MEMO

TO:        Chair Todd Hiett, Oklahoma Corporation Commission
           Vice Chair Bob Anthony, Oklahoma Corporation Commission
           Commissioner Dana Murphy, Oklahoma Corporation Commission

CC:       Robyn Strickland, Director of Oil & Gas Conservation Division; Susan Conrad,
           Deputy General Counsel; Jeff Cline, Deputy General Counsel; Virginia Hullinger,
           Technical Manager

FROM:     Howard L (Bud) Ground, The Petroleum Alliance Director of Regulatory Affairs,

DATE:     February 28, 2020

SUBJECT:  Cause RM No. 202000003 and Cause RM No. 202000002
           Comments on OCC Draft Amendments to OAC 165:5, Rules of Practice and OAC
           165:10, Oil & Gas Conservation

This memorandum is submitted by The Petroleum Alliance of Oklahoma ("The Alliance") in
response to the proposed rules found in OCC Draft Amendments to OAC 165:5, Rules of Practice,
and OAC 165:10, Oil & Gas Conservation filed February 25 and February 24, 2020 respectively.

The Petroleum Alliance of Oklahoma was recently created by the merger of the Oklahoma
Independent Petroleum Association and Oklahoma Oil & Gas Association. The Alliance represents
approximately 3,000 individuals from 1,300 companies, including oil and gas producers, operators,
purchasers, pipelines, transporters, processors, refineries and service companies. The Alliance
represents all sectors of Oklahoma's oil and gas industry and is dedicated to the advancement and
improvement of the industry within the State of Oklahoma and the United States. The Alliance
advocates the development of an environment that enables the oil and natural gas industry and
related businesses to grow and prosper through the responsible development of Oklahoma's natural
resources.

OCC Draft Amendments for 165: 5 – Rules of Practice

165:5-1-9. Telephonic or videoconferencing participation (page 4)

The Alliance would like to reiterate our previous comments on this section. We question the use of
telephonic or videoconferencing during contested cases. We believe that the protestant as well as
the administrative law judge must be present during protested hearings. There are too many
technical issues as well as impairing the judge’s ability and others “present” at the hearing to see the
person and read body language and to adequately cross examine. Technical issues arise due to high
bandwidth communication link required to transmit and receive high quality images that may not be available across Oklahoma. A lower bandwidth causes freezing of the video, time lag between speaking and response, long delays, and choppy audio. All of these issues lead to less than adequate representation on both sides of the contested case. The Alliance proposes that telephonic or videoconferencing only be used for uncontested cases.

165:5-7-6(m). Drilling and spacing unit establishment or modification (page 21)

After hearing staff describe changes during the technical conference on February 26th, we reviewed and questioned when could the Commission request additional information as described in (m). Requesting information prior to the hearing seems logical but we question if that is the intent when drafting this sentence. We have the same question on 165:5-7-9 (m) on page 23 and 24.

165:5-9-4. Intervention of parties of record (page 31)

The Alliance believes that the new (d)(5) should be limited or struck from the proposed rules. We oppose allowing certain Federal Executive Agencies to have a pre-determined status as a party of record in oil & gas cases. We recommend the following additions to the proposed rule.

165:5-9-4(d)(5) The U.S. Department of Defense and/or the Federal Executive Agencies (PUD causes only).

165:5-13-3(m)(4). Exhibits (page 34)

The Alliance believes that the word “relevant” should remain in this sentence. We do not believe that a mistake on a data point that is not critical to the overall information portrayed in the exhibit should be grounds for rejecting the exhibit.

165:5-19-1. Contempt procedure (page 39)

The Alliance has submitted comments on this issue multiple times. The Alliance member companies, especially the public traded companies, are very sensitive to receiving a contempt complaint from the Commission. This word has very negative connotations with shareholders, the financial market, etc. We believe that contempt cause should be fair and consistent among the operators and should only be filed when it is shown that the act was willful and repeated and not on an issue that may be inadvertent. We ask the OGCD to develop a policy that is outside of the rules that details the process of issuing a consent order. We ask that a consultation with the operator prior to the issuance be included in the process. We recommend the following changes to the proposed rule.

