

## **BILL ANALYSIS**

Senate Research Center  
77R2916 MI-D

S.B. 1750  
By: Haywood  
Natural Resources  
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### **DIGEST AND PURPOSE**

Currently, Texas is the only oil-producing state that does not have some form of state-assisted unitization to encourage oil production. The federal government and all other producing states have some form of assisted unitization. Unitization allows oil and gas producers to operate a field or a single reservoir in that field as a unit or single entity, rather than on a leasehold basis, and it is used when secondary or tertiary recovery projects are needed to maximize the recovery of oil in the reservoir. Under current law, the last working interest owner or royalty owner in a field has an incentive to hold out for a greater share of the proceeds from a combined effort. This can often lead to disproportionate shares, inefficient production, and even to the unit not being formed at all. Current law does not provide a mechanism in this situation regarding the rights of all of the parties involved, including the prevention of waste, protection of property rights, protection of correlative rights of the producers and the royalty owners, and the tax and royalty interests of the state. As proposed, S.B. 1750 provides for Enhanced Recovery Unitization to increase oil production and addresses those situations where some of the owners do not agree to the unit.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Railroad Commission of Texas in SECTION 1 (Section 104.003, Natural Resources Code), of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Title 3C, Natural Resources Code, by adding Chapter 104, as follows:

#### CHAPTER 104. UNITIZATION

##### SUBCHAPTER A. GENERAL PROVISIONS

Sec. 104.001. **SHORT TITLE.** Provides that this chapter may be cited as the Texas Enhanced Recovery Unitization Act.

Sec. 104.002. **DEFINITIONS.** Defines "affiliate," "commission," "common source of supply," "extraneous substances," "marketing," "oil and gas," "plan of unitization," "postunitized daily average primary production," "primary recovery," "royalty interest," "royalty owner," "tract," "tract participation," "unit area," "unit cost," "unit expense," "unit incremental enhanced recovery production," "unit operations," "unit operator," "unit participation of a royalty owner," "unit participation of a working interest owner or unleased mineral interest owner," "unit production," "working interest," and "working interest owner."

Sec. 104.003. **POWER AND AUTHORITY OF COMMISSION.** (a) Requires the Railroad Commission of Texas (commission) to adopt any necessary rule, issue and enforce any necessary order, and perform all required acts necessary to carry out the purposes of this chapter.

(b) Requires the commission in accordance with this chapter to determine whether a plan of unitization, including the participation formula, proposed under this chapter for all or part of a common reservoir is fair, reasonable, and equitable for all interests concerned and necessary to carry out the purposes of this chapter.

Sec. 104.004. APPLICABILITY. (a) Provides that this chapter does not apply to any common source of supply that has produced over five billion barrels of oil, a gas field that produces primarily dry gas or natural gas and condensate, or land that has been excluded from unitization under Section 104.030.

(b) Provides that this chapter does not affect or apply to a voluntary cooperative agreement in secondary recovery operations as provided by Chapter 101B.

Sec. 104.005. APPLICATION TO PUBLIC LAND. (a) Provides that this chapter does not apply to land owned by the state or land in which the state has a direct or indirect interest.

(b) Provides that, except as provided by Subsection (c), this chapter does not amend, repeal, change, alter, or affect in any manner the authority or jurisdiction of the state, the commissioner of the General Land Office, or any board or agency of the state with respect to any land or interest in land in which the state, the commissioner of the General Land Office, or any board or agency of the state has jurisdiction or the unitization of such land.

(c) Authorizes land in which the state has an interest as described in this chapter to be unitized under this chapter at the instance of the commissioner of the General Land Office or with the approval of or consent to a plan of unitization by the state, the commissioner of the General Land Office, or the board or agency having jurisdiction.

(d) Provides that if land in which the state has an interest is to be unitized as provided for by Subsection (c), the plan of unitization and unit operating agreement is subject to and is required to incorporate by reference all statutes, rules, and regulations that apply to the land in which the state has an interest.

Sec. 104.006. CONFLICT WITH ANTITRUST ACTS. (a) Prohibits a plan of unitization and operation under an agreement that complies with this chapter, is approved by commission order, and is found by the commission to be necessary to prevent waste and conserve the natural resources of this state from being construed to be in violation of Chapter 15 (Monopolies, Trusts and Conspiracies in Restraint of Trade), Business & Commerce Code.

