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.

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

DATE: April 29, 2020

SUBJECT: Chapter 10-3-29 Oil Storage Emergency Rules.

This memorandum is submitted by The Petroleum Alliance of Oklahoma (“The Alliance”) in response to the Oil & Gas Conservation Division proposed emergency rules on 10-3-29 Oil Storage. We appreciate the opportunity to submit comments and work with staff on clarifying language in the proposed rule. We have the following comments for your consideration.

While we believe that we understand and agree with the intent of the language, we do not understand the short timeframe to review the proposed rule and have concerns with the lack of input from industry. We have significant concerns with the unintended consequences on the existing oil and gas producers, midstream, refineries and large oil storage tank farms going forward. We request more time to review the proposed rule and request the Commission defer approval for at least one week.

From our initial review, there are many questions surrounding the proposed rule. The intent of the rule is unclear and as written, the proposed rule may apply more broadly than intended. Clarity is needed on multiple issues. For example, who does the rule apply to i.e. oil and gas operators, reclaimers, 3rd parties, midstream, or who? Is this rule for a temporary facility for the current over supply or a permanent facility? Also, are these storage facilities small or “Cushing” size? How is crude oil produced and stored at an oil and gas lease verified/documented that it's from that lease (as provided in 165:10-3-29), and how is the volumes of crude oil hauled and stored at off lease verified/documented and can be tracked back to original lease and/or custody transfer point (as provided in 165:10-3-29.1)?
Specific comments:

165:10-3-29
1. How does the proposed text regarding “...tanks located on producing oil and gas leases...” impact operators that have central tank batteries that collect and store crude oil from single or multiple units? Should the text provide more clarity, for example, “...located on, or directly associated with, producing oil and gas leases...” or “...tanks used for storing production specifically from associated well(s)...”?

165:10-3-29.1
1. Reference (a) Scope – Form 1014TOS states that storage tanks shall only contain crude oil, not refined product. Suggest OCC clarify this in the rule as follows:
   “This Section shall apply to the storage of crude oil in storage tanks utilized on or after April 1, 2020, ...”

2. Application – Under this proposed rule, a storage facility could be a few tanks to hundreds of tanks. Depending on the size of the storage facility, should more details be provided in the application? For example, a plat of the proposed facility, the number and size of tanks, etc.

3. Plans – Depending on the size of the storage facility, should a paragraph be added to address the operation, maintenance and closure of the facility?

Form 1014TOS
1. Per our comments above, depending on the size of the facility, should the application include more details for larger facilities?
2. In reference to “OTC Purchaser Number”, what if tanks are leased for storage and the crude oil is not purchased?
3. What does “source” of crude oil mean? Does this mean operator, location, formation, etc? Clarify.
4. If there are multiple owners of the crude oil, the space for “Owner of Crude Oil Name and Address” is too small to provide a list. Suggest this section be expanded.
5. What does “proposed completion date” mean? Is this when the facility will be closed or what? Clarify.
6. What does the space for “Volume” mean? Is this the entire facility, largest tank, a volume from the specific operator or what? Clarify.