

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 165:5, RULES OF
PRACTICE

CAUSE NO. RM 201700008

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) Rules of Practice, OAC 165:5.

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

The purpose of the proposed emergency rules 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 rules include modification of terms regarding applications requesting the issuance of orders concerning horizontal well unitizations and multiunit horizontal wells in targeted reservoirs, addressing authorizations for expenditure regarding applications for pooling orders, as well as requirements for horizontal spacing 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 rules 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 rules. 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 rules 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 rules. 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 rules 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 rules.

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 rules are not expected to place any additional costs upon the Commission, as such rules will be implemented and enforced by the Commission through its existing resources and personnel. The rules should assist the Commission in addressing changes in technology regarding horizontal wells. It is not anticipated that implementation and enforcement of the proposed rules 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 rules will have an economic impact on any political subdivision 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 emergency rules 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 rules.

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 rules.

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 rules 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 rules 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.

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