(b) Provides that if a court finds a conflict between this chapter and Chapter 15, Business & Commerce Code, this chapter is intended as a reasonable exception to that law that is necessary for the public interest described by Subsection (a).

(c) Provides that if a court finds a conflict between this chapter and Chapter 15, Business & Commerce Code, and finds that this chapter is not a reasonable exception to Chapter 15, Business & Commerce Code, the legislature intends that this chapter, or any conflicting part of this chapter, be declared invalid rather than that Chapter 15, Business & Commerce Code, or any portion of that chapter, be declared invalid.

Sec. 104.007. APPEALS. Entitles a person affected by an order of the commission issued under this chapter to judicial review of that order in accordance with Chapter 2001, Government Code. Requires the petition for review to be filed in Travis County or in any county in which the affected tract is located.

[Sections 104.008-104.020 reserved for expansion]

SUBCHAPTER B. APPLICATION PROCEDURES; CONSIDERATION  
AND APPROVAL OF PLAN

Sec. 104.021. APPLICATION FOR UNITIZATION. (a) Authorizes any working interest owner or proposed unit operator to file an application with the commission requesting an order under this chapter for the unit operation of a common source of supply or a part of that common source of supply.

(b) Requires the application to contain certain information.

(c) Requires the applicant to submit with the application a list including certain information.

Sec. 104.022. HEARING REQUIRED. (a) Requires the commission, on receipt of an application, to promptly set the matter for hearing and cause notice of the hearing to be given as provided by Section 104.023.

(b) Provides that at the hearing an affected person is entitled to be heard, to introduce evidence, and to introduce and cross-examine witnesses.

Sec. 104.023. NOTICE. (a) Requires notice of the application and the time and place of the hearing on the application to be mailed, postage prepaid, not later than the 31st day before the hearing date to each working interest owner, operator, and royalty owner in the unit area and to each offset operator whose name and address is shown on the list provided by the applicant under Section 104.021.

(b) Requires notice of an application and the time and place of hearing to be published once a week for four consecutive weeks in a newspaper of general circulation authorized by law to publish legal notices in the county or counties in which the land involved is located, or in another newspaper or publication designated by the commission, not later than the 31st day before the hearing date.

(c) Provides that typographical errors in a notice that are not material do not affect the validity of the notice.

Sec. 104.024. FINDINGS OF COMMISSION. Requires that after notice and a hearing as provided by Sections 104.022 and 104.023, the commission make certain determinations.

Sec. 104.025. UNITIZATION ORDER; EFFECT OF OPERATIONS. (a) Requires that if the commission finds that all the requirements of Section 104.024 are met, the commission shall order the unitized operation of the unit area and unitization of all working interests and royalty interests in the unit area.

(b) Requires the order to meet certain requirements.

(c) Requires unit operations on and production from any lease in the unit area for which a unitization order has been entered to be considered for all purposes the conduct of unit operations on and production from each separately owned lease in the unit.

(d) Provides that if only a part of a lease is included in the unit, unit operations on or production from the unit maintains an oil and gas lease as to the part excluded from the unit only if the excluded part of the lease would have been maintained under the lease.

Sec. 104.026. APPROVAL OF PROPOSED PLAN OF UNITIZATION BY WORKING

INTEREST AND ROYALTY OWNERS. (a) Requires a proposed plan of unitization to be approved in writing by certain people.

(b) Requires a ballot distributed to the owners of royalty interests to meet certain requirements.

(c) Prohibits a royalty owner from being required to return a ballot earlier than the 14th day after the date the owner receives the ballot and other information required by Subsection (b).

(d) Requires the applicant to confirm the receipt of each ballot and indicate to the royalty owner returning the ballot whether it has been counted as a vote for or a vote against the proposed plan.

(e) Requires the commission to dismiss the application if the commission finds that the applicant has not reasonably complied with Subsection (b), (c), or (d).

Sec. 104.027. WORKING INTEREST OWNER OPTIONS. (a) Authorizes each working interest owner, excluding the unit operator, to elect, before the commission issues the order approving unitization and subject to commission approval, to receive the rights associated with the postunitized daily average primary production net revenues of the working interest owner as established under Section 104.028 throughout the life of the unit and the right to share in unit incremental enhanced recovery production, subject to the payment of costs of unit operations as established under Section 104.024.

