



CITE AS
25 *Energy & Min. L. Inst.* ch. 10 (2005)

Chapter 10

Costs that Can Be Charged in Calculation of Risk Penalties Under Forced Pooling Action and Non-Consent Penalties Under Operating Agreements

By Timothy C. Dowd
Elias, Books & Brown
Oklahoma City, Oklahoma

Synopsis

§ 10.01.	Introduction.....	311
§ 10.02.	Nature of Forced Pooling Statutes	312
§ 10.03.	Risk Penalty Statutes	313
§ 10.04.	Comparison with Model Form Operating Agreement	315
§ 10.05.	Issues in Determinations of Costs	319
	[1] — Actual Expenditures	319
	[2] — Cost of Supervision.....	319
	[3] — Interest.....	320
	[4] — Extraordinary Problems	320
	[5] — Drilling Costs – Horizontally Severed Ownership	320
	[6] — Marketing Costs	322
§ 10.06.	Accounting By Well or By Unit	322

§ 10.01. Introduction.

Prior to Colonel Edwin Drake’s drilling of the first oil well in 1819, Joel D. Angier of Titusville, Pennsylvania leased a site from saw mill operators to recover oil. Mr. Angier was unsuccessful. This is history’s first known oil and gas lease.

Unlike Mr. Angier’s experience, modern operators deal with reluctant mineral owners, greedy or overreaching co-lessees, and missing owners. To combat these problems as well as prevent the unnecessary drilling of oil and gas wells, prevent waste and protect correlative rights, states have enacted conservation laws, including those allowing compulsory pooling. The procedures are also known as forced integration and forced pooling.