner as to prevent the escape of oil or gas out of one stratum to another; to prevent the intrusion of water into oil or gas strata; to prevent the pollution of fresh water supplies by oil, gas or salt water; and to require reasonable bond conditioned upon compliance with applicable laws and rules and upon the performance of the duty to plug each dry or abandoned well.

(2) To compel the filing of logs from wells, including electrical logs, if any are taken, drilling records, typical drill cuttings or cores, if cores are taken, with the office of the State Geologist.

(3) To prevent wells from being drilled, operated and produced in such a manner as to cause injury to neighboring leases or property.

(4) To prevent the drowning by water of any stratum or part thereof capable of producing oil or gas in paying quantities, and to prevent the premature and irregular encroachment of water that reduces, or tends

to reduce, the total ultimate recovery of oil or gas from any pool.

(5) To require the operation of wells with efficient gas-oil ratios, and to fix ratios.

(6) To prevent blowouts, caving and seepage in the same sense that conditions indicated by such terms are generally understood in the oil and gas business.

(7) To prevent fires.

(8) To identify the ownership of all oil and gas wells, producing leases, tanks, plants, structures and all storage equipment and facilities.

(9) To regulate the stimulation and chemical treatment of wells.

(10) To regulate secondary recovery methods, including the introduction of gas, air, water or other substance into producing formations.

(11) To require the filing currently of information as to the volume of oil and gas, or either of them, produced and saved from the respective properties.

(12) To require the protection of ground water.

(13) To require the disposal of salt water and oil field waste so as not to damage land or property unnecessarily.

(14) To require that wells drilled for oil or gas be logged adequately enough to identify the geologic formations penetrated by the wells.

(15) To regulate the underground storage of natural gas and the drilling and operation of any wells required therefor.

(16) To require the mitigation of off-site impacts of drilling and to require reclamation for subsequent beneficial use of drill sites and adjacent areas adversely affected by drilling or use of the well and the filling of sumps.

(17) To require performance bonds or other forms of financial security for compliance with the requirements of this chapter and rules adopted or orders issued under this chapter.

(18) To regulate exploratory wells, including stratigraphic wells and seismic program test wells, subject to the limitations in ORS 520.027.

(19) To regulate geological, geophysical and seismic surveys on, and operations to remove oil, gas and sulfur from, the tidal submerged and submersible lands of this state under ORS 274.705 to 274.860. [1953 c.667 §7; 1961 c.671 §18; 1973 c.276 §3; 1977 c.296 §2; 1981 c.146 §2; 1989 c.365 §1; 2007 c.672 §10]

520.097 Abandonment or completion of well; well logs and records; trade secrets. (1) For a period of two years from the

date of abandonment or completion of a well, all well logs and records and well reports submitted to the State Department of Geology and Mineral Industries are trade secrets under ORS 192.501 and are not subject to public disclosure under ORS 192.410 to 192.505, and all drill cuttings and cores may not be disclosed to the public unless such protection is waived by the permittee or disclosure is required by a court order.

(2) The department may extend the period under subsection (1) of this section up to an additional five years on the request of the permittee or the permittee's successor in interest. [2007 c.672 §12]

520.100 [Repealed by 1953 c.667 §21]

520.105 [1953 c.667 §11; 1961 c.671 §19; repealed by 2007 c.672 §24]

520.110 [Repealed by 1953 c.667 §21]

520.115 [1953 c.667 §12; repealed by 2007 c.672 §24]

520.120 [Repealed by 1953 c.667 §21]

520.125 Authority of board to summon witnesses and require production of evidence. (1) The governing board of the State Department of Geology and Mineral Industries may summon witnesses, administer oaths and require the production of records, books and documents for examination at any hearing or investigation conducted before the board.

(2) In case of failure or refusal on the part of any person to comply with the subpoena issued by the board or in the case of the refusal of any witness to testify as to any matter regarding which the witness may lawfully be interrogated it shall be the duty of the circuit court of any county or any judge thereof, upon application of the board, to issue an order to show cause why such person should not be held for contempt as in the case of disobedience of the requirements of a subpoena issued from such court or a refusal to testify therein.