(b) Requires the working interest owner's share of unit expenses to be credited by the amount of the working interest owner's postunitized daily average primary production costs established under Section 104.028 before the compensation amount established under Section 104.048 is computed.

(c) Requires that at no time during the life of the unit are the unit expenses associated with the working interest owner's share of the unit incremental enhanced recovery production to be paid from the postunitized daily average primary production net revenues of the working interest owner.

(d) Provides that if a working interest owner makes the election under this section, the operator is obligated to pay, or cause to be paid, to the working interest owner's royalty owners their full share of unit production, unless the royalty owners, the working interest owner, and the operator voluntarily agree otherwise.

Sec. 104.028. ESTABLISHMENT OF PRIMARY PRODUCTION NET REVENUES AND COSTS OF WORKING INTEREST OWNER. (a) Provides that the primary production net revenue of a working interest owner equals the revenue associated with the postunitized daily average primary production attributable to that working interest owner minus the unit operator's royalty obligations associated with the working interest owner and the postunitized daily average primary production costs to produce the postunitized daily average primary production.

(b) Provides that the postunitized daily average primary production attributable to the working interest owner is the amount of production the working interest owner would be entitled to if the leases were still in primary production. Requires the postunitized daily average primary production to be based on certain criteria.

(c) Provides that the postunitized daily average primary production costs to produce the postunitized daily average primary production are equal to an amount agreed to by

the working interest owner and the operator. Provides that if the working interest owner and the operator fail to agree, the postunitized daily average primary production costs are the amount that the commission fairly and reasonably determines the working interest owner would have incurred if the working interest owner's operator immediately before the application was filed were still operating the leases and associated production in primary production.

Sec. 104.029. **WORKING INTEREST OWNER NET REVENUES AND MARKETING RIGHTS.** Requires the working interest owner to receive all net revenues attributable to the postunitized daily average primary production as established by Section 104.028. Provides that at no time during the life of the unit may the unit operator or any other working interest owner attach or place a lien on the working interest owner's postunitized daily average primary production net revenues established under Section 104.027 or the production associated with those revenues. Provides that the rights and obligations under Section 104.091 of a working interest owner who makes an election under this section apply to both the owner's postunitized daily average primary production and the owner's share of unit incremental enhanced recovery production.

Sec. 104.030. **EXCLUSION OF LAND.** (a) Authorizes land to be excluded from a unitization plan if, on the date the application for unitization is filed with the commission under Section 104.021, certain requirements are met.

(b) Requires the commission to provide an opportunity for, but prohibits it from requiring, an owner described by Subsection (a)(3) to elect to exclude land under this section. Requires the election to be made not later than the 30th day before the date on which the ballots required by Section 104.026 are mailed by the commission.

(c) Provides that if land is excluded from unitization under this section, and unless the owners who elected to exclude the land and the unit owners subsequently otherwise agree, the owners who have elected to exclude land forfeit certain rights.

Sec. 104.031. **PARTIAL FIELD UNITIZATIONS.** (a) Provides that any party who claims that the exclusion of a tract from a proposed unit area will have an unreasonable adverse effect on the excluded tract has the burden of proving that claim by clear and convincing evidence.

(b) Prohibits the commission from denying an application for unitization under this chapter solely because the commission finds that exclusion of a tract from a proposed unit area will have an unreasonable adverse effect on the excluded tract. Requires the commission in that instance to issue an order under Section 104.025 approving the application on the condition that the applicant or unit operator offer participation in the approved unit under the unit expansion provisions of Section 104.072 or under the approved unit agreement.

Sec. 104.032. **STATUS OF UNLEASED MINERAL INTERESTS.** Provides that any mineral interest in the unit area that is unleased on the effective date of unitization is considered for purposes of unit participation to meet certain requirements.

[Sections 104.033-104.040 reserved for expansion]

#### SUBCHAPTER C. PLAN OF UNITIZATION

Sec. 104.041. **AUTHORIZED PLANS.** (a) Authorizes a plan of unitization to be proposed under this chapter only to establish units and cooperative facilities necessary for unit operations that are reasonably anticipated to substantially increase the recovery of oil above that which would be recovered by primary recovery alone.

(b) Authorizes the proposed plan of unitization and the commission order approving the plan to provide for unit operation of less than the whole of a common source of supply if certain conditions are met.

