

# *Florida Department of Environmental Protection*

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## *Oil and Gas Exploration in Florida*

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# *State Boundaries*

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- Article II, Section 1, Florida Constitution
  - Edge of the Gulf Stream or 3 geographic miles whichever is greater on the Atlantic side
  - Three leagues (~10.36 miles) on the Gulf of Mexico side



# *Current State Law*

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- Chapter 253, Florida Statutes grants the Governor and Cabinet sitting as the Board of Trustees of the Internal Improvement Trust Fund (Board) the power and duty with regard to the control of private uses of state-owned submerged lands.
- The Board holds title in trust for the use and benefit of the people of Florida.
- The Board is authorized to negotiate, sell, and convey leasehold estates in and to state-owned lands for the purpose of developing and producing oil and gas.
- However.....



## *Current State Law -Cont-*

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- Section 253.61(1)(d), Florida Statutes expressly prohibits the Board from granting, selling or executing any oil or natural gas lease within the boundaries of Florida's territorial seas (3 miles on east coast; 10.3 miles on west coast)
- Prohibition went into effect in two phases
  - After July 1, 1989 no leases south of 26° north on the west coast and south of 27° north on the east coast
  - After July 31, 1990 prohibition extended to the remaining portions of the territorial seas.



# *Current State Law -Cont-*

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## **Role of the Florida Department of Environmental Protection**

- The Department is vested with the power and authority to issue permits for, among other things, the drilling for, exploring for, or production of oil, gas, or other petroleum products.
- However....



## *Current State Law -Cont-*

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- Sections 377.24(9) and 377.242(1)(a)5., Florida Statutes, prohibit the Department from issuing permits to drill a well in search of oil or gas or permits for structures intended for the drilling for, or production of oil, gas or other petroleum products within the boundaries of Florida's territorial seas (3 miles on east coast; 10.3 miles on west coast)
- Prohibition went into effect in two phases
  - After July 1, 1989 no leases south of 26° north on the west coast and south of 27° north on the east coast
  - After July 31, 1990 prohibition extended to the remaining portions of the territorial seas.



# Offshore Oil Exploration in State Waters

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- 19 wells drilled in state waters between 1947 and 1983.
- Effective July 1992, all drilling activity was prohibited in Florida state waters except for within pre-existing lease areas (only one company, Coastal Petroleum, had pre-existing mineral-rights leases in state waters)
- Tested 3 different potential oil horizons
  - 10 off Charlotte and Lee Counties and off the Florida Keys, Monroe County (Lower Cretaceous)
  - 6 off the panhandle (Jurassic)
  - 3 off the northern Gulf Coast (Cretaceous or possibly Paleozoic)
- Only one of the wells drilled in state waters had a significant oil show.