(3) The board may, in any matter before the board, cause the depositions of witnesses residing within or without the state to be taken in the manner prescribed by law for like depositions in civil suits in the circuit courts of this state. [1953 c.667 §13; 2005 c.22 §374; 2007 c.672 §13]

520.130 [Repealed by 1953 c.667 §21]

520.135 [1953 c.667 §14; repealed by 2007 c.672 §24]

520.145 Judicial review of board or department actions. Any person adversely affected by any rule adopted by the governing board of the State Department of Geology and Mineral Industries under this chapter or any order issued by the board or the State Department of Geology and Mineral Industries under this chapter may obtain judicial review thereof pursuant to ORS chapter 183. [1953 c.667 §15; 1961 c.671 §20; 1979 c.562 §15; 1981 c.146 §3; 2007 c.672 §14]

520.155 Records, accounts, reports and writings not to be falsified, altered, destroyed or removed from state. A person may not, for the purpose of evading the provisions of this chapter or any rule adopted or order issued under this chapter, make or cause to be made any false entry or statement in a report required by this chapter or by any rule or order under this chapter, make or cause to be made any false entry in any record, account or other writing required by this chapter or by any rule or order under this chapter, omit or cause to be omitted from any such record, account or writing full, true and correct entries as required by this chapter or any rule or order under this chapter, or remove from this state or destroy, mutilate, alter or falsify any such record, account or writing. [1953 c.667 §16; 2007 c.672 §15]

520.165 Aiding or abetting in violation of chapter prohibited. A person may not knowingly aid or abet any other person in the violation of any provision of this chapter or any rule adopted or order issued under this chapter. [1953 c.667 §17; 2007 c.672 §16]

520.175 Injunctions to restrain violation or threatened violation of chapter. (1) Whenever it appears that any person is violating or threatening to violate any provision of this chapter or any rule adopted or order issued under this chapter, the governing board of the State Department of Geology and Mineral Industries may bring an action against such person in the circuit court of any county where the violation occurs or is threatened, to restrain such person from continuing such violation. In any such action, the court shall have jurisdiction to grant to the board, without bond or other undertaking, such temporary restraining orders or final prohibitory and mandatory injunctions as the facts may warrant, including any such orders restraining the movement or disposition of oil or gas.

(2) If the board fails to bring an action to enjoin a violation or threatened violation of any provision of this chapter or any rule adopted or order issued under this chapter, within 60 days after receipt of a written request to do so by any person who is or will be adversely affected by such violation, then the person making such request may bring an action to restrain such violation or threatened violation in any court in which the board might have brought such action. The board shall be made a party defendant in such action in addition to the person or persons bringing the action and the action shall proceed and injunctive relief may be granted without bond in the same manner as if the action had been brought by the board. [1953 c.667 §18; 1979 c.284 §162; 2007 c.672 §17]

SPACING UNITS

520.210 Establishment of spacing units for pool or field; purpose; scope; effect.

(1) When necessary to prevent waste of oil or gas, to avoid the drilling of unnecessary wells or to protect correlative rights, the governing board of the State Department of Geology and Mineral Industries shall establish spacing units for a pool or field. Spacing units when established shall be of uniform size and shape for the entire pool or field, except that when found to be necessary for any of the above purposes the board is authorized to divide any pool or field into zones and establish spacing units for each zone, which units may differ in size and shape from those established in any other zone. The board may not establish spacing units for injection wells, withdrawal wells or monitoring wells drilled for the purpose of storing gas or other gaseous substances, or wells drilled for the underground disposal of fluids.

(2) The size and shape of spacing units shall be such as will result in efficient and economical development of the pool or field as a whole and the size thereof may not be smaller than the maximum area that can be efficiently drained by one well.

(3) An order establishing spacing units for a pool or field shall specify the size and shape of each unit and the location of each permitted well thereon in accordance with a reasonably uniform spacing plan. If an owner finds that a well drilled at the prescribed location would not produce in paying quantities or that surface conditions would substantially add to the burden or hazard of drilling such well, then the owner may apply to the department for permission to drill a well at a location other than that prescribed by such spacing order. The department shall notify adjacent mineral owners of such application and any such owner may request a hearing by the board to consider the application. If no request for a hearing is made in writing within 20 days, the department may issue an order approving the drilling site. Any order by the board or department under this section shall include in the order suitable provisions to prevent the production from the spacing unit of more than its just and equitable share of the oil and gas in the pool.

