

Amendment No.

COMMITTEE/SUBCOMMITTEE ACTION

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|-----------------------|---------------|-------|
| ADOPTED | <u> </u> | (Y/N) |
| ADOPTED AS AMENDED | <u> </u> | (Y/N) |
| ADOPTED W/O OBJECTION | <u> </u> | (Y/N) |
| FAILED TO ADOPT | <u> </u> | (Y/N) |
| WITHDRAWN | <u> </u> | (Y/N) |
| OTHER | <u> </u> | |

1 Committee/Subcommittee hearing bill: State Affairs Committee
 2 Representative Eagle offered the following:

Amendment (with title amendment)

5 Remove everything after the enacting clause and insert:

6 Section 1. This act may be cited as the "Florida
 7 Underground Natural Gas Storage Act."

8 Section 2. Subsection (7) is added to section 211.02,
 9 Florida Statutes, to read:

10 211.02 Oil production tax; basis and rate of tax; tertiary
 11 oil and mature field recovery oil.—An excise tax is hereby
 12 levied upon every person who severs oil in the state for sale,
 13 transport, storage, profit, or commercial use. Except as
 14 otherwise provided in this part, the tax is levied on the basis
 15 of the entire production of oil in this state, including any
 16 royalty interest. Such tax shall accrue at the time the oil is
 17 severed and shall be a lien on production regardless of the
 18 place of sale, to whom sold, or by whom used, and regardless of
 19 the fact that delivery of the oil may be made outside the state.

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20 (7) As used in this section, the term "oil" does not
21 include gas-phase hydrocarbons that are transported into the
22 state, injected in the gaseous phase into a natural gas storage
23 facility permitted under part I of chapter 377, and later
24 recovered as a liquid hydrocarbon.

25 Section 3. Subsection (6) is added to section 211.025,
26 Florida Statutes, to read:

27 211.025 Gas production tax; basis and rate of tax.—An
28 excise tax is hereby levied upon every person who severs gas in
29 the state for sale, transport, profit, or commercial use. Except
30 as otherwise provided in this part, the tax shall be levied on
31 the basis of the entire production of gas in this state,
32 including any royalty interest. Such tax shall accrue at the
33 time the gas is severed and shall be a lien on production
34 regardless of the place of sale, to whom sold, or by whom used
35 and regardless of the fact that delivery of the gas may be made
36 outside the state.

37 (6) This section applies only to native gas as defined in
38 s. 377.19.

39 Section 4. Subsection (36) of section 376.301, Florida
40 Statutes, is amended to read:

41 376.301 Definitions of terms used in ss. 376.30-376.317,
42 376.70, and 376.75.—When used in ss. 376.30-376.317, 376.70, and
43 376.75, unless the context clearly requires otherwise, the term:

44 (36) "Pollutants" includes any "product" as defined in s.
45 377.19~~(11)~~, pesticides, ammonia, chlorine, and derivatives
46 thereof, excluding liquefied petroleum gas.

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47 Section 5. Section 377.06, Florida Statutes, is amended to
48 read:

49 377.06 Public policy of state concerning natural resources
50 of oil and gas.—It is hereby declared ~~to be~~ the public policy of
51 this the state to conserve and control the natural resources of
52 oil and gas in this said state, and the products made from oil
53 and gas in this state therefrom; to prevent waste of said
54 natural resources; to provide for the protection and adjustment
55 of the correlative rights of the owners of the land in which the
56 wherein said natural resources lie, of and the owners and
57 producers of oil and gas resources and the products made from
58 oil and gas therefrom, and of others interested in these
59 resources and products therein; to safeguard the health,
60 property, and public welfare of the residents citizens of this
61 said state and other interested persons and for all purposes
62 indicated by the provisions in this section herein. Further, it
63 is declared that underground storage of natural gas is in the
64 public interest because underground storage promotes
65 conservation of natural gas; makes gas more readily available to
66 the domestic, commercial, and industrial consumers of this
67 state; and allows the accumulation of large quantities of gas in
68 reserve for orderly withdrawal during emergencies or periods of
69 peak demand. It is not the intention of this section to limit,
70 or restrict, or modify in any way the provisions of this law.

71 Section 6. Section 377.18, Florida Statutes, is amended to
72 read:

73 377.18 Common sources of oil and gas.—All common sources
74 of supply of oil or native and gas ~~or either of them~~ shall have

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75 the production ~~therefrom~~ controlled or regulated in accordance
76 with the provisions of this law.

77 Section 7. Section 377.19, Florida Statutes, is reordered
78 and amended to read:

79 377.19 Definitions.—As used ~~Unless the context otherwise~~
80 ~~requires, the words defined in this section shall have the~~
81 ~~following meanings when found in ss. 377.06, 377.07, and 377.10-~~
82 ~~377.40, the term:~~

83 ~~(1)-(21)~~ (1) "Completion date" means the day, month, and year
84 that a new productive well, a previously shut-in well, or a
85 temporarily abandoned well is completed, repaired, or
86 recompleted and the operator begins producing oil or gas in
87 commercial quantities.

88 (2) "Department" means the Department of Environmental
89 Protection.

90 ~~(3)-(1)~~ (3) "Division" means the Division of Resource
91 Management of the Department of Environmental Protection.

92 ~~(4)-(7)~~ (4) "Field" means the general area that ~~which~~ is
93 underlaid, or appears to be underlaid, by at least one pool. The
94 term; ~~and "field"~~ includes the underground reservoir, or
95 reservoirs, containing oil or gas, or both. The terms ~~words~~
96 "field" and "pool" mean the same thing if ~~when~~ only one
97 underground reservoir is involved; however, the term "field,"
98 unlike the term "pool," may relate to two or more pools.

99 (5) "Gas" means all natural gas, including casinghead gas,
100 and all other hydrocarbons not defined as oil in subsection (4).

101 ~~(6)-(25)~~ (6) "Horizontal well" means a well completed with the
102 wellbore in a horizontal or nearly horizontal orientation within

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103 10 degrees of horizontal within the producing formation.

