232520

576-04115-15

Proposed Committee Substitute by the Committee on Appropriations (Appropriations Subcommittee on General Government)

1 A bill to be entitled 2 An act relating to the regulation of oil and gas 3 resources; amending s. 377.19, F.S.; applying the 4 definitions of certain terms to additional sections of 5 ch. 377, F.S.; conforming a cross-reference; defining 6 the term "high pressure well stimulation"; amending s. 7 377.22, F.S.; revising the rulemaking authority of the 8 Department of Environmental Protection; providing that 9 certain information may be considered proprietary 10 business information; amending s. 377.24, F.S.; 11 requiring that a permit be obtained before the 12 performance of any high pressure well stimulation; specifying that a permit may authorize single or 13 multiple activities; amending s. 377.241, F.S.; 14 15 requiring the Division of Resource Management to give consideration to and be guided by certain additional 16 criteria when issuing permits; amending s. 377.242, 17 18 F.S.; authorizing the department to issue permits for 19 the performance of high pressure well stimulation; 20 clarifying provisions relating to division inspection; amending s. 377.2425, F.S.; requiring an applicant or 21 2.2 operator to provide surety that performance of a high 23 pressure well stimulation will be conducted in a safe 24 and environmentally compatible manner; creating s. 25 377.2436, F.S.; requiring a study on high pressure 26 well stimulations; requiring the study to be submitted 27 to the Governor and the Legislature by a specified

232520

576-04115-15

28 date; requiring the findings of the study to be posted 29 on the department website; requiring the department to 30 adopt rules under certain circumstances; requiring the department to provide recommendations for legislation 31 32 under certain circumstances; prohibiting the approval 33 of permits for high pressure well stimulations until 34 the study has been submitted and all necessary 35 rulemaking is complete or additional legislation is 36 enacted; amending s. 377.37, F.S.; increasing the 37 maximum amount for civil penalties; creating s. 38 377.45, F.S.; requiring the department to designate 39 the national chemical registry as the state's 40 registry; requiring service providers, vendors, or well owners or operators to report certain information 41 42 to the registry; providing applicability; providing an effective date. 43 44 45 Be It Enacted by the Legislature of the State of Florida: 46 47 Section 1. Subsection (5) of section 377.19, Florida 48 Statutes, is amended, present subsections (6) through (32) of 49 that section are redesignated as subsections (7) through (33), 50 respectively, and a new subsection (6) is added to that section,

51

to read:

52 377.19 Definitions.—As used in ss. 377.06, 377.07, and 53 <u>377.10-377.45</u> 377.10-377.40, the term:

(5) "Gas" means all natural gas, including casinghead gas, and all other hydrocarbons not defined as oil in subsection (16) (15).

232520

576-04115-15

57	(6) "High pressure well stimulation" means a well
58	intervention performed by injecting more than 100,000 gallons of
59	fluids into a rock formation at high pressure that exceeds the
60	fracture gradient of the rock formation in order to propagate
61	fractures in such formation to increase production at an oil or
62	gas well by improving flow of hydrocarbons from the formation
63	into the wellbore.
64	Section 2. Subsection (2) of section 377.22, Florida
65	Statutes, is amended to read:
66	377.22 Rules and orders
67	(2) The department shall issue orders and adopt rules
68	pursuant to ss. 120.536 and 120.54 to implement and enforce the
69	provisions of this chapter. Such rules and orders shall ensure
70	that all precautions are taken to prevent the spillage of oil or
71	any other pollutant in all phases of the drilling for, and
72	extracting of, oil, gas, or other petroleum products, <u>including</u>
73	high pressure well stimulations, or during the injection of gas
74	into and recovery of gas from a natural gas storage reservoir.
75	The department shall revise such rules from time to time as
76	necessary for the proper administration and enforcement of this
77	chapter. Rules adopted and orders issued in accordance with this
78	section are for, but not limited to, the following purposes:
79	(a) To require the drilling, casing, and plugging of wells
80	to be done in such a manner as to prevent the pollution of the
81	fresh, salt, or brackish waters or the lands of the state and to
82	protect the integrity of natural gas storage reservoirs.
83	(b) To prevent the alteration of the sheet flow of water in
84	any area.
85	(c) To require that appropriate safety equipment be

(c) To require that appropriate safety equipment be

232520

576-04115-15

86 installed to minimize the possibility of an escape of oil or 87 other petroleum products in the event of accident, human error, 88 or a natural disaster during drilling, casing, or plugging of 89 any well and during extraction operations.

