

By the Committee on Appropriations; and Senator Richter

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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;
13 specifying that a permit may authorize single or
14 multiple activities; prohibiting the department from
15 approving any permit for a high pressure well
16 stimulation until rulemaking is complete; amending s.
17 377.241, F.S.; requiring the Division of Resource
18 Management to give consideration to and be guided by
19 certain additional criteria when issuing permits;
20 amending s. 377.242, F.S.; authorizing the department
21 to issue permits for the performance of high pressure
22 well stimulation; clarifying provisions relating to
23 division inspection; prohibiting a county,
24 municipality, or other political subdivision of the
25 state from adopting or establishing permitting
26 programs for certain oil and gas activities; amending
27 s. 377.2425, F.S.; requiring an applicant or operator
28 to provide surety that performance of a high pressure
29 well stimulation will be conducted in a safe and

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30 environmentally compatible manner; creating s.
31 377.2436, F.S.; directing the department to conduct a
32 study on high pressure well stimulations; providing
33 study criteria; requiring the study to be submitted to
34 the Governor and the Legislature by a specified date;
35 requiring the study to be posted on the department
36 website; 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
41 well owners or operators to report certain information
42 to the registry; providing applicability; providing an
43 appropriation; providing an effective date.

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
53 377.10-377.45 ~~377.10-377.40~~, the term:

54 (5) "Gas" means all natural gas, including casinghead gas,
55 and all other hydrocarbons not defined as oil in subsection (16)
56 ~~(15)~~.

57 (6) "High pressure well stimulation" means all stages of a
58 well intervention performed by injecting more than 100,000

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59 gallons total of fluids into a rock formation at high pressure
60 that exceeds the fracture gradient of the rock formation in
61 order to propagate fractures in such formation to increase
62 production at an oil or gas well by improving flow of
63 hydrocarbons from the formation 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, including
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
86 installed to minimize the possibility of an escape of oil or
87 other petroleum products in the event of accident, human error,

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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
98 acceptable to the department, conditioned upon properly
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
102 restoration by the applicant of the area over which geophysical
103 exploration, drilling, or production is conducted to the similar
104 contour and general condition in existence prior to such
105 operation.

106 (g) To require and carry out a reasonable program of
107 monitoring and inspecting ~~or inspection of~~ all drilling
108 operations, high pressure well stimulations, producing wells, ~~or~~
109 injecting wells, and well sites, including regular inspections
110 by division personnel.

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

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117 of reports with respect to drilling, ~~and~~ production, and high
118 pressure well stimulations; and the disclosure of chemicals and
119 other materials added during high pressure well stimulations to
120 the chemical disclosure registry, known as FracFocus records.

121 However, such information, or any part thereof, at the request
122 of the operator:7

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
127 defined in s. 377.24075(1)(a)-(e).

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
132 part thereof, capable of producing oil or gas in paying
133 quantities and to prevent the premature and irregular
134 encroachment of water which reduces, or tends to reduce, the
135 total ultimate recovery of oil or gas from any pool.

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

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

141 (m) To prevent fires.

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

145 (o) To regulate the "shooting," perforating, ~~and~~ chemical

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146 treatment, and high pressure well stimulations of wells.

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

150 (q) To regulate gas cycling operations.

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

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

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

159 (u) To regulate the spacing of wells and to establish
160 drilling units.

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

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

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

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

173 (z) To evaluate the history of past adjudicated violations
174 of any substantive and material rule or statute pertaining to

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175 the regulation of oil and gas of permit applicants and the
176 applicants' affiliated entities.

177 Section 3. Subsections (1), (2), and (4) of section 377.24,
178 Florida Statutes, are amended, and subsection (5) is added to
179 that section, to read:

180 377.24 Notice of intention to drill well; permits;
181 abandoned wells and dry holes.—

182 (1) Before drilling a well in search of oil or gas, before
183 performing a high pressure well stimulation, or before storing
184 gas in or recovering gas from a natural gas storage reservoir,
185 the person who desires to drill for, store, or recover gas, ~~or~~
186 drill for oil or gas, or perform a high pressure well
187 stimulation shall notify the division upon such form as it may
188 prescribe and shall pay a reasonable fee set by rule of the
189 department not to exceed the actual cost of processing and
190 inspecting for each well or reservoir. The drilling of any well,
191 the performance of any high pressure well stimulation, and the
192 storing and recovering of gas are prohibited until such notice
193 is given, the fee is paid, and a ~~the~~ permit is granted. A permit
194 may authorize a single activity or multiple activities.