104 ~~(7)-(13)~~ "Illegal gas" means gas that ~~which~~ has been
105 produced within the state from any well or wells in excess of
106 the amount allowed by any rule, regulation, or order of the
107 division, as distinguished from gas produced within the State of
108 Florida from a well not producing in excess of the amount so
109 allowed, which is "legal gas."

110 ~~(8)-(12)~~ "Illegal oil" means oil that ~~which~~ has been
111 produced within the state from any well or wells in excess of
112 the amount allowed by rule, regulation, or order of the
113 division, as distinguished from oil produced within the state
114 from a well not producing in excess of the amount so allowed,
115 which is "legal oil."

116 ~~(9)-(14)~~ "Illegal product" means a ~~any~~ product of oil or
117 gas, any part of which was processed or derived, in whole or in
118 part, from illegal gas or illegal oil or from any product
119 thereof, as distinguished from "legal product," which is a
120 product processed or derived to no extent from illegal oil or
121 illegal gas.

122 ~~(10)~~ "Lateral storage reservoir boundary" means the
123 projection up to the land surface of the maximum horizontal
124 extent of the gas volume contained in a natural gas storage
125 reservoir.

126 ~~(11)~~ "Native gas" means gas that occurs naturally within
127 this state and does not include gas produced outside the state,
128 transported to this state, and injected into a permitted natural
129 gas storage facility.

130 ~~(12)~~ "Natural gas storage facility" means an underground

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131 reservoir from which oil or gas has previously been produced and
132 which is used or to be used for the underground storage of
133 natural gas, and any surface or subsurface structure,
134 infrastructure, except wells. The term also includes a right or
135 appurtenance necessary or useful in the operation of the
136 facility for the underground storage of natural gas, including
137 any necessary or reasonable reservoir protective area as
138 designated for the purpose of ensuring the safe operation of the
139 storage of natural gas or protecting the natural gas storage
140 facility from pollution, invasion, escape, or migration of gas,
141 or any subsequent extension thereof. The term does not mean a
142 transmission, distribution, or gathering pipeline or system that
143 is not used primarily as integral piping for a natural gas
144 storage facility.

145 (13) "Natural gas storage reservoir" means a pool or field
146 from which gas or oil has previously been produced and which is
147 suitable for or capable of being made suitable for the
148 injection, storage, and recovery of gas, as identified in a
149 permit application submitted to the department under s.
150 377.2407.

151 (14)-(24) "New field well" means an oil or gas well
152 completed after July 1, 1997, in a new field as designated by
153 the Department of Environmental Protection.

154 (15)-(4) "Oil" means crude petroleum oil and other
155 hydrocarbons, regardless of gravity, which are produced at the
156 well in liquid form by ordinary production methods, and which
157 are not the result of condensation of gas after it leaves the
158 reservoir.

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159 (16) "Oil and gas" has the same meaning as the term "oil
160 or gas."

161 ~~(17)(19)~~ "Oil and gas administrator" means the State
162 Geologist.

163 ~~(17) The use of the word "and" includes the word "or" and~~
164 ~~the use of "or" includes "and," unless the context clearly~~
165 ~~requires a different meaning, especially with respect to such~~
166 ~~expressions as "oil and gas" or "oil or gas."~~

167 ~~(18)(20)~~ "Operator" means the entity who:

168 (a) Has the right to drill and to produce a well; or

169 (b) As part of a natural gas storage facility, injects, or
170 is engaged in the work of preparing to inject, gas into a
171 natural gas storage reservoir; or stores gas in, or removes gas
172 from, a natural gas storage reservoir.

173 ~~(19)(8)~~ "Owner" means the person who has the right to
174 drill into and to produce from any pool and to appropriate the
175 production ~~either~~ for the person or for the person and another,
176 or others.

177 ~~(20)(3)~~ "Person" means a ~~any~~ natural person, corporation,
178 association, partnership, receiver, trustee, guardian, executor,
179 administrator, fiduciary, or representative of any kind.

180 ~~(21)(6)~~ "Pool" means an underground reservoir containing
181 or appearing to contain a common accumulation of oil or gas or
182 both. Each zone of a general structure which is completely
183 separated from any other zone on the structure is considered a
184 separate pool as used herein.

185 ~~(22)(9)~~ "Producer" means the owner or operator of a well
186 or wells capable of producing oil or gas, or both.

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187 ~~(23)-(11)~~ "Product" means a ~~any~~ commodity made from oil or
188 gas and includes refined crude oil, crude tops, topped crude,
189 processed crude petroleum, residue from crude petroleum,
190 cracking stock, uncracked fuel oil, fuel oil, treated crude oil,
191 residuum, gas oil, casinghead gasoline, natural gas gasoline,
192 naphtha, distillate, condensate, gasoline, waste oil, kerosene,
193 benzine, wash oil, blended gasoline, lubricating oil, blends or
194 mixtures of oil with one or more liquid products or byproducts
195 derived from oil or gas, and blends or mixtures of two or more
196 liquid products or byproducts derived from oil or gas, whether
197 hereinabove enumerated or not.

198 ~~(24)-(15)~~ "Reasonable market demand" means the amount of
199 oil reasonably needed for current consumption, together with a
200 reasonable amount of oil for storage and working stocks.

201 ~~(25)~~ "Reservoir protective area" means the area extending
202 up to and including 2,000 feet surrounding a natural gas storage
203 reservoir.

204 ~~(26)~~ "Shut-in bottom hole pressure" means the pressure at
205 the bottom of a well when all valves are closed and no oil or
206 gas has been allowed to escape for at least 24 hours.

207 ~~(27)-(22)~~ "Shut-in well" means an oil or gas well that has
208 been taken out of service for economic reasons or mechanical
209 repairs.

210 ~~(28)-(2)~~ "State" means the State of Florida.

211 ~~(29)-(23)~~ "Temporarily abandoned well" means a permitted
212 well or wellbore that has been abandoned by plugging in a manner
213 that allows reentry and redevelopment in accordance with oil or
214 gas rules of the Department of Environmental Protection.

