

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1071

Page 1, line 1, after "reenact" insert "subsection 1 of section 38-08-08 and"

Page 1, line 2, after the first "to" insert "the provisions of pooling orders and the"

Page 1, after line 3, insert:

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

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 the spacing unit, then the owners and royalty owners thereof may pool their interests for the development and operation of the spacing unit. In the absence of voluntary pooling, the commission upon the application of any interested person shall enter an order pooling all interests in the spacing unit for the development and operations thereof. Each such pooling order must be made after notice and hearing, and must be upon terms and conditions that are just and reasonable, and that afford to the owner of each tract or interest in the spacing unit the opportunity to recover or receive, without unnecessary expense, that owner's just and equitable share. Operations incident to the drilling of a well upon any portion of a spacing unit covered by a pooling order must be deemed, for all purposes, the conduct of such operations upon each separately owned tract in the drilling unit by the several owners thereof. That portion of the production allocated to each tract included in a spacing unit covered by a pooling order must, when produced, be deemed for all purposes to have been produced from such tract by a well drilled thereon. For the purposes of this section and section 38-08-10, any unleased mineral interest pooled by virtue of this section before August 1, 2009, is entitled to a cost-free royalty interest equal to the acreage weighted average royalty interest of the leased tracts within the spacing unit, but in no event may the royalty interest of an unleased tract be less than a one-eighth interest. An unleased mineral interest pooled after July 31, 2009, is entitled to a cost-free royalty interest equal to the acreage weighted average royalty interest of the leased tracts within the spacing unit or, at the operator's election, a cost-free royalty interest of sixteen percent. The remainder of the unleased interest must be treated as a lessee or cost-bearing interest. ~~Any unleased mineral interest pooled prior to July 1, 1983, is entitled to the cost free royalty interest and working interest as provided in this section from and after July 1, 1983."~~

Page 2, line 3, overstrike "or" and insert immediately thereafter an underscored comma

Page 2, line 4, after "payments" insert ", or when a mineral owner cannot be located after reasonable inquiry by the operator"

Renumber accordingly