

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1112 (Delegate Platt)
Environment and Transportation

Environment - Gas Storage Wells and Facilities - Safety Regulations

This bill requires the Maryland Department of the Environment (MDE) to adopt regulations to promote the safety of gas storage wells and facilities, including regulations to (1) increase a permittee's self-inspection of various aspects of the permittee's well; (2) require regular testing of all safety valves used in gas storage wells; (3) establish minimum and maximum pressure limits for each gas storage well in the State; and (4) require each gas storage facility in the State to have a comprehensive risk management plan that evaluates and prepares for risks, including potential corrosion of pipes and equipment.

Fiscal Summary

State Effect: MDE can handle the bill's requirements with existing budgeted resources.

Local Effect: None.

Small Business Effect: None. MDE advises that there is only one gas storage field in Maryland that is affected by the bill and that the company that operates that gas storage field is not considered a small business.

Analysis

Current Law:

MDE's Mining Program

MDE's Mining Program is responsible for regulating the production and development of oil and gas resources, including gas storage wells. MDE must regulate oil and gas resources to (1) allow for the safe utilization of the State's natural resources and (2) use environmentally sound drilling and production methods to prevent adverse environmental consequences that would be detrimental to the general welfare, health, safety, and property interests of the citizens of the State. A person must obtain a drilling and operating permit before drilling any well for the exploration, production, or underground storage of gas or oil in the State.

Under Title 14 of the Environment Article, the "Department may place in a permit conditions which the Department deems reasonable and appropriate to assure that the operation shall fully comply with the requirements of this subtitle, and provide for public safety and the protection of the State's natural resources." According to MDE, it has issued drilling and operating permits to all gas storage wells in the State, including permit conditions relating to safety and testing.

Hydraulic Fracturing

Current MDE oil and gas regulations were written prior to the use of high-volume hydraulic fracturing and, as of February 2016, have not been revised since 1993. These regulations apply to all gas wells in Maryland, are not specific to the practice of hydraulic fracturing, and in some cases are incompatible with modern industry practices. Under § 14-107.1 of the Environment Article, MDE must adopt regulations by October 1, 2016, to provide for the hydraulic fracturing of a well for the exploration or production of natural gas. In order to fulfill that requirement, MDE is in the process of developing revisions to the existing oil and gas regulations, including provisions related to safety, testing, and leak detection.

Background:

Accident Storage Field

According to MDE, Maryland has one gas storage field, which is located near the Town of Accident in Garrett County. The Accident storage field is a depleted natural gas reservoir that was converted from production to gas storage in 1966 and has since operated continuously. Gas is delivered to and from the storage field through pipelines. The storage field has a capacity of 18.3 billion cubic feet and spans a surface area of 49 square miles.

There are a total of 84 storage wells, the majority of which were drilled in the 1960s through the early 1980s, with one additional well drilled in 2006. The storage field is operated by Texas Eastern.

As noted above, MDE's Mining Program regulates gas storage wells. Drilling and operating permits are issued for each well, and permits are renewed every five years. In 2007, MDE began phasing in conditions in drilling and operating permits to require mechanical integrity testing of each well at least once every 12 years. Mechanical integrity testing is done using magnetic flux leakage testing, which can identify corrosion and other defects that could result in leaks. Wells must be pressure tested biannually, and regular testing of safety valves is also required.

MDE's Air and Radiation Administration regulates the compressor station located at the storage field through a Title V air permit. The Accident storage field also has a certificate from the Federal Energy Regulatory Commission (FERC). MDE notes that FERC, rather than MDE, establishes the maximum pressure at which the storage wells must be maintained.

Marcellus Shale Safe Drilling Initiative

Governor Martin O'Malley established the Marcellus Shale Safe Drilling Initiative by executive order in June 2011 to ensure that if drilling for natural gas from the Marcellus Shale proceeds in Maryland, it is done in a way that protects public health, safety, natural resources, and the environment. The executive order directed MDE and the Department of Natural Resources (DNR) to assemble and consult with an advisory commission. Specifically, the executive order tasked MDE and DNR, in consultation with the advisory commission, with conducting a three-part study and reporting recommendations.

Part I of the study, a report on findings and recommendations regarding sources of revenue and standards of liability for damages caused by gas exploration and production, was released in December 2011. The findings and recommendations of the report led to the introduction of several bills during the 2012 legislative session. Part II of the study, a report on best practices, was completed in August 2013 and reflected changes made after consideration of more than 4,000 public comments. While the report contained many recommendations, the centerpiece was the use of a Comprehensive Gas Development Plan (CDP), which a drilling applicant would be required to submit as a prerequisite to an individual well permit. A CDP would address, before any well is drilled, the broad and cumulative issues associated with the completion of numerous wells and the effects that the well construction and resource extraction and transportation would have on a large scale.

The third and final report was released on November 25, 2014, and contained information from a risk assessment, a public health study, and an economic impact study commissioned by the departments. The final report contained all final findings and recommendations and addressed all remaining issues identified by the executive order. Ultimately, the departments concluded that the risks to public health and the environment can be adequately managed under a stringent regulatory regime that relies on the best practices identified in their report.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Garrett County, Maryland Department of the Environment, Department of Legislative Services

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