

House Bill 205

By: Representatives Meadows of the 5th, Dempsey of the 13th, Jasperse of the 11th, Ridley of the 6th, Lumsden of the 12th, and others

A BILL TO BE ENTITLED
AN ACT

1 To amend Article 2 of Chapter 4 of Title 12 of the Official Code of Georgia Annotated,
2 relating to mining and drilling, so as to regulate the exploration and extraction of gas and oil
3 in this state; to provide for a definition; to provide for authority to create an Oil and Gas
4 Board under certain circumstances; to require the promulgation of rules and regulations
5 related to drilling and extraction; to amend provisions relating to drilling permits; to increase
6 the amount of bond security for drilling operations; to provide for authority of local
7 governments; to impose a severance tax on the extraction of oil and gas; to provide for
8 related matters; to repeal conflicting laws; and for other purposes.

9 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

10 **SECTION 1.**

11 Article 2 of Chapter 4 of Title 12 of the Official Code of Georgia Annotated, relating to
12 mining and drilling, is amended by revising Part 2, relating to deep drilling for oil, gas, and
13 other minerals, as follows:

14 **"Part 2**

15 12-4-40.

16 This part shall be known and may be cited as the 'Oil and Gas and Deep Drilling Act
17 of 1975.'

18 12-4-41.

19 The General Assembly finds and declares that its duty to protect the health, safety, and
20 welfare of the citizens of this state requires that adequate protection of underground fresh
21 water supplies be assured in any drilling operation which may penetrate through any
22 stratum which contains fresh water. This duty further requires that adequate protection be
23 assured in any drilling or the use of such drilled wells in certain other environmentally

24 sensitive areas or in other circumstances where the result of such drilling and use may
 25 endanger the health, safety, and welfare of the citizens of this state. It is not the policy of
 26 the General Assembly to regulate the drilling of shallow exploration or engineering holes
 27 except in such environmentally sensitive areas as defined in this part. The General
 28 Assembly further finds and declares that, ~~with the current energy shortage which this state~~
 29 ~~and nation face, it must encourage~~ oil and gas exploration to identify new sources of
 30 energy, but not should not occur at the expense of our important natural resources such as
 31 residential, municipal, and industrial supplies of fresh water. The General Assembly
 32 further finds and declares that with an increase in oil exploration, it must provide
 33 assurances to persons engaging in such exploration that adequate safeguards regarding
 34 results of exploration will remain privileged information for a specified time. The General
 35 Assembly further finds and declares that it is in the public interest to obtain, protect, and
 36 disseminate all possible geologic information associated with drilling operations in order
 37 to further the purposes of future energy related research.

38 12-4-42.

39 As used in this part, the term:

40 (1) 'Board' means the Board of Natural Resources.

41 (1.1) 'Director' means the director of the Environmental Protection Division of the
 42 Department of Natural Resources.

43 (2) 'Drilling' means the boring of a hole in the earth by remote mechanical means and all
 44 associated activities, including but not limited to casing, perforating, plugging,
 45 cementing, and capping.

46 (3) 'Environmentally sensitive area of the coastal zone' means that area of the coastal
 47 zone where salt-water-bearing strata overlie the fresh-water aquifer system.

48 (4) 'Field' means the general area which is underlaid or appears to be underlaid by at least
 49 one pool. This term shall include the underground reservoir or reservoirs containing
 50 crude petroleum oil or natural gas, or both. The words 'field' and 'pool' mean the same
 51 thing when only one underground reservoir is involved; however, 'field,' unlike 'pool,'
 52 may relate to two or more pools.

53 (5) 'Gas' means all natural gas, including casing-head gas, and all other hydrocarbons not
 54 defined as oil in paragraph (10) of this Code section.

55 (5.1) 'Hydraulic fracturing' means the forcing open of fissures in subterranean rocks by
 56 introducing fluids at high pressure, especially to extract oil or gas.

57 (6) 'Illegal mineral' means any mineral, including oil or gas, which has been produced
 58 within the State of Georgia in violation of this part, any rule or regulation adopted and
 59 promulgated pursuant to this part, or any order issued under this part.

60 (7) 'Illegal product' means any product of oil, gas, or other mineral, any part of which
61 was processed or derived, in whole or in part, from an illegal mineral.

62 (8) 'Mineral' means any naturally occurring substance found in the earth which has
63 commercial value. This term shall include oil and gas, as defined in this Code section,
64 but shall not include fresh water.

65 (9) 'Mineral product' means any commodity made from any mineral.

66 (10) 'Oil' means crude petroleum oil and other hydrocarbons, regardless of gravity, which
67 are produced at the well in liquid form by ordinary production methods and which are not
68 the result of condensation of gas after it leaves the reservoir.

69 (11) 'Owner' means the person who has the right to drill into and produce from any pool
70 and to appropriate the production either for himself or herself and another, or himself or
71 herself and others.