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215 ~~(30)-(16)~~ "Tender" means a permit or certificate of
216 clearance for the transportation or the delivery of oil, gas, or
217 products, approved and issued or registered under the authority
218 of the division.

219 ~~(31)-(10)~~ "Waste," in addition to its ordinary meaning,
220 means "physical waste" as that term is generally understood in
221 the oil and gas industry. The term "waste" includes:

222 (a) The inefficient, excessive, or improper use or
223 dissipation of reservoir energy; and the locating, spacing,
224 drilling, equipping, operating, or producing of any oil or gas
225 well or wells in a manner that ~~which~~ results, or tends to
226 result, in reducing the quantity of oil or gas ultimately to be
227 stored or recovered from any pool in this state.

228 (b) The inefficient storing of oil; and the locating,
229 spacing, drilling, equipping, operating, or producing of any oil
230 or gas well or wells in a manner that causes, or tends ~~causing,~~
231 ~~or tending~~ to cause, unnecessary or excessive surface loss or
232 destruction of oil or gas.

233 (c) The producing of oil or gas in ~~such~~ a manner that
234 causes ~~as to cause~~ unnecessary water channeling or coning.

235 (d) The operation of any oil well or wells with an
236 inefficient gas-oil ratio.

237 (e) The drowning with water of any stratum or part thereof
238 capable of producing oil or gas.

239 (f) The underground waste, however caused and whether or
240 not defined.

241 (g) The creation of unnecessary fire hazards.

242 (h) The escape into the open air, from a well producing

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243 both oil and gas, of gas in excess of the amount that ~~which~~ is
244 necessary in the efficient drilling or operation of the well.

245 (i) The use of gas for the manufacture of carbon black.

246 (j) Permitting gas produced from a gas well to escape into
247 the air.

248 (k) The abuse of the correlative rights and opportunities
249 of each owner of oil and gas in a common reservoir due to
250 nonuniform, disproportionate, and unratable withdrawals, causing
251 undue drainage between tracts of land.

252 ~~(32)-(18)~~ "Well site" means the general area around a well,
253 which area has been disturbed from its natural or existing
254 condition, as well as the drilling or production pad, mud and
255 water circulation pits, and other operation areas necessary to
256 drill for or produce oil or gas, or to inject gas into and
257 recover gas from a natural gas storage facility.

258 Section 8. Subsection (1) of section 377.21, Florida
259 Statutes, is amended to read:

260 377.21 Jurisdiction of division.—

261 (1) The division shall have jurisdiction and authority
262 over all persons and property necessary to administer and
263 enforce effectively the provisions of this law and all other
264 laws relating to the conservation of oil and gas or to the
265 storage of gas in and recovery of gas from natural gas storage
266 reservoirs.

267 Section 9. Subsection (2) of section 377.22, Florida
268 Statutes, is amended to read:

269 377.22 Rules and orders.—

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270 (2) The department shall issue orders and adopt rules
271 pursuant to ss. 120.536~~(1)~~ and 120.54 to implement and enforce
272 the provisions of this chapter. Such rules and orders shall
273 ensure that all precautions are taken to prevent the spillage of
274 oil or any other pollutant in all phases of the drilling for,
275 and extracting of, oil, gas, or other petroleum products, or
276 during the injection of gas into and recovery of gas from a
277 natural gas storage reservoir. The department shall revise such
278 rules from time to time as necessary for the proper
279 administration and enforcement of this chapter. Rules adopted
280 and orders issued in accordance with this section are ~~shall be~~
281 for, but ~~shall~~ not ~~be~~ limited to, the following purposes:

282 (a) To require the drilling, casing, and plugging of wells
283 to be done in such a manner as to prevent the pollution of the
284 fresh, salt, or brackish waters or the lands of the state and to
285 protect the integrity of natural gas storage reservoirs.

286 (b) To prevent the alteration of the sheet flow of water
287 in any area.

288 (c) To require that appropriate safety equipment be
289 installed to minimize the possibility of an escape of oil or
290 other petroleum products in the event of accident, human error,
291 or a natural disaster during drilling, casing, or plugging of
292 any well and during extraction operations.

293 (d) To require the drilling, casing, and plugging of wells
294 to be done in such a manner as to prevent the escape of oil or
295 other petroleum products from one stratum to another.

296 (e) To prevent the intrusion of water into an oil or gas
297 stratum from a separate stratum, except as provided by rules of

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298 the division relating to the injection of water for proper
299 reservoir conservation and brine disposal.

300 (f) To require a reasonable bond, or other form of
301 security acceptable to the department, conditioned upon the
302 performance of the duty to plug properly each dry and abandoned
303 well and the full and complete restoration by the applicant of
304 the area over which geophysical exploration, drilling, or
305 production is conducted to the similar contour and general
306 condition in existence prior to such operation.

307 (g) To require and carry out a reasonable program of
308 monitoring or inspection of all drilling operations, ~~or~~
309 producing wells, or injecting wells, including regular
310 inspections by division personnel.

311 (h) To require the making of reports showing the location
312 of all oil and gas wells; the making and filing of logs; the
313 taking and filing of directional surveys; the filing of
314 electrical, sonic, radioactive, and mechanical logs of oil and
315 gas wells; if taken, the saving of cutting and cores, the cuts
316 of which shall be given to the Bureau of Geology; and the making
317 of reports with respect to drilling and production records.
318 However, such information, or any part thereof, at the request
319 of the operator, shall be exempt from the provisions of s.
320 119.07(1) and held confidential by the division for a period of
321 1 year after the completion of a well.

322 (i) To prevent wells from being drilled, operated, or
323 produced in such a manner as to cause injury to neighboring
324 leases, ~~or~~ property, or natural gas storage reservoirs.

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325 (j) To prevent the drowning by water of any stratum, or
326 part thereof, capable of producing oil or gas in paying
327 quantities and to prevent the premature and irregular
328 encroachment of water which reduces, or tends to reduce, the
329 total ultimate recovery of oil or gas from any pool.

