

**FILED**

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BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

COURT CLERK'S OFFICE - OKC  
CORPORATION COMMISSION  
OF OKLAHOMA

IN THE MATTER OF A PERMANENT  
RULEMAKING OF THE OKLAHOMA  
CORPORATION COMMISSION  
AMENDING OAC 165:10, OIL & GAS  
CONSERVATION

CAUSE NO. RM 201800002

**RULE IMPACT STATEMENT**

Pursuant to the Oklahoma Administrative Procedures Act, 75 O.S. § 303(D), the Oil & Gas Conservation Division of the Oklahoma Corporation Commission (Commission) submits this Rule Impact Statement for its proposed rules regarding OAC 165:10, Oil & Gas Conservation.

**I. BRIEF DESCRIPTION OF THE PURPOSE OF THE PROPOSED RULES.**

The purposes of the proposed rules are to update and clarify the Oil & Gas Conservation rules, extend the time period for operators to commence permitted drilling operations, revise procedures for operators to report impacts on wells by hydraulic fracturing operations, provide for the submission of well logs in digital format, clarify procedures for permits to commingle production from wells from separate common sources of supply, afford alternate testing procedures for enhanced recovery injection wells and disposal wells, allow land application of water-based fluids from earthen pits, tanks and pipeline construction from single pads containing multiple wells, allow land application of contaminated soils and petroleum hydrocarbon based drill cuttings from single pads containing multiple wells, modify plugging procedures, and conform the Commission's rules to provisions in Senate Bill No. 867 (SB 867)-the Oklahoma Energy Jobs Act of 2017-which became effective August 25, 2017. SB 867 involves changes to 52 O.S. § 87.1 and 52 O.S. §§ 87.6 through 87.9. The proposed rules would make permanent an existing emergency rule which includes definitions of new terms, deletion of definitions for other terms, and adding references to 1,280 acre horizontal well units. OAC 165:10-21-21, OAC 165:10-21-22, OAC 165:10-21-24, OAC 165:10-21-36, OAC 165:10-21-38, OAC 165:10-21-45, OAC 165:10-21-47.1, OAC 165:10-21-55, OAC 165:10-21-58, OAC 165:10-21-68, OAC 165:10-21-69, OAC 165:10-21-78, OAC 165:10-21-80, OAC 165:10-21-82.3 and OAC 165:10-21-82.4 in Subchapter 21, Applications for Tax Exemptions, are amended in accordance with 68 O.S. § 1001 and amendments thereto in Enrolled House Bill Nos. 1085, 2377 and 2429 (2017).

**II. DESCRIPTION OF THE CLASSES OF PERSONS WHO WILL MOST LIKELY BE AFFECTED BY THE PROPOSED RULES, INCLUDING CLASSES THAT WILL BEAR THE COSTS OF THE PROPOSED RULES, AND ANY INFORMATION ON COST IMPACTS RECEIVED BY THE AGENCY FROM ANY PRIVATE OR PUBLIC ENTITIES.**

The classes of persons who will most likely be affected by, and bear the costs of, the proposed rules include operators of oil, gas, disposal and injection wells, and working interest and royalty owners. The Commission, in its published Notice of Proposed Rulemaking, has invited public comment and requested business entities which may be impacted by the proposed rule changes to provide written comments stating such cost impacts.

**III. DESCRIPTION OF THE CLASSES OF PERSONS WHO WILL BENEFIT FROM THE PROPOSED RULES.**

Operators of wells doing business in the State will benefit from the proposed amendments to OAC 165:10-1-7 updating the list of Oil and Gas Conservation Division forms, OAC 165:10-3-1 extending the time period to commence permitted drilling operations, OAC 165:10-3-39 clarifying procedures for permits to commingle production from wells from separate common sources of supply, OAC 165:10-5-6 affording alternate testing procedures for enhanced recovery injection wells and disposal wells, and expanding OAC 165:10-7-19 and OAC 165:10-7-26 to allow land application of deleterious substances from single pads containing multiple wells. Operators, as well as citizens of the State of Oklahoma, will benefit from proposed amendments to OAC 165:10-1-7 and OAC 165:10-3-10 regarding reporting by operators whose wells have been impacted by hydraulic fracturing operations. Operators of oil, gas, disposal and injection wells, working interest owners and royalty owners will benefit from the proposals to conform the Commission's rules to SB 867. The increase in oil and gas production from horizontal wells should result in increased tax revenue to the State of Oklahoma, and benefit the citizens of the State.

