



Terry L. Stowers
Oklahoma Legislation
Update and Current Surface
and Mineral Owner Issues
4/17/2014



“Working together to protect the rights of Oklahoma’s Surface and Mineral Owners through the legislative and legal process.”

- At the Oklahoma State Capitol
 - Through the Legislative Process
- At the Oklahoma Corporation Commission
 - Through the Rule Making Process
 - As an *Amicus Curiae* in matters of significance
- In the Courthouse
 - As an *Amicus Curiae* in matters of significance
- In the Public
 - Participate in Educational Programs



DRAGNET



***Just the facts, mam.
Just the facts.***





**2014 Legislative Update (4/16/2014)
The 2nd Session of the 54th Legislature**



**Laws are like
sausages,
it is better not
to see them
being made!**

Some of the Sausage We've Help Make Over the Years

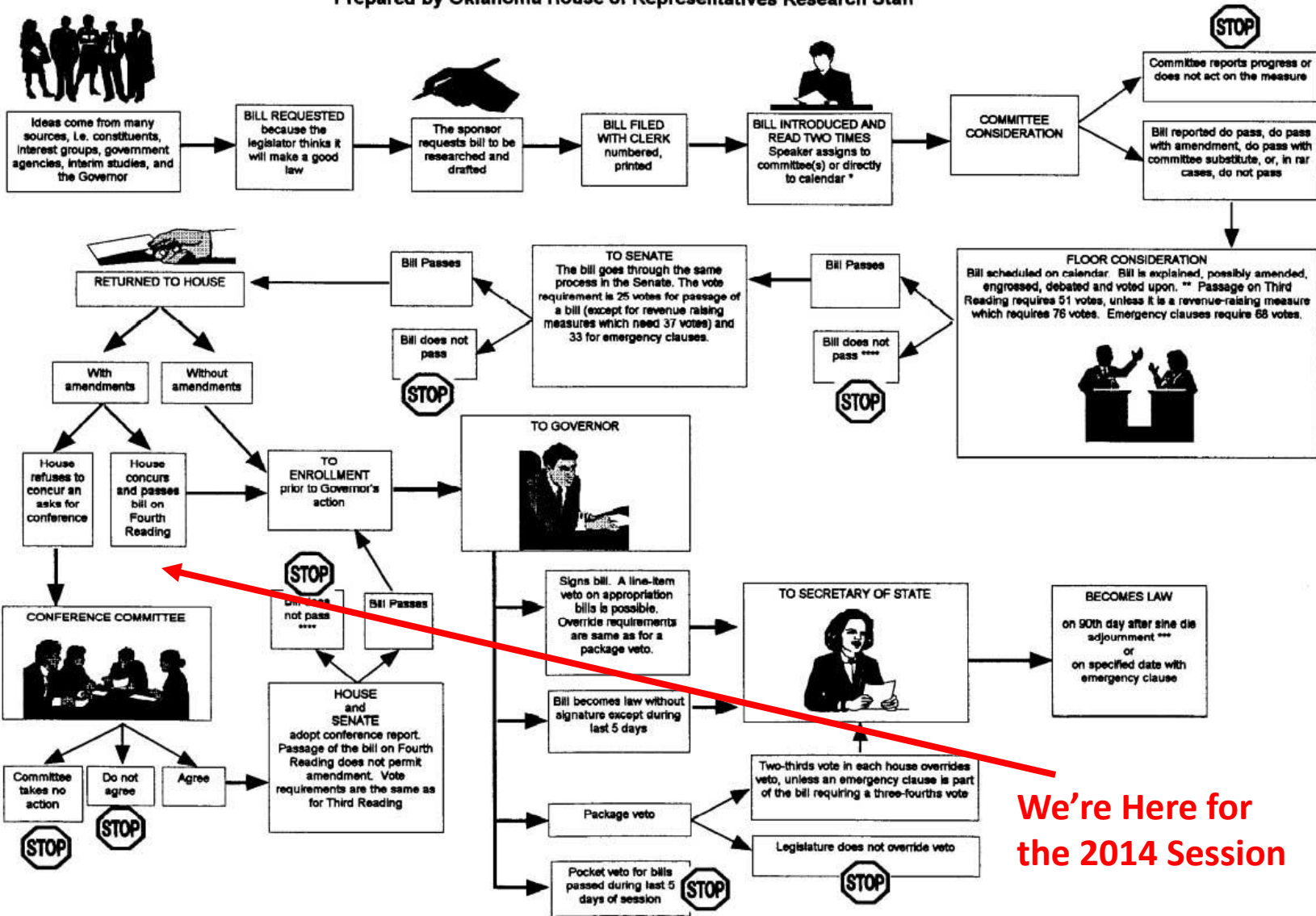
- 1992 - The Production Revenue Standards Act;
- 1992 - The Natural Gas Market Sharing Act;
- 2004 - HB2661 (lawsuit reform);
- 2005 - SB 575 (Escheating of Minerals);
- 2009 - The Comprehensive Lawsuit Reform Act of 2009;
- 2011 - The 2011 Shale Reservoir Development Act;
- 2011 - The Exploration Rights Act of 2011;
- 2012 - The Energy Litigation Reform Act (2012);
- 2012 – Seismic Exploration Act
- 2013 - SB402 (Protection of Livestock from Dangerous Dogs)
- 2013 – Lawsuit Reform (Special Session)



Untold Numbers of Bad legislation we've helped prevent!

