

**BEFORE THE CORPORATION
COMMISSION OF THE STATE 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

FILED
AUG 15 2017

COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA

PUBLIC COMMENT

of

Oklahoma Oil & Gas Association

August 15, 2017



BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

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

CC: Tim Baker, Director of Oil & Gas Conservation Division; Virginia Hullinger,
Technical Manager; Susan Conrad, Deputy General Counsel; Brenda Loggins

FROM: Arnella Karges, Executive Vice President of OKOGA

DATE: August 15, 2017

SUBJECT: Public Comment in the Matter of an Emergency Rulemaking of the Oklahoma
Corporation Commission for Senate Bill No. 867, Amending OAC 165:10, Oil and
Gas Conservation in Cause No. RM 201700009

PUBLIC COMMENTS

The Oklahoma Oil & Gas Association (OKOGA) submits the following public comments to the Oklahoma Corporation Commission (OCC) in consideration of Proposed Emergency Rules for Title 165, Corporation Commission, Chapter 10, Oil and Gas Conservation, dated July 27, 2017.

The Oklahoma Oil & Gas Association, founded in 1919 as the Mid-Continent Oil & Gas Association, is the oldest energy trade association in the United States. Nearly a century later, the association remains dedicated to the advancement and improvement of the oil and natural gas industry within the state of Oklahoma and throughout the nation. It is a non-profit association composed of oil and natural gas producers, operators, purchasers, pipelines, transporters, processors, refiners, marketers and service companies which represent a substantial sector of the oil and natural gas industry within Oklahoma. The activities of OKOGA include support for legislative and regulatory measures designed to promote both the well-being and best interests of the citizens of this state and a strong and vital petroleum industry within the State of Oklahoma and throughout the United States.

OKOGA was one of the main advocates for the passage of Senate Bill No. 867, also known as the Oklahoma Energy Jobs Act of 2017. Though it is not the bill that OKOGA originally requested at the beginning of session, Senate Bill No. 284, it does achieve the clarity the Oklahoma Corporation Commission needs by removing determination of "shale" from the previously enacted Shale Reservoir Development Act. Oklahoma is the only state with such a geologic restriction for drilling

long lateral wells. Prior to passage of Senate Bill No. 867, Oklahoma's oil and gas laws were outdated in comparison to competing oil production states of Texas, Kansas, New Mexico, North Dakota, Utah and others. By unlocking all geological formations to long lateral drilling, industry estimates there is roughly 400 years of active development potential in Oklahoma. In the SCOOP and STACK alone, 10-15 non-shale geological formations could be easily accessed to produce additional oil and natural gas by leveraging the existence of horizontal wells.

Additionally, Senate Bill No. 867 includes language to protect the "correlative rights" of ALL owners – which includes mineral owners, vertical producers, and horizontal producers. This is important to OKOGA member companies who own or have an interest in more than 10,000 vertical wells in Oklahoma.

Senate Bill No. 867 is the compromise result of years of work and months of negotiation this year alone between members of the Oklahoma Oil & Gas Association, the Oklahoma Independent Petroleum Association (OIPA), the Coalition of Oklahoma Surface and Mineral Owners (COSMO) and other interested parties. OKOGA submits these comments and requests your thoughtful consideration for appropriate implementation of the act.

OCC Proposed Emergency Rules for 165:10 – Oil and Gas Conservation
(in Cause No. RM 201700009)

165:10-3-28. Horizontal drilling
(b) Definitions.

At the OCC Technical Conference on Tuesday, August 8th, it was suggested by Richard Parrish, representing the Oklahoma Energy Producers Alliance that the word "adjacent" should be included in the definition of "Targeted reservoir", found in 165:10-3-28 (b) (15), on Pages 2-3. OKOGA disagrees and believes the definition of "Targeted reservoir" should remain as proposed by the OCC in the proposed emergency rules. The definition of "targeted reservoir" was intended to be as broad as possible. As proposed, "Targeted reservoir" shall mean one or more common sources of supply and that may or may not be adjacent. In 52 O.S. § 87.8, the act authorizes the Corporation Commission "to allow multiunit horizontal wells in any targeted reservoir or in more than one targeted reservoir, or in a targeted reservoir and an adjacent common source of supply, upon an appropriate finding by the Commission of the necessity to commingle production from more than one targeted reservoir or an adjacent common source of supply in such multiunit horizontal well, in order to prevent waste and protect the correlative rights of the owners of oil and gas rights."

Changing the definition of "Targeted reservoir" would change the intent of the law.

In the definition of "Terminus", found in 165:10-3-28 (b) (16), on Page 3, OKOGA requests that the new language of "in the targeted reservoir" be removed to restore the traditional and correct definition of this term. As used in these rules, the definition of "terminus" is to apply to all horizontal wells, as specified in 165:10-3-28 (a) Scope, not just multiunit horizontal wells in targeted reservoir(s).

OKOGA sincerely appreciates the efforts of the Oklahoma Corporation Commission and the Oil and Gas Conservation Division to efficiently develop and appropriately limit the scope of the proposed emergency rules to achieve timely implementation of SB 867. Implementation of SB 867 will further the mission of the Oklahoma Corporation Commission to prevent waste, maximize development and protect correlative rights.

