

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

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ENROLLED, 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 power the board shall have the authority to perform the following:

"(1) Collect data.

"(2) Make investigation and inspection.

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

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

9           "(5) Hold hearings.

10          "(6) Appoint a hearing officer for the purpose of  
11 conducting public hearings on behalf of the board and making  
12 recommendations to the board.

13          "(7) Require the keeping of records and making of  
14 reports.

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

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

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

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

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

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

16           "(5) To require reasonable bond, with good and  
17 sufficient surety, or other financial security approved by the  
18 board, conditioned for the performance of the duties outlined  
19 in subdivisions (1), (2), (3), and (4) of this subsection,  
20 including the duty to plug each dry or abandoned well and to  
21 restore the well site for each dry or abandoned well and  
22 associated production and processing facility and plant upon  
23 the abandonment of such well, facility, or plant and to  
24 reclaim all surfaces disturbed during surface mining  
25 operations for the recovery of oil from oil sands.

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

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

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

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

16           "(10) To prevent fires.

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

22           "(12) To regulate the "shooting," perforating, and  
23 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

1 board; and it shall be a violation of this article, subject to  
2 the penalties provided in this article, for any person to  
3 refuse to attach or install such meter when ordered to do so  
4 by the board or in any way to tamper with such meter so as to  
5 produce a false or inaccurate reading or to have any bypass at  
6 such a place where the oil or gas can be passed around such  
7 meter, unless expressly authorized by written permit of the  
8 board.

9 "§9-17-24.

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

1 information as the State Oil and Gas Supervisor may deem  
2 necessary or convenient to effectuate the purposes of this  
3 article.

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

17 "(c) Any person proposing to fracture a coal group  
18 or geologic formation shall notify the State Oil and Gas  
19 Supervisor. The notification shall be in a form prescribed by  
20 the State Oil and Gas Supervisor and shall be accompanied by a  
21 fee paid to the State Treasurer not to exceed two hundred  
22 fifty dollars (\$250) for each ~~coal group to be fractured~~ stage  
23 of a fracture stimulation operation in an individual well, up  
24 to a maximum fee of seven hundred fifty dollars (\$750) per  
25 well, regardless of the number of fracture stages proposed.

1 With respect to coalbed methane operations, a stage of a  
2 fracture stimulation operation shall be considered the  
3 fracturing of a single coal group. All fees for a proposal to  
4 fracture a coal group or geologic formation paid pursuant to  
5 this section shall be deposited into the State Oil and Gas  
6 Board Special Fund and disbursed by the State Treasurer upon  
7 warrants drawn by the state Comptroller for the purpose of  
8 defraying the expenses incurred by the State Oil and Gas Board  
9 in the performance of its duties pursuant to this subsection.

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

1           "~~(d)~~(e) All well permit fees, filing fees for  
2 petitions, and other fees paid to the State Treasurer pursuant  
3 to this section shall be paid into the Alabama State Oil and  
4 Gas Board Special Fund and disbursed by the State Treasurer  
5 upon warrants drawn by the state Comptroller for the purpose  
6 of defraying expenses incurred by the State Oil and Gas Board  
7 in the performance of its duties.

8           "~~(e)~~(f) There is hereby created a separate fund in  
9 the State Treasury to be known as the Alabama State Oil and  
10 Gas Board Special Fund. This fund shall consist of well permit  
11 fees, filing fees for petitions, and other fees. All moneys  
12 deposited in this fund shall be used for the purpose of  
13 defraying expenses incurred by the State Oil and Gas Board in  
14 the performance of its duties. The fund shall be paid out only  
15 by warrant of the Comptroller upon the Treasurer, upon  
16 itemized vouchers, approved by the State Oil and Gas  
17 Supervisor; provided, that no funds shall be withdrawn or  
18 expended except as budgeted and allotted according to the  
19 provisions of Sections 41-4-80 through 41-4-96 and Sections  
20 41-19-1 through 41-19-12, and only in amounts as stipulated in  
21 the general appropriation or other appropriation bills,  
22 provided further, that any funds unspent and unencumbered at  
23 the end of any state fiscal year shall not be transferred into  
24 the General Fund."

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

