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# HOUSE BILL No. 1227

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 14-37.

**Synopsis:** Oil and gas environmental fund. Amends the fee and bonding requirements for oil and gas well permits. Eliminates the separate fee for Class II wells. Establishes new minimum and maximum balances for the oil and gas environmental fund. Allows the department of natural resources to use a percentage of the fund for administrative expenses.

**Effective:** July 1, 2002.

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## Weinzapfel

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January 10, 2002, read first time and referred to Committee on Environmental Affairs.

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Second Regular Session 112th General Assembly (2002)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2001 General Assembly.

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# HOUSE BILL No. 1227



A BILL FOR AN ACT to amend the Indiana Code concerning natural and cultural resources.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 14-37-4-6 IS AMENDED TO READ AS  
2 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 6. **(a)** A person must  
3 submit the following with an application for a permit:

- 4 (1) A bond under IC 14-37-6.
- 5 (2) A permit fee of one hundred dollars (\$100) payable to the
- 6 department.

7 **(b) Permit fees collected under this section must be deposited in**  
8 **the oil and gas fund established by IC 6-8-1-27.**

9 SECTION 2. IC 14-37-5-1 IS AMENDED TO READ AS  
10 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. **(a) This section does**  
11 **not apply to a noncommercial gas well drilled on real estate owned**  
12 **by a resident of Indiana if:**

- 13 (1) the deputy director has waived the bond described in
- 14 IC 14-37-6;
- 15 (2) the owner submits written proof of financial
- 16 responsibility; and
- 17 (3) the owner submits on a division form an agreement to



1           **maintain and abandon the well in accordance with IC 14-37.**  
 2           **The deputy director may require the agreement described in**  
 3           **subdivision (3) to be recorded.**

4           **(b) An oil and gas well owner or operator must pay an annual fee**  
 5           **for each Class H well permitted or authorized under this article: that is**  
 6           **based on the number of wells for oil and gas purposes for which the**  
 7           **person has permits as of November 1 of each year. The total fees**  
 8           **required are as follows:**

9           **(1) For one (1) permit, one hundred fifty dollars (\$150).**

10           **(2) For two (2) through five (5) permits, three hundred dollars**  
 11           **(\$300).**

12           **(3) For six (6) through twenty-five (25) permits, seven**  
 13           **hundred fifty dollars (\$750).**

14           **(4) For twenty-six (26) through one hundred (100) permits,**  
 15           **one thousand five hundred dollars (\$1,500).**

16           **(5) For more than one hundred (100) permits, one thousand**  
 17           **five hundred dollars (\$1,500) plus fifteen dollars (\$15) for**  
 18           **each permit over one hundred (100).**

19           ~~(b)~~ **(c) The commission shall adopt rules under IC 4-22-2 and**  
 20           ~~IC 14-37-3~~ **setting the amount of the annual fee required by this**  
 21           **section: subsection (b):**

22           **(1) applies to each well for oil and gas purposes in existence on**  
 23           **November 1 of each year; and**

24           **(2) must be paid to the department not later than February 1**  
 25           **of the following year.**

26           **(d) The department shall deposit the fees collected under this**  
 27           **section into the oil and gas environmental fund established by**  
 28           **IC 14-37-10-2.**

29           **SECTION 3. IC 14-37-5-2 IS AMENDED TO READ AS**  
 30           **FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 2. (a) Notwithstanding**  
 31           **section 1(b) of this chapter, if the amount in the oil and gas**  
 32           **environmental fund established by IC 14-37-10-2 is more than one**  
 33           **million five hundred thousand dollars (\$1,500,000) on November**  
 34           **1 of a year, the annual fee required by section 1 of this chapter**

35           ~~(1)~~ **applies to a Class H well in existence on February 1 of a year;**  
 36           ~~and~~

37           ~~(2)~~ **is due on July 1 of the same year:**

38           **must be reduced by seventy-five percent (75%). However, the**  
 39           **department shall charge a fee of at least fifty dollars (\$50).**