72 (12) 'Person' means any natural person, corporation, joint venture, association,
73 partnership, receiver, trustee, guardian, executor, administrator, fiduciary or
74 representative of any kind, all agencies or instrumentalities of the state, and all county or
75 municipal governments or any authority.

76 (13) 'Pool' means an underground reservoir containing a common accumulation of crude
77 petroleum oil or natural gas, or both. Each zone of a general structure which is
78 completely separated from any other zone in the structure is covered by the term 'pool'
79 as used in this part.

80 (14) 'Producer' means the owner of a well or wells capable of producing oil or gas, or
81 both.

82 (15) 'Tender' means a permit or certificate of clearance for the transportation of minerals,
83 including oil and gas, or mineral products produced under this part, approved and issued
84 or registered under the authority of the board.

85 (16) 'Unitization agreement' means a voluntary agreement between operators to create
86 operation units.

87 (17) 'Waste,' in addition to its ordinary meaning, means 'physical waste' as that term is
88 generally understood in the oil and gas industry. The term shall also include, but not be
89 limited to:

90 (A) The inefficient, excessive, or improper use or dissipation of reservoir energy and
91 the locating, spacing, drilling, equipping, operating, or producing of any oil or gas well
92 or wells in a manner which results, or tends to result, in a reduction in the quantity of
93 oil or gas ultimately to be recovered from any pool in this state;

94 (B) The inefficient storing of oil and the locating, spacing, drilling, equipping,
95 operating, or producing of any oil or gas well or wells in a manner causing, or tending
96 to cause, unnecessary or excessive surface loss or destruction of oil or gas;

- 97 (C) Abuse of the correlative rights and opportunities of each owner of gas or oil in a
98 common reservoir due to nonuniform, disproportionate, and unratable withdrawals
99 causing undue drainage between tracts of lands;
- 100 (D) The production of oil or gas in such a manner as to cause unnecessary water
101 channeling or zoning;
- 102 (E) The operation of any oil well or wells with an inefficient gas-oil ratio;
- 103 (F) The drowning with water of any stratum or part thereof capable of producing gas
104 or oil, except where approval for such a project has been granted by the department;
- 105 (G) Underground waste, however caused and whether or not defined, as the same
106 relates to any activity regulated by this part;
- 107 (H) The creation of unnecessary fire hazards as the same relates to any activity
108 regulated by this part;
- 109 (I) The escape into the open air, from a well producing both oil and gas, of gas in
110 excess of the amount which is necessary in the efficient drilling or operation of the
111 well; and
- 112 (J) Permitting gas produced from a gas well to escape into the air, except for testing
113 purposes.
- 114 (18) 'Well' means any boring drilled in the search for or the production of oil, gas, or
115 other minerals or water.

116 12-4-43.

117 For the purpose of this part:

- 118 (1) The board shall have the authority to make such inquiries as it may deem necessary
119 into any matter over which it has jurisdiction;
- 120 (2) The board shall have the jurisdiction of and authority over the drilling of and
121 subsequent use of any well for the exploration or production of oil and gas; any well for
122 the exploration or production of any other mineral drilled to a depth greater than 1,800
123 feet; any well for the exploration or production of any mineral located in the
124 environmentally sensitive area of the coastal zone and which is drilled to a depth
125 sufficient to penetrate the fresh-water aquifer system; any underground storage well with
126 the exception of those wells covered by Article 3 of Chapter 4 of Title 46; any well for
127 the underground disposal of waste materials; any well for the production of fresh water
128 drilled to a depth greater than 1,800 feet; and any well for the exploration or production
129 of brine or salt water;
- 130 (3) The board shall have the authority to regulate the spacing of wells and the production
131 of all oil and gas and the production of any other minerals produced through a well or
132 bore hole in liquid or slurry form to a depth greater than 1,800 feet or located in the

133 environmentally sensitive area; provided, however, that this authority does not extend to
 134 the drilling of wells for the production of fresh water used for drinking, residential,
 135 industrial, or agricultural purposes, except as provided for in paragraph (2) of this Code
 136 section;

137 (4) The board shall have the power to adopt and promulgate rules and regulations
 138 necessary to effectuate the purposes of this part;

139 (5) The board may delegate to the director the administrative duties and powers,
 140 including, without limitation, the power to consider and issue permits to drill wells and
 141 to establish drilling and operation units, created under the authority of this part; and

142 (6) Upon receipt of at least 12 applications during a calendar year for any permit to drill
 143 any well for the exploration or production of oil or gas, the board may delegate to the
 144 director the authority to create an Oil and Gas Board to review and issue permits and
 145 regulate drilling activity. Any such Oil and Gas Board shall consist of the state geologist
 146 and three other members appointed by the Governor.

147 12-4-44.

