

1 HB503
2 151565-4
3 By Representative Wren
4 RFD: Boards, Agencies and Commissions
5 First Read: 02-APR-13

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ENGROSSED

A BILL
TO BE ENTITLED
AN ACT

To amend Sections 9-17-6 and 9-17-24 of the Code of Alabama 1975, relating to the Oil and Gas Board, to specify that the authority of the board relating to oil and gas includes oil sands and to further provide for the fees to fracture a coal group or geologic formation; and to authorize the board by rule to set fees for operations to recover oil from oil sands.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Sections 9-17-6 and 9-17-24 of the Code of Alabama 1975, are amended to read as follows:

"§9-17-6.

"(a) The board shall have jurisdiction and authority over all persons and property necessary to administer and enforce effectively the provisions of this article and all other articles relating to the conservation of oil and gas.

"(b) The board shall have the authority and it shall be its duty to make such inquiries as it may think proper to determine whether or not waste, over which it has jurisdiction, exists or is imminent. In the exercise of such

1 power the board shall have the authority to perform the
2 following:

3 "(1) Collect data.

4 "(2) Make investigation and inspection.

5 "(3) Examine properties, leases, papers, books, and
6 records, including drilling records, logs, and other
7 geological and geophysical data.

8 "(4) Examine, check, test, and gauge oil and gas
9 wells, tanks, plants, processing facilities, structures,
10 natural gas pipelines and gathering lines, and storage and
11 transportation equipment and facilities, and other modes of
12 transportation.

13 "(5) Hold hearings.

14 "(6) Appoint a hearing officer for the purpose of
15 conducting public hearings on behalf of the board and making
16 recommendations to the board.

17 "(7) Require the keeping of records and making of
18 reports.

19 "(8) Take such action as may be reasonably necessary
20 to enforce this article.

21 "(c) The board shall have the authority to make,
22 after hearing and notice as provided in this article, such
23 reasonable rules, regulations, and orders as may be necessary
24 from time to time in the proper administration and enforcement
25 of this article, including rules, regulations, and orders for
26 the following purposes:

1 "(1) To require the drilling, casing, and plugging
2 of wells to be done in such a manner as to prevent the escape
3 of oil or gas out of one stratum to another.

4 "(2) To prevent the intrusion of water into an oil
5 or gas stratum from a separate stratum.

6 "(3) To prevent the pollution of fresh water
7 supplies by oil, gas, salt water, or other contaminants
8 resulting from oil and gas operations, including surface
9 mining operations to recover oil from oil sands.

10 "(4) To require the making of reports showing the
11 location of oil and gas wells and surface or underground
12 operations for the recovery of oil from oil sands and to
13 require the filing of logs, including electrical logs, and
14 drilling records and the lodgment in the office of the State
15 Oil and Gas Supervisor of typical drill cuttings or cores, if
16 cores are taken, within six months from the time of the
17 completion of any well or surface or underground operations
18 for the recovery of oil from oil sands.

19 "(5) To require reasonable bond, with good and
20 sufficient surety, or other financial security approved by the
21 board, conditioned for the performance of the duties outlined
22 in subdivisions (1), (2), (3), and (4) of this subsection,
23 including the duty to plug each dry or abandoned well and to
24 restore the well site for each dry or abandoned well and
25 associated production and processing facility and plant upon
26 the abandonment of such well, facility, or plant and to

1 reclaim all surfaces disturbed during surface mining
2 operations for the recovery of oil from oil sands.

3 "(6) To prevent wells from being drilled, operated,
4 or produced in such a manner as to cause injury to neighboring
5 leases or property and to protect neighboring leases or
6 property from being damaged or injured by operations to
7 recover oil from oil sands.

8 "(7) To prevent the drowning by water of any stratum
9 or part thereof capable of producing oil or gas in paying
10 quantities and to prevent the premature and irregular
11 encroachment of water which reduces or tends to reduce the
12 total ultimate recovery of oil or gas from any pool.