330 (k) To require the operation of wells with efficient gas-
331 oil ratio, and to fix such ratios.

332 (l) To prevent "blowouts," "caving," and "seepage," in the
333 sense that conditions indicated by such terms are generally
334 understood in the oil and gas business.

335 (m) To prevent fires.

336 (n) To identify the ownership of all oil or gas wells,
337 producing leases, refineries, tanks, plants, structures, and
338 storage and transportation equipment and facilities.

339 (o) To regulate the "shooting," perforating and chemical
340 treatment of wells.

341 (p) To regulate secondary recovery methods, including the
342 introduction of gas, air, water, or other substance into
343 producing formations.

344 (q) To regulate gas cycling operations.

345 (r) To regulate the storage and recovery of gas injected
346 into natural gas storage facilities.

347 (s)~~(r)~~ If necessary for the prevention of waste, as herein
348 defined, to determine, limit, and prorate the production of oil
349 or gas, or both, from any pool or field in the state.

350 (t)~~(s)~~ To require, either generally or in or from
351 particular areas, certificates of clearance or tenders in

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352 connection with the transportation or delivery of oil or gas, or
353 any product.

354 ~~(u)~~ ~~(t)~~ To regulate the spacing of wells and to establish
355 drilling units.

356 ~~(v)~~ ~~(u)~~ To prevent, so far as is practicable, reasonably
357 avoidable drainage from each developed unit which is not
358 equalized by counterdrainage.

359 ~~(w)~~ ~~(v)~~ To require that geophysical operations requiring a
360 permit be conducted in a manner which will minimize the impact
361 on hydrology and biota of the area, especially environmentally
362 sensitive lands and coastal areas.

363 ~~(x)~~ ~~(w)~~ To regulate aboveground crude oil storage tanks in
364 a manner which will protect the water resources of the state.

365 ~~(y)~~ ~~(x)~~ To act in a receivership capacity for fractional
366 mineral interests for which the owners are unknown or unlocated
367 and to administratively designate the operator as the lessee.

368 Section 10. Subsections (1) and (2) of section 377.24,
369 Florida Statutes, are amended to read:

370 377.24 Notice of intention to drill well; permits;
371 abandoned wells and dry holes.-

372 (1) Before drilling a any well in search of oil or gas, or
373 before storing gas in or recovering gas from a natural gas
374 storage reservoir shall be drilled, the person who desires
375 desiring to drill for, store, or recover gas, or drill for oil
376 or gas, the same shall notify the division upon such form as it
377 may prescribe and shall pay a reasonable fee set by rule of the
378 department not to exceed the actual cost of processing and
379 inspecting for each well or reservoir. The drilling of any well

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380 and the storing and recovering of gas are ~~is hereby~~ prohibited
381 until such notice is given, the ~~and such fee is~~ has been paid,
382 and the permit is granted.

383 (2) An ~~Each~~ application for the drilling of a well in
384 search of oil or gas, or for the storing of gas in and
385 recovering of gas from a natural gas storage reservoir, in this
386 state must ~~shall~~ include the address of the residence of the
387 applicant, or applicants ~~each applicant,~~ which must ~~address~~
388 ~~shall~~ be the address of each person involved in accordance with
389 the records of the Division of Resource Management until such
390 address is changed on the records of the division after written
391 request.

392 Section 11. Section 377.2407, Florida Statutes, is created
393 to read:

394 377.2407 Natural gas storage facility permit application
395 to inject gas into and recover gas from a natural gas storage
396 reservoir.-

397 (1) Before drilling a well to inject gas into and recover
398 gas from a natural gas storage reservoir, the person who desires
399 to conduct such operation shall apply to the department in the
400 manner described in this section using such form as the
401 department may prescribe to obtain a natural gas storage
402 facility permit. The department shall also require any applicant
403 seeking to obtain such permit to pay a reasonable permit
404 application fee. Such fee must be in an amount necessary to
405 cover the costs associated with receiving, processing, issuing,
406 and recertifying the permit application, and inspecting for
407 compliance with the permit.

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- 408 (2) Each application must contain:
- 409 (a) A detailed, three-dimensional description of the
410 natural gas storage reservoir, including geologic-based
411 descriptions of the reservoir boundaries, and the horizontal and
412 vertical dimensions.
- 413 (b) A geographic description of the lateral storage
414 reservoir boundary.
- 415 (c) A general description and location of all injection,
416 recovery, withdrawal-only, and observation wells.
- 417 (d) A description of the reservoir protective area.
- 418 (e) Information demonstrating that the proposed natural
419 gas storage reservoir is suitable for the storage and recovery
420 of gas.
- 421 (f) Information identifying all reasonably known abandoned
422 or active wells within the natural gas storage facility.
- 423 (g) A field-monitoring plan that requires, at a minimum,
424 monthly field inspections of all wells that are part of the
425 natural gas storage facility.
- 426 (h) A monitoring and testing plan for the well integrity.
- 427 (i) A well inspection plan that requires, at a minimum,
428 the inspection of all wells that are part of the natural gas
429 storage facility and plugged wells within the natural gas
430 storage facility boundary.
- 431 (j) A spill prevention and response plan.
- 432 (k) A well spacing plan.
- 433 (l) An operating plan for the natural gas storage
434 reservoir, which must include gas capacities, anticipated
435 operating conditions, and maximum storage pressure.

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436 (m) A gas migration response plan.

437 (n) A location plat and general facility map surveyed and
438 prepared by a registered land surveyor licensed under chapter
439 472.

440 (3) The department may require the applicant to provide
441 additional information that is deemed necessary to permit the
442 development of the natural gas storage facility. Each well
443 related to the natural gas storage facility shall be authorized
444 and permitted individually upon the applicant satisfying
445 applicable well construction and operation criteria under this
446 part; however, notwithstanding any other provision under this
447 chapter, well spacing requirements do not apply.

