



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

SB0974

Introduced 2/7/2017, by Sen. Julie A. Morrison

SYNOPSIS AS INTRODUCED:

5 ILCS 615/1	from Ch. 96 1/2, par. 5001
5 ILCS 615/2	from Ch. 96 1/2, par. 5002
5 ILCS 615/3	from Ch. 96 1/2, par. 5003
5 ILCS 615/5	from Ch. 96 1/2, par. 5005
5 ILCS 615/7	from Ch. 96 1/2, par. 5007
5 ILCS 615/8	from Ch. 96 1/2, par. 5008
5 ILCS 615/12	from Ch. 96 1/2, par. 5012
5 ILCS 615/13	from Ch. 96 1/2, par. 5013
5 ILCS 615/14	from Ch. 96 1/2, par. 5014
5 ILCS 615/16	from Ch. 96 1/2, par. 5016
5 ILCS 615/19	from Ch. 96 1/2, par. 5019
5 ILCS 615/20	from Ch. 96 1/2, par. 5020
5 ILCS 615/22	from Ch. 96 1/2, par. 5022
5 ILCS 615/6 rep.	
5 ILCS 615/9 rep.	
5 ILCS 615/11 rep.	
5 ILCS 615/17 rep.	
5 ILCS 615/18 rep.	
5 ILCS 615/21 rep.	

Amends the Oil and Gas Wells on Public Lands Act. Provides that on and after the effective date of the amendatory Act, no new permits shall be issued for surface extraction activities on lands owned by the Department of Natural Resources or the federal government. Prohibits the Department of Natural Resources from entering into contracts in writing designating any person as the permittee of the State of Illinois with the exclusive right to prospect and explore public lands of the State of Illinois for the occurrence of petroleum. Repeals provisions governing certain petroleum leases, right of way over public lands, and preferential rights to prospecting permits. Effective immediately.

LRB100 05353 RJF 15364 b

1 AN ACT concerning government.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Oil and Gas Wells on Public Lands Act is
5 amended by changing Sections 1, 2, 3, 5, 7, 8, 12, 13, 14, 16,
6 19, 20, and 22 as follows:

7 (5 ILCS 615/1) (from Ch. 96 1/2, par. 5001)

8 Sec. 1. Whenever used in this Act, unless the context
9 otherwise requires, words and terms shall have the meaning
10 attributed to them herein:

11 (1) "Commence to drill a well": The institution of work in
12 good faith with drilling equipment adequate for the drilling of
13 a well to a depth that will reasonably test the oil and gas
14 productiveness of the public lands where such well is
15 commenced.

16 (2) "Petroleum": Any liquid or gaseous hydrocarbon
17 occurring in nature beneath the surface of the earth.

18 (3) "Proven territory": Territory so situated with
19 reference to known producing wells as to establish the general
20 opinion that, because of its relation to them, petroleum is
21 contained in it.

22 (4) "Public lands": Lands and areas belonging to, or
23 subsequently acquired by the State or the United States,

1 including lands of every kind and nature.

2 (5) "Gross value": The value of petroleum at the well
3 produced and saved, without deduction for expense of
4 production.

5 (6) "Person": Any citizen of the United States or person
6 who has, in good faith, declared his intention of becoming a
7 citizen of the United States, or any such association of such
8 persons, or any corporation organized and existing under and by
9 virtue of the laws of any state or territory of the United
10 States and authorized to do business in this State.

11 (7) "Department": The Department of Natural Resources.

12 (8) "United States": Lands and areas belonging to, or
13 subsequently acquired by, the federal government within the
14 State of Illinois.

15 (Source: P.A. 89-445, eff. 2-7-96.)

16 (5 ILCS 615/2) (from Ch. 96 1/2, par. 5002)

17 Sec. 2. State issuance of extraction permits; prohibited
18 activities. On and after the effective date of this amendatory
19 Act of the 100th General Assembly:

20 (a) No permits shall be issued for ~~The Department of~~
21 ~~Natural Resources shall be empowered with respect to public~~
22 ~~lands to grant permits and leases in the name of the State of~~
23 ~~Illinois, with the approval of the Governor in writing, for the~~
24 ~~extraction of oil, gas and other petroleum deposits, except~~
25 ~~that no surface extraction activities shall be performed nor~~

1 ~~production equipment located~~ on lands owned by the Department
2 of Natural Resources ~~if the State owns 100% of the underlying~~
3 ~~mineral interests of those lands.~~

4 (b) No permits shall be issued for surface extraction
5 activities on lands owned by the United States government.