195 (2) An application for the drilling of a well in search of
196 oil or gas, for the performance of a high pressure well
197 stimulation, or for the storing of gas in and recovering of gas
198 from a natural gas storage reservoir, in this state must include
199 the address of the residence of the applicant, or applicants,
200 which must be the address of each person involved in accordance
201 with the records of the Division of Resource Management until
202 such address is changed on the records of the division after
203 written request.

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

207 (5) The department may not approve any permit to authorize
208 a high pressure well stimulation until rulemaking is complete.

209 Section 4. Subsections (5) and (6) are added to section
210 377.241, Florida Statutes, to read:

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

215 (5) For high pressure well stimulations, whether the high
216 pressure well stimulation as proposed is designed to ensure
217 that:

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

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

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

230 Section 5. Section 377.242, Florida Statutes, is amended to
231 read:

232 377.242 Permits for drilling or exploring and extracting

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233 through well holes or by other means.—The department is vested
234 with the power and authority:

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

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

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

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

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

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262 protected in the event of accident or blowout.

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

279 (b) Subparagraphs (a)1. and 4. do not apply to permitting
280 or construction of structures intended for the drilling for, or
281 production of, oil, gas, or other petroleum products pursuant to
282 an oil, gas, or mineral lease of such lands by the state under
283 which lease any valid drilling permits are in effect on the
284 effective date of this act. In the event that such permits
285 contain conditions or stipulations, such conditions and
286 stipulations shall govern and supersede subparagraphs (a)1. and
287 4.

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

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291 permits have been obtained.

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

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

298

299 Each permit shall contain an agreement by the permitholder that
300 the permitholder will not prevent inspection by division
301 personnel at any time, including during installation and
302 cementing of casing, testing of blowout preventers, pressure
303 testing of casing and casing shoe, and testing of cement plug
304 integrity during plugging and abandoning operations. The
305 provisions of this section prohibiting permits for drilling or
306 exploring for oil in coastal waters do not apply to any leases
307 entered into before June 7, 1991. A county, municipality, or
308 other political subdivision of the state may not adopt or
309 establish permitting programs to accomplish the purposes of this
310 section.

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

313 377.2425 Manner of providing security for geophysical
314 exploration, drilling, and production.—

315 (1) Before ~~Prior to~~ granting a permit to conduct
316 geophysical operations; drilling of exploratory, injection, or
317 production wells; producing oil and gas from a wellhead;
318 performing a high pressure well stimulation; or transporting oil
319 and gas through a field-gathering system, the department shall

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320 require the applicant or operator to provide surety that these
321 operations will be conducted in a safe and environmentally
322 compatible manner.

323 (a) The applicant for a drilling, production, high pressure
324 well stimulation, or injection well permit or a geophysical
325 permit may provide the following types of surety to the
326 department for this purpose:

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

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

339 3. A surety in the form of an irrevocable letter of credit
340 in an amount as provided by rule guaranteed by an acceptable
341 financial institution.

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

348 1. For the first year, or part of a year, of a drilling,

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349 production, or injection well permit, or change of operator, the
350 fee is \$4,000 per permitted well.

351 2. For each subsequent year, or part of a year, the fee is
352 \$1,500 per permitted well.

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

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

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

377 Section 7. Section 377.2436, Florida Statutes, is created

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378 to read:

379 377.2436 Study on high pressure well stimulations.-

380 (1) The department shall conduct a study on high pressure
381 well stimulations. The study shall:

382 (a) Evaluate the underlying geologic features present in
383 the counties where oil wells have been permitted and analyze the
384 potential impact that high pressure well stimulation and
385 wellbore construction may have on the underlying geologic
386 features.

387 (b) Evaluate the potential hazards and risks that high
388 pressure well stimulation poses to surface water and groundwater
389 resources. The study shall assess the potential impacts of high
390 pressure well stimulation on drinking water resources and
391 identify the main factors affecting the severity and frequency
392 of impacts and shall analyze the potential for the use or reuse
393 of recycled water in high pressure well stimulation fluids while
394 meeting appropriate water quality standards.

395 (c) Review and evaluate the potential for groundwater
396 contamination from conducting high pressure well stimulation
397 under or near wells that have been previously abandoned and
398 plugged and identify a setback radius from previously plugged
399 and abandoned wells that could be impacted by high pressure well
400 stimulation.