13 "(8) To require the operation of wells with
14 efficient gas-oil ratios and to fix such ratios.

15 "(9) To prevent "blowouts," "caving," and "seepage"
16 in the sense that conditions indicated by such terms are
17 generally understood in the oil and gas business.

18 "(10) To prevent fires.

19 "(11) To identify the ownership of all oil and gas
20 wells, surface mining operations to recover oil from oil
21 sands, producing leases, tanks, plants, processing facilities,
22 structures, natural gas pipelines and gathering lines, and
23 storage and transportation equipment and facilities.

24 "(12) To regulate the "shooting," perforating, and
25 chemical treatment of wells.

1 "(13) To regulate enhanced recovery methods, which
2 include Class II injection wells as defined in the Federal
3 Safe Drinking Water Act, 42 U.S.C. 300f et seq.

4 "(14) To establish drilling units, to determine the
5 spacing of wells, to establish oil and gas fields for each oil
6 and gas pool, including fields for operations to recover oil
7 from oil sands, to establish the spacing of wells for each
8 pool, and to establish drainage or production units.

9 "(15) To limit and prorate the production of oil or
10 gas or both from any pool or field for the prevention of waste
11 as defined in this article.

12 "(16) To require, either generally or in or from
13 particular areas, certificates of clearance or tenders in
14 connection with the transportation of oil, gas, or any
15 product.

16 "(17) To prevent, so far as is practical, reasonably
17 avoidable drainage from each developed unit which is not
18 equalized by counterdrainage.

19 "(18) To require the placing of meters of a type
20 approved by the board wherever the board may designate in
21 plants and processing facilities on all pipelines, gathering
22 systems, barge terminals, loading racks, or other places
23 deemed necessary or proper to prevent waste and the
24 transportation of illegally produced oil or gas. Such meters
25 at all times shall be under the supervision and control of the
26 board; and it shall be a violation of this article, subject to
27 the penalties provided in this article, for any person to

1 refuse to attach or install such meter when ordered to do so
2 by the board or in any way to tamper with such meter so as to
3 produce a false or inaccurate reading or to have any bypass at
4 such a place where the oil or gas can be passed around such
5 meter, unless expressly authorized by written permit of the
6 board.

7 "§9-17-24.

8 "(a) Any person desiring or proposing to drill any
9 well in search of oil or gas or any person proposing to drill
10 a Class II injection well as defined in the Federal Safe
11 Drinking Water Act, 42 U.S.C. 300f et seq., before commencing
12 the drilling of any such well, shall notify the State Oil and
13 Gas Supervisor upon the form as the State Oil and Gas
14 Supervisor may prescribe and shall pay to the State Treasurer
15 a fee of three hundred dollars (\$300) for each well. The
16 drilling of any well is hereby prohibited until notice is
17 given and the fee has been paid as herein provided. The State
18 Oil and Gas Supervisor shall have the power and authority to
19 prescribe that the form indicate the exact location of the
20 well, the name and address of the owner, operator, contractor,
21 driller, and any other person responsible for the conduct of
22 drilling operations, the proposed depth of the well, the
23 elevation of the well above sea level and such other relevant
24 information as the State Oil and Gas Supervisor may deem
25 necessary or convenient to effectuate the purposes of this
26 article.

1 "(b) Any person filing a petition or notice of such
2 petition with the State Oil and Gas Board requesting a public
3 hearing before the State Oil and Gas Board shall pay to the
4 State Treasurer a fee of one hundred fifty dollars (\$150) for
5 filing the petition. Any person who desires to file a petition
6 with the board in forma pauperis shall file with the board a
7 motion for leave so to proceed together with an affidavit,
8 showing his or her inability to pay the filing fee therefor
9 and his or her belief that he or she is entitled to redress
10 before the board. If the motion is granted, the person may
11 proceed without payment of the filing fee. If the motion is
12 denied, the board shall state in writing the reasons for the
13 denial.

