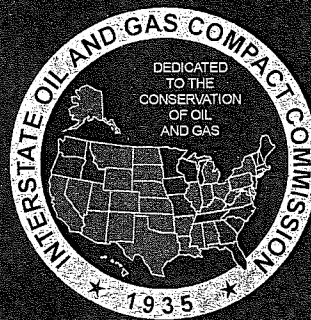


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CHARTER AND BYLAWS



OF THE
INTERSTATE
OIL AND GAS
COMPACT COMMISSION

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CHARTER AND BYLAWS
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INTERSTATE OIL AND GAS
COMPACT COMMISSION

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INTERSTATE OIL AND GAS COMPACT COMMISSION

CHARTER

WHEREAS, on the 16th day of February 1935, in the City of Dallas, Texas, there was executed "An Interstate Compact to Conserve Oil and Gas," which was thereafter formally ratified and approved by the States of Oklahoma, Texas, New Mexico, Illinois, Colorado, Kansas and 23 additional States; which said compact was duly amended at Tulsa, Oklahoma on September 25, 1970, a true copy of which as so amended follows:

"THE INTERSTATE COMPACT TO CONSERVE OIL AND GAS"

ARTICLE I

This agreement may become effective within any compacting State at any time as prescribed by that State, and shall become effective within those States ratifying it whenever any three of the States of Texas, Oklahoma, California, Kansas and New Mexico have ratified and Congress has given its consent. Any oil-producing State may become a party hereto as hereinafter provided.

ARTICLE II

The purpose of this compact is to conserve oil and gas by the prevention of physical waste thereof from any cause.

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CHARTER

ARTICLE III

Each State bound hereby agrees that within a reasonable time it will enact laws, or if the laws have been enacted, then it agrees to continue the same in force, to accomplish within reasonable limits the prevention of:

- (a) The operation of any oil well with an inefficient gas-oil ratio.
 - (b) The drowning with water of any stratum capable of producing oil or gas, or both oil and gas, in paying quantities.
 - (c) The avoidable escape into the open air or the wasteful burning of gas from a natural gas well.
 - (d) The creation of unnecessary fire hazards.
 - (e) The drilling, equipping, locating, spacing or operating of a well or wells so as to bring about physical waste of oil or gas or loss in the ultimate recovery thereof.
 - (f) The inefficient, excessive or improper use of the reservoir energy in producing any well.
- The enumeration of the foregoing subjects shall not limit the scope of the authority of any State.

ARTICLE IV

Each State bound hereby agrees that it will, within a reasonable time, enact statutes, or if such statutes have been enacted then that it will continue the same in force, providing in effect that oil produced in violation of its valid oil and/or gas conservation statutes or any valid rule, order or regulation promulgated thereunder, shall be denied access to commerce, and providing for stringent penalties for the waste of either oil or gas.

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ARTICLE V

It is not the purpose of this compact to authorize the States joining herein to limit the production of oil or gas for the purpose of stabilizing or fixing the price thereof, or create or perpetuate monopoly, or to promote regimentation, but is limited to the purpose of conserving oil and gas and preventing the avoidable waste thereof within reasonable limitations.

ARTICLE VI

Each State joining herein shall appoint one representative to a commission hereby constituted and designated as "The Interstate Oil Compact Commission," the duty of which said Commission shall be to make inquiry and ascertain from time to time such methods, practices, circumstances, and conditions as may be disclosed for bringing about conservation and the prevention of physical waste of oil and gas, and at such intervals as said Commission deems beneficial it shall report its findings and recommendations to the several States for adoption or rejection.

The Commission shall have the power to recommend the coordination of the exercise of the police powers of the several States within their several jurisdictions to promote the maximum ultimate recovery from the petroleum reserves of said States, and to recommend measures for the maximum ultimate recovery of oil and gas. Said Commission shall organize and adopt suitable rules and regulations for the conduct of its business.