6 (c) Extraction activities underlying lands owned by the
7 Department of Natural Resources or the United States that
8 utilize directional drilling techniques shall be prohibited.
9 ~~may be permitted at the discretion of the Department. However,~~
10 ~~the~~

11 (d) The Department shall not grant permits on leases for
12 the extraction of oil, gas, and other petroleum deposits from
13 State or federal public lands, including, but not limited to,
14 the following classifications of lands of ~~if~~ the State or
15 federal government ~~owns 100% of the underlying mineral~~
16 ~~interests:~~ (1) lands where threatened or endangered species
17 occur, as determined pursuant to the federal Endangered Species
18 Act or the Illinois Endangered Species Protection Act, (2)
19 Illinois Natural Area Inventory sites, (3) nature preserves
20 dedicated under the Illinois Natural Areas Preservation Act,
21 (4) lands containing a wild and scenic river as designated
22 under the Wild and Scenic River Area Act, (5) lands registered
23 under the Register of Land and Water Reserves under Part 4010
24 of Title 17 of the Illinois Administrative Code, ~~and~~ (6) lands
25 on which federal or State laws or regulations prohibit the
26 surface extraction or production facility activity, (7) State

1 parks, recreation areas, fish and wildlife areas, forests, and
2 historic sites, and (8) national forests, national grasslands,
3 and national wildlife refuges.

4 (e) The grant of such permits or leases shall be subject to
5 the terms and conditions hereinafter set forth in this Act.

6 (Source: P.A. 89-445, eff. 2-7-96; 90-490, eff. 8-17-97.)

7 (5 ILCS 615/3) (from Ch. 96 1/2, par. 5003)

8 Sec. 3. The Department shall not ~~is hereby authorized to~~
9 enter into contracts ~~in writing~~ designating any person ~~as the~~
10 ~~permittee of the State of Illinois with the exclusive right to~~
11 prospect and explore ~~not to exceed three sections, or an~~
12 ~~equivalent area, of the public lands of the State of Illinois~~
13 for the occurrence of petroleum therein; ~~such contract to~~
14 ~~contain such conditions as may be prescribed by the rules and~~
15 ~~regulations adopted by the Department in accordance with the~~
16 ~~terms of this Act. Such permit shall be for a period of one (1)~~
17 ~~year or less, in the discretion of the Department, and shall be~~
18 ~~granted free of any monetary consideration whatsoever, except~~
19 ~~as provided in Section 13 of this Act, and except that if more~~
20 ~~than one application for a permit is received with respect to~~
21 ~~the same public lands the Department shall grant such permit to~~
22 ~~the person offering the highest cash bonus therefor, and such~~
23 ~~permittee, pursuant to such contract, shall have the right to~~
24 ~~enter in and upon such lands and prospect and explore the same~~
25 ~~to determine the occurrence of petroleum therein.~~

1 (Source: Laws 1951, p. 1167.)

2 (5 ILCS 615/5) (from Ch. 96 1/2, par. 5005)

3 Sec. 5. For existing permits in effect prior to the
4 effective date of this amendatory Act of the 100th General
5 Assembly, no ~~No~~ permittee shall commence any operation upon
6 lands covered by his permit until he has compensated the owners
7 of private rights therein according to law and has compensated
8 the State of Illinois for damage to the surface rights of the
9 State in accordance with the rules and regulations adopted by
10 the Department.

11 (Source: Laws 1951, p. 1167.)

12 (5 ILCS 615/7) (from Ch. 96 1/2, par. 5007)

13 Sec. 7. Every permittee with an existing permit in effect
14 prior to the effective date of this amendatory Act of the 100th
15 General Assembly shall have the option of surrendering his
16 permit at any time and shall be relieved of all liability
17 thereunder except for physical damage to the premises embraced
18 by his permit which have been occasioned by his operations.

19 (Source: Laws 1941, vol. 1, p. 943.)

20 (5 ILCS 615/8) (from Ch. 96 1/2, par. 5008)

21 Sec. 8. A permittee with an existing permit in effect prior
22 to the effective date of this amendatory Act of the 100th
23 General Assembly, at any time during the life of the permit or

1 upon the termination thereof, shall be entitled to a lease for
2 the extraction of petroleum from not to exceed one section, or
3 an equivalent area, of such land to be selected by such
4 permittee. Such lease shall be at a royalty of not more than
5 twelve and one-half (12 1/2%) per centum of all petroleum
6 produced and saved therefrom or the market value of such
7 petroleum at the option of the Department, and shall provide
8 for an annual rental, payable in advance, of from one (\$1.00)
9 dollar to ten (\$10.00) dollars per acre, as the Department may
10 determine, which rentals shall be credited against future
11 royalties. Such leases shall be for a primary term of ten (10)
12 years and as long thereafter as oil in commercial quality and
13 commercial quantity can be produced from the lands embraced in
14 the lease. The form and terms of such leases shall be the same
15 as the standard commercial petroleum lease generally in use in
16 the territory in which the oil, gas or other petroleum deposits
17 are located, with the addition thereto of such terms as in this
18 Act and the rules and regulations of the Department are
19 provided. Whenever the conditions contained in such standard
20 commercial lease are in conflict with the provisions of this
21 Act, the provisions of this Act shall control.