Sec. 104.042. SINGLE OR MULTIPLE AGREEMENTS. Authorizes the plan of unitization to consist of one or more agreements that the applicant considers to be fair, reasonable, and equitable if the applicant submits each agreement to the commission as required by Section 104.021(b)(3).

Sec. 104.043. PARTICIPATION; ALLOCATION OF UNIT PRODUCTION. (a) Requires the proposed plan to provide for the apportionment and allocation of the unit production among the tracts in the unit area in order to reasonably permit a person entitled to share in, or benefit by, the production from a tract in the unit to receive a fair share of the unit production or other benefits.

(b) Requires a tract's fair share of the unit production to be measured by the value of each tract and its contributing value to the unit in relation to like values of other tracts in the unit, taking into account certain factors.

Sec. 104.044. VOTING BY WORKING INTEREST OWNERS. (a) Requires the proposed plan of unitization to establish a voting procedure for decisions by the working interest owners. Provides that the voting procedure need not be the same for each type of decision that may be made by the working interest owners if each working interest owner has a voting interest equal to that owner's unit participation.

(b) Requires the plan, subject to reasonable limitations regarding voting frequency and in addition to other appropriate provisions, to require an operator to submit certain matters to the working interest owners for a decision in accordance with the plan if petitioned to do so by the vote of at least 15 percent of the nonoperating working interest owners.

Sec. 104.045. OPERATING AGREEMENT. Requires the proposed plan of unitization to include a proposed operating agreement establishing certain criteria.

Sec. 104.046. EFFECTIVE DATE AND TERMINATION DATE OF PLAN OF UNITIZATION. (a) Requires the proposed plan of unitization to provide for the date on which the plan takes effect, the manner in which and the circumstances under which unit operations terminate, the settlement of accounts on termination, and notice by the unit operator to the public within 30 days after the effective date of the unit. Requires that after the commission by order adopts the plan of unitization, the unit operator give public notice by filing for record, in the real property records of the county or counties in which the unit area or any part of the unit area is located, a certificate containing certain information.

(b) Requires the plan of unitization to require the unit operator, not later than the 60th day after the date of termination of the unit, to file for record in each county in which any part of the unit area is located a certificate stating the date the unit operations terminated.

Sec. 104.047. FINANCING UNIT OPERATIONS. (a) Requires the plan of unitization to provide the manner in which unit costs, including overhead and interest, are determined, allocated, and charged to the separately owned tracts or interests and to include a detailed accounting procedure for all charges and credits incident to unit operations. Requires the unit costs chargeable to a tract or interest to be paid by the working interest owners who, in the absence of unit operations, would be responsible for the costs and expenses of developing and operating the tract or interest.

- (b) Requires the plan to meet certain other requirements.

Sec. 104.048. ATTACHMENT OF PROCEEDS OF PRODUCTION TO COVER DEBTS OF NONPAYING WORKING INTEREST OWNERS. (a) Requires the plan of unitization, except as otherwise provided by Section 104.027 or 104.028, to allow the attachment of proceeds of production due to any owner who is not paying the owner's share of the costs of unit operation as compensation to the paying owner or owners. Prohibits the compensation amount from exceeding 175 percent of the nonpaying owner's share of unit costs, which is considered to include all interest. Requires the maximum compensation amount to be set by the commission in each case.

- (b) Requires the plan of unitization to provide that all of the unit production allocated to a nonpaying working interest owner who does not pay the share of the unit expenses charged and any additional compensation amounts applied to that nonpaying owner under Subsection (a) may be appropriated by the unit operator and marketed and sold for the payment of unit expenses and additional compensation amounts. Requires any sale proceeds remaining after payment of unit expenses and additional compensation amounts to be remitted to the nonpaying working interest owner.

- (c) Provides that as to an interest located in the unit that is not leased by the effective date of unitization, one-fifth (1/5) of the production attributable to the unleased interest, or a different amount determined by the commission under Section 104.097(b), is considered as royalty interest and shall be free and clear of all unit expenses and additional compensation amounts. Provides that four-fifths (4/5) of the unleased interest, or a different amount determined by the commission under Section 104.097(b), is considered as working interest and is subject to being financed or carried under this section.

Sec. 104.049. SALE BY NONSIGNING WORKING INTEREST OWNER.