448 Section 12. Subsection (4) is added to section 377.241,
449 Florida Statutes, to read:

450 377.241 Criteria for issuance of permits.—The division, in
451 the exercise of its authority to issue permits as hereinafter
452 provided, shall give consideration to and be guided by the
453 following criteria:

454 (4) For activities and operations concerning a natural gas
455 storage facility, the nature, structure, and proposed use of the
456 natural gas storage reservoir is suitable for the storage and
457 recovery of gas without adverse effect to public health or
458 safety or the environment.

459 Section 13. Subsection (3) of section 377.242, Florida
460 Statutes, is amended to read:

461 377.242 Permits for drilling or exploring and extracting
462 through well holes or by other means.—The department is vested
463 with the power and authority:

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464 (3) To issue permits to establish natural gas storage
465 facilities or construct wells for the injection and recovery of
466 any natural gas for ~~temporary~~ storage in natural gas storage
467 subsurface reservoirs.

468
469 Each permit shall contain an agreement by the permit holder that
470 the permit holder will not prevent inspection by division
471 personnel at any time. The provisions of this section
472 prohibiting permits for drilling or exploring for oil in coastal
473 waters do not apply to any leases entered into before June 7,
474 1991.

475 Section 14. Section 377.2431, Florida Statutes, is created
476 to read:

477 377.2431 Conditions for granting permits for natural gas
478 storage facilities.-

479 (1) A natural gas storage facility permit shall authorize
480 the construction and operation of a natural gas storage facility
481 and must be issued for the life of the facility, subject to
482 recertification every 10 years.

483 (2) Before issuing or recertifying a permit, the
484 department shall require satisfactory evidence of the following:

485 (a) The applicant has implemented, or is in the process of
486 implementing, programs for the control and mitigation of
487 pollution related to oil, petroleum products or their
488 byproducts, and other pollutants.

489 (b) The applicant or operator has acquired a lawful right
490 to drill, explore, or develop a natural gas storage reservoir
491 from owners of at least 75 percent of the storage rights within

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492 the natural gas storage reservoir, or the applicant or operator
493 has obtained a certificate of public convenience and necessity
494 for the natural gas storage reservoir from the Federal Energy
495 Regulatory Commission pursuant to the Natural Gas Act, 15 U.S.C.
496 ss. 717 et seq.

497 (c) The applicant has used all reasonable means to
498 identify known wells that have been drilled into or through the
499 natural gas storage reservoir or the reservoir protective area
500 to determine the status of the wells and whether inactive or
501 abandoned wells have been properly plugged. For any well that
502 has not been properly plugged, before conducting injection
503 operations and after issuance of the permit, the applicant must
504 plug or recondition the well to ensure the integrity of the
505 storage reservoir or the reservoir protective area.

506 (d) The applicant has tested the quality of water produced
507 by all water supply wells within the lateral boundary of the
508 natural gas storage facility and complied with all requirements
509 under s. 377.2432. The applicant shall provide to the department
510 and the owner of the water supply well a written copy of the
511 water quality data collected under this paragraph.

512 (e) A determination has been made regarding whether native
513 gas or oil will be severed from below the soil or water of this
514 state in the recovery of injected gas. If native gas or oil will
515 be severed, the applicant or operator must acquire a lawful
516 right to develop the native gas or oil before injecting gas into
517 the natural gas storage reservoir.

518 (3) The applicant shall maintain records of well pressures
519 recorded monthly, and monthly volumes of gas injected into and

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520 withdrawn from the reservoir. These records shall be maintained
521 at the natural gas storage facility and shall be made available
522 for inspection by the department at any reasonable time.

523 (4) (a) The maximum storage pressure for a natural gas
524 storage reservoir shall be the highest shut-in bottom hole
525 pressure found to exist during the production history of the
526 reservoir, unless a higher pressure is established by the
527 department based on testing of caprock and pool containment. The
528 methods used for determining the higher pressure must be
529 approved by the department.

530 (b) If the shut-in bottom hole pressure of the original
531 discovery or of the highest production is not known, or a higher
532 pressure has not been established through a method approved by
533 the department pursuant to paragraph (a), the maximum storage
534 reservoir pressure must be limited to a freshwater hydrostatic
535 gradient.

536 (5) A permit may not be issued for a natural gas storage
537 facility that includes a natural gas storage reservoir located
538 beneath an underground source of drinking water unless the
539 applicant demonstrates that the injection, storage, or recovery
540 of natural gas will not cause or allow natural gas to migrate
541 into the underground source of drinking water; in any offshore
542 location in the Gulf of Mexico, the Straits of Florida, or the
543 Atlantic Ocean; or in any solution-mined cavern within a salt
544 formation.

545 (6) A natural gas storage facility permit issued by the
546 department must contain a condition that requires the permittee
547 to obtain the lawful right to develop a natural gas storage

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548 reservoir from the owners of 100 percent of the storage rights
549 within the natural gas storage reservoir.

550 Section 15. Section 377.2432, Florida Statutes, is created
551 to read:

552 377.2432 Natural gas storage facilities; protection of
553 water supplies.-

554 (1) An operator of a natural gas storage facility who
555 affects a public or private underground water supply by
556 pollution or diminution shall restore or replace the affected
557 supply with an alternate source of water adequate in quantity
558 and quality for the purposes served by the supply. The
559 department shall ensure that the quality of restored or replaced
560 water is comparable to the quality of the water before it was
561 affected by the operator.

562 (2) Unless rebutted by a defense established in subsection
563 (4), a natural gas storage facility operator is presumed
564 responsible for pollution of an underground water supply if:

565 (a) The water supply is within the lateral boundary of the
566 natural gas storage facility; and

567 (b) The pollution occurred within 6 months after
568 completion of drilling or alteration of any well under or
569 associated with the natural gas storage facility permit or the
570 initial injection of gas into the natural gas storage reservoir,
571 whichever is later.

572 (3) If the affected underground water supply is within the
573 rebuttable presumption area as provided in subsection (2) and
574 the rebuttable presumption applies, the natural gas storage
575 facility operator shall provide a temporary water supply if the

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576 water user is without a readily available alternative source of
577 water at no cost to the owner or user of the affected water
578 supply. The temporary water supply provided under this
579 subsection must be adequate in quantity and quality for the
580 purposes served by the affected supply.

