

JOINT DEVELOPMENT REPRESENTS FAIRNESS AND OPPORTUNITY

by Brett Loflin, Northeast Natural Energy

The state of West Virginia is in the midst of financial crisis. All are aware of ongoing discussions between the Governor and the Legislature as to how we can generate revenue in order to provide our citizens with the services, education, infrastructure and overall quality of life that we deserve. The simple answer is to attract investment and to create the jobs that will generate revenue which will allow the state to balance the budget and to sustain that revenue for future generations.

The oil and natural gas industry in WV is one of, if not the best hope for job creation in our state. However, due to antiquated laws which prevent industry from fully utilizing 21st century technology to efficiently and cost effectively develop our oil and natural gas resources, we are not able to attract the investment needed to grow our companies and hire the workforce needed to have the impact required to get our state out of this financial crisis. WV is one of only two states (one of which doesn't have natural gas production) that do not have a mechanism to deal with the fragmented ownership of minerals that fosters efficient development.

SB 576 was drafted to modernize WV laws that deal the fragmented mineral ownership that is commonplace in the state. It is common for a single mineral tract to have multiple

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owners, sometimes 10, and 20 or over 100 owners that all need to agree to development. SB 576 simply allows for the development of a tract of land where the vast majority of the owners want that development to occur. SB 576 also requires that ALL owners receive their fair share of revenue generated by the sale of oil or natural gas. Opponents of the bill will try to convince lawmakers that the industry is “forcing” a minority owner into development. Without the provisions of SB 576 those same minority owners, by not agreeing to development, are forcing the majority owners to forgo a lifetime income stream as the oil and natural gas will not be produced from their property. Again, all owners will receive their fair share of revenue.

SB 576 also contains a provision that will allow for joint development. With horizontal drilling an equitable distribution of royalty payments occurs when all of the separate mineral tracts are joined together in what is known as a production unit. In addition, SB 576 contains a provision that requires the oil and gas operator to pay the surface owner of the tract of land where the drilling pad and access road are constructed, a \$100,000.00 impact fee. The \$100,000.00 fee is in addition to the requirements found in the Horizontal Well Production Damage Compensation Act that requires that the surface owner be compensated for any lost income, damage to crops, timber, diminution of value of any property, the cost of repair of any damaged property and a one-time \$2,500.00 payment for property tax reimbursement.

West Virginia needs jobs; WV needs a healthy oil and natural gas industry in order to attract other industries that will assist in getting West Virginia in a healthy fiscal state. SB 576 provides a reasonable mechanism that will allow the natural gas industry in WV to employ 21st century industry practices, more than adequately protects and compensates owners of surface lands, and is a huge step forward in accomplishing the goal of generating jobs which are needed by West Virginians.

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