

REFERENCE TITLE: horizontal hydraulic fracturing; prohibition

State of Arizona
Senate
Fifty-fourth Legislature
Second Regular Session
2020

SB 1259

Introduced by
Senators Mendez: Quezada

AN ACT

AMENDING SECTIONS 27-501, 27-502, 27-503, 27-516 AND 27-527, ARIZONA
REVISED STATUTES; RELATING TO OIL AND GAS PRODUCTION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 27-501, Arizona Revised Statutes, is amended to
3 read:

4 27-501. Definitions

5 In this article, unless the context otherwise requires:

6 ~~(b)~~ 1. "Casinghead gas" means any gas or vapor **THAT IS** indigenous
7 to an oil stratum and produced from such stratum with oil.

8 ~~1.~~ 2. "Certificate of clearance" means a permit **THAT IS** approved
9 and issued or registered by the commission for ~~transportation~~ **TRANSPORTING**
10 or ~~delivery of~~ **DELIVERING** oil, gas or oil and gas products.

11 ~~2.~~ 3. "Certificate of compliance" means a certificate **THAT IS**
12 issued by the commission ~~prior to~~ **BEFORE** connection of an oil or gas well
13 with a pipeline, showing compliance with the conservation laws of this
14 state and conservation rules and orders of the commission.

15 ~~3.~~ 4. "Commission" or "commissioner" means the oil and gas
16 conservation commission.

17 ~~4.~~ 5. "Completed well" means a well that meets any of the
18 following conditions:

19 (a) Has produced or is ready to produce new formation hydrocarbons
20 or gases.

21 (b) Has been declared a dry hole or plugged and abandoned.

22 (c) Has been otherwise readied for operation as in the case of
23 injection and service wells.

24 ~~5.~~ 6. ~~"Developed area" or~~ "Developed unit" means a drainage unit
25 having a completed well **THAT IS** capable of producing oil or gas in paying
26 quantities.

27 ~~6.~~ 7. "Drainage unit" or "drilling unit" means the maximum area in
28 a pool ~~which~~ **THAT** may be drained efficiently by one well to produce the
29 reasonable maximum amount of recoverable oil or gas in the area.

30 ~~7.~~ 8. "Field" means the general area ~~which~~ **THAT** is or appears to
31 be underlaid by not less than one pool, including underground reservoirs
32 containing oil or gas, or both.

33 ~~8.~~ 9. "Fund" means the state general fund.

34 ~~9.~~ 10. "Gas" means natural gas, casinghead gas, all other
35 hydrocarbons not defined as oil, carbon dioxide and helium or other
36 substances of a gaseous nature. ~~Natural gas and casinghead gas are~~
37 ~~further defined as follows:~~

38 11. **"HORIZONTAL HYDRAULIC FRACTURING" MEANS THE TECHNIQUE OF**
39 **EXPANDING OR CREATING ROCK FRACTURES LEADING FROM SUBSTANTIALLY HORIZONTAL**
40 **WELLBORES BY INJECTING SUBSTANCES, INCLUDING WATER, FLUIDS, CHEMICALS AND**
41 **PROPPANTS, UNDER PRESSURE, INTO OR UNDER ROCK FORMATIONS, FOR THE PURPOSES**
42 **OF EXPLORING, DRILLING, COMPLETING OR PRODUCING OIL OR NATURAL GAS.**

43 ~~10.~~ 12. "Illegal oil" ~~and~~ **OR** "illegal gas" means oil or gas **THAT**
44 **IS** produced within ~~the~~ **THIS** state from any well during any time in which
45 the well has produced more than the amount allowed by law or any rule or

1 order of the commission, ~~or~~ the production of which causes waste OR OIL OR
2 GAS THAT IS PRODUCED WITH HORIZONTAL HYDRAULIC FRACTURING PROCESS.

3 ~~11.~~ 13. "Illegal product" means any product THAT IS derived, in
4 whole or in part, from illegal oil or ILLEGAL gas.

5 ~~(a)~~ 14. "Natural gas" means any combustible gas or vapor THAT IS
6 composed chiefly of hydrocarbons occurring in gaseous or vapor phase at
7 initial reservoir conditions.

8 ~~12.~~ 15. "Net drainage" means drainage THAT IS not equalized by
9 counterdrainage.

10 ~~13.~~ 16. "Oil" means crude petroleum oil and all other
11 hydrocarbons, regardless of gravity, ~~which~~ THAT are produced at a well in
12 liquid form by ordinary production methods and ~~which~~ THAT are not the
13 result of condensation of gas.

14 ~~14.~~ 17. "Owner" means the person having the right to drill into,
15 produce and appropriate production of oil or gas, or both, from a pool.