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

93 (e) To prevent the intrusion of water into an oil or gas 94 stratum from a separate stratum, except as provided by rules of 95 the division relating to the injection of water for proper 96 reservoir conservation and brine disposal.

97 (f) To require a reasonable bond, or other form of security acceptable to the department, conditioned upon properly 98 99 drilling, casing, producing, and operating each well, and 100 properly plugging the performance of the duty to plug properly 101 each dry and abandoned well, and the full and complete restoration by the applicant of the area over which geophysical 102 exploration, drilling, or production is conducted to the similar 103 104 contour and general condition in existence prior to such 105 operation.

(g) To require and carry out a reasonable program of monitoring <u>and inspecting</u> or inspection of all drilling operations, <u>high pressure well stimulations</u>, producing wells, or injecting wells, <u>and well sites</u>, including regular inspections by division personnel.

(h) To require the making of reports showing the location of all oil and gas wells; the making and filing of logs; the taking and filing of directional surveys; the filing of electrical, sonic, radioactive, and mechanical logs of oil and

	232520
--	--------

576-04115-15 115 gas wells; if taken, the saving of cutting and cores, the cuts 116 of which shall be given to the Bureau of Geology; and the making 117 of reports with respect to drilling, and production, and high pressure well stimulations; and the disclosure of chemicals and 118 119 other materials added during high pressure well stimulations to 120 the chemical disclosure registry, known as FracFocus records. However, such information, or any part thereof, at the request 121 122 of the operator: τ 123 1. Shall be exempt from the provisions of s. 119.07(1) and 124 held confidential by the division for a period of 1 year after 125 the completion of a well; or 126 2. May be considered proprietary business information, as defined in s. 377.24075(1)(a)-(e). 127 128 (i) To prevent wells from being drilled, operated, or 129 produced in such a manner as to cause injury to neighboring 130 leases, property, or natural gas storage reservoirs. 131 (j) To prevent the drowning by water of any stratum, or part thereof, capable of producing oil or gas in paying 132 133 quantities and to prevent the premature and irregular encroachment of water which reduces, or tends to reduce, the 134 135 total ultimate recovery of oil or gas from any pool. 136 (k) To require the operation of wells with efficient gasoil ratio, and to fix such ratios. 137 (1) To prevent "blowouts," "caving," and "seepage," in the 138 139 sense that conditions indicated by such terms are generally 140 understood in the oil and gas business. 141 (m) To prevent fires. (n) To identify the ownership of all oil or gas wells, 142 143 producing leases, refineries, tanks, plants, structures, and

232520

576-04115-15

144 storage and transportation equipment and facilities.

(o) To regulate the "shooting," perforating, and chemical
treatment, and high pressure well stimulations of wells.

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

150

(q) To regulate gas cycling operations.

(r) To regulate the storage and recovery of gas injectedinto natural gas storage facilities.

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

(t) To require, either generally or in or from particular
areas, certificates of clearance or tenders in connection with
the transportation or delivery of oil or gas, or any product.

(u) To regulate the spacing of wells and to establishdrilling units.

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

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

168 (x) To regulate aboveground crude oil storage tanks in a169 manner which will protect the water resources of the state.

