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TITLE 312 NATURAL RESOURCES COMMISSION

Proposed Rule LSA Document #05-248

DIGEST

Amends 312 IAC 16-5-4 to authorize the director of the Department of Natural Resources to grant a variance from the requirement to install an intermediate string of casing as a result of amendments to IC 14-37-7-3 (P.L. 80-2005, SECTION 6), which requires the running of an intermediate string of casing, whether drilled through a pillar or not, to 50 feet below the base of a commercially mineable coal resource for any oil and gas well drilled on lands underlain by an inactive underground mine or on lands within the permit boundaries of and active underground mine permitted under IC 14-34, and which variance is authorized under specific circumstances upon receipt of a written application for such variance, and to outline the provisions necessary for consideration of a variance request that includes well drilling in a manner that maintains structural integrity, is protective of the environment, and for which written consent from the coal operator of the underground mine has been granted. Amends 312 IAC 16-5-5 to correct an administrative code citation. Effective 30 days after filing with the Secretary of State.

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses

The Department of Natural Resources (DNR) maintains records on over 325 oil and gas operators interacting with the Division of Oil and Gas. Approximately 95 percent of those could be considered small businesses. Representatives of the Indiana Oil & Gas Association (INOGA) indicate a membership of over 200 members in the oil and gas industry in both Indiana and Illinois. Their members would generally fall into the small business category as well. There exists a large overlap in the oil and gas operators identified through records maintained by the DNR and the members represented by INOGA.

Installing an intermediate casing string adds considerable cost to the drilling of an oil and gas well. An average depth to underground coal is approximately 500 feet and without a variance well drillers must set an intermediate string to a depth of 50 below the recoverable seam. The current price of casing would be \$14-\$18 per foot costing \$7,700-\$9,900 for 550 feet. A second factor is the casing must be properly cemented, the average cost of which would be \$2,500-\$3,500 per well. The added oil rig time to complete this intermediate casing would be 6-8 hours at an average cost of \$180 per hour equaling \$1,080-\$1,440 per well. The total estimated cost for running the intermediate string of casing, which is required without a variance, is \$11,294-\$14,840 per well. Based on figures from the Division of Oil and Gas, an average of 10 well permits a year are required to install the intermediate string of casing. An average cost of installing an intermediate string of casing for 10 oil and gas wells would be \$112,940-\$148,400. Since April of 2005, the Division of Oil and Gas has granted two variances where oil and gas operators, qualifying as small business, were able to obtain a variance resulting in combined savings averaging between \$22,588-\$29,680.

This rule does not impose additional requirements or costs upon small business. Instead, the rule will carry out the intent of statutory amendments and provide a mechanism by which oil and gas operators, many of which qualify as small business, may avoid substantial well drilling costs.

312 IAC 16-5-4

312 IAC 16-5-5

SECTION 1. 312 IAC 16-5-4 IS AMENDED TO READ AS FOLLOWS:

312 IAC 16-5-4 Protection of coal resources

Authority: IC 14-37-3-11

Affected: IC 4-21.5; IC 14-34; IC 14-37-7

Sec. 4. (a) **Except as provided in subsection (b)**, if a well for oil and gas purposes is proposed to be drilled on lands:

(1) underlain by an inactive underground mine; or ~~on lands~~

(2) within the permit boundaries of an active underground mine permitted under IC 14-34;

and if the well is completed as a well for oil and gas purposes, an owner or operator shall run an intermediate string of casing from the surface to a point at least fifty (50) feet below the base of the commercially mineable coal resources or the mine floor, whether

drilled through a pillar or not.

(b) Upon written application to the director by a person that proposes to drill a well described in subsection (a), the director may grant a variance from the requirements of subsection (a) if, with respect to a proposed well on land described in:

(1) subsection (a)(1), written consent to the variance is given by:

(A) the permittee under IC 14-34; or

(B) the person that has the right to develop the coal resource; or

(2) subsection (a)(2), written consent to the variance is given by the coal mine operator under IC 14-34.

(c) If a variance is granted under subsection (b), the well must be completed as follows:

(1) In the manner required under this article.

(2) In a manner that prevents the following:

(A) Waste.

(B) Fresh water pollution.

(C) Blowouts.

(D) Cavings.

(E) Seepages.

(F) Fires.

(G) Unreasonably detrimental effects upon fish, wildlife, and botanical resources.

~~(b)~~ **(d)** A person engaged in the production of commercially mineable coal resources may file with the division a dated mine plan showing the workable limits of a proposed underground mine on lands for which the person has title or a legal interest, but for which an intermediate string is not required under subsection (a). The person may file amendments to its proposed underground mine.

~~(c)~~ **(e)** If a well is drilled and completed as a well for oil and gas purposes:

(1) through a commercially mineable coal resource; and

(2) within an area for which a mine plan is filed under subsection ~~(b)~~; (d);

an owner or operator shall set a production string of casing, properly centralized and cemented, as documented by a sonic cement bond-variable density log.

