
By: **Senator Hafer**

Introduced and read first time: February 13, 2006

Assigned to: Rules

A BILL ENTITLED

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:

22 **Article - Environment**

23 14-102.

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

25 (B) "COALBED METHANE" MEANS METHANE AND ANY OTHER GASEOUS
26 SUBSTANCE OCCURRING OR PRODUCED FROM A COAL SEAM OR RELATED,
27 ASSOCIATED, OR ADJACENT ROCK MATERIALS.

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

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

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

4 [(e)] (F) "Gas" means all natural gas and other fluid hydrocarbons, not
5 defined as oil, which are produced from a natural reservoir.

6 [(f)] (G) "Oil" means crude petroleum oil and other hydrocarbons, regardless
7 of gravity, which are produced at the wellhead in liquid form, except liquid
8 hydrocarbons known as distillate or condensate recovered or extracted from gas.

9 [(g)] (H) "Owner" means the person who has the right to drill into and produce
10 from a pool, or to store in a pool, and appropriate the oil or gas the person produces or
11 stores either for the person or others.

12 [(h)] (I) "Person" means any individual, corporation, association, partnership,
13 receiver, trustee, executor, administrator, guardian, fiduciary, or other representative
14 of any kind.

15 [(i)] (J) "Pool" means an underground reservoir containing a common
16 accumulation of oil, gas, or both.

17 [(j)] (K) "Producer" means the owner of a well capable of producing oil, gas, or
18 both.

19 [(k)] (L) "Product" means any commodity produced in its natural state by an
20 oil or gas well.

21 [(l)] (M) (1) "Underground storage" means the storing of gas or oil in a
22 geological stratum beneath the surface of the earth.

23 (2) "Underground storage" includes the injection of gas or oil into and
24 withdrawal from an underground storage reservoir and any other operation
25 necessary for or convenient to the storage of gas or of oil.

26 [(m)] (N) "Underground storage reservoir" means the stratum and subsurface
27 area that are used or are to be used for or in connection with the underground storage
28 of gas or of oil.

29 14-112.

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

34 (2) A WELL FOR THE PRODUCTION OF COALBED METHANE MAY NOT BE
35 DRILLED ON ANY PROPERTY NEARER THAN 500 FEET TO THE BOUNDARY OF THE

1 PROPERTY EXCEPT BY AGREEMENT WITH THE OWNERS OF THE GAS AND OIL ON
2 ADJACENT LANDS.

3 (b) On property on which it is impossible to locate a well the required
4 MINIMUM distance from the boundary, and where no agreement with the owners of
5 the gas and oil on adjacent lands has been made, a well may be located nearer than
6 [1,000 feet] THE REQUIRED MINIMUM DISTANCE UNDER SUBSECTION (A) OF THIS
7 SECTION to the boundary with the consent of the Department. However, when any
8 permit to drill a well nearer than [1,000 feet] THE REQUIRED MINIMUM DISTANCE to
9 the boundary has been applied for, the Department shall notify every landowner,
10 royalty owner, or leaseholder within [1,000 feet] THE REQUIRED MINIMUM
11 DISTANCE of the location of the proposed well, giving them a reasonable opportunity
12 to file objections to the issuance of the permit. The Department then shall hold a
13 hearing. If the Department determines that it is necessary for the well to be located
14 nearer than [1,000 feet] THE REQUIRED MINIMUM DISTANCE to the boundary, it may
15 issue the permit. If a permit is issued, any landowner, royalty owner, or leaseholder
16 within [1,000 feet] THE REQUIRED MINIMUM DISTANCE of the proposed well has the
17 right to a rehearing and appeal to the courts provided in this subtitle. A request for a
18 rehearing or an appeal to the courts stays the authority granted under the permit
19 until final determination of the issued permit is made.

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

22 14-113.

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

31 14-121.

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

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

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

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

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