

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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HOUSE BILL 242
PROPOSED COMMITTEE SUBSTITUTE H242-PCS11186-RIF-6

Short Title: Nat. Gas/Bonds/Fees/Studies.

(Public)

Sponsors:

Referred to:

March 8, 2011

A BILL TO BE ENTITLED

1 AN ACT TO (1) INCREASE THE AMOUNT OF THE BOND REQUIRED UPON
2 REGISTRATION IN ORDER TO DRILL FOR OIL OR NATURAL GAS IN THE
3 STATE; (2) INCREASE THE AMOUNT OF FEES APPLICABLE TO DRILLING AND
4 ABANDONING OIL OR GAS WELLS; (3) DIRECT THE DEPARTMENT OF
5 ENVIRONMENT AND NATURAL RESOURCES TO STUDY THE ISSUE OF OIL
6 AND GAS EXPLORATION IN THE STATE, AND SPECIFICALLY THE USE OF
7 HYDRAULIC FRACTURING FOR THAT PURPOSE; AND (4) DIRECT THE
8 DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES TO CONDUCT
9 AT LEAST TWO PUBLIC HEARINGS ON THE ISSUE IN THE AREA IN WHICH
10 DRILLING FOR NATURAL GAS BY MEANS OF HYDRAULIC FRACTURING MAY
11 OCCUR.
12

13 The General Assembly of North Carolina enacts:

14 **SECTION 1.** G.S. 113-378 reads as rewritten:

15 **"§ 113-378. Persons drilling for oil or gas to register and furnish bond.**

16 Any person, firm or corporation before making any drilling exploration in this State for oil
17 or natural gas shall register with the Department of Environment and Natural Resources or such
18 other State agency as may hereafter be established to control the conservation of oil or gas in
19 this State. Resources. To provide for such registration, the drilling operator must furnish the
20 name and address of such person, firm or corporation, and the location of the proposed drilling
21 operations, and file with the ~~aforsaid~~ Department a bond in ~~the an~~ amount totaling the sum
22 of (i) five thousand dollars (\$5,000) plus (ii) one dollar (\$1.00) per linear foot proposed to be
23 drilled for the well. (\$5,000) running to the State of North Carolina, conditioned that any Any
24 well opened by the drilling operator ~~upon abandonment~~ shall be plugged upon abandonment in
25 accordance with the rules of ~~said the~~ Department."

26 **SECTION 2.** G.S. 113-395 reads as rewritten:

27 **"§ 113-395. Notice and payment of fee to Department before drilling or abandoning well;
28 plugging abandoned well.**

29 Before any well, in search of oil or gas, shall be drilled, the person desiring to drill the same
30 shall notify the Department upon such form as it may prescribe and shall pay a fee of ~~fifty one~~
31 thousand five hundred dollars (\$50.00) (\$1,500) for each well. The drilling of any well is hereby
32 prohibited until such notice is given and such fee has been paid and permit granted.

33 Each abandoned well and each dry hole ~~promptly~~ shall be plugged promptly in the manner
34 and within the time required by rules ~~to be~~ prescribed by the Department, and the owner of



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1 such well shall give notice, upon such form as the Department may prescribe, of the
2 abandonment of each dry hole and of the owner's intention to abandon, and shall pay a fee of
3 ~~fifteen~~ four hundred fifty dollars (~~\$15.00~~)(\$450.00). No well shall be abandoned until such
4 notice has been given and such fee has been paid."

5 **SECTION 3.** The Department of Environment and Natural Resources shall study
6 the issue of oil and gas exploration in the State and the use of hydraulic fracturing for that
7 purpose. The Department shall report its findings and recommendations, including specific
8 legislative proposals, to the Environmental Review Commission no later than September 1,
9 2011. At a minimum, the study shall include information on the following:

- 10 (1) Oil and gas reserves present in the Triassic Basin and in any other areas of
11 the State.
- 12 (2) Methods of exploration and extraction of oil and gas, including hydraulic
13 fracturing.
- 14 (3) Potential impacts on infrastructure, including roads, pipelines, and water and
15 wastewater services. In analyzing potential impacts, the Department shall
16 specifically examine the expected water usage from hydraulic fracturing,
17 water resources in the area in which drilling may occur, as well as existing
18 water users in the area that may be impacted by increased consumption of
19 water for use in hydraulic fracturing.
- 20 (4) Potential environmental impacts, including constituents or contaminants that
21 may be present in the fluid used in the hydraulic fracturing process; the
22 potential for the contamination of nearby wells and groundwater, as well as
23 the options for disposal of the wastewater produced; the potential for
24 emission of toxic air pollutants; impacts on wildlife; and the potential for
25 seismic activity in the area in which drilling may occur. In examining this
26 issue, the Department shall formulate regulatory requirements advisable to
27 address potential environmental impacts and in doing so shall gather
28 information on regulatory programs in other states where oil and gas
29 exploration or extraction is occurring, particularly with regard to the use of
30 hydraulic fracturing for that purpose.
- 31 (5) Potential economic impacts, including possible sources of revenue that could
32 accrue to the benefit of the State in the event that drilling for oil or natural
33 gas were to take place in the State. In examining this issue, the Department
34 shall gather information on (i) the number of jobs that may be expected as a
35 result from drilling activities in the State and (ii) what severance taxes, fees,
36 royalties, bonds, or assessments may be appropriate in connection with the
37 activity. For any sources of revenue that may be anticipated, the Department
38 shall evaluate use of the revenue for the following purposes: funds dedicated
39 to the conservation and preservation of land and water resources; funds
40 dedicated to remediation of environmental contamination such as the
41 Inactive Hazardous Sites Cleanup Fund; and funds dedicated to improving
42 water and wastewater infrastructure across the State.
- 43 (6) Potential social impacts, including impacts of drilling operations on nearby
44 communities and quality of life within those communities, recreational
45 activities, and commercial and residential development.

46 **SECTION 4.** By February 1, 2012, the Department of Environment and Natural
47 Resources shall hold at least two public hearings at separate locations within the Triassic Basin
48 on the issue of drilling for natural gas by means of hydraulic fracturing. The public hearings
49 shall be conducted in order to promote awareness of the issue generally and inform and consult
50 with the public and user groups on potential environmental impacts, potential regulatory
51 controls, potential economic impacts, and consumer protection issues, including landowner

1 rights and mineral leases. In developing the consumer protection portion of the public hearings,
2 the Department may consult with the Consumer Protection Division of the North Carolina
3 Department of Justice and the Rural Advancement Foundation International (RAFI).

4 **SECTION 5.** This act is effective when it becomes law.