

# Cost Sharing Statutes in Various States

Layla Cummings

DENR

Meeting of the Compulsory Pooling Study Group

April 12, 2013

# Free Ride – North Carolina

After being reimbursed for the actual expenditures for drilling and equipping and operating expenses incurred during the drilling operations and until the operator is reimbursed, the operator shall thereafter pay to the owner of each tract within the pool his ratable share of the production calculated at the market price in the field at the time of such production less the reasonable expense of operating the well.

N.C. Gen. Stat. § 113-393(a)

# Surrender of Working Interest - Arkansas

. . . [A]n owner who does not affirmatively elect to participate in the risk and cost of the operations shall transfer his or her rights in the drilling unit and the production from the unit well to the parties who elect to participate therein for a reasonable consideration and on a reasonable basis which shall be determined, in the absence of agreement between the parties, by the Oil and Gas Commission. The transfer may be either a permanent transfer or may be for a limited period pending recoupment out of the share of production attributable to the interest of the nonparticipating owner by the participating parties of an amount equal to the share of the costs that would have been borne by the nonparticipating party had he or she participated in the operations, plus an additional sum to be fixed by the commission.

Ark. Code Ann. § 15-72-304(b)(4)

# Risk Penalty- Texas

As to an owner who elects not to pay his proportionate share of the drilling and completion costs in advance, the commission shall make provision in the pooling order for reimbursement solely out of production, to the parties advancing the costs, of all actual and reasonable drilling, completion, and operating costs plus a charge for risk not to exceed 100 percent of the drilling and completion costs.

Tex. Nat. Res. Code § 102.052(a)

# Options Approach- West Virginia

## Senate Bill 424 (2011)

Upon request, any pooling order shall provide just and equitable alternatives whereby an owner of an operating interest who does not elect to participate in the risk and cost of the drilling of a horizontal shallow well may elect:

(A) Option 1. Either to assign an oil and gas lease ownership interest to the operator on such terms as the parties may agree or, if unable to agree, upon such terms as are established by the commission in an order; or to lease an unleased oil and gas ownership interest pursuant to the terms of the oil and gas lease the operator submitted with the application; or

(B) Option 2. To become a nonoperating working interest owner by participating in the risk and cost of the well in accordance with the terms of section six of this article and the joint operating agreement the operator submitted with the application; or

(C) Option 3. To participate in the operation of the well as a nonoperating carried interest owner in accordance with the terms of section six of this article and the joint operating agreement the operator submitted with the application (“Carried Well Operator”).

# Treatment of Unleased Interests- Colorado

A nonconsenting owner of a tract in a drilling unit which is not subject to any lease or other contract for the development thereof for oil and gas shall be deemed to have a landowner's proportionate royalty of twelve and one-half percent until such time as the consenting owners recover, only out of the nonconsenting owner's proportionate seven-eighths share of production, the costs . . . After recovery of such costs, the nonconsenting owner shall then own his proportionate eight-eighths share of the well, surface facilities, and production and then be liable for further costs as if he had originally agreed to drilling of the well.

Colo. Rev. Stat. § 34-60-116(7)