401 (d) Review and evaluate the ultimate disposition of high
402 pressure well stimulation after use in high pressure well
403 stimulation processes.

404 (2) The department shall continue conventional oil and gas
405 business operations during the performance of the study. There
406 shall not be a moratorium on the evaluation and issuance of

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407 permits for conventional drilling, exploration, conventional
408 completions, or conventional workovers during the performance of
409 the study.

410 (3) The study is subject to independent scientific peer
411 review.

412 (4) The findings of the study shall be submitted to the
413 Governor, the President of the Senate, and the Speaker of the
414 House of Representatives by June 30, 2016, and shall be
415 prominently posted on the department website.

416 Section 8. Paragraph (a) of subsection (1) of section
417 377.37, Florida Statutes, is amended to read:

418 377.37 Penalties.—

419 (1) (a) Any person who violates any provision of this law or
420 any rule, regulation, or order of the division made under this
421 chapter or who violates the terms of any permit to drill for or
422 produce oil, gas, or other petroleum products referred to in s.
423 377.242(1) or to store gas in a natural gas storage facility, or
424 any lessee, permitholder, or operator of equipment or facilities
425 used in the exploration for, drilling for, or production of oil,
426 gas, or other petroleum products, or storage of gas in a natural
427 gas storage facility, who refuses inspection by the division as
428 provided in this chapter, is liable to the state for any damage
429 caused to the air, waters, or property, including animal, plant,
430 or aquatic life, of the state and for reasonable costs and
431 expenses of the state in tracing the source of the discharge, in
432 controlling and abating the source and the pollutants, and in
433 restoring the air, waters, and property, including animal,
434 plant, and aquatic life, of the state. Furthermore, such person,
435 lessee, permitholder, or operator is subject to the judicial

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436 imposition of a civil penalty in an amount of not more than
437 \$25,000 ~~\$10,000~~ for each offense. However, the court may receive
438 evidence in mitigation. Each day during any portion of which
439 such violation occurs constitutes a separate offense. Nothing
440 herein shall give the department the right to bring an action on
441 behalf of any private person.

442 Section 9. Section 377.45, Florida Statutes, is created to
443 read:

444 377.45 High pressure well stimulation chemical disclosure
445 registry.—

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

453 (b) In addition to providing such information to the
454 department as part of the permitting process, a service
455 provider, vendor, or well owner or operator shall report, by
456 department rule, to the chemical disclosure registry, at a
457 minimum, the following information:

- 458 1. The owner's or operator's name;
459 2. The date of completion of the high pressure well
460 stimulation;
461 3. The county in which the well is located;
462 4. The API number for the well;
463 5. The well name and number;
464 6. The longitude and latitude of the wellhead;

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465 7. The total vertical depth of the well;

466 8. The total volume of water used in the high pressure well
467 stimulation; and

468 9. Each chemical ingredient that is subject to 29 C.F.R. s.
469 1910.1200(g) (2) for each well on which a high pressure well
470 stimulation is performed.

471 (c) If the chemical disclosure registry cannot accept and
472 make publicly available any information specified in this
473 section, the service provider, vendor, or well owner or operator
474 shall submit the information required under paragraph (b) to the
475 department.

476 (2) A service provider, vendor, or well owner or operator
477 shall:

478 (a) Report the information required under subsection (1) to
479 the chemical disclosure registry within 60 days after the
480 initiation of the high pressure well stimulation for each well
481 on which such high pressure well stimulation is performed; and

482 (b) Update the chemical disclosure registry and notify the
483 department if any chemical ingredient not previously reported is
484 intentionally included and used for the purpose of performing a
485 high pressure well stimulation.

486 (3) This section does not apply to an ingredient that:

487 (a) Is not intentionally added to the high pressure well
488 stimulation;

489 (b) Occurs incidentally or is otherwise unintentionally
490 present in a high pressure well stimulation; or

491 (c) Is considered proprietary business information, as
492 defined in s. 377.24075(1) (a)-(e).

493 Section 10. For the 2015-2016 fiscal year, the sum of \$1

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494 million in nonrecurring funds from the General Revenue Fund is
495 appropriated to the Department of Environmental Protection to
496 conduct a study on high pressure well stimulations pursuant to
497 s. 377.2436, Florida Statutes.

498 Section 11. This act shall take effect July 1, 2015.