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

232520

576-04115-15

173 (z) To evaluate the history of past adjudicated violations 174 of any substantive and material rule or statute pertaining to 175 the regulation of oil and gas of permit applicants and the 176 applicants' affiliated entities. Section 3. Subsections (1), (2), and (4) of section 377.24, 177 178 Florida Statutes, are amended to read: 179 377.24 Notice of intention to drill well; permits; 180 abandoned wells and dry holes.-181 (1) Before drilling a well in search of oil or gas, before 182 performing a high pressure well stimulation, or before storing 183 gas in or recovering gas from a natural gas storage reservoir, 184 the person who desires to drill for, store, or recover gas, or 185 drill for oil or gas, or perform a high pressure well 186 stimulation shall notify the division upon such form as it may 187 prescribe and shall pay a reasonable fee set by rule of the 188 department not to exceed the actual cost of processing and 189 inspecting for each well or reservoir. The drilling of any well, 190 the performance of any high pressure well stimulation, and the 191 storing and recovering of gas are prohibited until such notice 192 is given, the fee is paid, and a the permit is granted. A permit 193 may authorize a single activity or multiple activities. 194 (2) An application for the drilling of a well in search of 195 oil or gas, for the performance of a high pressure well 196 stimulation, or for the storing of gas in and recovering of gas 197 from a natural gas storage reservoir $_{\overline{r}}$ in this state must include

198 the address of the residence of the applicant, or applicants, 199 which must be the address of each person involved in accordance 200 with the records of the Division of Resource Management until 201 such address is changed on the records of the division after

Page 7 of 18

232520

576-04115-15

202 written request.

(4) Application for permission to drill or abandon any well or perform a high pressure well stimulation may be denied by the division for only just and lawful cause.

206 Section 4. Subsections (5) and (6) are added to section 207 377.241, Florida Statutes, to read:

208 377.241 Criteria for issuance of permits.—The division, in 209 the exercise of its authority to issue permits as hereinafter 210 provided, shall give consideration to and be guided by the 211 following criteria:

212 (5) For high pressure well stimulations, whether the high 213 pressure well stimulation as proposed is designed to ensure 214 that:

215 (a) The groundwater through which the well will be or has 216 been drilled is not contaminated by the high pressure well 217 stimulation; and

218 (b) The high pressure well stimulation is consistent with 219 the public policy of this state as specified in s. 377.06.

(6) As a basis for permit denial or imposition of specific permit conditions, including increased bonding and monitoring, the history of adjudicated violations of any substantive and material rule or statute pertaining to the regulation of oil or gas, including violations that occurred outside the state, committed by the applicant or an affiliated entity of the applicant.

227 Section 5. Section 377.242, Florida Statutes, is amended to 228 read:

229 377.242 Permits for drilling or exploring and extracting 230 through well holes or by other means.—The department is vested

232520

576-04115-15

231 with the power and authority:

(1) (a) To issue permits for the drilling for, exploring 232 for, performing a high pressure well stimulation, or production 233 234 of, oil, gas, or other petroleum products that which are to be 235 extracted from below the surface of the land, including 236 submerged land, only through the well hole drilled for oil, gas, 237 and other petroleum products.

238 1. No structure intended for the drilling for, or 239 production of, oil, gas, or other petroleum products may be 240 permitted or constructed on any submerged land within any bay or 241 estuary.

242 2. No structure intended for the drilling for, or 243 production of, oil, gas, or other petroleum products may be 244 permitted or constructed within 1 mile seaward of the coastline of the state. 245

246 3. No structure intended for the drilling for, or 247 production of, oil, gas, or other petroleum products may be permitted or constructed within 1 mile of the seaward boundary 248 249 of any state, local, or federal park or aquatic or wildlife 250 preserve or on the surface of a freshwater lake, river, or 251 stream.

252 4. No structure intended for the drilling for, or 253 production of, oil, gas, or other petroleum products may be 2.5.4 permitted or constructed within 1 mile inland from the shoreline 255 of the Gulf of Mexico, the Atlantic Ocean, or any bay or estuary 256 or within 1 mile of any freshwater lake, river, or stream unless 257 the department is satisfied that the natural resources of such 258 bodies of water and shore areas of the state will be adequately 259 protected in the event of accident or blowout.