148 (a) The board shall have the authority to adopt and promulgate rules and regulations
 149 dealing with the control of matters over which it has jurisdiction under this part. Such rules
 150 and regulations shall include, but shall not be limited to, rules and regulations for the
 151 following purposes:

152 (1) To require the drilling, casing, and plugging of wells regulated under this part to be
 153 done in such a manner as to prevent the escape of oil or gas out of one stratum into
 154 another stratum; to prevent the pollution of fresh ~~water supplies~~ surface water and
 155 groundwater resources by oil, gas, salt water, or other contaminants; and to require
 156 reasonable bonds;

157 (2) To require the making of reports showing the location of all wells regulated under
 158 this part, including the filing of drill cutting samples, cores, and copies of all logs, and to
 159 further require that the operator submit the name classification used for each of the
 160 subsurface formations penetrated and the depth at which each such formation was
 161 penetrated;

162 (3) To prevent the drowning by water of any stratum or part thereof capable of producing
 163 oil or gas in paying quantities and to prevent the premature and irregular encroachment
 164 of water which reduces the total ultimate recovery of oil or gas from any pool;

165 (4) To require the operation of wells regulated under this part with efficient gas-oil ratios
 166 and to fix such ratios;

167 (5) To prevent 'blowouts,' 'caving,' and 'seepage' in the sense that conditions indicated
 168 by such terms are generally understood in the oil and gas business;

- 169 (6) To prevent fires, waste, and spillage as same relates to any activity regulated by the
170 provisions of this part;
- 171 (7) To identify the ownership of all oil or gas wells, producing leases, refineries, tanks,
172 plants, structures, and all storage and transportation equipment and facilities;
- 173 (8) To regulate the 'shooting,' perforating, fracturing, hydraulic fracturing, and chemical
174 treatment of wells;
- 175 (9) To regulate secondary recovery methods, including, but not limited to, the
176 introduction of gas, oil, water, or other substances into producing formations;
- 177 (10) To limit and prorate the production of oil or gas, or both, from any pool or field for
178 the prevention of waste as defined in Code Section 12-4-42;
- 179 (11) To require, either generally or in or from particular areas, certificates of clearance
180 or tenders in connection with the transportation of oil or gas produced in Georgia;
- 181 (12) To regulate the spacing of wells and to establish drilling units;
- 182 (13) To prevent, insofar as is practical, avoidable drainage from each developed unit
183 which is not equalized by counterdrainage;
- 184 (14) To establish procedures for the plugging and abandonment of wells regulated under
185 this part and to establish procedures for the restoration and reclamation of well sites;
- 186 (15) To require that accurate records be kept on forms to be prescribed by the director,
187 which records shall be reported to the director within the time specified in such rules and
188 regulations; reports shall include such information as the director may prescribe,
189 including, but not limited to, information concerning cuttings, subsurface samples, and
190 lithologic and geophysical logs;
- 191 (16) To require that geologic and testing information obtained from a well regulated
192 under this part be held in confidence by the director for a period of at least six months
193 from the time of drilling to total depth, or, if the director approves, a longer period, if the
194 operator makes a written request for the same stating the length of the extension desired
195 and the reasons therefor; provided, however, that the guarantee of confidentiality
196 provided for in this paragraph shall in no way impair the ability of the board or the
197 director to enforce this part;
- 198 (17) To regulate the issuance, denial, and revocation of permits and to regulate bonds
199 required under this part, except as to persons provided for in paragraph (18) of this Code
200 section;
- 201 (18) To regulate the issuance of permits to persons who have been found to have violated
202 any provision of this part, any rule or regulation adopted and promulgated pursuant to this
203 part, or any order or permit issued under this part, and to establish the amount of bond for
204 such persons;

205 (19) To regulate the cooperative development or operation of all or part of an oil or gas
206 pool as a unit;

207 (20) To require that certain geophysical logging and other tests be conducted to ensure
208 that the requirements of paragraphs (1), (8), and (14) of this Code section are met; and

209 (21) To regulate the underground storage or disposal of substances other than those
210 substances covered by the provisions of Article 3 of Chapter 4 of Title 46.

211 (b) On or before July 1, 2018, the board shall adopt regulations governing hydraulic
212 fracturing operations. Such regulations shall include, at a minimum:

213 (1) Provisions for public notice of any application for any permit for any hydraulic
214 fracturing well, such notice to be given before any decision on the permit application.

215 The contents of such public notice shall include, at a minimum:

216 (A) The name, address, and telephone number of the division contact where further
217 information can be obtained;

218 (B) The name and address of the applicant;

219 (C) The location of the well proposed to be fractured and the route of any directional
220 borehole to the end point of such borehole;

221 (D) A brief description of the project, including information regarding the sources of
222 water to be used as base fluid, fracturing methods, and estimated amounts and methods
223 of wastewater disposal; and

224 (E) A brief description of the public comment period and procedures the director will
225 follow to determine whether to issue the permit;

226 (2) Provisions for the identification of groundwater sources within one-half mile of any
227 proposed wellhead and within one-half mile along the route of any directional borehole
228 to the end point of such borehole, and for groundwater quality monitoring before, during,
229 and after drilling operations;

230 (3) Provisions for the disclosure of the contents of fluids used in hydraulic fracturing
231 projects;

232 (4) Provisions for the safe disposal of all hydraulic fracturing fluids; and

233 (5) Provisions for the restoration and reclamation of abandoned well sites, storage
234 facility sites, pits, and access roads.