- (a) Authorizes a nonsigning working interest owner to elect to offer through the unit operator to sell and assign all of that owner's working interest in the unit area to the unit operator and to other working interest owners who desire to acquire a portion of the interest under this section at certain times.

- (b) Requires the unit operator to consider the offer to sell the interest and to promptly negotiate any differences in value with the nonsigning working interest owner who is offering to sell.

- (c) Sets forth provisions which govern if the unit operator and the nonsigning working interest owner who is offering to sell agree on a price.

- (d) Sets forth provisions which govern if the unit operator and the nonsigning working interest owner who is offering to sell are unable to agree on a sales price.

- (e) Requires the nonsigning working interest owner who is offering to sell to sell for the price set by the procedure described by Subsection (d), and the unit operator to purchase that interest for that price, subject to the participation of other signing working interest owners as provided by Subsection (c).

Sec. 104.050. INVESTMENT ADJUSTMENTS AND PROPERTY TAKEN OVER.

Requires the plan of unitization to provide for the procedure and basis for adjustment among the working interest owners in the unit area of their respective investment in wells, tanks, pumps, machinery, materials, equipment, facilities, and other items of value taken over and used in unit operations. Prohibits investment adjustments and credits for property taken over from being used as a factor in setting participation percentages and allocations of unit production under

Section 104.043.

Sec. 104.051. ADDITIONAL PLAN PROVISIONS. Authorizes the plan of unitization to include any additional provisions approved by the commission that are consistent with the findings required by Section 104.024.

[Sections 104.052-104.070 reserved for expansion]

SUBCHAPTER D. AMENDMENT OF PLAN OR ORDER OF  
UNITIZATION; EXPANSION OF UNIT AREA

Sec. 104.071. AMENDMENT OF PLAN OR ORDER FOR UNITIZATION.

(a) Authorizes a commission order approving unitization to be amended in the same manner and subject to the same conditions as are required for an original order providing for unitized operations.

(b) Provides that approval of an amendment by royalty owners is not required if the amendment affects only the rights and interests of working interest owners.

(c) Prohibits an amendment to an order from changing certain percentages of expenses without the aggregate approval of at least the minimum percentage of the working interest and royalty interest ownership required under Section 104.026 for approval of unitization and compliance with Section 104.005.

(d) Prohibits an amendment to an order from, without the aggregate approval of at least the minimum percentage of the working interest ownership required under Section 104.026 for approval of unitization, changing a provision of the operating agreement dealing with certain procedures and rates.

(e) Provides that this section does not apply to an order expanding an existing unit area under Section 104.072 or creating a new unit area under Section 104.073.

Sec. 104.072. EXPANSION OF UNIT AREA. (a) Authorizes an existing unit area, in accordance with this section and subject to Section 104.073, to be expanded to include additional nonunitized tracts under the terms contained in the plan of unitization for the existing unit if the working interest owners and the royalty interest owners in each additional tract and in the existing unit area approve the expansion by the same percentages and in the same manner as required by Section 104.026 and Section 104.005(c), if applicable, for the creation of a unit. Provides that the requirements for creating a unit under this chapter apply to the expansion of the unit area under this section.

(b) Sets forth provisions relating to the allocation of unit production from the expanded unit.

Sec. 104.073. ENLARGEMENT INCLUDING ALL OR PART OF PREVIOUSLY ESTABLISHED UNIT. (a) Prohibits the commission from combining two or more units created under this chapter or parts of units created under this chapter unless each working interest or royalty owner in each unit or part to be combined has agreed to the combination.

(b) Requires a commission order combining units or parts of units created under this chapter, in allocating unit production between the previously established units or parts of units to be combined, to first treat each unit or part to be combined as a single tract for purposes of production allocation. Requires the part of unit production that is allocated to each unit or part to be combined to then be allocated among the separately owned tracts included in the previously established units or parts in the same proportion



as provided in each previous commission order establishing a unit all or part of which is combined under this section.

[Sections 104.074-104.090 reserved for expansion]

#### SUBCHAPTER E. UNIT OPERATIONS

Sec. 104.091. STATUS OF PRODUCTION PROCEEDS; STANDARD OF CARE; DISTRIBUTION. (a) Prohibits unit production, proceeds from the sale of production, or other receipts from being treated or taxed as income or profit of the unit. Provides that all unit production and proceeds are income of the owners to whom or to whose credit the production or proceeds are payable under the plan of unitization.

