

**Fifty-seventh Legislative Assembly of North Dakota
In Regular Session Commencing Tuesday, January 9, 2001**

SENATE BILL NO. 2120
(Natural Resources Committee)
(At the request of the Attorney General)

AN ACT to amend and reenact subsection 7 of section 38-08-09.4 and section 38-08-09.5 of the North Dakota Century Code, relating to dissolution of units and to the industrial commission's oversight of the creation of units for the further development of oil and gas and changing ratification requirements for these units.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 7 of section 38-08-09.4 of the North Dakota Century Code is amended and reenacted as follows:

7. The time when and conditions under which and the method by which the unit ~~shall~~ must or may be dissolved and its affairs wound up; however, the unit may be dissolved ten years after the unit agreement becomes effective upon a petition to the commission by the royalty owners who are credited with at least eighty percent of the production and proceeds thereof or for units established after the effective date of this Act, upon a petition to the commission by the royalty owners who are credited with at least sixty percent of the production and proceeds thereof, and a subsequent hearing and order by the commission. The commission may not dissolve any unit if the dissolution would be likely to result in waste or the violation of the correlative rights of any owner. This provision does not limit or restrict any other authority which the commission has.

SECTION 2. AMENDMENT. Section 38-08-09.5 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

38-08-09.5. Ratification or approval of plan by lessees and owners. At the time of filing of the petition for the approval of a unit agreement and the filing of the unit agreement, the commission shall ~~set a time and place for the~~ schedule a hearing. At least forty-five days prior to the hearing, the applicant ~~or someone under his direction and control~~, shall give notice of the ~~time and place of said~~ hearing and shall mail, postage prepaid, a copy of the application and the proposed plan of unitization to each affected person owning an interest of record in the unit outline, at such person's last-known post-office address. In addition, ~~such~~ the applicant shall file with the commission engineering, geological, and all other technical exhibits to be used at ~~said~~ the hearing, and further, the notice must ~~so~~ specify that such material is filed and is available for inspection. Service is complete in the mailing of the notice of hearing and unit agreement to each interest owner as ~~hereinbefore prescribed at his last known address~~ described in this section and the filing of an affidavit of mailing with the commission. No order of the commission creating a unit and prescribing ~~the~~ its plan of unitization ~~applicable thereto~~ becomes effective ~~unless and~~ until the plan of unitization has been signed, or in writing ratified or approved by those persons who, under the commission's order, will be required to pay at least ~~seventy~~ sixty percent of the costs of the unit operation and ~~also~~ by the owners of at least ~~seventy~~ sixty percent of the royalty interests ~~under the commission's order~~, excluding overriding royalties, production payments, and other interests carved out of the working interest, and in addition it ~~shall be~~ is required that when there is more than one person who will be obligated to pay costs of the unit operation, at least two nonaffiliated such persons and at least two royalty interest owners, ~~shall be~~ are required as voluntary parties, and the commission has made a finding either in the order creating the unit or in a supplemental order that the plan of unitization has been so signed, ratified, or approved by lessees and royalty owners owning the required percentage interest ~~in and to the unit area~~. Where the plan of unitization has not been ~~so~~ signed, ratified, or approved by lessees and royalty owners owning the required percentage interest ~~in and to the unit area~~ at the time the order creating the unit is made, the commission shall, upon petition and notice, hold such additional ~~and supplemental~~ hearings as may be requested or required to determine if and when the plan of unitization has been so signed,

ratified, or approved by lessees and royalty owners owning the required percentage interest ~~in and to the unit area~~ and shall, in respect to such hearings, ~~make and~~ enter a finding of its determination in such regard. In the event lessees and royalty owners, or either, owning the required percentage interest ~~in and to the unit area~~ have not ~~so~~ signed, ratified, or approved the plan of unitization within a ~~period of six months from and after~~ the date on which the order creating the unit is made, the order ~~creating the unit~~ ceases to be of further force and effect and shall be revoked by the commission.

President of the Senate

Speaker of the House

Secretary of the Senate

Chief Clerk of the House

This certifies that the within bill originated in the Senate of the Fifty-seventh Legislative Assembly of North Dakota and is known on the records of that body as Senate Bill No. 2120.

Senate Vote: Yeas 48 Nays 0 Absent 1

House Vote: Yeas 94 Nays 0 Absent 4

Secretary of the Senate

Received by the Governor at _____ M. on _____, 2001.

Approved at _____ M. on _____, 2001.

Governor

Filed in this office this _____ day of _____, 2001,

at _____ o'clock _____ M.

Secretary of State