

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2011

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HOUSE BILL 242  
Committee Substitute Favorable 4/19/11

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 aforesaid 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  
35 such well shall give notice, upon such form as the Department may prescribe, of the  
36 abandonment of each dry hole and of the owner's intention to abandon, and shall pay a fee of



1 ~~fifteen~~four hundred fifty dollars (~~\$15.00~~)(\$450.00). No well shall be abandoned until such  
2 notice has been given and such fee has been paid."

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

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

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

1 the Department may consult with the Consumer Protection Division of the North Carolina  
2 Department of Justice and the Rural Advancement Foundation International (RAFI).  
3 **SECTION 5.** This act is effective when it becomes law.