22 (Source: Laws 1951, p. 1167.)

23 (5 ILCS 615/12) (from Ch. 96 1/2, par. 5012)

24 Sec. 12. For existing permits prior to the effective date
25 of this amendatory Act of the 100th General Assembly, the ~~The~~

1 Department is hereby authorized to cancel any permit or lease
2 issued as provided herein for nonpayment of royalties or
3 nonperformance by the permittee or lessee of any provision or
4 requirement of the permit or lease: Provided, that before any
5 such cancellation shall be made, the Department shall mail to
6 the permittee or lessee by registered mail, addressed to the
7 post office address of such permittee or lessee shown by the
8 records of the office of the Department, a notice of intention
9 to cancel such permit or lease specifying the default for which
10 the permit or lease is subject to cancellation, and if, within
11 thirty (30) days after the mailing of said notice to the
12 permittee or lessee, he shall remedy the default specified in
13 such notice, then no cancellation of the permit or lease shall
14 be entered by the Department, but otherwise, the said
15 cancellation shall be made and all rights of the permittee or
16 lessee under the permit or lease shall thereupon automatically
17 terminate: Provided, further, that failure to pay fees required
18 under permits within the time prescribed therein shall
19 automatically and without notice work a forfeiture of such
20 permits and of all rights thereunder.

21 (Source: Laws 1951, p. 1167.)

22 (5 ILCS 615/13) (from Ch. 96 1/2, par. 5013)

23 Sec. 13. Upon the expiration or forfeiture of any existing
24 permit prior to the effective date of this amendatory Act of
25 the 100th General Assembly, no new permit covering the lands,

1 or any of them, embraced by such expired or forfeited permit
2 shall be issued for a period of thirty (30) days following the
3 date of such expiration or forfeiture. If more than one
4 application for a permit covering such lands, or any of them,
5 shall be made during such thirty-day period, the Department
6 shall issue a permit to such lands, or any of them, to the
7 person offering the greatest cash bonus for such permit at a
8 public auction to be held at the time and place and in the
9 manner as the Department shall by regulation prescribe. Such
10 auction shall be held at any time after the expiration of such
11 thirty-day period and the only notice thereof shall be by
12 entering in a book kept at the office of the Department for the
13 purpose, which book shall be a public record, the date, place
14 and hour of the holding of such auction.

15 (Source: Laws 1951, p. 1167.)

16 (5 ILCS 615/14) (from Ch. 96 1/2, par. 5014)

17 Sec. 14. ~~Whenever the Department shall find it is in the~~
18 ~~best interest of the State and of the production of petroleum,~~
19 ~~it is declared to be lawful for the State, the permittees,~~
20 ~~lessees, operator or any person owning or controlling royalty~~
21 ~~or other interest in separate properties of the same producing~~
22 ~~or prospective petroleum field, to enter into agreements with~~
23 ~~themselves or among each other, subject to the approval of the~~
24 ~~Department, for the purpose of cooperative exploration,~~
25 ~~development and operation of all or a part or parts of such~~

1 ~~field, or for the purpose of the exploration, development or~~
2 ~~operation of all or part or parts of such field as a pool or~~
3 ~~unit, and for the purpose of fixing the time, location and~~
4 ~~manner of drilling and for the purpose of drilling and for the~~
5 ~~purpose of regulating the location, sequence and number of~~
6 ~~exploratory wells required in the case of permits under unit~~
7 ~~operations and leases, and operating of wells for the~~
8 ~~exploration of petroleum on State and private lands and for the~~
9 ~~apportionment and division of the petroleum between the State~~
10 ~~and the several owners of land embraced within the field so~~
11 ~~placed in such pool, taking into consideration the relative~~
12 ~~character and geological showing in respect of said several~~
13 ~~tracts of land so far as the same is reasonably ascertainable,~~
14 ~~the apparent probability of producing petroleum from the whole~~
15 ~~or any part thereof and any and all other apparent factors that~~
16 ~~may tend to aid in arriving at a fair, just and equitable~~
17 ~~participation by the State and the several owners in the~~
18 ~~apportionment and distribution of all the petroleum that shall~~
19 ~~be recovered and saved therefrom.~~ The purpose of this section
20 is to prohibit ~~encourage~~ the development and exploration of
21 petroleum upon State and federal lands by and through the unit
22 plan of development. ~~When it is in the best interests of the~~
23 ~~State, the Department shall compel the adoption of unit plans~~
24 ~~of operation in so far as State lands are included in any~~
25 ~~productive pool or pools if the permittees or lessees of such~~
26 ~~lands shall fail to agree upon a plan of unit operation~~