(b) Sets forth provisions relating to a unit operator who is not an agent or fiduciary.

(c) Sets forth provisions relating to shares of production.

(d) Sets forth provisions relating to an initial marketing election.

Sec. 104.092. LIABILITY OF WORKING INTEREST OWNER. (a) Provides that the liability of a working interest owner for payment of unit expense is several and not joint or collective.

(b) Provides that, except as provided by this subsection and Section 104.048, a working interest owner in a tract is not liable, directly or indirectly, for more than the amount charged to that owner's interest in the tract.

(c) Provides that, unless otherwise specifically agreed to by the parties as part of a plan of unitization approved by the commission, any environmental condition or liability existing before the effective date of the commission order approving the unit remains the sole responsibility of the party or parties responsible for that environmental condition or liability before the effective date of the commission order approving the unit.

Sec. 104.093. LIEN FOR COSTS. (a) Provides that, subject to any reasonable limitations in the plan of unitization, a unit operator has a lien on the leasehold estate and other oil and gas rights in each separately owned tract, the interest of the owners in the unit production, and all equipment in the possession of the unit to secure the payment of the amount of the unit expense and other additional compensation charges as provided for in Section 104.048 charged to each separate working interest.

(b) Provides that the lien established under this section does not attach to the royalty interest under lease or the one-fifth (1/5) royalty interest assigned to an unleased mineral interest or to any interest in land directly or indirectly owned by the state.

Sec. 104.094. EFFECT OF UNIT OPERATIONS ON EXPRESSED OR IMPLIED COVENANTS AND CONDITIONS. (a) Requires that, to the extent a lease, division order, or contract covering lands in the unit area relates to the common source of supply or the part of the common source of supply included in the unit area, all terms of the lease, division order, or contract, express or implied, be construed by giving due regard to the plan of unitization approved by the commission. Provides that operations conducted in accordance with a plan of unitization approved by the commission are presumed to comply with those terms unless there is an irreconcilable conflict between the lease, division order, or contract and the approved plan of unitization. Requires that if there is an irreconcilable conflict between the lease, division order, or contract and the approved plan of unitization, the plan controls, but the lease, division order, or contract terms be regarded as modified only to the extent necessary to conform to the

plan.

(b) Prohibits a plan of unitization, notwithstanding any other provision of this chapter, without a separate voluntary agreement supported by consideration, from performing certain actions.

(c) Requires a surface use conflict that is not governed by express lease or contract terms to be accommodated or otherwise resolved after giving due regard to the plan of unitization as provided by this section.

(d) Prohibits Section 104.091 from being construed to diminish an operator's duty to market production on behalf of a royalty interest owner.

Sec. 104.095. **DISTRIBUTION OF UNIT PRODUCTION.** Requires the unit production, except as authorized by this chapter or in a plan of unitization approved by the commission, to be distributed among, or the proceeds paid to, the owners entitled to share in the production from each tract in the same manner that those owners would have shared in the production or proceeds from the tract if the unit had not been established.

Sec. 104.096. **MODIFICATION OF PROPERTY RIGHTS OR TITLES.** Provides that, except to the extent that the parties affected by the plan of unitization otherwise agree, a commission order entered under Section 104.025 does not alienate, convey, cross-convey, transfer, or change title or ownership, legal or equitable, of a person in a parcel of land or the oil and gas rights in that parcel.

Sec. 104.097. **ROYALTY OBLIGATIONS; BURDENS; UNLEASED INTERESTS.** (a) Provides that each working interest owner who is the owner of an interest in an oil and gas lease is responsible for the payment of all royalty, overriding royalty, or other lease burdens affecting the owner's leasehold estate unless the plan of unitization provides otherwise.

(b) Sets forth provisions relating to unleased interests in the unit area.

Sec. 104.098. **UNIT OWNERSHIP OF PRODUCTION, PROCEEDS, AND ACQUIRED PROPERTY.** (a) Provides that the part of the unit production allocated to any tract and the proceeds from the sale of that production are the property and income of the owners to whom or to whose credit the production and proceeds are allocated or payable under the order for unit operations.

(b) Provides that any property that is acquired in the conduct of unit operations and charged as an item of unit expense is owned by the working interest owners in the unit area as provided in the plan of unitization.

SECTION 2. Effective date: upon passage or September 1, 2001.