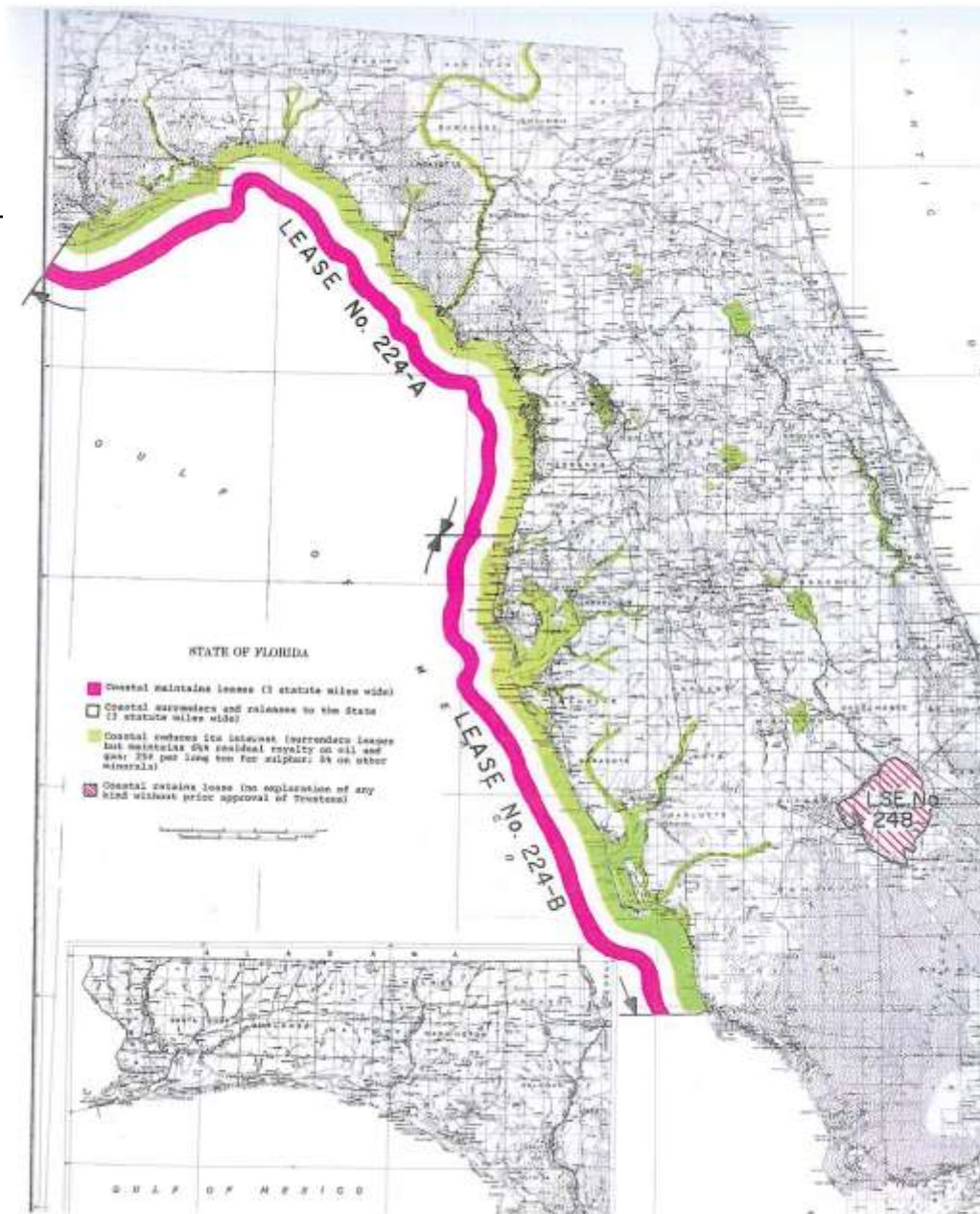


# Coastal Petroleum

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- 1947 - Coastal Petroleum was granted 3 drilling leases in state waters
- 1968 - Litigation began over validity of the leases (Coastal v. BOT)
- 1976 - Memorandum of Settlement
- 1990 - Coastal files suit alleging that new statute prohibiting drilling constituted a taking
- 1992 - Coastal filed application for permit to drill exploratory wells
- 1998 - DEP denied permit
- 2001/2002 - Coastal sued BOT and DEP alleging inverse condemnation
- 2005 - Settlement (\$12.5 million; appropriated same year)





# *Proposed State Legislation*

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CS/CS/CS/HB 1219 -- Removed the prohibition against:

- Granting leases on state-owned submerged land underlying the territorial waters off the east and west coasts of the state
- Granting permits to drill wells in search of oil or gas within the territorial waters off the east and west coasts of the state
- Permitting or constructing structures intended for the drilling for, or production of, oil, gas or other petroleum products within the territorial waters off the east and west coasts of the state



# *Proposed State Legislation - Cont-*

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- Required Board of Trustees to accept, on or before September 1 of each year, nominations from a bidder(s) for the purchase of oil and gas leases on any area, tract, or parcel, as designated by the bidder, of submerged land underlying the territorial waters of the state
- All bids must include:
  - A nonrefundable bid submittal fee of \$1 million;
  - Documentation that equipment/structures above the surface of the water would be no closer than 3 miles from mean high water;
  - A statement of a cash consideration; and
  - A statement of a royalty, never less than 1/8<sup>th</sup> in kind, or in value, however upfront payments in lieu of royalties could be proposed and may reduce the minimum 1/8<sup>th</sup> royalty.



# *Proposed State Legislation - Cont-*

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- Provided a process for submittal and consideration of competing bids
- Allowed the Board of Trustees to reject all bids based on specified criteria including the public welfare.
- Provided that royalties, cash considerations, annual rentals or payments in lieu of royalties collected be appropriated for:
  - Fund bond initiative to provide up to \$300 million per year for Florida Forever
  - Up to \$20 million per year for local governments to support beach restoration and nourishment projects
  - Up to \$20 million per year to be distributed to coastal local governments within the county or counties within which the lease or leases are issued.



# *Proposed State Legislation - Cont-*

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## Financial Responsibility

- Board could only require a lessee to provide proof of financial responsibility once.
- Surety bond, letter of credit or other proof of financial responsibility would not need to exceed the lesser amount of either:
  - \$500 million
  - A calculated cost estimate for potential damages related to air, water, and ground pollution, destruction of wildlife or marine productivity and any other damage which impairs the health and welfare of the citizens of the state based on a reasonably foreseeable accidents or occurrences within the immediate area of lease



# *Proposed State Legislation - Cont-*

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## Local Government

- Any lease or permit where any structure or equipment above the surface of the water is more than 3 miles from a municipality would not be required to have such municipality give prior consent to the granting of the lease.
- Any lease or permit where any structure or equipment above the surface of the water is more than 3 miles from an improved beach would not be required to have the county commissioners of the county where such a beach is located give prior consent to granting the lease.



# *Proposed State Legislation - Cont-*

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What's in store for 2010?

