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

CAUSE NO. RM 202000002

RULE IMPACT STATEMENT

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

I. Brief description of the purpose of the proposed rules:

   The purpose of the proposed rules is to update, streamline, and clarify the Oil & Gas Conservation rules, add a schedule of fines listed in the Chapter 10 rules, eliminate a requirement for operators to file annual unallocated natural gas well surveys, expand the use of noncommercial pits with capacities in excess of fifty thousand barrels, clarify what actions must cease when ruptures, breaks, or openings occur in well casing strings, and eliminate a requirement that operators provide at least twenty-four hours' notice to the OGCD as to when surface casing will be run.

   The purpose of the proposed rules is also to modify notice requirements concerning hydraulic fracturing operations, augment requirements for approval of proposed underground injection wells within certain distances of public water supply wells, increase the amount and type of information to be submitted with applications for approval of underground injection wells, revise maximum surface injection pressure requirements for proposed underground injection wells, and expand notice requirements for proposed underground injection wells.

   Further, the purpose of the proposed rules is to augment monitoring and reporting requirements for disposal wells within areas of interest designated by the OGCD regarding potentially critical environmental or public safety impacts, update commercial recycling facility requirements, enhance requirements for construction of noncommercial disposal and enhanced recovery well pits used for temporary storage of saltwater and pits at commercial disposal well facilities, and modify gas well testing requirements.

II. Description of the classes of persons who most likely will 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 persons who will most likely be affected by, and bear the costs of, the proposed rules include operators of oil, gas, disposal and enhanced recovery injection wells, and working interest
and royalty owners. In its Notice of Proposed Rulemaking, the OGCD invited public comment and requested business entities which may be impacted by the proposed rules to provide written comments stating such cost impacts. To date, no information regarding any cost impacts has been received from any private or public entity.

III. Classes of persons who will benefit from the proposed rules:

Operators of wells doing business in the State will benefit from proposed amendments to OAC 165:10-1-7 updating the list of OGCD prescribed forms; OAC 165:10-3-2, OAC 165:10-3-3, and OAC 165:10-7-5, respectively, clarifying how the OGCD is to be contacted concerning notifications of well spuds, ruptures, breaks or openings in well casing strings and non-permitted discharges of deleterious substances; OAC 165:10-3-2 eliminating a requirement that operators notify the OGCD at least twenty-four hours before the first boring of the hole for setting conductor pipe used for the sole purpose of near surface stabilization of the borehole when such operations are not continuous with spudding operations; OAC 165:10-3-4 eliminating a requirement that operators provide at least twenty-four hours' notice to the OGCD as to when surface casing will be run; OAC 165:10-3-10 regarding procedures for providing notice of hydraulic fracturing operations; OAC 165:10-7-16 expanding the use of noncommercial pits with capacities in excess of fifty thousand barrels; OAC 165:10-9-4 concerning commercial recycling facilities; OAC 165:10-11-9 clarifying temporary exemption from plugging requirements; OAC 165:10-17-7 providing for submission of alternate shut-in pressure information for gas wells, and OAC 165:10-17-16 eliminating a requirement for operators to file annual unallocated natural gas well surveys.

Citizens of the State and well operators will benefit from proposed amendments to OAC 165:10-5-2 augmenting requirements for approval of proposed underground injection wells within certain distances of public water supply wells; OAC 165:10-5-5 requiring additional information to be submitted regarding applications to approve underground injection wells, revising maximum surface injection pressure requirements, and expanding notice requirements concerning proposed underground injection wells; OAC 165:10-5-7 increasing monitoring and reporting requirements for disposal wells within areas of interest designated by the OGCD regarding potentially critical environmental or public safety impacts; and OAC 165:10-7-20 and OAC 165:10-9-3, respectively, requiring leachate collection systems to be installed under concrete pits, steel pits and geomembrane lined pits used for temporary storage of saltwater and at commercial disposal well facilities.

IV. Description of the probable economic impact of the proposed rules upon affected classes of persons or political subdivisions, including a listing of all fee changes and, whenever possible, a separate justification for each fee change:

Although the proposed rules could have an economic impact on entities regulated by the Commission, it is anticipated that the benefits obtained from the updates, increased efficiency, streamlining, and clarifications provided by such rules will outweigh any potential expenses associated with such proposed rules. It is not anticipated that the proposed rules will have an adverse economic impact upon political subdivisions. The proposed rules do not propose any fee changes.
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:

The Commission will benefit from the proposed rules through increased efficiency and streamlining of processes. It is not anticipated that the proposed rules will result in increased costs to the Commission, as such proposed rules will be implemented and enforced by the Commission through its existing resources and personnel. The proposed rules should have no effect on any other agency. The proposed rules contain no fee changes, and no effect on state revenue is anticipated.

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 and enforcement of the proposed rules will have an economic impact on any political subdivisions 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 not anticipated that the proposed rules will have an adverse economic impact on small businesses. Although the proposed rules could have an economic impact on entities regulated by the Commission, it is anticipated that the benefits obtained from the updates, increased efficiency, streamlining, and clarifications provided by such rules will outweigh any potential expenses associated with such proposed rules. In its Notice of Proposed Rulemaking, the OGCD invited business entities to submit comments describing the potential cost impacts of the proposed rules. To date, no information regarding any potential cost impacts has been received.

VIII. Explanation 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 environment and, if the proposed rules are designed to reduce significant risks to the public health, safety and environment, an explanation of the nature of the risk and to what extent the proposed rules will reduce the risk:
Proposed amendments to OAC 165:10-5-2 augmenting requirements for approval of proposed underground injection wells within certain distances of public water supply wells; OAC 165:10-5-5 requiring additional information to be submitted regarding applications to approve underground injection wells, revising maximum surface injection pressure requirements, and expanding notice requirements concerning proposed underground injection wells; OAC 165:10-5-7 increasing monitoring and reporting requirements for disposal wells within areas of interest designated by the OGCD regarding potentially critical environmental or public safety impacts; and OAC 165:10-7-20 and OAC 165:10-9-3, respectively, requiring leachate collection systems to be installed under concrete pits, steel pits and geomembrane lined pits used for temporary storage of saltwater and at commercial disposal well facilities will have a positive effect on public health, safety, and the environment.

X. **Determination of any detrimental effect on the public health, safety and 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 the 7th day of February, 2020.

Prepared by:

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