~~(d)~~ **(f)** An owner or operator shall provide at least forty-eight (48) hours notice to the division and to the person who filed the mine plan before commencing logging operations under subsection ~~(c)~~; **(e)**. The person who filed the mine plan is entitled to:

(1) be present during logging operations; and

(2) examine the log.

~~(e)~~ **(g)** The division shall determine the adequacy of cement bonding, and, in the event of a bonding failure between fifty (50) feet below and one hundred (100) feet above the commercially mineable coal resource, an owner or operator must perform remedial action, as ordered by the commission, that results in adequate bonding.

~~(f)~~ **(h)** Within thirty (30) days of commencing logging operations, an owner or operator must provide the division and the person who filed the mine plan with a copy of the sonic cement bond-variable density log.

~~(g)~~ **(i)** Preparation of the log required under subsection ~~(c)~~; **(e)** and any remedial action required under subsection ~~(e)~~; **(g)** are at the expense of the owner or operator.

~~(h)~~ **(j)** If a well is drilled and completed as a well for oil and gas purposes through a commercially mineable coal resource, except a coal resource identified in subsection (a) or subsections ~~(b)~~; **(d)** through ~~(g)~~; **(i)**, that resource shall be protected by a properly cemented, centralized production string of casing.

~~(i)~~ **(k)** The division shall notify a permit applicant if the application is within the permit boundaries of an underground mine:

(1) permitted under IC 14-34; or

(2) for which a mine plan has been filed as provided in subsections ~~(b)~~; (d) through ~~(g)~~; (i); or

(3) which contains commercially mineable coal resources as set forth in section 5 of this rule.

No permit may be issued except under IC 4-21.5 and 312 IAC 3.

⌘ (I) Nothing in this section shall be construed to relieve an owner or operator from compliance with sections 19 and 20 of this rule. *(Natural Resources Commission; 312 IAC 16-5-4; filed Feb 23, 1998, 11:30 a.m.: 21 IR 2338; readopted filed Nov 17, 2004, 11:00 a.m.: 28 IR 1315)*

SECTION 2. 312 IAC 16-5-5 IS AMENDED TO READ AS FOLLOWS:

312 IAC 16-5-5 Identification of commercially mineable coal resources

Authority: IC 14-37-3-11

Affected: IC 4-21.5; IC 14-37

Sec. 5. (a) The location of known commercially mineable coal resources is set forth in Cementing Depths for Mineable Coals, 1984 edition, as prepared by the Indiana geological survey. Upon receipt of a permit application under IC 14-37 and this article, the division shall determine whether the application is for an area known to contain a commercially mineable coal resource.

(b) A person may seek to revise Cementing Depths of Mineable Coals by filing a written request for an informal hearing under ~~310 IAC 16-2-3~~: **312 IAC 16-2-3**.

(c) The location of commercially mineable coal resources referenced in Cementing Depths for Mineable Coals is presumed to be complete and accurate, but the presumption may be rebutted by an affected person under IC 4-21.5 and 312 IAC 3-1. *(Natural Resources Commission; 312 IAC 16-5-5; filed Feb 23, 1998, 11:30 a.m.: 21 IR 2339; readopted filed Nov 17, 2004, 11:00 a.m.: 28 IR 1315)*

Notice of Public Hearing

Under IC 4-22-2-24, notice is hereby given that on February 27, 2006 at 9:00 a.m., at the Department of Natural Resources, Division of Reclamation Field Office, located on State Road 48, approximately one mile west of Jasonville city limits, Jasonville,, Indiana the Natural Resources Commission will hold a public hearing on a proposed amendment to 312 IAC 16-5-4 to authorize the director of the Department of Natural Resources to grant a variance from the requirement to install an intermediate string of casing as a result of amendments to IC 14-37-7-3 (P.L.80-2005, SECTION 6), which requires the running of an intermediate string of casing, whether drilled through a pillar or not, to 50 feet below the base of a commercially mineable coal resource for any oil and gas well drilled on lands underlain by an inactive underground mine or on lands within the permit boundaries of and active underground mine permitted under IC 14-34, and which variance is authorized under specific circumstances upon receipt of a written application for such variance, and to outline the provisions necessary for consideration of a variance request that includes well drilling in a manner that maintains structural integrity, is protective of the environment, and for which written consent from the coal operator of the underground mine has been granted. Amends 312 IAC 16-5-5 to correct an administrative code citation.

Upon review, the Department of Natural Resources has determined that this rule will not impose costs or requirements upon regulated entities under IC 4-22-2-24(d)(3).

Copies of these rules are now on file at the Indiana Government Center-South, 402 West Washington Street, Room W272 and Legislative Services Agency, One North Capitol, Suite 325, Indianapolis, Indiana and are open for public inspection.

Rick Cockrum
Chairman
Natural Resources Commission