1 ~~acceptable to the Department, the Department is empowered to~~
2 ~~fix the terms of such unit plan or plans and any permittees or~~
3 ~~lessees affected who fail to abide by such plan shall suffer~~
4 ~~forfeiture of their permits or leases upon notice as herein~~
5 ~~provided.~~

6 (Source: Laws 1951, p. 1167.)

7 (5 ILCS 615/16) (from Ch. 96 1/2, par. 5016)

8 Sec. 16. The Department is hereby required to prescribe and
9 publish, for the information of the public, all reasonable
10 rules and regulations necessary for carrying out the provisions
11 of this Act, and it may amend or rescind any rule or regulation
12 promulgated by it under the authority contained herein:
13 Provided, that no rule or regulation or amendment of the same
14 or any order rescinding any rule or regulation shall become
15 effective until after fifteen (15) days from the promulgation
16 of the same by publication in a newspaper of general
17 circulation published at the State capital and shall take
18 effect and be in force at times specified therein. All rules
19 and regulations of the Department and all amendments or
20 revocations of existing rules and regulations shall be recorded
21 in an appropriate book or books, shall be adequately indexed
22 and shall be kept in the office of the Department and shall be
23 and constitute a public record. Such rules and regulations of
24 the Department ~~shall be printed in pamphlet form and~~ furnished
25 to the public free of cost on the Department's website.

1 (Source: Laws 1951, p. 1167.)

2 (5 ILCS 615/19) (from Ch. 96 1/2, par. 5019)

3 Sec. 19. For ~~After the issuance of~~ any petroleum lease in
4 effect before the effective date of this amendatory Act of the
5 100th General Assembly, the lessee shall ~~proceed to~~ develop the
6 petroleum in the lands covered thereby through the drilling of
7 such wells as will efficiently extract the petroleum therefrom
8 and such development shall take into account the productiveness
9 of the producing horizon, the depth at which it occurs, the
10 average cost of wells, the market requirements obtaining at any
11 given time, and the maintenance of proper oil and gas ratios.
12 The Department shall determine, either by rule or regulation,
13 or by inclusion in the terms of any lease, the rapidity and
14 extent of development of the oil, gas or other petroleum field
15 embraced by such lease.

16 (Source: Laws 1951, p. 1167.)

17 (5 ILCS 615/20) (from Ch. 96 1/2, par. 5020)

18 Sec. 20. All existing leases prior to the effective date of
19 this amendatory Act of the 100th General Assembly shall provide
20 that the lessee shall drill an offset well to any well on
21 adjoining land which is within three hundred fifty (350) feet
22 of any outer boundary of the land covered by the lease, and
23 which well on adjoining lands is producing petroleum in paying
24 quantities and draining the lands covered by the lease, such

1 offset to be begun within ninety (90) days from the completion
2 of the adjoining well and drilled with due diligence to
3 completion.

4 (Source: Laws 1941, vol. 1, p. 943.)

5 (5 ILCS 615/22) (from Ch. 96 1/2, par. 5022)

6 Sec. 22. Nothing contained in this Act shall be construed
7 as requiring the Department to offer any tract or tracts of
8 land for prospecting or lease, ~~but the Department shall have~~
9 ~~power to withhold any tract or tracts from prospecting or~~
10 ~~leasing for petroleum purposes, if in its judgment the best~~
11 ~~interest of the State will be served by so doing.~~

12 (Source: Laws 1951, p. 1167.)

13 (5 ILCS 615/6 rep.)

14 (5 ILCS 615/9 rep.)

15 (5 ILCS 615/11 rep.)

16 (5 ILCS 615/17 rep.)

17 (5 ILCS 615/18 rep.)

18 (5 ILCS 615/21 rep.)

19 Section 10. The Oil and Gas Wells on Public Lands Act is
20 amended by repealing Sections 6, 9, 11, 17, 18, and 21.

21 Section 99. Effective date. This Act takes effect upon
22 becoming law.