235 12-4-45.

236 (a) In regard to the establishment of drilling units and operation units, the allocation of
237 production, the integration of separately owned tracts of land, and agreements in the
238 interest of conservation, the board, in addition to the jurisdiction, authority, or powers
239 granted elsewhere in this part, shall have the specific powers with respect to the exploration
240 or production of oil or gas enumerated below.

241 (1) **Drilling units.** For the prevention of waste and to avoid the augmenting and
242 accumulation of risk arising from the drilling of an excessive number of wells, the board
243 shall, after due investigation and a hearing, have full power and authority to establish
244 such drilling unit or units as may, in its discretion, seem most reasonable and practicable.
245 The board shall have control of the allocation of production over such units and shall,
246 after investigation and hearing, set up, establish, and allocate to each unit its just and
247 equitable share of production, and shall make such orders, rules, and regulations as will
248 give to each producer the opportunity to use his or her just and equitable share of the
249 reservoir energy of any pool. The board shall have power after notice and hearing to
250 review and approve, or disapprove, agreements made among owners or operators, or
251 among owners and operators in the interest of conservation of oil or gas or both or for the
252 prevention of waste. When two or more separately owned tracts of land are embraced
253 within an established drilling unit, the owners thereof may validly agree to integrate their
254 interests and to develop their lands as a drilling unit. Where, however, such owners have
255 not agreed to integrate their interests, the board may, for the prevention of waste or to
256 avoid the drilling of unnecessary wells, after notice and hearing, require such owners to
257 do so and to develop their lands as a drilling unit. Should the owners of separate tracts
258 embraced within a drilling unit fail to agree upon the integration of the tracts and the
259 drilling of a well on the unit, and should it be established that the board is without
260 authority to require integration as provided for above, then subject to all other applicable
261 provisions of this part, the owner of each tract embraced within the drilling unit may drill
262 on his or her tract, but the allowable production from said tract shall be such proportion
263 of the allowable production for the full drilling unit as the area of such separately owned
264 tracts bears to the full drilling unit.

265 (2) **Operation units.**

266 (A) For the prevention of waste and to assure the ultimate recovery of gas or oil, the
267 board may hold a hearing to consider the need for the operation as a unit of an entire
268 field, or of any pool or any portion thereof, or combination of pools, within a field, for
269 the production of oil or gas or both and other minerals which may be associated and
270 produced therewith by additional recovery methods.

271 (B) At the conclusion of the hearing the board shall issue an order requiring unit
272 operation if it finds that:

273 (i) Unit operation of the field, or of any pool or of any portion or combinations
274 thereof within the field, is reasonably necessary to prevent waste as defined in Code
275 Section 12-4-42 or to increase the ultimate recovery of oil or gas by additional
276 recovery methods; and

277 (ii) The estimated additional cost incident to the conduct of such operation will not
278 exceed the value of the estimated additional recovery of oil or gas; provided,
279 however, that the board shall be authorized to prohibit the production of gas or oil by
280 any recovery method if it has determined that such recovery method will result in
281 waste or reduce the ultimate recovery of gas or oil from any field or pool or portion
282 or combination thereof.

283 (C) The phrase 'additional recovery methods' as used in this Code section shall include,
284 but shall not be limited to, the maintenance or partial maintenance of reservoir
285 pressures by any method recognized by the industry and approved by the board;
286 recycling; flooding a pool or pools, or parts thereof, with air, gas, water, liquid
287 hydrocarbons or any other substance, or any combination or combinations thereof; or
288 any other secondary method of producing hydrocarbons recognized by the industry and
289 approved by the board.

290 (D) The order provided for in subparagraph (B) of this paragraph shall be fair and
291 reasonable under all the circumstances, shall protect the rights of interested parties, and
292 shall include:

293 (i) A description of the area embraced, termed the unit area; and a description of the
294 affected pool or pools, or portions thereof, which lie within the unit area;

295 (ii) A statement of the nature of the operations contemplated;

296 (iii) A method of allocation among the separately owned tracts in the unit area of all
297 the oil or gas or both produced from the unit pool within the unit area and not required
298 in the conduct of such operation or unavoidably lost, such method of allocation to be
299 on a formula that is fair and equitable and will protect the correlative rights of all
300 interested parties;