232520

576-04115-15

260 5. Without exception, after July 1, 1989, no structure 261 intended for the drilling for, or production of, oil, gas, or 262 other petroleum products may be permitted or constructed south 263 of 26°00'00" north latitude off Florida's west coast and south of 27°00'00" north latitude off Florida's east coast, within the 264 265 boundaries of Florida's territorial seas as defined in 43 U.S.C. s. 1301. After July 31, 1990, no structure intended for the 266 drilling for, or production of, oil, gas, or other petroleum 267 products may be permitted or constructed north of 26°00'00" 268 269 north latitude off Florida's west coast to the western boundary 270 of the state bordering Alabama as set forth in s. 1, Art. II of 271 the State Constitution, or located north of 27°00'00" north 272 latitude off Florida's east coast to the northern boundary of 273 the state bordering Georgia as set forth in s. 1, Art. II of the 274 State Constitution, within the boundaries of Florida's territorial seas as defined in 43 U.S.C. s. 1301. 275

(b) Subparagraphs (a)1. and 4. do not apply to permitting 276 or construction of structures intended for the drilling for, or 277 278 production of, oil, gas, or other petroleum products pursuant to 279 an oil, gas, or mineral lease of such lands by the state under 280 which lease any valid drilling permits are in effect on the effective date of this act. In the event that such permits 281 282 contain conditions or stipulations, such conditions and 283 stipulations shall govern and supersede subparagraphs (a)1. and 284 4.

(c) The prohibitions of subparagraphs (a)1.-4. in this subsection do not include "infield gathering lines," provided no other placement is reasonably available and all other required permits have been obtained.

232520

576-04115-15

(2) To issue permits to explore for and extract minerals
which are subject to extraction from the land by means other
than through a well hole.

(3) To issue permits to establish natural gas storage
facilities or construct wells for the injection and recovery of
any natural gas for storage in natural gas storage reservoirs.

296 Each permit shall contain an agreement by the permitholder that 297 the permitholder will not prevent inspection by division personnel at any time, including during installation and 298 299 cementing of casing, testing of blowout preventers, pressure 300 testing of casing and casing shoe, and testing of cement plug 301 integrity during plugging and abandoning operations. The 302 provisions of this section prohibiting permits for drilling or 303 exploring for oil in coastal waters do not apply to any leases 304 entered into before June 7, 1991.

305 Section 6. Subsection (1) of section 377.2425, Florida
306 Statutes, is amended to read:

307 377.2425 Manner of providing security for geophysical
 308 exploration, drilling, and production.-

309 (1) Before Prior to granting a permit to conduct geophysical operations; drilling of exploratory, injection, or 310 311 production wells; producing oil and gas from a wellhead; 312 performing a high pressure well stimulation; or transporting oil 313 and gas through a field-gathering system, the department shall 314 require the applicant or operator to provide surety that these 315 operations will be conducted in a safe and environmentally 316 compatible manner.

317

(a) The applicant for a drilling, production, <u>high pressure</u>

232520

576-04115-15

318 <u>well stimulation</u>, or injection well permit or a geophysical 319 permit may provide the following types of surety to the 320 department for this purpose:

321 1. A deposit of cash or other securities made payable to 322 the Minerals Trust Fund. Such cash or securities so deposited 323 shall be held at interest by the Chief Financial Officer to 324 satisfy safety and environmental performance provisions of this 325 chapter. The interest shall be credited to the Minerals Trust 326 Fund. Such cash or other securities shall be released by the 327 Chief Financial Officer upon request of the applicant and 328 certification by the department that all safety and 329 environmental performance provisions established by the 330 department for permitted activities have been fulfilled.

331 2. A bond of a surety company authorized to do business in332 the state in an amount as provided by rule.

333 3. A surety in the form of an irrevocable letter of credit
334 in an amount as provided by rule guaranteed by an acceptable
335 financial institution.

(b) An applicant for a drilling, production, or injection
well permit, or a permittee who intends to continue
participating in long-term production activities of such wells,
has the option to provide surety to the department by paying an
annual fee to the Minerals Trust Fund. For an applicant or
permittee choosing this option the following shall apply:

342 1. For the first year, or part of a year, of a drilling, 343 production, or injection well permit, or change of operator, the 344 fee is \$4,000 per permitted well.