**IV. DESCRIPTION OF THE PROBABLE ECONOMIC IMPACT OF THE PROPOSED RULES UPON AFFECTED CLASSES OF PERSONS OR POLITICAL SUBDIVISIONS, INCLUDING A LIST OF FEE CHANGES AND, WHENEVER POSSIBLE, A SEPARATE JUSTIFICATION FOR EACH FEE CHANGE.**

It is anticipated that proposed rules extending the time period to commence permitted drilling operations, clarifying procedures for permits to commingle production from wells from separate common sources of supply, affording alternate testing procedures for enhanced recovery injection wells and disposal wells, and allowing land application of deleterious substances from single pads containing multiple wells will result in cost savings for operators. It is not anticipated that the proposed rules will have an adverse economic impact upon political subdivisions.

V. **PROBABLE COSTS AND BENEFITS TO THE AGENCY AND TO ANY OTHER AGENCY OF THE IMPLEMENTATION AND ENFORCEMENT OF THE PROPOSED RULES, THE SOURCE OF REVENUE TO BE USED FOR IMPLEMENTATION AND ENFORCEMENT OF THE PROPOSED RULES, AND ANY ANTICIPATED EFFECT ON STATE REVENUES, INCLUDING A PROJECTED NET LOSS OR GAIN IN SUCH REVENUES IF IT CAN BE PROJECTED BY THE AGENCY.**

Proposed amendments to rules resulting in cost savings to well operators and working interest owners could encourage the drilling and production of additional wells, thereby benefitting royalty owners, and increase gross production tax payments, which would benefit the citizens of the State. It is anticipated that the proposed rule implementing SB 867 will encourage the drilling of horizontal wells. Well owners and operators and royalty owners ought to experience increased revenues associated with production from such wells. The proposed rules will be implemented and enforced by the Commission through its resources and personnel. The Commission administers applications for exemptions from the gross production tax pursuant to rules appearing in Subchapter 21, Applications for Tax Exemptions, along with the Oklahoma Tax Commission pursuant to its rules in Title 710, Chapter 45, Gross Production, Subchapter 9, Exemptions and Exclusions. It is not anticipated that implementation and enforcement of the proposed rules will result in increased costs for any other agency.

VI. **DETERMINATION OF WHETHER IMPLEMENTATION OF THE PROPOSED RULES WILL HAVE AN ECONOMIC IMPACT ON ANY POLITICAL SUBDIVISIONS OR REQUIRE THEIR COOPERATION IN IMPLEMENTING OR ENFORCING THE RULES.**

It is not anticipated that implementation of the proposed rules will have an economic impact on any political subdivision or require their cooperation in implementing or enforcing the rules.

VII. **DETERMINATION OF WHETHER IMPLEMENTATION OF THE PROPOSED RULES MAY HAVE AN ADVERSE ECONOMIC EFFECT ON SMALL BUSINESS AS PROVIDED BY THE OKLAHOMA SMALL BUSINESS REGULATORY FLEXIBILITY ACT.**

It is the Commission staff's opinion that the proposed rules will not have an adverse economic effect on small business, as owners and operators of wells will benefit from cost savings and efficiencies derived from the amendments. In its Notice of Proposed Rulemaking, the Commission invited business entities to submit input regarding the potential impact of the proposed rules.

**VIII. STATEMENT OF THE MEASURES THE AGENCY HAS TAKEN TO MINIMIZE COMPLIANCE COSTS AND A DETERMINATION OF WHETHER THERE ARE LESS COSTLY OR NONREGULATORY METHODS OR LESS INTRUSIVE METHODS FOR ACHIEVING THE PURPOSE OF THE PROPOSED RULES.**

There are no known less costly, nonregulatory methods or less intrusive methods for achieving the purpose of the proposed rules.

**IX. DETERMINATION OF THE EFFECT OF THE PROPOSED RULES ON THE PUBLIC HEALTH, SAFETY AND THE ENVIRONMENT AND, IF THE PROPOSED RULES ARE DESIGNED TO REDUCE SIGNIFICANT RISKS TO THE PUBLIC HEALTH, SAFETY AND THE ENVIRONMENT, AN EXPLANATION OF THE NATURE OF THE RISK AND TO WHAT EXTENT THE PROPOSED RULES WILL REDUCE THE RISK.**

Proposed amendments to OAC 165:10-1-7 and OAC 165:10-3-10 regarding reporting by operators whose wells have been impacted by hydraulic fracturing operations, and OAC 165:10-11-6 concerning plugging procedures will have a positive effect on public health, safety and the environment.

**X. DETERMINATION OF ANY DETRIMENTAL EFFECT ON THE PUBLIC HEALTH, SAFETY AND THE ENVIRONMENT IF THE PROPOSED RULES ARE NOT IMPLEMENTED.**

The public would be denied the positive impact the proposed rules will have on public health, safety and the environment if the proposed rules are not implemented.

**XI. DATE OF PREPARATION OF RULE IMPACT STATEMENT.**

This Rule Impact Statement was prepared on February 7, 2018.

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