581 (4) A natural gas storage facility operator rebuts the
582 presumption in subsection (2) by affirmatively proving any of
583 the following:

584 (a) The pollution existed before the drilling or
585 alteration activity as determined by a predrilling or
586 prealteration survey.

587 (b) The landowner or water purveyor refused to allow the
588 operator access to conduct a predrilling or prealteration
589 survey.

590 (c) The water supply well is not within the lateral
591 boundary of the natural gas storage facility.

592 (d) The pollution occurred more than 6 months after
593 completion of drilling or alteration of any well under or
594 associated with the natural gas storage facility permit.

595 (e) The pollution occurred as the result of a cause other
596 than activities authorized under the natural gas storage
597 facility permit.

598 (5) A natural gas storage facility operator electing to
599 preserve a defense under subsection (4) must retain an
600 independent certified laboratory to conduct a predrilling or
601 prealteration survey of the water supply. A copy of survey
602 results must be submitted to the department and the landowner or
603 water purveyor in the manner prescribed by the department.

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604 (6) A natural gas storage facility operator must provide
605 written notice to the landowner or water purveyor indicating
606 that the presumption established under subsection (2) may be
607 void if the landowner or water purveyor refused to allow the
608 operator access to conduct a predrilling or prealteration
609 survey. Proof of written notice to the landowner or water
610 purveyor must be provided to the department in order for the
611 operator to retain the protections under subsection (4).

612 (7) This section does not prevent a landowner or water
613 purveyor who claims pollution or diminution of a water supply
614 from seeking any other remedy at law or in equity.

615 Section 16. Section 377.2433, Florida Statutes, is created
616 to read:

617 377.2433 Protection of natural gas storage facilities;
618 remedies.—

619 (1) The department may not authorize the drilling of any
620 well into or through a permitted natural gas storage reservoir
621 or reservoir protective area, except upon conditions deemed by
622 the department to be sufficient to prevent the loss, migration,
623 or escape of gas from the natural gas storage reservoir. The
624 department shall provide written notice to the natural gas
625 storage facility operator of any application filed with the
626 department and any agency action taken related to drilling a
627 well into or through a permitted natural gas storage facility
628 boundary or reservoir protective area.

629 (2) As a condition for the issuance of a permit by the
630 department, an applicant seeking to drill a well into or through
631 a permitted natural gas storage facility boundary or reservoir

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632 protective area must provide the affected natural gas storage
633 facility operator a reasonable right of entry to observe and
634 monitor all drilling activities.

635 (3) The department shall require by permit condition that
636 any well drilled into or through a permitted natural gas storage
637 reservoir or reservoir protective area is cased and cemented in
638 a manner sufficient to protect the integrity of the natural gas
639 storage reservoir.

640 Section 17. Section 377.2434, Florida Statutes, is created
641 to read:

642 377.2434 Property rights to injected natural gas.—

643 (1) All natural gas that has previously been reduced to
644 possession and that is subsequently injected into a natural gas
645 storage facility is at all times the property of the injector or
646 the injector's heirs, successors, or assigns, whether owned by
647 the injector or stored under contract.

648 (2) Such gas may not be subject to the right of the owner
649 of the surface of the lands or of any mineral interest therein,
650 under which the natural gas storage facilities lie, or to the
651 right of any person, other than the injector or the injector's
652 heirs, successors, or assigns, to waste or otherwise interfere
653 with or exercise control over such gas, to produce, to take, or
654 to reduce to possession, by means of the law of capture or
655 otherwise. This subsection does not affect the ownership of
656 hydrocarbons occurring naturally within this state or the right
657 of the owner of the surface of the lands or of any mineral
658 interest therein to drill or bore through the natural gas

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659 storage facilities in a manner that will protect the facilities
660 against pollution or the escape of stored natural gas.

661 (3) With regard to natural gas that has migrated to
662 adjoining property or to a stratum, or portion thereof, which
663 has not been condemned or otherwise purchased:

664 (a) The injector or the injector's heirs, successors, or
665 assigns:

666 1. May not lose title to or possession of the gas if the
667 injector or the injector's heirs, successors, or assigns can
668 prove by a preponderance of the evidence that the gas was
669 originally injected into the underground storage; and

670 2. Have the right to conduct tests on any existing wells
671 on adjoining property as may be reasonable to determine
672 ownership of the gas, but the tests are solely at the injector's
673 risk and expense.

674 (b) The owner of the stratum and the owner of the surface
675 are entitled to compensation, including compensation for use of
676 or damage to the surface or substratum, as provided by law.

677 Section 18. Subsection (3) of section 377.25, Florida
678 Statutes, is amended to read:

679 377.25 Production pools; drilling units.—

680 (3) Each well permitted to be drilled upon any drilling
681 unit shall be drilled approximately in the center thereof, with
682 such exception as may be reasonably necessary where the division
683 finds that the unit is partly outside the pool or, for some
684 other reason, a well approximately in the center of the unit
685 would be nonproductive or where topographical conditions are
686 such as to make the drilling approximately in the center of the

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687 unit unduly burdensome or where the operator proposes to
688 complete the well with a horizontal or nearly horizontal well in
689 the producing zone. Whenever an exception is granted, the
690 division shall take such action as will offset any advantage
691 which the person securing the exception may have over other
692 producers by reason of the drilling of the well as an exception,
693 and so that drainage from developed units to the tract, with
694 respect to which the exception is granted, will be prevented or
695 minimized, and the producer of the well drilled, as an
696 exception, will be allowed to produce no more than his or her
697 just and equitable share of the oil and gas in the pool, as such
698 share is set forth in this section. This subsection does not
699 apply to wells associated with a natural gas storage facility.