16 ~~15.~~ 18. "Person" includes a corporation, association, partnership,
17 receiver, trustee, guardian, executor, administrator, fiduciary or
18 representative or any group acting as a unit and includes any department,
19 agency or instrumentality of ~~the~~ THIS state or any of its governmental
20 subdivisions.

21 ~~16.~~ 19. "Pool" means an underground reservoir containing a common
22 accumulation of oil or gas, or both, and includes each zone of a general
23 structure completely separated from any other zone in the structure.

24 ~~17.~~ 20. "Producer" means the owner of a well THAT IS capable of
25 producing oil or gas.

26 ~~18.~~ 21. "Product" means oil, gas or any product, by-product,
27 mixture or blend of oil or gas.

28 ~~19.~~ 22. "Royalty owner" means a person ~~who~~ THAT possesses an
29 interest in the production but ~~who~~ THAT is not an owner.

30 ~~20.~~ 23. "Waste" includes:

31 (a) Physical waste, as that term is generally understood in the oil
32 and gas industry.

33 (b) The inefficient, excessive or improper use of or the
34 unnecessary dissipation of reservoir energy.

35 (c) The locating, spacing, drilling, equipping, operating or
36 producing of any oil or gas well or wells in a manner ~~which~~ THAT causes or
37 tends to cause reduction in the quantity of oil or gas ultimately
38 recoverable from a pool under prudent and proper operations or ~~which~~ THAT
39 causes or tends to cause unnecessary or excessive surface loss or
40 destruction of oil or gas.

41 (d) The inefficient storing of oil or gas.

42 (e) The production of oil or gas in excess of transportation or
43 marketing facilities.

44 (f) The production of oil or gas when it is unprofitable to dispose
45 of such production.

1 (g) THE INJECTION OF FRACTURING FLUIDS CONSISTING OF WATER
2 CHEMICALS, PROPPANTS OR ANY OTHER ADDITIVES USED FOR HORIZONTAL HYDRAULIC
3 FRACTURING.

4 (h) THE PRODUCTION OF BRINES, FLOWBACK, PRODUCED WATER, RESIDUAL
5 FLUIDS OR DRILL CUTTINGS THAT RETURN TO THE SURFACE IN THE HORIZONTAL
6 DRILLING AND HYDRAULIC FRACTURING PROCESS.

7 ~~21.~~ 24. "Well" includes any hole drilled or spudded in for the
8 purpose, with the intention or under the representation of penetrating oil
9 or gas bearing strata or of penetrating any strata in search of
10 stratigraphic data pertinent to the location of oil or gas bearing strata,
11 whether or not in either case oil or gas is actually discovered, any hole
12 used in connection with the underground storage of hydrocarbon substances,
13 whether liquid or gaseous, any hole used in connection with a process to
14 inject any substance for purposes of disposal or to increase recovery, any
15 hole used for the purpose of secondary or tertiary recovery and any hole
16 used for the purpose of pressure maintenance. The commission may, as it
17 considers to be in the best interests of ~~the~~ THIS state, determine that
18 any hole drilled or spudded in shall be included within this definition to
19 the extent necessary for the administration and enforcement of the rules
20 required by section 27-516. The determination of the commission ~~shall be~~
21 IS final in any circumstance involving the question of purpose, intent or
22 representation, except that the determination ~~shall be~~ IS subject to
23 appeal as provided by section 27-520.

24 Sec. 2. Section 27-502, Arizona Revised Statutes, is amended to
25 read:

26 27-502. Declaration of policy

27 A. It is the public policy of ~~the~~ THIS state to:

28 1. Conserve the natural resources of oil and gas and OIL AND GAS
29 products ~~thereof~~.

30 2. Prevent waste of oil and gas resources.

31 3. Provide for protection and adjustment of correlative rights of
32 owners of land wherein the natural resources lie and of owners and
33 producers of oil and gas resources and OIL AND GAS products, and of others
34 interested therein.

35 4. Encourage development of natural resources of oil and gas and
36 ~~their~~ OIL AND GAS products.

37 5. Encourage continuous and economic supply thereof and demand
38 therefor.

39 6. Safeguard the health, property and public welfare of citizens of
40 the state and other interested persons.

41 7. Promote all purposes indicated by ~~the provisions of~~ this
42 article.

43 8. PREVENT THE CONTAMINATION OF GROUNDWATER DURING THE PRODUCTION
44 OR DISTRIBUTION OF OIL AND GAS PRODUCTS.

1 B. This article shall be administered by the oil and gas
2 conservation commission.

3 C. The legislature finds and declares that oil and gas in
4 commercial quantities have now been discovered and are being produced
5 within this state.