345 2. For each subsequent year, or part of a year, the fee is346 \$1,500 per permitted well.

232520

576-04115-15

347 3. The maximum fee that an applicant or permittee may be 348 required to pay into the trust fund is \$30,000 per calendar 349 year, regardless of the number of permits applied for or in 350 effect.

4. The fees set forth in subparagraphs 1., 2., and 3. shall be reviewed by the department on a biennial basis and adjusted for the cost of inflation. The department shall establish by rule a suitable index for implementing such fee revisions.

355 (c) An applicant for a drilling or operating permit for 356 operations planned in coastal waters that by their nature 357 warrant greater surety shall provide surety only in accordance 358 with paragraph (a), or similar proof of financial responsibility 359 other than as provided in paragraph (b). For all such 360 applications, including applications pending at the effective 361 date of this act and notwithstanding the provisions of paragraph 362 (b), the Governor and Cabinet in their capacity as the Administration Commission, at the recommendation of the 363 364 Department of Environmental Protection, shall set a reasonable 365 amount of surety required under this subsection. The surety 366 amount shall be based on the projected cleanup costs and natural 367 resources damages resulting from a maximum oil spill and adverse 368 hydrographic and atmospheric conditions that would tend to 369 transport the oil into environmentally sensitive areas, as 370 determined by the Department of Environmental Protection.

371 Section 7. Section 377.2436, Florida Statutes, is created 372 to read:

373 <u>377.2436 Study on high pressure well stimulations.-</u> 374 <u>(1) The department shall conduct a study on high pressure</u> 375 <u>well stimulations. The study shall:</u>

Page 13 of 18

232520

576-04115-15

376	(a) Evaluate the underlying geologic features present in
377	the counties where oil wells have been permitted and analyze the
378	potential impact that high pressure well stimulation and
379	wellbore construction may have on the underlying geologic
380	features.
381	(b) Evaluate the potential hazards and risks that high
382	pressure well stimulation poses to surface water and groundwater
383	resources. The study shall assess the potential impacts of high
384	pressure well stimulation on drinking water resources and
385	identify the main factors affecting the severity and frequency
386	of impacts and shall analyze the potential for the use or reuse
387	of recycled water in high pressure well stimulation fluids while
388	meeting appropriate water quality standards.
389	(c) Review and evaluate the potential for groundwater
390	contamination from conducting high pressure well stimulation
391	under or near wells that have been previously abandoned and
392	plugged and identify a setback radius from previously plugged
393	and abandoned wells that could be impacted by high pressure well
394	stimulation.
395	(d) Review and evaluate the ultimate disposition of high
396	pressure well stimulation after use in high pressure well
397	stimulation processes.
398	(e) Analyze the risks associated with the handling,
399	treatment, and disposal of flowback fluids and other materials,
400	if any, generated by the treatment.
401	(f) Review and evaluate all known and potential
402	environmental impacts resulting from high pressure well
403	stimulation treatments, including harmful atmospheric emissions,
404	greenhouse gas emissions, the degradation of air quality,

Page 14 of 18

232520

576-04115-15

1	576-04115-15
405	impacts to wildlife, native plants, and habitat, habitat
406	fragmentation, groundwater and surface water contamination,
407	noise pollution, fire and explosions, and induced seismicity.
408	(2) The study is subject to independent scientific peer
409	review, and the findings of the study shall be submitted to the
410	Governor, the President of the Senate, and the Speaker of the
411	House of Representatives by March 1, 2016, and shall be
412	prominently posted on the department website.
413	(3) The department shall adopt rules to implement the
414	findings of the study if such rules are warranted by the study
415	and the department determines that additional legislation is not
416	needed. If the department determines legislation is needed to
417	protect surface water and groundwater resources, the department
418	shall provide recommendations for such legislation to the
419	Legislature.
420	(4) The department may not approve any permit to authorize
421	high pressure well stimulations until the study required under
422	this section is submitted to the Governor, the President of the
423	Senate, and the Speaker of the House of Representatives and all
424	rulemaking is complete, or additional legislation is enacted to
425	protect human health, safety, and the environment.
426	Section 8. Paragraph (a) of subsection (1) of section
427	377.37, Florida Statutes, is amended to read:
428	377.37 Penalties
429	(1)(a) Any person who violates any provision of this law or
430	any rule, regulation, or order of the division made under this
431	chapter or who violates the terms of any permit to drill for or
432	produce oil, gas, or other petroleum products referred to in s.
433	377.242(1) or to store gas in a natural gas storage facility, or
I	