700 Section 19. Subsection (2) of section 377.28, Florida
701 Statutes, is amended to read:

702 377.28 Cycling, pooling, and unitization of oil and gas.-

703 (2) The department shall issue an order requiring unit
704 operation if it finds that:

705 (a) Unit operation of the field, or of any pool or pools,
706 portion or portions, or combinations thereof within the field,
707 is reasonably necessary to prevent waste, to avoid the drilling
708 of unnecessary wells, or to increase the ultimate recovery of
709 oil or gas by additional recovery methods; ~~and~~

710 (b) The estimated additional cost incident to the conduct
711 of such operation will not exceed the value of the estimated
712 additional recovery of oil or gas; and

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713 (c) The additional recovery of oil or gas does not
714 adversely interfere with the storage or recovery of natural gas
715 within a natural gas storage reservoir.

716
717 The phrase "additional recovery methods" as used herein
718 includes, but is not limited to, the maintenance or partial
719 maintenance of reservoir pressures; recycling; flooding a pool
720 or pools, or parts thereof, with air, gas, water, liquid
721 hydrocarbons, any other substance, or any combination thereof;
722 or any other method of producing additional hydrocarbons
723 approved by the department.

724 Section 20. Subsection (4) is added to section 377.30,
725 Florida Statutes, to read:

726 377.30 Limitation on amount of oil or gas taken.—

727 (4) This section does not apply to nonnative gas recovered
728 from a permitted natural gas storage facility.

729 Section 21. Subsection (1) of section 377.34, Florida
730 Statutes, is amended to read:

731 377.34 Actions and injunctions by division.—

732 (1) Whenever it appears ~~shall appear~~ that a ~~any~~ person is
733 violating, or threatening to violate, any statute of this state
734 with respect to the conservation of oil or gas, or both, or any
735 provision of this law, or any rule, regulation or order made
736 ~~thereunder~~ by any act done in the operation of a ~~any~~ well
737 producing oil or gas, or storing or recovering natural gas, or
738 by omitting an ~~any~~ act required to be done ~~thereunder~~, the
739 division, through its counsel, or the Department of Legal
740 Affairs on its own initiative, may bring suit against such

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741 person in the Circuit Court in the County of Leon, state, or in
742 the circuit court in the county in which the well in question is
743 located, at the option of the division, or the Department of
744 Legal Affairs, to restrain such person or persons from
745 continuing such violation or from carrying out the threat of
746 violation. In such suit, the division, or the Department of
747 Legal Affairs, may obtain injunctions, prohibitory and
748 mandatory, including temporary restraining orders and temporary
749 injunctions, as the facts may warrant, including, when
750 appropriate, an injunction restraining any person from moving or
751 disposing of illegal oil, illegal gas or illegal product, and
752 any or all such commodities may be ordered to be impounded or
753 placed under the control of a receiver appointed by the court
754 if, in the judgment of the court, such action is advisable.

755 Section 22. Paragraph (a) of subsection (1) of section
756 377.37, Florida Statutes, is amended to read:

757 377.37 Penalties.—

758 (1) (a) Any person who violates any provision of this law
759 or any rule, regulation, or order of the division made under
760 this chapter or who violates the terms of any permit to drill
761 for or produce oil, gas, or other petroleum products referred to
762 in s. 377.242(1), or to store gas in a natural gas storage
763 facility, or any lessee, permitholder, or operator of equipment
764 or facilities used in the exploration for, drilling for, or
765 production of oil, gas, or other petroleum products, or storage
766 of gas in a natural gas storage facility, who refuses inspection
767 by the division as provided in this chapter, is liable to the
768 state for any damage caused to the air, waters, or property,

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769 including animal, plant, or aquatic life, of the state and for
770 reasonable costs and expenses of the state in tracing the source
771 of the discharge, in controlling and abating the source and the
772 pollutants, and in restoring the air, waters, and property,
773 including animal, plant, and aquatic life, of the state.
774 Furthermore, such person, lessee, permitholder, or operator is
775 subject to the judicial imposition of a civil penalty in an
776 amount of not more than \$10,000 for each offense. However, the
777 court may receive evidence in mitigation. Each day during any
778 portion of which such violation occurs constitutes a separate
779 offense. Nothing herein shall give the department the right to
780 bring an action on behalf of any private person.

781 Section 23. Subsections (1) and (3) of section 377.371,
782 Florida Statutes, are amended to read:

783 377.371 Pollution prohibited; reporting, liability.-

784 (1) A No person drilling for or producing oil, gas, or
785 other petroleum products, or storing gas in a natural gas
786 storage facility, may not ~~shall~~ pollute land or water; damage
787 aquatic or marine life, wildlife, birds, or public or private
788 property; or allow any extraneous matter to enter or damage any
789 mineral or freshwater-bearing formation.

790 (3) Because it is the intent of this chapter to provide
791 the means for rapid and effective cleanup and to minimize
792 damages resulting from pollution in violation of this chapter,
793 if the waters of the state are polluted by the drilling, storage
794 of natural gas, or production operations of any person or
795 persons and such pollution damages or threatens to damage human,
796 animal, or plant life, public or private property, or any

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797 mineral or water-bearing formation, said person shall be liable
798 to the state for all costs of cleanup or other damage incurred
799 by the state. In any suit to enforce claims of the state under
800 this chapter, it is ~~shall~~ not ~~be~~ necessary for the state to
801 plead or prove negligence in any form or manner on the part of
802 the person or persons conducting the drilling or production
803 operations; the state need only plead and prove the fact of the
804 prohibited discharge or other polluting condition and that it
805 occurred at the facilities of the person or persons conducting
806 the drilling or production operation. A ~~No~~ person or persons
807 conducting the drilling, storage, or production operation may
808 not ~~shall~~ be held liable if said person or persons prove that
809 the prohibited discharge or other polluting condition was the
810 result of any of the following:

- 811 (a) An act of war.
- 812 (b) An act of government, either state, federal, or
813 municipal.
- 814 (c) An act of God, which means an unforeseeable act
815 exclusively occasioned by the violence of nature without the
816 interference of any human agency.
- 817 (d) An act or omission of a third party without regard to
818 whether any such act or omission was or was not negligent.