6 Sec. 3. Section 27-503, Arizona Revised Statutes, is amended to
7 read:

8 27-503. Waste of oil or gas prohibited; powers of
9 commissioner to prevent waste

10 A. Waste of oil or gas is unlawful and is prohibited.

11 B. The commissioner shall make inquiries ~~he~~ THE COMMISSIONER deems
12 proper to determine whether waste exists or is imminent. In the exercise
13 of such power, the commissioner may:

14 1. Collect data.

15 2. Make investigations and inspections.

16 3. Examine property, leases, papers, books and records, including
17 drilling records and logs.

18 4. Examine, check, test and gauge oil and gas wells, tanks,
19 refineries and modes of transportation.

20 5. Hold hearings.

21 6. Require keeping of records and making of reports.

22 7. Take action ~~he~~ THE COMMISSIONER deems necessary to enforce and
23 effectuate ~~the provisions of~~ this article.

24 C. The commissioner, ~~may~~ in order to prevent waste and avoid
25 drilling unnecessary wells, ~~permit~~ MAY ALLOW the cycling of gas in any
26 pool or portion thereof or the introduction of gas or other substance into
27 an oil or gas reservoir for the purpose of repressuring the reservoir,
28 maintaining pressure or carrying on secondary recovery operations of any
29 type, EXCEPT THAT THE COMMISSIONER MAY NOT ALLOW HORIZONTAL HYDRAULIC
30 FRACTURING. The commissioner shall ~~permit~~ ALLOW the pooling or
31 integration of separate tracts when reasonably necessary in connection
32 with the operations.

33 Sec. 4. Section 27-516, Arizona Revised Statutes, is amended to
34 read:

35 27-516. Rules

36 A. The commission shall make rules and amend them as deemed
37 necessary for the proper administration and enforcement of this article,
38 including the following rules and orders:

39 1. Requiring the drilling, casing and plugging of wells in a manner
40 to prevent:

41 (a) Escape of oil and gas from one stratum to another.

42 (b) Intrusion of water into an oil or gas stratum from a separate
43 stratum.

44 (c) Pollution of fresh water supplies by oil, gas, ~~or~~ salt water OR
45 CHEMICALS USED TO PRODUCE OIL OR GAS.

1 (d) Waste.

2 2. Requiring reports showing the location of oil and gas wells and
3 requiring filing of logs and drilling records within thirty days after
4 drilling is completed for a well drilled for oil or gas.

5 3. Requiring a reasonable bond with good and sufficient surety
6 conditioned on the performance of the duties prescribed in paragraphs 1
7 and 2 of this subsection, including the obligation to plug each dry or
8 abandoned well.

9 4. Preventing drowning by water of any stratum or part capable of
10 producing oil or gas in paying quantities and preventing the premature and
11 irregular encroachment of water ~~which~~ THAT reduces or tends to reduce the
12 total ultimate recovery of oil or gas from any pool.

13 5. Requiring the operation of wells with efficient gas-oil ratio
14 and fixing the limits of such ratios.

15 6. Preventing blowouts, caving and seepage.

16 7. Preventing creation of unnecessary fire hazards.

17 8. Requiring identification of ownership of oil and gas wells,
18 producing leases, refineries, tanks, plants, structures and storage and
19 transportation equipment and facilities.

20 9. Regulating shooting, perforating and chemical treatment of
21 wells.

22 10. Regulating gas cycling operations.

23 11. Regulating secondary recovery methods, including introduction
24 of gas, air, water or any other substances into producing formations.

25 12. Regulating spacing of wells and establishing drilling units.

26 13. Limiting, allocating and apportioning production of oil and gas
27 from a pool or field for prevention of waste, and allocating production
28 between tracts of land under separate ownership in a pool on a fair and
29 equitable basis so that each tract will be permitted to produce not more
30 than its just and equitable share from such pool.

31 14. Preventing, so far as practicable, reasonably avoidable
32 drainage from each developed unit, not equalized by counterdrainage.

33 15. Requiring a producer of oil or gas to submit for each oil or
34 gas well operated, on a form prescribed by the commission, a monthly
35 report of actual production from each oil or gas well. ~~Such~~ THE report
36 shall be submitted on or before the twenty-fifth day of the next
37 succeeding month.

38 16. Requiring persons making settlement with the owner of oil or
39 gas interests to render statements to the owner showing the quantity and
40 gravity purchased and the price per barrel of oil or the price per one
41 thousand cubic feet of gas.

42 17. Requiring, either generally or in a particular area, a
43 certificate of clearance for transportation or delivery of oil, gas or any
44 product.

1 18. Requiring the applicant for a drilling permit, if the surface
2 of the land is owned by another not in a contractual relationship with the
3 applicant, to post bond in a reasonable sum with good and sufficient
4 surety conditioned on payment of just compensation to the landowner for
5 actual damages to the surface of or improvements on the land caused by the
6 drilling permittee's operations.