301 (iv) A provision for adjustment among the owners of the unit area (not including
302 royalty owners) of their respective investments in wells, tanks, pumps, machinery,
303 materials, equipment, and other things and services of value attributable to the unit
304 operations. The amount to be charged unit operations for any such item shall be
305 determined by the owners of the unit area (not including royalty owners); provided,
306 however, that if such owners of the unit area are unable to agree upon the amount of
307 such charges, or to agree upon the correctness thereof, the board shall determine the
308 amount after due notice and hearing thereon. The net amount charged against the
309 owners of a separately owned tract shall be considered expense of unit operation
310 chargeable against such tract. The adjustment provided for in this division may be
311 treated separately and handled by agreements separate from the unitization agreement;

312 (v) A provision that the costs and expenses of unit operations, including investment,
313 past and prospective, be charged to the separately owned tracts in the same

314 proportions that such tracts share in unit productions. The expenses chargeable to a
315 tract shall be paid by the person or persons not entitled to share in production free of
316 operating costs, and who, in the absence of unit operation, would be responsible for
317 the expense of developing and operating such tracts, and such person's or persons'
318 interest in the separately owned tract shall be primarily responsible therefor. The
319 obligation or liability of such persons in the several, separately owned tracts for the
320 payment of unit expense shall at all times be several and not joint or collective. The
321 unit operator shall have a first and prior lien upon the leasehold estate exclusive of the
322 royalty interest provided thereby and unleased oil and gas rights, exclusive of
323 one-eighth interest therein, in and to each separately owned tract, and the interest of
324 the owners thereof in and to the unit production and all equipment in possession of
325 the unit, to secure the payment of the amount of the unit expense charged to and
326 assessed against such separately owned tract;

327 (vi) The designation of, or a provision for the selection of, a unit operator. The
328 conduct of all unit operations by the unit operator and the selection of a successor to
329 the unit operator shall be governed by the terms and provisions of the unitization
330 agreements;

331 (vii) A provision that when the full amount of any charge made against any interest
332 in a separately owned tract is not paid when due by the person or persons primarily
333 responsible therefor, then all of the oil and gas production allocated to the interest in
334 default in such separately owned tract, upon which production the unit operator has
335 a lien, may be appropriated by the unit operator and marketed and sold for the
336 payment of such charge, together with interest at a fair and equitable rate as
337 determined by the board thereon. The remaining portion of the unit production or the
338 proceeds derived therefrom allocated to each separately owned tract shall in all events
339 be regarded as royalty to be paid to the owners, free and clear of all unit expense and
340 free and clear of any lien therefor. The owner of any overriding royalty, oil and gas
341 payment, or other interest, who is not primarily responsible for the unpaid obligation,
342 shall, to the extent of any payment or deduction from his or her share, be subrogated
343 to all the rights of the unit operator with respect to the interest or interests primarily
344 responsible for such payment. Any surplus received by the operator from any such
345 sale of production shall be credited to the person or persons from whom it was
346 deducted in the proportion of their respective interest; and

347 (viii) The time the unit operation shall become effective, and the manner in which,
348 and the circumstances under which, the unit operation shall terminate.

349 (E) An order requiring unit operation shall not become effective unless and until a
350 contract incorporating the unitization agreement has been signed or in writing ratified

351 or approved by the owners of at least ~~75~~ 85 percent in interest as costs are shared under
352 the terms of the order and by ~~75~~ 85 percent in interest, as production is to be allocated,
353 of the royalty owners in the unit area, and unless and until a contract incorporating the
354 required arrangements for operations has been signed or in writing ratified or approved
355 by the owners of at least ~~75~~ 85 percent in interest as costs are shared, and unless and
356 until the board has made a finding, either in the order or in a supplemental order, that
357 those contracts have been signed, ratified, or approved. Both contracts may be
358 encompassed in a single document. In the event the required percentage interests have
359 not signed, ratified, or approved such agreements within six months from and after the
360 date of such order, or within such extended period as the board may prescribe, the order
361 shall be automatically revoked.

362 (F)(i) The board, by entry of new or amending orders, may from time to time add to
363 unit operations portions of pools not theretofore included, and may add to unit
364 operations new pools or portions thereof, and may extend the unit area as required.
365 Any such order, in providing for allocation of production from a unitized zone of the
366 unit area, shall first allocate to such pool or pools, or portion thereof so added, a
367 portion of the total production of oil or gas, or both, from all pools affected within the
368 unit area, as enlarged and not required in the conduct of unit operations or
369 unavoidably lost. Such allocation shall be based on a formula for sharing that is
370 considered to treat each tract and each owner fairly and equitably during the
371 remaining course of unit operations. The production so allocated to such added pool
372 or pools or portions thereof shall be allocated to the separately owned tracts which
373 participate in such production on a fair and equitable basis. The remaining portion
374 of unit production shall be allocated among the separately owned tracts within the
375 previously established unit area in the same proportions as those specified prior to the
376 enlargement unless such proportions are shown to be erroneous by data developed
377 subsequent to the former determination, in which event the errors shall be corrected.
378 Orders promulgated under this Code section shall become operative at 7:00 A.M. on
379 the first day of the month next following the day on which the order becomes
380 effective.