No action shall be taken by the Commission except: (1) by the affirmative votes of the majority of the whole number of the compacting States represented at any meeting, and (2) by a concurring vote of a

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majority in interest of the compacting States at said meeting, such interest to be determined as follows: such votes of each state shall be in the decimal proportion fixed by the ratio of its daily average production during the preceding calendar half-year to the daily average production of the compacting States during said period.

ARTICLE VII

No State joining herein shall become financially obligated to any other State, nor shall the breach of the terms hereof by any State subject such State to financial responsibility to the other States joining herein.

ARTICLE VIII

This compact shall continue in effect until Congress withdraws its consent. But any State joining herein may, upon sixty (60) days notice, withdraw herefrom.

The representatives of the signatory States have signed this agreement in a single original which shall be deposited in the archives of the Department of State of the United States, and a duly certified copy shall be forwarded to the Governor of each of the signatory States.

This compact shall become effective when ratified and approved as provided in Article I. Any oil-producing State may become a party hereto by affixing its signature to a counterpart to be similarly deposited, certified, and ratified.

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In order to perform the functions and duties provided by the Interstate Compact to Conserve Oil and Gas, the following Bylaws are adopted for the conduct of the business of the Commission.

ARTICLE I

The Commission

Section 1

The Commission shall be designated "the Interstate Oil and Gas Compact Commission" and referred to herein as "the Commission." The Interstate Compact to Conserve Oil and Gas will be referred to herein as "the Compact." The States which have ratified and executed the Compact will be referred to as "the Member States."

Section 2

The Commission shall be composed of one Representative from each Member State, to be selected as the State may determine. Each Member State may also designate one or more alternates to act as its Official Representative in the absence of its principal Representative. The Official Representatives from each Member State shall be designated in writing to the Executive Director of the Commission by the Governor of such State, and each such designation shall remain in effect until a new written designation is made.

Section 3

The Commission shall be a fact-finding and deliberative body to promote conser-

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vation and efficient recovery of domestic oil and natural gas resources while protecting human health, safety and the environment, and shall exercise the powers and perform the duties provided in the Compact. It shall report its findings and make recommendations to the States and to the federal government.

Section 4

The Commission shall have an official seal. The Executive Director shall be the custodian of the seal. The Commission's official actions, in accordance with these Bylaws and the Compact, shall be attested by the Executive Director, under the Commission's seal.

ARTICLE II

Meetings

Section 1

Two regular meetings of the Commission shall be held each year at such time and place as the Commission shall determine. These shall be referred to as the Midyear and Annual Meetings. The Commission shall also hold two Quarterly meetings each year, between the Midyear and Annual Meetings, at such time and place as the Chairman may determine. Special Meetings of the Commission may be called by the Chairman or by a majority of the Member States.

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Section 2

Notice in writing of the time and place of each Regular and Quarterly Meeting of the Commission shall be given by the Executive Director to each Member State not less than thirty (30) days before the meeting. Notices of Special Meetings shall be given by the Executive Director with at least ten (10) days notice unless two-thirds of the Member States shall consent in writing to shorter notice. Notices of each Midyear and Annual Meeting shall also be sent to all members of the Commission's Committees.

Section 3

The notice requirements of this Article to any state may be waived in writing by that Member State.

ARTICLE III

Rules and Procedures

Section 1

A majority of the Member States of the Commission shall constitute a quorum at any Midyear or Annual Meeting. Ten (10) States shall constitute a quorum at any other Meeting. Any number of States present at the time and place of a duly-called meeting may, if a quorum is not present, adjourn the meeting until a quorum shall be present.

Section 2

Each Member State shall have one vote on all matters coming before the Commission, to be cast by its designated

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Official Representative or Representatives who are present at the time the question occurs.

Section 3

No action shall be taken by the Commission except (1) by the affirmative vote of the majority of the whole number of Member States represented at any meeting, and (2) by a concurring vote of a majority in interest of the Member States at said meeting, such interest to be determined as follows: Such vote of each State shall be in the decimal proportion fixed by the ratio of its daily average production during the preceding calendar half year to the daily average production of the Member States during said period.

