

FILED

AUG 09 2017

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA

IN THE MATTER OF AN EMERGENCY
RULEMAKING OF THE OKLAHOMA
CORPORATION COMMISSION
AMENDING OAC 165:10, OIL AND
GAS CONSERVATION

CAUSE NO. RM 201700009

RULE IMPACT STATEMENT

Pursuant to the Oklahoma Administrative Procedures Act, 75 O.S. §§ 253(B)(2) and 303(D), this Rule Impact Statement is hereby submitted regarding proposed emergency amendments to the Oklahoma Corporation Commission's (Commission's) Oil and Gas Conservation rules, OAC 165:10.

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

The purpose of the proposed emergency rule(s) is to conform the Commission's rules to provisions in Senate Bill No. 867 (SB 867)-the Oklahoma Energy Jobs Act of 2017-which will become effective August 24, 2017. SB 867 involves changes to 52 O.S. § 87.1 and 52 O.S. §§ 87.6 through 87.9. The proposed emergency rule(s) include the addition of definitions for new terms, deletion of definitions for other terms, and adding references to 1,280 acre horizontal well units.

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 emergency rule(s) include owners and operators of oil and gas wells doing business in the State. Royalty owners in the State will also be affected by the proposed emergency rule(s). The Commission, in its Notice of Proposed Emergency Rulemaking, has invited public comment and requested business entities which may be impacted by the proposed emergency rule(s) to provide written comments stating such cost impacts.

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

Operators of oil, gas, disposal and injection wells, working interest owners and royalty owners will benefit from the proposed emergency rule(s). 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 the proposed emergency rule(s) implementing SB 867 will encourage the drilling of horizontal wells, and will result in cost savings to owners and operators of oil and gas wells doing business in the State. Well owners and operators and royalty owners in the State ought to experience increased revenues associated with production from such wells. No fee changes are being proposed in conjunction with the emergency rule(s).

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 proposed emergency rule(s) are not expected to place any additional costs upon the Commission, as such rule(s) will be implemented and enforced by the Commission through its existing resources and personnel. The rule(s) should assist the Commission in addressing changes in technology regarding horizontal wells. It is not anticipated that implementation and enforcement of the proposed rule(s) will result in increased costs for any other agency. Additional gross production tax collections resulting from increased production from horizontal wells would enhance State revenues.

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 rule(s) will have an economic impact on any political subdivision or require their cooperation in implementing or enforcing the rule(s).

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 emergency rule(s) will have an adverse economic effect on small business. In its Notice of Proposed Emergency Rulemaking, the Commission invited business entities to submit input regarding the potential impact of the proposed emergency rule(s).

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 emergency rule(s).

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.**

It is anticipated the proposed emergency rule(s) will not have a negative 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.**

It is anticipated the proposed emergency rule(s) will not have a negative effect on public health, safety and the environment.

XI. DATE OF PREPARATION OF RULE IMPACT STATEMENT.

This Rule Impact Statement was prepared on August 9, 2017.

Prepared by:

Susan Dennehy Conrad
Deputy General Counsel
Oklahoma Corporation Commission
P.O. Box 52000
Oklahoma City, OK 73152-2000
Phone: (405) 521-3939
Facsimile: (405) 521-4150
Email: s.conrad@occemail.com