381 (ii) An order promulgated by the board under this subparagraph shall not become
382 effective unless and until:

383 (I) All of the terms and provisions of the unitization agreement relating to the
384 extension or enlargement of the unit area or to the addition of pools or portions
385 thereof to unit operations have been fulfilled and satisfied, and evidence thereof has
386 been submitted to the board; and

387 (II) The extension or addition effected by such order has been agreed to in writing
 388 by the owners of at least ~~75~~ 85 percent in interest as costs are shared in the area or
 389 pools or portions thereof to be added to the unit operation by such order and
 390 by ~~75~~ 85 percent in interest, as production is to be allocated, of the royalty owners
 391 in the area or pools or portions thereof to be added to the unit operations by such
 392 order, and evidence thereof has been submitted to the board.

393 (iii) In the event both of the requirements specified in subdivisions (I) and (II) of
 394 division (ii) of this subparagraph are not fulfilled within six months from and after the
 395 date of such order or within such extended period as the board may prescribe, the
 396 order shall be automatically revoked.

397 (G) When the contribution of a separately owned tract with respect to any unit pool has
 398 been established, such contribution shall not be subsequently altered except to correct
 399 a mathematical or clerical error that caused the tract contribution to be erroneous,
 400 unless an enlargement of the unit is effected. No change or correction of the
 401 contribution of any separately owned tract shall be given retroactive effect, but
 402 appropriate adjustment shall be made for the investment charges as provided in this
 403 Code section.

404 (H) The portion of unit production allocated to a separately owned tract within the unit
 405 area shall be deemed, for all purposes, to have been actually produced from such tract,
 406 and operations with respect to any unit pool within the unit area shall be deemed, for
 407 all purposes, to be the conduct of operations for the production of oil or gas, or both,
 408 from each separately owned tract in the unit area.

409 (b) Owners, operators, and royalty owners who have separate holdings in the same oil or
 410 gas pool or in any area that appears from geological or other data to be underlaid by a
 411 common accumulation of oil or gas or both are authorized to make agreements among
 412 themselves for establishing and carrying out a plan for the cooperative development and
 413 operation of the pool or area, provided that such agreements must be approved by the
 414 board; provided, further, that such agreements must be for the purpose of conserving gas
 415 or oil or both, or for the prevention of waste, or to assure the ultimate recovery of gas or
 416 oil or both. Such agreements shall not be held or construed to violate any of the laws of
 417 this state relating to trusts, monopolies, or contracts and combinations in restraint of trade.

418 12-4-46.

419 (a) Before any well covered by this part may be drilled, the person desiring to drill the well
 420 shall apply to the director for a drilling permit, using such forms as the director may
 421 prescribe, and shall pay a fee of ~~\$25.00~~ \$500.00 for each permit.

422 (b) The director shall, within ~~30~~ 60 days after the receipt of a properly completed
 423 application from any person desiring to drill a well covered by this part, ~~either issue or~~
 424 ~~deny a permit for the well~~ issue a public notice for the permit application by posting such
 425 notice to the division website and by sending such notice via mail or electronic mail to any
 426 persons who have requested notification of permit applications from the division. The
 427 director shall allow for a 30 day public comment period to begin running from the date the
 428 public notice is posted on the division website and as outlined in subsection (c) of this
 429 Code section.

430 (c) The permit applicant shall provide the director's public notice of the proposed well
 431 directly to property owners and residents who may be impacted by the issuance of the
 432 permit within ten days of the date of the public notice by, at a minimum:

433 (1) Posting the public notice along the road nearest to the proposed well;

434 (2) Providing the public notice to all persons owning real property within one-half mile
 435 of the proposed wellhead and within one-half mile along the route of any directional
 436 borehole and any residence that has any drinking water wells within one-half mile of the
 437 proposed wellhead and within one-half mile along the route of any directional borehole;
 438 and

439 (3) Publishing the public notice in at least one legal organ in the county where the well
 440 will be located.

441 (d) After considering the permit application and any public comments received, the
 442 director shall either issue or deny a permit for the well. The director shall notify the public
 443 of the final permit decision by posting the decision to the division website and by sending
 444 notice of the decision via mail or electronic mail to any persons who have requested
 445 notification of permit applications from the division.

446 ~~(e)~~(e) In issuing or denying a permit for the drilling of a well covered by this part, the
 447 director shall consider the extent to which the proposed well complies with this part, all
 448 rules and regulations adopted and promulgated pursuant to this part, or any order under this
 449 part.