(4) An order establishing spacing units for a pool or field shall cover all lands determined or believed to be underlain by such pool or field and may be modified by the board from time to time to include additional areas determined to be underlain by such pool or field. When necessary to prevent waste of oil or gas, to protect correlative rights or to provide for more efficient drainage, an order establishing spacing units in a

pool or field may be modified by the board to increase the size of spacing units for future wells in a pool or field or any zone thereof or to permit the drilling of additional wells on a reasonably uniform plan in such pool, field or zone. [Formerly 520.065; 1981 c.146 §4; 2007 c.672 §18]

520.220 Integrating interests or tracts within spacing unit.

(1) When two or more separately owned tracts are embraced within a spacing unit or when there are separately owned interests in all or a part of such spacing unit, then the interested persons may integrate their tracts or interests for the development and operation of the spacing unit.

(2) In the absence of voluntary integration, the governing board of the State Department of Geology and Mineral Industries, upon the application of any interested person, shall make an order integrating all tracts or interests in the spacing unit for the development and operation thereof and for the sharing of production therefrom. The board, as a part of the order establishing one or more spacing units, may prescribe the terms and conditions upon which the royalty interests in the units shall, in the absence of voluntary agreement, be deemed to be integrated without the necessity of a subsequent order integrating royalty interests. Each such integration order shall be upon terms and conditions that are just and reasonable. [Formerly 520.075]

UNIT OPERATIONS

520.230 Approved agreement for cooperative or unit development of pool not to be construed as violating certain regulatory laws.

(1) An agreement for the unit or cooperative development and operation of a field or pool in connection with the conduct of repressuring or pressure maintenance operations, cycling or recycling operations, including the extraction and separation of liquid hydrocarbons from natural gas in connection therewith, or any other method of operation, including water floods, is authorized and may be performed and shall not be held or construed to violate ORS 59.005 to 59.451, 59.710 to 59.830, 59.991 and 59.995 or any of the statutes of this state relative to trusts, monopolies or contracts and combinations in restraint of trade, if such agreement is approved by the governing board of the State Department of Geology and Mineral Industries as being in the public interest, for the protection of correlative rights and reasonably necessary to increase ultimate recovery or prevent waste of oil or gas. The failure to submit such an agreement to the board for approval does not, for that reason, imply or constitute evidence that the agreement or operations conducted pursuant

thereto violate ORS 59.005 to 59.451, 59.710 to 59.830, 59.991 and 59.995 or any statute of this state now or hereafter in effect relating to trusts and monopolies.

(2) An agreement for the unit or cooperative development or operation of a field, pool or part thereof may be submitted to the board for approval as being in the public interest or reasonably necessary to prevent waste or protect correlative rights. Approval by the board constitutes a complete defense to any proceeding charging violation of ORS 59.005 to 59.451, 59.710 to 59.830, 59.991 and 59.995 or of any statute of this state now or hereafter in effect relating to trusts and monopolies on account thereof or on account of operations conducted pursuant thereto. The failure to submit such an agreement to the board for approval does not, for that reason, imply or constitute evidence that the agreement or operations conducted pursuant thereto violate ORS 59.005 to 59.451, 59.710 to 59.830, 59.991 and 59.995 or any statute of this state now or hereafter in effect relating to trusts and monopolies. [Formerly 520.085; subsection (2) enacted as 1961 c.671 §13; 1963 c.69 §1]

520.240 Voluntary unitization of operations by lessees of tidal or submersible lands; Department of State Lands' function. (1) For the purpose of properly conserving the natural resources of any single oil or gas pool or field, lessees under ORS 274.705 to 274.860 and their representatives may unite with each other jointly or separately, or jointly or separately with others owning or operating lands not belonging to the state, in collectively adopting and operating under a cooperative or unit plan of development or operation of the pool or field, whenever it is determined by the Department of State Lands to be necessary or advisable in the public interest.

(2) The Department of State Lands may, with the consent of the holders of the leases involved, establish, alter, change and revoke any drilling and production requirements of such leases, and make such regulations with reference to such leases, with like consent on the part of the lessees, in connection with the institution and operation of any such cooperative or unit plan, as the Department of State Lands deems necessary or proper to secure the proper protection of the interests of the state. [1961 c.619 §33]

520.260 Hearing to determine need for unitization of operations; required findings; order. (1) The governing board of the State Department of Geology and Mineral Industries upon its own motion may, and upon the application of any interested person shall, hold a hearing to consider the need for the operation as a unit of one or more pools or parts thereof in a field.

