



# Legislative Council Staff

## Research Note

Version: Senate SVMA  
Committee  
Date: 5/3/2017

### Bill Number

House Bill 17-1336

### Sponsors

*Representative Foote & Young*

### Short Title

*Additional Protections Forced  
Pooling Order*

### Research Analyst

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### Status

The bill is currently pending before the Senate State, Veterans, and Military Affairs Committee. This research note reflects the reengrossed bill.

### Background

***Pooling of mineral owners to form drilling units.*** A drilling unit is a parcel of land upon which one well may be drilled into an underground oil or gas pool. The size of a drilling unit depends upon the geology of the mineral resource and extraction technologies. Under Colorado's Oil and Gas Conservation Act, "no drilling unit shall be smaller than the maximum area that can be efficiently and economically drained by one well." In Colorado and other oil and gas producing states, oil and gas developers typically purchase or lease mineral rights from multiple mineral owners and 'pool' them to form a drilling unit. Mineral owners may voluntarily agree to pool smaller tracts into a unit large enough to meet the well spacing requirements. Such owners generally share the costs of production and revenues proportionately, based on mineral ownership within the unit.

***Statutory pooling.*** Most states with oil and gas resources allow owners of two or more tracts of minerals located in a drilling unit to voluntarily pool their interests for the development and operation of the drilling unit. However, some mineral owners may not agree to pool their interests. Thirty states allow resources to be extracted from nonconsenting owner's property by requiring them to become part of a drilling unit, commonly known as forced pooling or statutory pooling. Nonconsenting mineral owners are typically offered either a chance to participate in a voluntary pooling agreement or are granted a compensation package that is specified in law.

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## House Action

**House Transportation and Energy Committee (April 19, 2017).** At the hearing, representatives from the City of Broomfield and Vital for Colorado testified in support of the bill. Representatives of the Colorado Petroleum Council, the Colorado Oil and Gas Association, the Bill Barret Corporation, the Colorado Petroleum Association, the Colorado Competitive Council, the Denver Metro Chamber of Commerce, the Colorado Business Roundtable, and the Colorado Alliance for mineral and Royalty Owners testified in opposition to the bill. The committee adopted Amendment L.002 that eliminates a requirement that at least a majority of royalty interest owners agree to pool in order to pool nonconsenting owners. It also adopted Amendment L.005, which changes the information that must be provided by the operator of a well under a pooling order in which there is a nonconsenting owner to include information about the percentage of acres that have been force pooled with the drilling unit. It also allows an operator to designate information that is a trade secret, privileged information, or confidential commercial, financial, geological, or geophysical information. The commission is prohibited from posting any such information on its website that complies with conditions specified in state law. The committee referred the bill, as amended, to the House Appropriations Committee.

**House Appropriations Committee (April 25, 2017).** The committee referred the bill without amendment to the House Committee of the Whole.

**House second reading (April 25, 2017).** The House adopted the House Transportation and Energy Committee report and Amendment No. 1 that strikes all references to "forced" pooling. The House passed the bill on second reading, as amended.

**House third reading (May 26, 2017).** The House passed the bill on third reading with no amendments.