450 ~~(f)~~(f) In issuing a permit for the drilling of any well covered by this part, the director shall
 451 specify therein such terms and conditions as he or she deems necessary to receive the
 452 permit and to lawfully operate thereunder. Permits shall include the following
 453 requirements:

454 (1) Requirements for testing the integrity of well casings;

455 (2) Requirements for maintenance and repair of roadways significantly impacted by
 456 drilling operations, including hydraulic fracturing activities; and

457 (3) Requirements for buffers around wells and property line setbacks that are sufficient
 458 to protect affected property owners from any noise, light, water, or air pollution resulting
 459 from any drilling operations.

460 (g) Any permit issued under this Code section shall become final unless the any person or
 461 persons named therein, or any person aggrieved or adversely affected by such permit,
 462 requests request in writing a hearing before an administrative law judge appointed by the
 463 board no later than 30 days after the issuance of such permit.

464 (e)(h) The director shall have the power and the authority to revoke a permit for
 465 noncompliance with any of the provisions of this part, any rules and regulations
 466 promulgated under this part, or the special conditions contained in any permit.

467 (f)(I) The issuance of a permit under this part in no way indicates a determination by the
 468 director as to property or contractual rights of the applicant to drill such a well at the
 469 designated location.

470 12-4-47.

471 (a) Prior to the issuance of a permit to drill any well covered by this part, the owner,
 472 operator, contractor, driller, or other person responsible for the conduct of the drilling
 473 operation shall furnish the state a bond or undertaking in the form prescribed by the board
 474 and in an amount set by the board, executed by a bonding, surety, or insurance company
 475 authorized to do business in this state in the favor of the state. Alternatively, the board in
 476 its discretion may require a similar undertaking executed only by such person to ensure a
 477 faithful performance of the requirements of this part, of any rules or regulations adopted
 478 pursuant thereto, or of any condition of a permit. Such bond or undertaking is intended to
 479 protect the state or any citizen thereof from any injury which may result from improper
 480 drilling.

481 (b) Any bond required under this part shall be released two years from the date of receipt
 482 by the director of all geological information required under this part or any rule or
 483 regulation adopted pursuant to this part; provided, however, that the director shall have
 484 examined and approved the abandoned well for which the bond was furnished.

485 (c) No bond required under this part shall exceed ~~\$50,000.00~~ \$100,000.00.

486 12-4-48.

487 (a) Whenever the director has reason to believe that any person is violating the provisions
 488 of this part or any rule or regulation adopted pursuant to this part, the director may issue
 489 an administrative order to that person. The order shall specify the provisions of this part
 490 alleged to have been violated and shall order that corrective action be taken within a
 491 reasonable period of time prescribed in the order. Any such order shall become final and

492 enforceable unless the person or persons named therein request in writing a hearing before
493 an administrative law judge appointed by the board no later than 30 days after the issuance
494 of the order.

495 (b) Whenever the director finds that an emergency exists requiring immediate action to
496 protect the public interest, the director may issue a provisional order reciting the existence
497 of such an emergency and requiring that such action be taken as is reasonably necessary
498 to meet the emergency under the circumstances, provided that such an emergency order
499 shall be issued only after an affidavit has been filed with the director showing specific facts
500 of such an emergency condition. Such order shall be effective immediately. Any person
501 against whom such order is directed shall upon appropriate notice comply therewith
502 immediately but on application to the director shall be afforded a hearing before an
503 administrative law judge appointed by the board within ten days of receipt of such
504 application by the director or, if the party applying so requests, within 48 hours of receipt
505 of such application by the director. Prior to such hearing, the director shall be authorized
506 to modify or revoke such order. After the hearing, the administrative law judge shall be
507 authorized to make such order as is just and reasonable, including an order continuing,
508 revoking, or modifying such provisional order.

509 (c) Whenever the director has reason to believe that any person is violating any provision
510 of this part or any rule or regulation adopted pursuant to this part, the director may bring
511 an action against such person in the proper superior court to restrain such person or persons
512 from continuing such violations. In such action, the director may seek injunctions,
513 including temporary restraining orders and temporary injunctions, without the necessity for
514 showing lack of an adequate remedy at law.

515 (d) Any person who willfully or negligently violates any provision of this part, any rule
516 or regulation adopted under this part, or any permit or final or emergency order of the
517 director shall be subject to a civil penalty of not less than \$50.00, but in any event not to
518 exceed \$10,000.00 for each act of violation. Each day of continued violation shall subject
519 such person to a separate civil penalty. An administrative law judge appointed by the
520 board, after a hearing shall determine whether or not any person has violated any provision
521 of this part or any rule or regulation adopted under this part or any permit or final or
522 emergency order of the director, and shall upon proper finding issue an order imposing
523 such civil penalties as provided in this Code section. Any person so penalized under this
524 Code section is entitled to judicial review. In this connection, all hearings and proceedings
525 for judicial review under this Code section shall be in accordance with Chapter 13 of Title
526 50, the 'Georgia Administrative Procedure Act.' All civil penalties recovered by the
527 director as provided by this chapter shall be paid into the state treasury to the credit of the
528 general fund.