(2) The board shall make an order providing for the unit operation of a pool or part thereof if it finds that:

(a) Unit operation is reasonably necessary to effectively carry on pressure control, pressure maintenance or repressuring operations, cycling operations, water flooding operations, injection operations, or any combination thereof, or any other method of recovery designed to substantially increase the ultimate recovery of oil from the pool or pools; and

(b) The value of the estimated additional recovery of oil or gas exceeds the estimated additional cost incident to conducting unit operations. [1961 c.671 §2; 2007 c.672 §19]

520.270 Plan for unit operations. An order issued pursuant to ORS 520.260 shall be upon terms and conditions that are just and reasonable, and shall prescribe a plan for unit operations that includes the following:

(1) A description of the pool or pools or parts thereof to be so operated.

(2) A statement of the nature of the operations contemplated.

(3) An allocation to the separately owned tracts in the unit area of all the oil and gas that is produced from the unit area and is saved, being the production that is not used in the conduct of operations on the unit area or not unavoidably lost.

(4) A provision for the credits and charges to be made in the adjustment among the owners in the unit area for their respective investments in wells, tanks, pumps, machinery, materials and equipment contributed to the unit operations.

(5) A provision stating how the costs of unit operations, including capital investments, shall be determined and charged to the separately owned tracts and how these costs shall be paid, including a provision stating when, how and by whom the unit production allocated to an owner who does not pay the share of the cost of unit operations charged to such owner, or the interest of such owner, may be sold and the proceeds applied to the payment of such costs.

(6) A provision, if necessary, for carrying or otherwise financing any person who elects to be carried or otherwise financed, allowing a reasonable interest charge for such service payable out of that person's share of the production.

(7) A provision for the supervision and conduct of the unit operations, in respect to which each person shall have a vote with a value corresponding to the percentage of the costs of unit operations chargeable against the interest of that person.

(8) The time when the unit operations shall commence, and the manner in which, and the circumstances under which, the unit operations shall terminate.

(9) Additional provisions that are found appropriate for carrying on the unit operations, and for the protection of correlative rights. [1961 c.671 §3]

520.280 Allocation of production under plan; ownership. (1) The allocation described in ORS 520.270 (3) shall be in accord with the agreement, if any, of the interested parties. If there is no such agreement, the governing board of the State Department of Geology and Mineral Industries shall determine the relative value, from evidence introduced at the hearing, of the separately owned tracts in the unit area, exclusive of physical equipment, for development of oil and gas by unit operations. The production allocated to each tract shall be the proportion that the relative value of each tract so determined bears to the relative value of all tracts in the unit area.

(2) That portion of the unit production allocated to any tract, and the proceeds from the sale thereof, are the property and income of the several persons to whom, or to whose credit, they are allocated or payable under the order providing for unit operations. [1961 c.671 §§4,10]

520.290 When unitization order to become effective; supplemental hearings. (1) No order of the governing board of the State Department of Geology and Mineral Industries providing for unit operations is effective until:

(a) The plan for unit operations prescribed by the board under ORS 520.270 has been approved in writing by (A) those owners who, under the board's order, will be required to pay at least 75 percent of the costs of the unit operation, and (B) those persons who, at the time of the order of the board, owned of record legal title to 75 percent of royalty and overriding royalty payable with respect to oil and gas produced from the pool or part thereof over the entire unit area; and

(b) The board has made a finding, either in the order providing for unit operations or in a supplemental order, that the plan for unit operations has been so approved.

(2) If the plan for unit operations has not been approved pursuant to subsection (1) of this section at the time the order providing for unit operations is made, the board shall upon application and notice hold such supplemental hearings as are required to determine if and when the plan for unit operations has been approved. If the persons owning the percentage of interest in the unit area required by subsection (1) of this sec-

tion do not approve the plan for unit operations within a period of six months after the date on which the order providing for unit operations is made, the order is ineffective and shall be revoked by the board unless the board, for good cause shown, extends the time for approval. [1961 c.671 §5]

520.300 Amending unitization order.

An order providing for unit operations may be amended by an order made by the governing board of the State Department of Geology and Mineral Industries in the same manner and subject to the same conditions as an original order providing for unit operations. However:

(1) If the amendment affects only the rights and interests of the owners, the approval of the amendment by the royalty owners is not required.

