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By: **Delegate Edwards**

Introduced and read first time: February 10, 2006

Assigned to: Environmental Matters

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Committee Report: Favorable

House action: Adopted

Read second time: March 19, 2006

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CHAPTER\_\_\_\_\_

1 AN ACT concerning

2 **Environment - Gas and Oil - Coalbed Methane Production**

3 FOR the purpose of establishing the minimum required distance from an unleased  
4 property boundary for a coalbed methane well; authorizing the Department of  
5 the Environment to make inspections it determines necessary to ensure  
6 compliance with certain requirements under certain circumstances; altering the  
7 requirement that the owner of leased lands surrender the lands under certain  
8 circumstances; defining a certain term; and generally relating to coalbed  
9 methane production and gas and oil.

10 BY repealing and reenacting, with amendments,  
11 Article - Environment  
12 Section 14-102, 14-112, and 14-113  
13 Annotated Code of Maryland  
14 (1996 Replacement Volume and 2005 Supplement)

15 BY adding to  
16 Article - Environment  
17 Section 14-121  
18 Annotated Code of Maryland  
19 (1996 Replacement Volume and 2005 Supplement)

20 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
21 MARYLAND, That the Laws of Maryland read as follows:

1 **Article - Environment**

2 14-102.

3 (a) In this subtitle the following words have the meanings indicated.

4 (B) "COALBED METHANE" MEANS METHANE AND ANY OTHER GASEOUS  
5 SUBSTANCE OCCURRING IN OR PRODUCED FROM A COAL SEAM OR RELATED,  
6 ASSOCIATED, OR ADJACENT ROCK MATERIALS.

7 [(b)] (C) "County" includes Baltimore City unless otherwise indicated.

8 [(c)] (D) "Department" means Department of the Environment.

9 [(d)] (E) "Field" means the general area underlaid by one or more pools.

10 [(e)] (F) "Gas" means all natural gas and other fluid hydrocarbons, not  
11 defined as oil, which are produced from a natural reservoir.12 [(f)] (G) "Oil" means crude petroleum oil and other hydrocarbons, regardless  
13 of gravity, which are produced at the wellhead in liquid form, except liquid  
14 hydrocarbons known as distillate or condensate recovered or extracted from gas.15 [(g)] (H) "Owner" means the person who has the right to drill into and produce  
16 from a pool, or to store in a pool, and appropriate the oil or gas the person produces or  
17 stores either for the person or others.18 [(h)] (I) "Person" means any individual, corporation, association, partnership,  
19 receiver, trustee, executor, administrator, guardian, fiduciary, or other representative  
20 of any kind.21 [(i)] (J) "Pool" means an underground reservoir containing a common  
22 accumulation of oil, gas, or both.23 [(j)] (K) "Producer" means the owner of a well capable of producing oil, gas, or  
24 both.25 [(k)] (L) "Product" means any commodity produced in its natural state by an  
26 oil or gas well.27 [(l)] (M) (1) "Underground storage" means the storing of gas or oil in a  
28 geological stratum beneath the surface of the earth.29 (2) "Underground storage" includes the injection of gas or oil into and  
30 withdrawal from an underground storage reservoir and any other operation  
31 necessary for or convenient to the storage of gas or of oil.32 [(m)] (N) "Underground storage reservoir" means the stratum and subsurface  
33 area that are used or are to be used for or in connection with the underground storage  
34 of gas or of oil.

1 14-112.

2 (a) (1) [A] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION,  
3 A well for the production or underground storage of gas or oil may not be drilled on  
4 any property nearer than 1,000 feet to the boundary of the property except by  
5 agreement with the owners of the gas and oil on adjacent lands.

6 (2) A WELL FOR THE PRODUCTION OF COALBED METHANE MAY NOT BE  
7 DRILLED ON ANY PROPERTY NEARER THAN 500 FEET TO THE BOUNDARY OF THE  
8 PROPERTY EXCEPT BY AGREEMENT WITH THE OWNERS OF COALBED METHANE ON  
9 ADJACENT LANDS.

10 (b) On property on which it is impossible to locate a well the required  
11 MINIMUM distance from the boundary, and where no agreement with the owners of  
12 the gas and oil OR COALBED METHANE on adjacent lands has been made, a well may  
13 be located nearer than [1,000 feet] THE REQUIRED MINIMUM DISTANCE UNDER  
14 SUBSECTION (A) OF THIS SECTION to the boundary with the consent of the  
15 Department. However, when any permit to drill a well nearer than [1,000 feet] THE  
16 REQUIRED MINIMUM DISTANCE to the boundary has been applied for, the  
17 Department shall notify every landowner, royalty owner, or leaseholder within [1,000  
18 feet] THE REQUIRED MINIMUM DISTANCE of the location of the proposed well, giving  
19 them a reasonable opportunity to file objections to the issuance of the permit. The  
20 Department then shall hold a hearing. If the Department determines that it is  
21 necessary for the well to be located nearer than [1,000 feet] THE REQUIRED  
22 MINIMUM DISTANCE to the boundary, it may issue the permit. If a permit is issued,  
23 any landowner, royalty owner, or leaseholder within [1,000 feet] THE REQUIRED  
24 MINIMUM DISTANCE of the proposed well has the right to a rehearing and appeal to  
25 the courts provided in this subtitle. A request for a rehearing or an appeal to the  
26 courts stays the authority granted under the permit until final determination of the  
27 issued permit is made.

28 (c) The Department, by rule or regulation, shall prescribe the distance  
29 between any two wells on any property.

30 14-113.

31 On completion of a well producing gas or oil on any leased lands included under  
32 a unit operation agreement, royalties from the producing well shall be paid on all  
33 lands originally included within the unit operation agreement. Within six months  
34 after the completion of the producing well, the lands within the unit operation  
35 agreement not included as "in pool" acreage and on which no royalties are payable,  
36 shall be released, UNLESS THE OWNER OF THE LANDS HAS OTHERWISE AGREED IN  
37 WRITING. This section does not extend to any leases and unit operation agreements in  
38 effect on June 1, 1956.

39 14-121.

40 (A) THE DEPARTMENT MAY MAKE INSPECTIONS AS IT DETERMINES  
41 NECESSARY TO ENSURE COMPLIANCE WITH THIS SUBTITLE.

1 (B) IN ORDER TO CARRY OUT AN INSPECTION IN ACCORDANCE WITH THIS  
2 SECTION, THE DEPARTMENT, OR ITS AUTHORIZED AGENTS, MAY:

3 (1) CONDUCT TESTS OR SAMPLING, OR EXAMINE BOOKS, PAPERS, AND  
4 RECORDS THAT RELATE TO ANY MATTER UNDER AN INVESTIGATION IN  
5 ACCORDANCE WITH THIS SUBTITLE; AND

6 (2) AT REASONABLE TIMES, ENTER AND EXAMINE ANY PROPERTY,  
7 FACILITY, OPERATION, OR ACTIVITY.

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take  
9 effect October 1, 2006.