

HOUSE BILL REPORT

HB 2129

As Reported by House Committee On:
Technology, Energy & Communications

Title: An act relating to geothermal resources.

Brief Description: Regarding geothermal core holes.

Sponsors: Representatives VanDeWege, Hudgins, Morris, Eddy, Crouse, Hankins, McCoy, Takko, Hurst, McCune and Chase.

Brief History:

Committee Activity:

Technology, Energy & Communications: 2/20/07, 2/21/07 [DPS].

Brief Summary of Substitute Bill

- Adds core holes to the scope of the Geothermal Resources Act.
- Requires an owner or operator of a geothermal well or core hole to keep a log and submit it to the Department of Natural Resources (DNR) upon suspension, plugging and abandonment, or completion.
- Requires the DNR to preserve all logs and surveys pertaining to geothermal wells or core holes in an electronic data system.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Morris, Chair; McCoy, Vice Chair; Crouse, Ranking Minority Member; McCune, Assistant Ranking Minority Member; Eddy, Hankins, Hudgins, Hurst, Takko and VanDeWege.

Staff: Kara Durbin (786-7133).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Department of Natural Resources (DNR) manages more than five million acres of land for the state, including forest, range, commercial, agricultural, and aquatic lands. The DNR also monitors oil, gas, and geothermal exploration in the state.

Drilling a Geothermal Well

Under the Geothermal Resources Act (Act), the DNR has the authority to regulate the drilling and operation of wells for geothermal resources. Any person proposing to drill a well or re-drill an abandoned well for geothermal resources must: (1) file a written application with the DNR for a permit; (2) pay a \$200 permit fee; (3) provide public notice; and (4) participate in a public hearing.

Drilling Core Holes

Any person proposing to drill a core hole for the purpose of gathering geothermal data must obtain a permit for each geothermal area. There is no charge for the permit. If the core hole is drilled more than 750 feet into the bedrock, the core hole is deemed a geothermal test well and is subject to a permit fee. If geothermal energy is discovered in a core hole, the core hole is deemed a geothermal well, and the applicant must then pay a \$200 permit fee, provide public notice, and participate in a public hearing.

Plugging and Abandoning a Geothermal Well

A geothermal well must be plugged and abandoned if: (1) it is not technologically practical to derive energy from the geothermal well to produce electricity, or the owner or operator has no intention of deriving energy to produce electricity; and (2) usable minerals cannot be derived, or the owner or operator has no intention of deriving usable materials from the geothermal well.

Bonding Requirement

An operator who engages in the drilling, re-drilling, or deepening of any geothermal well must file with the DNR a reasonable bond or bonds with good and sufficient surety, or an equivalent that is satisfactory to the DNR, which is conditioned on compliance with the provisions of the Act and all rules and permit conditions adopted under the Act.

Logging of Geothermal Wells

An owner or operator of a geothermal well must keep careful and accurate logs of the drilling, re-drilling or deepening of the well. All logs are subject to inspection by the DNR. Upon request by the DNR, each owner or operator must file a copy of the logs pertaining to the geothermal drilling or operation.

If a geothermal well is plugged and abandoned, all logs and surveys pertaining to the well must be filed with the DNR within 30 days of the plugging and abandonment. If a geothermal well is suspended for more than six months, or the geothermal drilling project is complete, the operator must file all logs and surveys pertaining to the well within 30 days of suspension or completion.

Logs as Filed with the DNR

Any records filed with the DNR are confidential for a 24-month period. During the 24-month period, which runs from the date of commencement of production or of abandonment

of the well, such records are open to inspection only to personnel of the DNR for the purpose of carrying out the Act and persons authorized in writing by the owner or operator.

Summary of Substitute Bill:

The Geothermal Resources Act (Act) is amended to include core holes.

Plugging and Abandoning a Core Hole

A core hole must be plugged and abandoned if: (1) it is not technologically practical to derive energy from the core hole to produce electricity, or the owner or operator has no intention of deriving energy to produce electricity; and (2) usable minerals cannot be derived from the core hole, or the owner or operator has no intention of deriving usable materials from the core hole.

Bonding Requirement

An operator who drills, re-drills, or deepens a core hole must file a reasonable bond or bonds with the DNR.

Logging of Geothermal Core Holes

An owner or operator of a core hole or a geothermal well must keep a careful and accurate log, which must record heat flow, temperature gradients, and rock conductivity. Upon request by the DNR, each owner or operator must file a copy of such logs with the DNR.

If a geothermal core hole is plugged and abandoned, all logs and surveys pertaining to the core hole must be filed with the DNR within 30 days of the plugging and abandonment. If operations conducted with respect to a core hole are suspended for more than six months, or the geothermal drilling of the core hole is complete, the operator must file all logs and surveys pertaining to the core hole within 30 days of suspension or completion.

Logs Filed with the DNR

After the 24-month confidential period has elapsed, the DNR shall ensure that all logs and surveys that may have been run on a well or core hole are preserved in an electronic data system and made available to the public.

Administrative Costs

The DNR is authorized to charge up to \$40 an hour to recover the administrative costs associated with processing a geothermal permit application. If departmental wages increase significantly, the Legislature may review and adjust this rate to reflect the additional costs of administering permits.

Substitute Bill Compared to Original Bill:

The substitute bill removes the \$1,000 permit fee for drilling a geothermal well. It also removes the \$100 permit fee for core holes. The substitute bill authorizes the DNR to charge up to \$40 an hour to recover the administrative costs associated with processing a geothermal permit application.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) This bill came out of the presentation that the DNR made to the committee earlier this session. This bill is aimed at keeping a record at what is discovered underground. We support this bill. It is important that geologic information is preserved. Often this information is abandoned without being preserved. You have to drill a hole in order to find a geothermal resource. The permit fee is meant to recover the inspections and administrative costs associated with processing an application. Core holes are geothermal gradient holes, which attempt to measure the geothermal gradient. This is a renewable resource. It has been a few years since we have processed any permits.

(Opposed) None.

Persons Testifying: (In support) Representative Van De Wege, prime sponsor; and Dave Norman, Department of Natural Resources Geology Division.

Persons Signed In To Testify But Not Testifying: None.