Section 4

Except as otherwise provided by these Bylaws or by the Compact, all meetings of the Commission shall be conducted in accordance with general parliamentary rules, it being understood, however, that only those persons designated as Official Representatives of their respective States pursuant to Article I, Section 2 of these Bylaws shall be considered to be the members of the deliberative body for parliamentary procedure purposes.

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ARTICLE IV

Officers

Section 1

The officers of the Commission are a Chairman, a First Vice-Chairman, a Second Vice-Chairman and an Executive Director. The Chairman must be a member state governor and the First and Second Vice Chairmen must each be an Official Representative designated pursuant to Article I, Section 2 of these Bylaws. A Chairman-elect for a following year may be designated. All officers shall be elected at each Midyear Meeting to take office at such time during the next Annual Meeting as the Commission may from time to time determine, and shall serve until their successors have been elected and assume office.

Section 2

In the event that a vacancy exists in the chairmanship after the election of a Chairman-elect at the Midyear Meeting, and before the succeeding Annual Meeting, the Chairman-elect shall assume the office of Chairman for the remainder of the predecessor's term. Should such a vacancy occur after the Annual Meeting, the Chairman-elect for the following year shall become Chairman.

If the offices of First Vice-Chairman, Second Vice-Chairman, First Vice-Chairman-elect or Second Vice-

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Chairman-elect become vacant, the Commission shall elect a successor at the next succeeding Regular or Quarterly meeting.

Section 3

The Chairman shall preside at all meetings, and otherwise perform the duties customarily performed by the chairman of a deliberative body. The First Vice-Chairman shall perform the duties of the Chairman in the absence of the Chairman, and the Second Vice-Chairman shall act in the absence of both.

Section 4

The Executive Director shall employ and direct the activities of the staff of the Commission. The Executive Director shall also (1) make and preserve a record of the proceedings of the Commission; (2) make recommendations to the Commission concerning its programs, policies and activities; and (3) carry out the policies, orders and directives of the Commission.

ARTICLE V

Committees

Section 1

The Commission shall have the following Operational Committees: Finance, Nominating and Resolutions. The Chairman and other members of each of these Operational Committees shall be appointed by the Chairman of the

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Commission with membership restricted to Official Representatives pursuant to Article I, Section 2 of these Bylaws. Any designated Official Representative of a Member State may participate in the deliberations of any of these Committees, but only persons appointed have the right to propose or second motions and to vote.

Section 2

The Finance Committee shall meet at each Midyear and Annual Meeting of the Commission prior to the Business Session. It shall make recommendations to the Commission with respect to financial matters. It shall also recommend to the Commission a budget of proposed income and expenditures on an annual or other basis as it may deem appropriate.

Section 3

The Nominating Committee shall meet at each Midyear Meeting of the Commission prior to the Business Session. It shall present to the Commission nominees for each of the officers provided for in Article IV, Section 1 of these Bylaws. The Committee will consist of the First and Second Vice Chairmen and the Official Representative of the Chairman-elect.

Section 4

The Resolutions Committee shall meet at each Midyear and Annual Meeting of the Commission. It shall recommend to the Commission appropriate resolutions,

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action plans for those resolutions and statements of policy. Any proposed resolution or statement expressing the position or policy of the Commission which is to be presented at a Midyear or Annual Meeting must be submitted to the headquarters office at least thirty (30) days prior to the meeting, at which time the Executive Director shall mail copies of each to Governors and all Official Representatives designated pursuant to Article I, Section 2 of these Bylaws. This rule may, however, be waived by two-thirds of the members of the Resolutions Committee present and voting, and then by two-thirds of the Member States of the Commission present and voting.

A resolution may only be offered by a Governor or Official Representative, or with the written endorsement of a Governor or Official Representative. At Midyear and Annual meetings, all resolutions will come through the Resolutions Committee except administrative resolutions from the Finance and Steering Committees, or any resolution by unanimous vote of the Steering Committee. At Quarterly Meetings, resolutions may be considered after majority vote of those attending.