40           **(b) The fee required under subsection (a) remains in effect until**  
 41           **the amount in the oil and gas environmental fund is less than one**  
 42           **million dollars (\$1,000,000) on November 1 of a year.**

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1 SECTION 4. IC 14-37-6-1 IS AMENDED TO READ AS  
 2 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 1. (a) Except as  
 3 otherwise provided in this chapter, this section applies to the following:

4 (1) An applicant for a permit under this article **who has never**  
 5 **been granted a permit for a well for oil and gas purposes**  
 6 **under this article.**

7 (2) A person who ~~will create, modify, or acquire a well for oil and~~  
 8 ~~gas purposes that has not been plugged and abandoned:~~ **has**  
 9 **demonstrated a pattern of violation under this article within**  
 10 **the previous two (2) years.**

11 (3) **A person who has failed to pay a civil penalty imposed**  
 12 **under IC 14-37-13.**

13 (4) **A person who has failed to pay an annual fee required**  
 14 **under IC 14-37-5.**

15 (b) **In addition to the annual fee required under IC 14-37-5, an**  
 16 **applicant and or a person described in subsection (a) shall execute**  
 17 **and file with the department:**

18 (1) a bond of two thousand **five hundred** dollars ~~(\$2,000)~~  
 19 **(\$2,500)** for each well;

20 (2) a bond in any amount if the number of wells does not exceed  
 21 the number determined by dividing the principal amount of the  
 22 bond by two thousand **five hundred** dollars ~~(\$2,000)~~; **(\$2,500)**;  
 23 or

24 (3) a blanket bond of ~~thirty~~ **forty-five** thousand dollars ~~(\$30,000)~~  
 25 **(\$45,000)** for any number of wells.

26 SECTION 5. IC 14-37-10-3, AS AMENDED BY P.L.236-2001,  
 27 SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 28 JULY 1, 2002]: Sec. 3. The following shall be deposited in the fund:

29 ~~(1) Permit fees received under IC 14-37-4-6:~~

30 ~~(2) (1) Annual fees for Class H oil and gas wells received under~~  
 31 ~~IC 14-37-5.~~

32 ~~(3) (2) Accrued interest and other investment earnings of the~~  
 33 ~~fund.~~

34 ~~(4) (3) Civil penalties collected under IC 14-37-13-3.~~

35 ~~(5) (4) Gifts, grants, donations, or appropriations from any source.~~

36 SECTION 6. IC 14-37-10-4 IS AMENDED TO READ AS  
 37 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 4. (a) Except as  
 38 provided in subsection (d), money in the fund does not revert to the  
 39 state general fund at the end of a state fiscal year.

40 (b) The total amount of money in the fund may not exceed one  
 41 million **five hundred thousand** dollars ~~(\$1,000,000)~~. **(\$1,500,000)**.  
 42 Any amount of money in the fund exceeding one million **five hundred**

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1 **thousand dollars (~~\$1,000,000~~) (\$1,500,000) on November 1 of a year**  
2 **reverts to the oil and gas fund established by IC 6-8-1-27. The fund**  
3 **must maintain a balance of at least seven hundred fifty thousand**  
4 **dollars (\$750,000) as a surety fund for operators who are not**  
5 **required to execute a bond under IC 14-37-6-1. Expenditures that**  
6 **would reduce the fund below seven hundred fifty thousand dollars**  
7 **(\$750,000) must be approved by the budget agency.**

8 (c) The treasurer of state shall invest the money in the fund not  
9 currently needed to meet the obligations of the fund in the same  
10 manner as other public money may be invested. Interest that accrues  
11 from these investments shall be deposited in the fund.

12 (d) If the fund is abolished, all money in the fund is transferred to  
13 the state general fund.

14 (e) **The expenses of administering the fund shall be paid from**  
15 **money in the fund. However, the department may not expend more**  
16 **than five percent (5%) of the money in the fund for administering**  
17 **the fund each state fiscal year.**

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