BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF AN EMERGENCY RULEMAKING OF THE OKLAHOMA CORPORATION COMMISSION AMENDING **OAC 165:5, RULES OF PRACTICE**	)))))	Cause No. RM 201700008

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PUBLIC COMMENT

of

Oklahoma Oil & Gas Association

August 15, 2017

OKLAHOMA
— OIL & GAS ASSOCIATION —

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

TO: Chair Dana Murphy, Oklahoma Corporation Commission
Vice Chair Todd Hiett, 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 165:5, Rules of Practice** in Cause No. RM 201700008

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 5. Rules of Practice, 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 Mexica, 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: 5 – Rules of Practice
(in Cause No. RM 201700008)

165:5-7-6. Drilling and spacing unit establishment or modification

OKOGA supports the proposed change submitted by John R. Reeves and Matthew J. Allen of Conner & Winters, to replace the emergency rule proposed by the Commission in subparagraph (k), in OAC 165:5-7-6 (k), on Page 4, to read as follows:

> (k) Any spacing order entered by the Commission pursuant to 52 O.S. § 87.1 (f) which forms a horizontal well unit or units that exceed six hundred forty (640) acres plus tolerances and variances as allowed by statute shall provide that the contemplated length of the lateral of the initial horizontal well drilled in any such horizontal well unit formed by such order shall be at least seven thousand five hundred (7,500) feet. Such spacing order shall further provide that upon the initial horizontal well drilled under such spacing order reaching its total depth, an affidavit shall be filed in the spacing proceeding in which such order is entered setting forth the length of the lateral of such initial horizontal well in any horizontal well unit formed by such order.

This change is offered to implement and clarify 52 O.S. § 87.1 (f) (3).

OKOGA also supports the proposed change submitted by John R. Reeves and Matthew J. Allen of Conner & Winters, to include a new subparagraph (f) in OAC 165:5-7-6.2, on Page 6, to read as follows:

(f) In the event a multiunit horizontal well covered by 52 O.S. § 87.8 is intended to be the initial unit well in any horizontal well unit that exceeds six-hundred forty (640) acres plus tolerances and variances allowed by statute, the contemplated completion interval of such well shall exceed ten-thousand five-hundred sixty (10,560) feet, absent a showing of reasonable cause.

This addition is offered to implement and clarify 52 O.S. § 87.1 (f) (4).

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.