(2) The order of amendment may not change the percentage for the allocation of:

(a) Oil and gas as established for any separately owned tract by the original order, except with the consent of all persons owning oil and gas rights in the tract; or

(b) Cost as established for any separately owned tract by the original order, except with the consent of all owners in the tract. [1961 c.671 §6; 2007 c.672 §20]

520.310 Unitization of area including area previously unitized; partial unitization of pool.

(1) The governing board of the State Department of Geology and Mineral Industries by order may provide for the unit operation of a pool or pools or parts thereof that embrace a unit area established by a previous order of the board. The order, in providing for the allocation of unit production, shall first treat as a single tract the unit area previously established, and the portion of the unit production so allocated thereto shall then be allocated among the separately owned tracts included in the previously established unit area in the same proportions as those specified in the previous order.

(2) An order may provide for unit operations on less than the whole of a pool where the unit area is of such size and shape as may reasonably be required for that purpose, and the conduct thereof will have no adverse effect upon other portions of the pool. [1961 c.671 §§7,8; 2007 c.672 §21]

520.320 Unitization order does not terminate prior agreements or affect oil and gas rights; acquisition of property during unit operations.

(1) No division order or other contract relating to the sale or purchase of production from a separately owned tract may be terminated by the order providing for unit operations, but remains in force and applies to oil and gas allocated to

that tract until terminated in accordance with the provisions thereof.

(2) Except to the extent that the parties affected so agree, no order providing for unit operations results in a transfer of all or any part of the title of any person to the oil and gas rights in any tract in the unit area.

(3) All property, whether real or personal, that may be acquired in the conduct of unit operations under ORS 520.260 to 520.330 and 520.230 (2) shall be acquired for the account of the owners within the unit area, and is the property of such owners in the proportion that the expenses of unit operations are charged. [1961 c.671 §§11,12]

520.330 Effect of operations in unit area. All operations, including but not limited to the commencement, drilling or operation of a well, upon any portion of the unit area, are considered for all purposes the conduct of such operations upon each separately owned tract in the unit area by the several owners thereof. The portion of the unit production allocated to a separately owned tract in a unit area, when produced, is considered for all purposes to have been actually produced from that tract by a well drilled thereon. Operations conducted pursuant to an order of the governing board of the State Department of Geology and Mineral Industries providing for unit operations constitute a fulfillment of all the express or implied obligations of each lease or contract covering lands in the unit area to the extent that compliance with such obligations cannot be had because of the order of the board. [1961 c.671 §9; 2007 c.672 §22]

UNDERGROUND RESERVOIRS

520.340 Legislative findings. The underground storage of natural gas in Oregon is found by the Legislative Assembly to be in the public interest in that the establishment of underground reservoirs of natural gas will help insure the continued, uninterrupted availability of natural gas supplies to residential, commercial and industrial consumers in Oregon during periods of peak demand and during interruptions in the normal flow of natural gas supplies. [1977 c.296 §5]

520.350 Property rights in underground reservoirs for natural gas storage. (1) All natural gas in an underground reservoir utilized for underground storage,

whether acquired by eminent domain or otherwise, shall at all times be the property of the natural gas company utilizing said underground storage, its heirs, successors, or assigns. In no event shall such gas be subject to the rights of the owner of the surface of the land under which said underground reservoir lies or of the owner of any mineral interest therein or of any person other than said natural gas company, its heirs, successors and assigns to release, produce, take, reduce to possessions, or otherwise interfere with or exercise any control thereof.

(2) Any right of condemnation granted for the purposes of ORS 520.340, 772.610 to 772.625 and this section shall be without prejudice to the rights of the owner of the condemned lands or of the rights and interest therein to drill or bore through the underground reservoir in such a manner as shall protect the underground reservoir against pollution and against the escape of natural gas in a manner which complies with the orders and rules of the State Department of Geology and Mineral Industries. Such condemnation shall be without prejudice to the owners of such lands or other rights or interests therein as to all other uses thereof. The additional costs of complying with rules or orders to protect the underground shall be paid by the condemnor. [1977 c.296 §6]

PENALTIES

520.990 [Repealed by 1953 c.667 §21]

520.991 Penalties. Subject to ORS 153.022, violation of any provision of this chapter, any rule adopted by the governing board of the State Department of Geology and Mineral Industries under this chapter or any order issued by the board or the State Department of Geology and Mineral Industries under this chapter is punishable, upon conviction, by a fine not exceeding \$2,500 or imprisonment in the county jail for a term not exceeding six months, or both. [1953 c.667 §19; 1999 c.1051 §315; 2007 c.672 §23]

CHAPTER 521

[Reserved for expansion]