14 "(c) Any person proposing to fracture a coal group
15 or geologic formation shall notify the State Oil and Gas
16 Supervisor. The notification shall be in a form prescribed by
17 the State Oil and Gas Supervisor and shall be accompanied by a
18 fee paid to the State Treasurer not to exceed two hundred
19 fifty dollars (\$250) for each ~~coal group to be fractured~~ stage
20 of a fracture stimulation operation in an individual well, up
21 to a maximum fee of seven hundred fifty dollars (\$750) per
22 well, regardless of the number of fracture stages proposed.
23 With respect to coalbed methane operations, a stage of a
24 fracture stimulation operation shall be considered the
25 fracturing of a single coal group. All fees for a proposal to
26 fracture a coal group or geologic formation paid pursuant to
27 this section shall be deposited into the State Oil and Gas

1 Board Special Fund and disbursed by the State Treasurer upon
2 warrants drawn by the state Comptroller for the purpose of
3 defraying the expenses incurred by the State Oil and Gas Board
4 in the performance of its duties pursuant to this subsection.

5 "(d) Any person proposing a surface mining operation
6 to recover oil from oil sands shall notify the State Oil and
7 Gas Supervisor. The notification shall be in a form prescribed
8 by the State Oil and Gas Supervisor and shall be accompanied
9 by a fee paid to the State Treasurer in an amount based on
10 acreage of the operation. The acreage fees for surface mining
11 operations to recover oil from oil sands shall be set by rule
12 of the State Oil and Gas Board. All fees for a proposal to
13 conduct surface mining operations to recover oil from oil
14 sands paid pursuant to this section shall be deposited into
15 the State Oil and Gas Board Special Fund and disbursed by the
16 State Treasurer upon warrants drawn by the state Comptroller
17 for the purpose of defraying the expenses incurred by the
18 State Oil and Gas Board in the performance of its duties
19 pursuant to this subsection.

20 "(d)(e) All well permit fees, filing fees for
21 petitions, and other fees paid to the State Treasurer pursuant
22 to this section shall be paid into the Alabama State Oil and
23 Gas Board Special Fund and disbursed by the State Treasurer
24 upon warrants drawn by the state Comptroller for the purpose
25 of defraying expenses incurred by the State Oil and Gas Board
26 in the performance of its duties.

1 "~~(e)~~ (f) There is hereby created a separate fund in
2 the State Treasury to be known as the Alabama State Oil and
3 Gas Board Special Fund. This fund shall consist of well permit
4 fees, filing fees for petitions, and other fees. All moneys
5 deposited in this fund shall be used for the purpose of
6 defraying expenses incurred by the State Oil and Gas Board in
7 the performance of its duties. The fund shall be paid out only
8 by warrant of the Comptroller upon the Treasurer, upon
9 itemized vouchers, approved by the State Oil and Gas
10 Supervisor; provided, that no funds shall be withdrawn or
11 expended except as budgeted and allotted according to the
12 provisions of Sections 41-4-80 through 41-4-96 and Sections
13 41-19-1 through 41-19-12, and only in amounts as stipulated in
14 the general appropriation or other appropriation bills,
15 provided further, that any funds unspent and unencumbered at
16 the end of any state fiscal year shall not be transferred into
17 the General Fund."

18 Section 2. This act shall become effective
19 immediately following its passage and approval by the
20 Governor, or its otherwise becoming law.

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House of Representatives

Read for the first time and re-
ferred to the House of Representa-
tives committee on Boards, Agencies
and Commissions..... 02-APR-13

Read for the second time and placed
on the calendar with 1 substitute
and..... 10-APR-13

Read for the third time and passed
as amended..... 18-APR-13

Yeas 93, Nays 0, Abstains 0

Jeff Woodard
Clerk