Section 5

The Commission may from time to time establish Standing Committees to study and consider various technical and legal

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subjects within the scope of the Compact. The Chairman of the Commission shall appoint the Chairman of each of these Standing Committees. Chairmen of these Committees shall serve two-year terms and shall not be eligible for immediate reappointment after concluding a full two-year term. Each such Committee may elect a Vice-Chairman from among its members.

The Governor of a Member State or the Official Representative, as appropriate, of the Compact may appoint any number of persons to each of these Standing committees, but a member state shall have only one vote in the Standing Committee. These Committees shall meet at each Midyear and Annual Meeting. The members present at each meeting shall constitute a quorum. Such meetings may include the presentation of scholarly and professional papers and other addresses by appropriate speakers, and each Standing Committee may transact such other business as may be authorized by the Commission. Such Standing Committees shall present to the Commission a report on each of their meetings which may include a résumé of proceedings and the texts of any reports, findings or resolutions adopted by the Committee.

No action by a Standing Committee on a report, finding or resolution shall, however, constitute the action of the

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Commission with respect thereto, unless such action is expressly approved by the Commission after consideration pursuant to Article III of these Bylaws. The original term of a Standing Committee will be established at the inception of the Committee, and the Committee will automatically expire unless extended by vote of the Compact at a business meeting.

Section 6

There shall be a Council of State Regulatory Officials composed of one Representative from the Oil and Gas Conservation Agency of each Member State. The Council shall meet during each Midyear and Annual Meeting for the purpose of discussing regulatory issues of mutual interest to its members. It may select its own Chairman. The Council may from time to time make recommendations for action to the Commission, and the Commission in turn may delegate matters to the Council for its consideration and action.

Section 7

The Commission may also establish such Special Committees as it may deem necessary or appropriate from time to time, and the Chairman may appoint Special Committees to serve during his or her term of office.

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ARTICLE VI

Headquarters Office

Section 1

A headquarters office shall be established in Oklahoma City, Oklahoma, in the building owned by the Commission, where the administrative work of the Commission shall be carried on, and the official files and records of the Commission kept.

Section 2

There shall be kept in the headquarters office reports of all committees, together with legal, statistical, engineering, geological and other information that may be helpful in oil and gas conservation, the extent of such information to be determined by the Commission.

Section 3

All records of the Commission shall be open to the public at all reasonable hours.

ARTICLE VII

Finances

Section 1

The expenses of the Commission shall be paid from voluntary contributions by the Member States and from other sources of revenue which are approved by the Commission.

Section 2

The Executive Director shall prepare and submit to the Finance Committee a

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budget of proposed income and expenditures on an annual or other basis as appropriate. Once approved by the Commission, a budget shall constitute authority for the Executive Director to make the expenditures.

ARTICLE VIII

Federal Representation

Section 1 The President of the United States, the Congress, and any Federal Agency charged with responsibility concerning oil and gas are invited to designate one or more representatives to attend and participate in the meetings of the Commission. Such representatives may attend all open and executive sessions, to participate in the deliberations and studies of the Commission, and make recommendations concerning the policies, programs, and work of the Commission, but shall not have the right to vote.

ARTICLE IX

Membership

Section 1 **MEMBER** — Any oil or gas producing State is entitled to become a regular member of the Commission by executing the Compact in the manner provided.

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Section 2 **ASSOCIATE MEMBER** — Any State desiring to be an associate member may make an application to the Commission in writing, signed by its Governor. The application shall be presented at a Meeting of the Commission with the affirmative vote of all Member States present. An Associate Member State shall not have the right to vote or hold office, but shall be entitled to all other privileges and benefits of regular membership. Such a State shall be permitted to participate in all Commission meetings, Committee meetings, and other activities of the Commission. It may withdraw as an Associate Member at any time by filing written notice from its Governor.

ARTICLE X

Bylaw Amendments

Section 1 These Bylaws may be amended at any Midyear, Annual or Quarterly Meeting upon affirmative vote of the Commission.