(a) Commencement. Prior to a cause being filed for contempt, the OCC shall meet with the person against whom the complaint is being considered to determine if the issue can be resolved. If the issue cannot be resolved, a cause filed for contempt for disobedience to or violation of law or a rule, regulation, order, or judgment of the commission shall be commenced by the filing of a verified complaint.
OCC Draft Amendments for 165:10 – Oil and Gas Conservation

165:10-1-7(53). Prescribed forms

(53) Form 1015 (page 23) – Application for administrative approval to dispose of or inject water describes information required to be submitted to each operator of an unplugged well including required attachments not later than 5 business days after the application is filed. All required attachments will not be available 5 business days after the application is filed. Fresh water and produced water analysis will not be complete within 5 days and the proofs of publications, especially from towns that do not publish their paper every day, will not be available. The Alliance requests that only the well bore diagram and the plat be required to be submitted within 5 business days.

(96) Form 6000 NHF (page 28) – The intent of this forms is to provide OCC with notification of hydraulic fracturing operations and to support the OCC if any seismicity activity occurs. The Alliance does not believe that any other information should be included on this form as requested at the Technical Conference. The form does seem adequate to be used to notify offset operators if it is actually possible to print the form from the new electronic submittal process. However, it should be noted that the 24-hour point of contact for OCC will not be the same as it would be for offset operators.

165:10-3-10. Well completion operations (page 41)

The Alliance appreciates the OGCD accepting our proposal to give a new notice if the frac schedule changes. When reading the entire (b) Notice of hydraulic fracturing operations we realized that a time frame should be included. We recommend the sentence be changed to:

If the hydraulic fracturing operations schedule changes after the notice has been given, resulting in a delay of operations by more than 5 days from the initial notice, a re-notification shall be given.

165:10-3-28(c)(2) and (3). Horizontal drilling (page 54 and 55)

The Alliance supports keeping in the phrase “in the unit” to better clarify the application of this section.

165:10-5-2. Approval of enhanced oil recovery injection wells or disposal wells (page 57)

We understand that changes to this section is a result of the OGCD desire to be proactive instead of reactive on issues related to disposal wells. It should be noted that the OGCD organized a specific technical working group to review and provide recommendations on disposal wells. It should be noted that the rules allow exceptions when proper evidence is provided to the OGCD by the applicant. As a result, the Alliance supports the OGCD staff in in making changes to this section regarding disposal wells. We also understand that requesting information that may seem duplicative is being required to assure that the applicant conducts proper due diligence and research and it allows the OCC to easily review that information on the application. However, with that being said, we agree that the inclusion of “enhanced recovery” throughout this subchapter is causing some confusion and that enhanced recovery may need to be clarified at a later date, but we encourage the OGCD to continue with the proposed changes regarding disposal wells.
165:10-5-5. Application for approval of enhanced recovery injection and disposal operations. (page 59)

We agree with the OGCD in its desire to be proactive instead of reactive on issues related to disposal wells. The Alliance wants to reiterate our recommendation that two additional items be added that would be beneficial to the application evaluation process. We appreciate your acceptance of the new (ix) but request that the following be included as well. This information would be required on applications going forward and would be relevant for the applicant as well as OCC and any investigations of issues involving the disposal operations.

(x) The depth of the base of treatable water-bearing formation for all wells shown on the plat that can be obtained from the filed Form 1000.

(5) Proposed operating data (page 60)

The Alliance requests that the surface injection pressure be changed back to 0.325 psi per foot. We think the lower pressure of 0.325 psi per foot is more prudent and conforms to the OGCD desire to be proactive on disposal well issues. We request this injection pressure for the following reasons:

- The pressure gradient seen at the formation face which would initiate a fracture is simply not the surface pressure applied which is what is currently specified in 165:10-5-5(b)(5)(A).
- When hydrostatic fluid weight gradients are added to the surface injection pressures of 0.5 psi/ft provided in the existing rule, this means that the pressure seen at the formations is significantly exceeding known fracturing gradients of these shallower intervals.
- The proposed 0.325 psi/ft requirement would reduce the opportunity to significantly exceed the fracture gradient of the formation thus reducing the risk of creating crossflow of injected fluids behind pipe to shallower formations, closer to ground water, especially if maximum injection rates and volumes are continuously injected through time.
- The existing rule allows the operator of a proposed injection well or enhanced recovery project to apply for a higher injection pressure by providing subsequent technical information to the OCC that supports their request.