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CORPORATION COMMISSION
OF OKLAHOMA

Statement By

Continental Resources

In the Matter of a Permanent Rulemaking of the Oklahoma Corporation Commission

OAC 165:5 Rules of Practice – Cause No. RM 201800001

OAC 165:10 Oil and Gas Conservation – Cause No. RM 201800002

February 28, 2018

Continental Resources appreciates the efforts of the Oklahoma Corporation Commission and its Staff in the development of the proposed language for OAC 165:5 Rules of Practice and OAC 165:10 Oil and Gas Conservation. Thank you for the opportunity to provide the following comments.

Continental cannot support the massive fee increases proposed in OAC 165:5-3-1(b)(1). As you are aware, the industry has seen increasing tax rates in recent Legislative Sessions and expects to face additional attacks for even higher taxes in the current Session. On its face, this could be considered a proposal for fees in lieu of taxes.

The oil & gas industry already is responsible for nearly 25% of all tax collections by the State, which includes the Gross Production Tax. In the Fiscal Year 2016-2017 OK Tax Commission Report, the OCC received industry tax revenue from the Petroleum Excise Tax for Oil & Gas in the amount of \$1.26 Million for the Plugging Fund and \$2.7 Million for the Oil & Gas Division Revolving Fund.¹ It is interesting to note in that same Tax Commission report that Gross Production (Severance) Tax is also apportioned to non-oil & gas programs such as; the Community Water Infrastructure Fund, the Conservation Commission Infrastructure Revolving Fund, and the Tourism & Recreation Capital Expenditure Revolving Fund -- to a total collective amount of \$6.4 Million. In total, the O&G Excise and GPT generated approximately \$442 Million. With all the above in mind, CLR believes there is clearly more than adequate tax revenue already available to fully fund the Commission's oil & gas regulatory program, prior to apportionment to other State program needs. However, CLR remains open to a discussion for a reasonable fee increase proposal.

Continental appreciates and supports the proposed changes to the land application rules in OAC 165:10-7-19(b) and 165:10-7-26(b) to incorporate single pads containing multiple wells. We believe this will bring greater efficiency, accuracy and environmental accountability to this permitting process.

Thank you again for the opportunity to provide comments on this proposed rulemaking.

¹ <https://www.ok.gov/tax/documents/AR2017.pdf>

1



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February 28, 2017

Oklahoma Corporation Commission
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Oklahoma City, OK 73152

via E-mail

RE: RM 201800002, CH 10, Oil and Gas Conservation

To Whom It May Concern,

Environmental Defense Fund (EDF) respectfully submits these written comments on the revised proposed rules to Chapter 10, Oil and Gas Conservation, RM 201800002, filed January 23, 2018. EDF is a national organization representing over one million members nationwide and 16,000 in Oklahoma, many of whom care deeply about the environmental impacts associated with oil and gas development, public health and clean water.

EDF is concerned that the revisions to 165:10-3-10(b)(4) on inter-wellbore communications, however well intentioned, might have the perverse effect of chilling the reporting of these potentially environmentally impactful occurrences.

In particular, the heightened standard of evidence for reporting communication incidents – from belief that there is evidence to possession of evidence – may serve to discourage the reporting of suspected incidents for which direct evidence is difficult to come by, thus reducing the Commission's understanding of the frequency and scope of these incidents.

It is clearly in the Commission's best interest to gather as much information as possible about interference between horizontal and vertical wells in the state – it is not just an environmental issue, but an economic productivity issue, as vertical wells can be damaged and reservoirs rendered unproductive by unchecked interference from offset frac jobs on horizontal wells.

Ultimately, EDF would support an "area of review"-style analysis to be required of any operators conducting hydraulic fracturing. Borrowing from the Underground Injection Control program, such an

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analysis could include an investigation of offset wellbores and known natural faults and fractures transecting the confining zone within a certain radius of a proposed frac job, and a requirement to mitigate or prevent the possibility of fluid migration through those offset conduits.

The Commission has already taken steps in this direction by requiring the identification of offset wells on plats, and by introducing the provision discussed in these comments, which came into effect last year. As states like Alaska, North Dakota, Colorado, Ohio and Pennsylvania grapple with similar problems and solutions, EDF hopes Oklahoma works toward a solution that protects the environment surrounding these older vertical wells -- which would have the critical co-benefit of protecting those wells' economic productivity.

But in the meantime, the Commission should be open to any operator's reporting of a suspected inter-wellbore communication incident, whether that takes the form of reverting the standard of evidence required to the original language, or a concerted outreach effort to offset operators -- EDF recommends the Commission do both.

Thank you for your time in considering these recommendations. EDF appreciates this opportunity to comment and looks forward to continuing work with the Commission on this important issue.

Respectfully submitted,

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