How an Idea Becomes a Law

Prepared by Oklahoma House of Representatives Research Staff



We're Here for the 2014 Session

* The House has used, by rule, a system permitting the Speaker to predesignate measures to committees so that they can consider, but not act officially on them, before the Legislature meets in February.
** The House of Representatives also uses a consent calendar. A committee or the Speaker can put a measure on the consent calendar whereby no amendments or debate are allowed.
*** Frequently, measures will have later effective date provisions such as November 1 or January 1.
**** House rule provides that for bills which are defeated on final passage in House, bills on that subject may not be considered during the remainder of that Legislature.

2014 Potential Oklahoma Legislation Affecting Surface and Mineral Owners

- We started with over 100 Bills on our watch list, down to less than 10.
- **Expansion of Horizontal Well Development Act vs. Creating 1,280-acre Spacing Units** (HB2264 (Trebilcock/Bingman) & SB78 (Bingman/Trebilcock) vs. SB971 (Branan/Jackson))
 - For Discussion: 2014 Oil & Gas Conservation Modernization Act
 - Includes: Royalty Standardization Act (“Marketable Product” definition)
- **Gross Production Tax Drilling Incentives**
 - Current: 1% tax for 4 years on horizontal wells expires in 2015
 - Royalty owners benefit by: (1) increased drilling activity and (2) sharing in the lower GPT rate (i.e., 3/16th of this lower tax)
 - Current discussions:
 - Expanded scope to ALL new wells.
 - Change the rate from 1% to 2%
 - Change the time from 4 years to 2 years
 - Make the incentive permanent
- **Reduction of the 12% Production Revenue Standards Act Interest Rate** (HB2654 Kouplen)
- **Mandate Federal Control of and Impose Procedural Case Law on State Court Class Actions** (HB3300 Osborn/Treat)
- **Allow Oil Companies to Use the County Road Easement for Temporary Water Lines Without Getting Landowner Permission or Paying the Landowner for the Use** (SB1812 Marlatt/Jackson)

“Move that water line! I Own to the Middle of the Road.”



**Landowners and Oil Companies Square Off Against SB1812
Landowners Won (at least this round)**

Corporation Commission

- **Rule Making**
 - Issue: Flaring
 - Issue: Horizontal Units vs. Vertical (Non-Horizontal) Units – Concurrent Development
- ***Amicus Curiae***
 - EAGLE ENERGY vs. OCC, TOWER ROYALTY and THISTLE ROYALTY, Appellate Case No. 112,165
 - This case really boils down to one pivotal question: “**Does the Oklahoma Corporation Commission , when it exercises the police power of the State of Oklahoma, have the authority to deprive mineral owners of their property rights, or modify the terms of their contracts, without due process of law, and without just compensation?”**
 - Oklahoma mineral owners cannot be force pooled *in absentia*.
 - The Commissioners AGREED
 - On Appeal to the Oklahoma Supreme Court
- **Public Education**
 - **OCC annual seminar** related to regulatory challenges created by horizontal drilling advancements
 - Town Hall Meeting

Litigation - Royalty Owner Class Settlements

- **Recent Royalty Owner Class Action Settlements (over \$380 million – Over \$1 billion to date):**
 - *Drummond v. Range Resources*, Case No. CJ-2010-510; In the District of Grady County
 - \$87.5 Million Settlement Approved
 - *Tatum v Devon*, CJ-10-77, District Court of Nowata Co.
 - \$3.8 Million Settlement Approved
 - *DSR v Devon*, CJ-11-12, District Court of Dewey Co.
 - \$11 Million Settlement Approved
 - *Brown v Citation O&G*, CJ-04-217, District Court of Caddo Co.
 - \$4.95 Million Settlement Approved
 - *Cecil v Ward*, CJ-2010-462; In the District Court of Grady Co.
 - \$10 Million Settlement Approved
 - *Mitchusson v. Exco*, CJ-2010-32, District Court of Caddo Co.
 - \$23.5 Million Settlement Approved
 - *Weber v. Mobil*, CJ-2001-53, District Court of Custer Co.
 - \$30 Million Settlement Approved

Litigation - Royalty Owner Class Settlements (p2)

- *Hill v. Marathon*, CIV-08-37-R, Western District, USDC
 - \$40 Million Settlement Approved
- *Fankouser v. XTO*, CIV-07-798-L, Western District, USDC
 - \$37 Million Settlement Approved
- *Naylor Farms v. QEP*, CIV-08-668-R, Western District, USDC
 - \$1.845 Million Settlement Approved
- *Hitch v Cimarex*, CIV-11-13-W, Western District, USDC
 - \$16.4 Million Settlement Approved
- *Chieftain Royalty v. QEP Energy*, CIV- 11-1-, Western District, USDC
 - \$115 Million Settlement Approved
- *Hill v. Kaiser-Francis*, CIV-09-07-R, Western District, USDC
 - \$37 Million Settlement Approved
- There are various Royalty Owner Class Actions pending in various stages in State and Federal Courts in Oklahoma
 - Discuss *Fitzerald v Chesapeake*, Oklahoma Supreme Court, Case No. 111,566 – OK-NARO Amicus Curiae Statement

Disclaimer



**“Just the Facts Ma’am,
Just the facts”**