819 Section 24. Paragraph (b) of subsection (14) and paragraph
820 (b) of subsection (19) of section 403.973, Florida Statutes, are
821 amended, and paragraphs (g) and (h) are added to subsection (3)
822 of that section, to read:

823 403.973 Expedited permitting; amendments to comprehensive
824 plans.-

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825 (3)

826 (g) Projects for natural gas storage facilities that are
827 permitted under chapter 377 are eligible for the expedited
828 permitting process.

829 (h) Projects to construct interstate natural gas pipelines
830 subject to certification by the Federal Energy Regulatory
831 Commission are eligible for the expedited permitting process.

832 (14)

833 (b) Projects identified in paragraphs ~~paragraph~~ (3) (f) - (h)
834 or challenges to state agency action in the expedited permitting
835 process for establishment of a state-of-the-art biomedical
836 research institution and campus in this state by the grantee
837 under s. 288.955 are subject to the same requirements as
838 challenges brought under paragraph (a), except that,
839 notwithstanding s. 120.574, summary proceedings must be
840 conducted within 30 days after a party files the motion for
841 summary hearing, regardless of whether the parties agree to the
842 summary proceeding.

843 (19) The following projects are ineligible for review
844 under this part:

845 (b) A project, the primary purpose of which is to:

846 1. Effect the final disposal of solid waste, biomedical
847 waste, or hazardous waste in this state.

848 2. Produce electrical power, unless the production of
849 electricity is incidental and not the primary function of the
850 project or the electrical power is derived from a fuel source
851 for renewable energy as defined in s. 366.91(2) (d).

852 3. Extract natural resources.

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853 4. Produce oil.

854 5. Construct, maintain, or operate an oil, petroleum,
855 ~~natural gas~~, or sewage pipeline.

856 Section 25. The Department of Environmental Protection
857 shall adopt rules relating to natural gas storage before issuing
858 a natural gas storage facility permit.

859 Section 26. This act shall take effect July 1, 2013.

860

861

862 -----

863 **T I T L E A M E N D M E N T**

864 Remove everything before the enacting clause and insert:

865 A bill to be entitled

866 An act relating to underground natural gas storage;
867 providing a short title; amending s. 211.02, F.S.;
868 narrowing the use of the term "oil"; amending s.
869 211.025, F.S.; narrowing the scope of the gas
870 production tax to apply only to native gas; amending
871 s. 376.301, F.S.; conforming a cross-reference;
872 amending s. 377.06, F.S.; making grammatical changes;
873 declaring underground natural gas storage to be in the
874 public interest; amending s. 377.18, F.S.; clarifying
875 common sources of oil and gas; amending s. 377.19,
876 F.S.; modifying and providing definitions; amending s.
877 377.21, F.S.; extending the jurisdiction of the
878 Division of Resource Management of the Department of
879 Environmental Protection; amending s. 377.22, F.S.;
880 expanding the scope of the department's rules and

COMMITTEE/SUBCOMMITTEE AMENDMENT

Bill No. CS/CS/HB 1083 (2013)

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881 orders; amending s. 377.24, F.S.; providing for the
882 notice and permitting of storage in and recovery from
883 natural gas storage reservoirs; creating s. 377.2407,
884 F.S.; establishing a natural gas storage facility
885 permit application process; specifying requirements
886 for an application, including fees; amending s.
887 377.241, F.S.; providing criteria that the division
888 must consider in issuing permits; amending s. 377.242,
889 F.S.; granting authority to the department to issue
890 permits to establish natural gas storage facilities;
891 creating s. 377.2431, F.S.; establishing conditions
892 and procedures for granting natural gas storage
893 facility permits; limiting the right of a county or
894 municipality to regulate natural gas storage
895 facilities; prohibiting a permit for certain natural
896 gas storage facilities; creating s. 377.2432, F.S.;
897 providing for the protection of water supplies at
898 natural gas storage facilities; providing that a
899 natural gas storage facility operator is presumed
900 responsible for pollution of an underground water
901 supply under certain circumstances; creating s.
902 377.2433, F.S.; providing for the protection of
903 natural gas storage facilities through a requirement
904 of notice, compliance with certain standards, and a
905 right of entry to monitor activities; creating s.
906 377.2434, F.S.; providing that property rights to
907 injected natural gas are with the injector or the
908 injector's heirs, successors, or assigns; providing

COMMITTEE/SUBCOMMITTEE AMENDMENT

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909 for compensation to the owner of the stratum and the
910 owner of the surface for use of or damage to the
911 surface or substratum; amending s. 377.25, F.S.;
912 limiting the scope of certain drilling unit
913 requirements; amending s. 377.28, F.S.; modifying
914 situations in which the department is required to
915 issue an order requiring unit operation; amending s.
916 377.30, F.S.; providing that limitations on the amount
917 of oil or gas taken do not apply to nonnative gas
918 recovered from a permitted natural gas storage
919 facility; amending s. 377.34, F.S.; providing for
920 legal action against a person who appears to be
921 violating a rule that relates to the storage or
922 recovery of natural gas; amending s. 377.37, F.S.;
923 expanding penalties to reach persons who violate the
924 terms of a permit relating to storage of gas in a
925 natural gas storage facility; amending s. 377.371,
926 F.S.; providing that a person storing gas in a natural
927 gas storage facility may not pollute or otherwise
928 damage certain areas and that a person who pollutes
929 water by storing natural gas is liable for cleanup or
930 other costs incurred by the state; amending s.
931 403.973, F.S.; allowing expedited permitting for
932 natural gas storage facilities permitted under ch.
933 377, F.S., and for certain projects to construct
934 interstate natural gas pipelines; providing that
935 natural gas storage facilities are subject to certain
936 requirements; requiring the Department of

COMMITTEE/SUBCOMMITTEE AMENDMENT

Bill No. CS/CS/HB 1083 (2013)

Amendment No.

937 | Environmental Protection to adopt rules; providing an
938 | effective date.