7 19. Requiring all forms and reports requested by the commission to
8 be submitted to the commission on or before the twentieth day of the next
9 succeeding month for monthly reports or within twenty days following the
10 completion of the action requiring the report, except as otherwise
11 provided by the commission.

12 20. Requiring the permitting of all wells and the approval of all
13 equipment and methods:

14 (a) To create or use existing storage space for the underground
15 storage of hydrocarbon substances, whether liquid or gaseous.

16 (b) Used for the injection of any substance into geological strata
17 for the purpose of pressure maintenance or for the purpose of increasing
18 ultimate recovery.

19 (c) Used for the purpose of secondary and tertiary recovery.

20 (d) Used for the disposal of any substance.

21 B. No rule or order, or change, renewal or extension, except as
22 otherwise provided by this article, shall, in the absence of an emergency,
23 be made by the commission under ~~the provisions of~~ this article except
24 after a public hearing of which not less than ten days' notice has been
25 given. The public hearing shall be held at ~~such~~ A time and place as ~~may~~
26 ~~be~~ prescribed by the commission, and any interested person ~~shall be~~ IS
27 entitled to be heard. Notice shall be given by personal service, by
28 publication or by United States mail addressed, postage prepaid, to the
29 last known mailing address of the person or persons affected. The date of
30 service shall be the date on which service was made in the case of
31 personal service, the date of first publication in the case of notice by
32 publication and the date of mailing in the case of notice by mailing. The
33 notice shall issue in the name of ~~the~~ THIS state, shall be signed by a
34 member of the commission or its deputy, shall specify the style and number
35 of the proceeding and the time and place of the hearing and shall briefly
36 state the purpose of the proceeding. If the commission gives notice by
37 personal service, such service may be made by an officer authorized to
38 serve process or by the commission in the same manner as is provided by
39 law for the service of process in civil actions in the courts of this
40 state. Proof of service by the commission shall be by the affidavit of
41 the commission or its authorized representative making personal service.
42 If service is made by the sheriff, the proof of service shall be as
43 required by law for service of process in civil actions. If the matter to
44 be heard concerns the adoption, amendment or repeal of a rule of general
45 applicability, notice shall be by publication.

1 C. If an emergency is found by the commission to exist, which in
2 its judgment requires making, changing, renewing or extending a rule or
3 order without first having a hearing, the emergency rule or order shall
4 have the same validity as if a hearing had been held after due notice.
5 The emergency rule or order shall remain in force for not ~~to exceed~~ MORE
6 THAN thirty days ~~from~~ AFTER its effective date but shall expire when a
7 rule or order with respect to the subject matter of the emergency rule or
8 order becomes effective after due notice and hearing.

9 Sec. 5. Section 27-527, Arizona Revised Statutes, is amended to
10 read:

11 27-527. Violations; classification

12 A. Any person who violates any provision of this article, or any
13 rule, regulation or order of the commission, is subject to a civil penalty
14 of not more than ~~one thousand dollars~~ \$1,000 for each violation and for
15 each day the violation continues, EXCEPT THAT ANY PERSON WHO CAUSES
16 HORIZONTAL HYDRAULIC FRACTURING TO OCCUR IN THIS STATE IS SUBJECT TO A
17 CIVIL PENALTY OF AT LEAST \$10,000 FOR EACH DAY OF OPERATIONS, INCLUDING
18 EXPLORATIONS.

19 B. Any person who, with the intent to evade this article, or any
20 rule, regulation or order of the commission, knowingly makes or causes to
21 be made a false entry in any application, report, record, account or
22 memorandum required by this article or by any such rule, regulation or
23 order, or who knowingly omits or causes to be omitted from any
24 application, report, record, account or memorandum, full, true and correct
25 entries as required by this article, or by any such rule, regulation or
26 order, or who knowingly removes from this state, or destroys, mutilates,
27 alters or falsifies any such application, record, account or memorandum or
28 knowingly makes any false statement to the commission or any member,
29 officer, or employee of the commission concerning any matter within the
30 jurisdiction of the commission is guilty of a class 2 misdemeanor.

31 C. The penalties provided in this section ~~shall be~~ ARE recoverable
32 by AN action filed by the attorney general, in the name and on behalf of
33 ~~the~~ THIS state, in the superior court ~~of~~ IN the county in which the
34 defendant resides, or in which any defendant resides if there ~~are~~ IS more
35 than one defendant, or in the superior court ~~of~~ IN any county in which the
36 violation occurred. The payment of ~~any penalty shall not operate to~~
37 ~~legalize so that it is no longer contraband~~ A PENALTY DOES NOT LEGALIZE
38 any oil, gas or product involved in the violation for which the penalty is
39 imposed, ~~and shall~~ DOES not relieve a person on whom the penalty is
40 imposed from liability to any other person for damages arising out of the
41 violation.