576-04115-15

434 any lessee, permitholder, or operator of equipment or facilities used in the exploration for, drilling for, or production of oil, 435 436 gas, or other petroleum products, or storage of gas in a natural 437 gas storage facility, who refuses inspection by the division as 438 provided in this chapter, is liable to the state for any damage 439 caused to the air, waters, or property, including animal, plant, 440 or aquatic life, of the state and for reasonable costs and 441 expenses of the state in tracing the source of the discharge, in 442 controlling and abating the source and the pollutants, and in 443 restoring the air, waters, and property, including animal, 444 plant, and aquatic life, of the state. Furthermore, such person, 445 lessee, permitholder, or operator is subject to the judicial imposition of a civil penalty in an amount of not more than 446 447 \$25,000 \$10,000 for each offense. However, the court may receive evidence in mitigation. Each day during any portion of which 448 449 such violation occurs constitutes a separate offense. Nothing 450 herein shall give the department the right to bring an action on behalf of any private person. 451

452 Section 9. Section 377.45, Florida Statutes, is created to 453 read:

454 <u>377.45 High pressure well stimulation chemical disclosure</u>
455 registry.-

(1) (a) The department shall designate the national chemical
registry, known as FracFocus, developed by the Ground Water
Protection Council and the Interstate Oil and Gas Compact
Commission, as the state's registry for chemical disclosure for
all wells on which high pressure well stimulations are
performed. The department shall provide a link to FracFocus
through the department's website.

Page 16 of 18

232520

576-04115-15

	576 61115 15
463	(b) In addition to providing such information to the
464	department as part of the permitting process, a service
465	provider, vendor, or well owner or operator shall report, by
466	department rule, to the chemical disclosure registry, at a
467	minimum, the following information:
468	1. The owner's or operator's name;
469	2. The date of completion of the high pressure well
470	stimulation;
471	3. The county in which the well is located;
472	4. The API number for the well;
473	5. The well name and number;
474	6. The longitude and latitude of the wellhead;
475	7. The total vertical depth of the well;
476	8. The total volume of water used in the high pressure well
477	stimulation; and
478	9. Each chemical ingredient that is subject to 29 C.F.R. s.
479	1910.1200(g)(2) for each well on which a high pressure well
480	stimulation is performed.
481	(c) If the chemical disclosure registry cannot accept and
482	make publicly available any information specified in this
483	section, the service provider, vendor, or well owner or operator
484	shall submit the information required under paragraph (b) to the
485	department.
486	(2) A service provider, vendor, or well owner or operator
487	shall:
488	(a) Report the information required under subsection (1) to
489	the chemical disclosure registry within 60 days after the
490	initiation of the high pressure well stimulation for each well
491	on which such high pressure well stimulation is performed; and

Page 17 of 18

232520

576-04115-15

492	(b) Update the chemical disclosure registry and notify the
493	department if any chemical ingredient not previously reported is
494	intentionally included and used for the purpose of performing a
495	high pressure well stimulation.
496	(3) This section does not apply to an ingredient that:
497	(a) Is not intentionally added to the high pressure well
498	stimulation;
499	(b) Occurs incidentally or is otherwise unintentionally
500	present in a high pressure well stimulation; or
501	(c) Is considered proprietary business information, as
502	<u>defined in s. 377.24075(1)(a)-(e).</u>
503	Section 10. This act shall take effect July 1, 2015.