529 (e) In addition to any other enforcement remedy available to the director under this part,
530 all illegal minerals and illegal products are declared to be contraband and forfeited to the
531 state in accordance with the procedures set forth in Chapter 16 of Title 9, except that:

532 (1) Any seizure of contraband shall be delivered to the director or his or her duly
533 authorized agent;

534 (2) Illegal minerals shall only be forfeited as provided for in Code Section 9-16-12; and

535 (3) Property seized pursuant to this subsection shall not be required to be stored in an
536 area within the jurisdiction of the court if such storage is not possible.

537 (f) Nothing in this Code section shall deny or abridge any cause of action a royalty owner,
538 lienholder, or other claimant may have against any persons whose acts result in the
539 forfeiture of the illegal oil, illegal gas, or illegal product.

540 12-4-49.

541 In the administration and enforcement of this part, all hearings before an administrative law
542 judge shall be subject to Chapter 13 of Title 50, the 'Georgia Administrative Procedure
543 Act.' Any party to said hearings (including the director) shall have the right of judicial
544 review in accordance with Chapter 13 of Title 50.

545 12-4-50.

546 In any contested administrative hearing under this part, no person shall be excused from
547 attending and testifying, or from producing books, papers, and records before the
548 administrative law judge, or from obedience to the subpoena of the administrative law
549 judge, on the ground or for the reason that the testimony or evidence, documentary or
550 otherwise, required by him or her may tend to incriminate him or her or subject him or her
551 to a penalty or forfeiture, provided that nothing contained in this Code section shall be
552 construed as requiring any person to produce any books, papers, or records, or to testify in
553 response to any inquiry, not pertinent to a question lawfully before the administrative law
554 judge for determination. No evidence given by or required of any natural person shall be
555 used or admitted against such a person in any criminal prosecution for any transaction,
556 matter, or thing concerning which he or she may be required to testify or produce evidence,
557 documentary or otherwise, before the administrative law judge in obedience to its
558 subpoena; provided, however, that no person testifying shall be exempt from prosecution
559 and punishment for perjury committed in so testifying.

560 12-4-51.

561 Any provision of Part 2 of Article 3 of Chapter 5 of this title which is inconsistent with this
562 part shall not be repealed by this part and shall govern over this part.

563 12-4-52.

564 This part shall not be construed as limiting the authority or functions of any officer or
565 agency of this state under any other law or regulation not inconsistent with this part.

566 12-4-52.1.

567 This part shall not be construed as limiting the authority of local governments to adopt
568 ordinances limiting activities defined herein for the purposes of protecting natural resources
569 or human health and welfare.

570 12-4-53.

571 The following activities are prohibited:

572 (1) The waste of oil or gas as defined in this part;

573 (2) The sale, purchase, or acquisition or the transportation, refining, processing, or
574 handling of illegal minerals or illegal products;

575 (3) The sale, purchase, or acquisition or the transportation, refining, processing, or
576 handling in any other way of any mineral, including oil and gas, or any mineral product
577 without complying with this part or any rule or regulation of the board promulgated
578 pursuant to this part;

579 (4) Intentionally or negligently permitting any gas or oil well to get out of control;

580 (5) The drilling of any well covered by the provisions of this part by any person without
581 a permit for such drilling; and

582 (6) Any other violation of any provision of this part or any rule or regulation
583 promulgated under this part.

584 12-4-54.

585 (a) There is levied a severance tax on all gas and oil removed from the ground in Georgia.
586 The measure of the tax for such gas and oil shall be three percent of the sale price of such
587 gas and oil. Every person engaged in severing oil or gas, or operating oil or gas property
588 under contracts or agreements requiring direct payments to the owners of any royalty
589 interest, excess royalty, or working interest, either in money or otherwise, shall be liable
590 for the tax imposed by this Code section and shall, prior to making any such payments,
591 withhold from any quantity or amount due the amount of tax due pursuant to this Code
592 section.

593 (b) One-third of all revenues collected from such tax shall be allocated to the county which
594 was the site of the wellhead for the applicable gas or oil. The remaining two-thirds of such
595 revenues shall be deposited to the credit of the state treasurer as a part of the general funds
596 of this state.

597 (c) No other tax shall be imposed on such gas and oil by this state, counties, or any other
598 political subdivision of this state.

599 (d) On or before the twentieth day of each month, the person liable for the tax shall file
600 with the commissioner of revenue, on forms prescribed by the commissioner, a report of
601 all oil removed from the ground during the preceding month and shall remit to the
602 commissioner of revenue the amount of tax due for the period covered by the report.

603 (e) On or before the twentieth day of each month, the person liable for the tax shall file
604 with the commissioner of revenue, on forms prescribed by the commissioner, a report of
605 all gas removed from the ground during the second preceding month and shall remit to the
606 commissioner the amount of tax due for the period covered by the report."

607 **SECTION 2.**

608 All laws and parts of laws in conflict with this Act are repealed.