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BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA

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

CAUSE NO. RM 201600019

RULE IMPACT STATEMENT

Pursuant to the Oklahoma Administrative Procedures Act, 75 O.S. §303(D), the Oil and Gas Conservation Division of the Oklahoma Corporation Commission (Commission) submits this Rule Impact Statement for its proposed rules regarding OAC 165:10, Oil and Gas Conservation.

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

The purposes of the proposed rules are to update and clarify the Oil and Gas Conservation rules, impose restrictions on the use of diesel fuel as the base fluid in hydraulic fracturing operations, address reporting requirements for well operations impacted by hydraulic fracturing, establish procedures for fluid level monitoring required by underground injection control orders or permits and specify corrective action, standardize procedures for land application of deleterious substances, impose notice requirements and procedures concerning applications to permit pits with capacities in excess of 50,000 barrels at commercial disposal well sites, and require installation of both leachate collection systems and monitor wells for new commercial disposal well pits and semiannual sampling of such systems and monitor wells.

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 rules include operators of oil, gas, disposal and injection wells, and working interest and royalty owners in the State. The Commission, in its published Notice of Proposed Rulemaking, has invited public comment and requested business entities which may be impacted by the proposed rule changes to provide written comments stating such cost impacts.

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

Operators of wells doing business in the State will benefit from the proposed amendments to OAC 165:10-1-7 updating the list of Oil and Gas Conservation Division forms and OAC 165:10-3-10 establishing procedures regarding the use of diesel fuel as the base fluid in hydraulic fracturing operations, and requiring submission of directional surveys by horizontal well operators prior to completion operations upon request by operators of producing wells within one-half mile of the completion interval of the subject well which are completed in the same common source of supply as the horizontal well. Operators, as well as citizens of the State of Oklahoma, will benefit from proposed amendments to OAC 165:10-3-10 imposing reporting requirements on operators whose wells have been impacted by hydraulic fracturing operations.

Both operators and citizens will benefit from proposed amendments to OAC 165:10-5-6 establishing procedures for fluid level monitoring of wells required by underground injection control orders or permits and corrective action measures, and OAC 165:10-7-19, OAC 165:10-7-26 and OAC 165:10-9-2 standardizing and enhancing requirements for land application of water-based fluids from earthen pits, tanks and pipeline construction, contaminated soils and petroleum hydrocarbon based drill cuttings, and other water-based type muds and/or cuttings. Operators and citizens will also benefit from proposed amendments to OAC 165:10-9-3 requiring both leachate collection systems and monitor wells for new pits at commercial disposal well sites, and semiannual monitoring of such systems and monitor wells.

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.

Proposed rules requiring operators to install both leachate collection systems and monitor wells for new pits at commercial disposal well sites, and semiannual monitoring of such systems and monitor wells could have an economic impact on such operators, but expenses associated with such requirements could be offset by cost savings associated with earlier detection of pollution at such sites. It is anticipated that standardization of procedures for land application of deleterious substances in OAC 165:10-7-19, OAC 165:10-7-26 and OAC 165:10-9-2 could result in cost savings for operators. It is not anticipated that the proposed rules will have an adverse economic impact upon political subdivisions.

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 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. It is not anticipated that implementation and enforcement of the proposed rules will result in increased costs for any other agency. Proposed amendments to rules resulting in cost savings to well operators and working interest owners could encourage the drilling and production of additional wells, thereby benefitting royalty owners, and increase gross production tax payments, which would benefit the citizens of the State.

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 the Commission staff's opinion that some of the proposed rules may have an adverse economic effect on small business, although owners and operators of wells affected by the rule amendments will also benefit from cost savings and efficiencies derived from the amendments. In its Notice of Proposed Rulemaking, the Commission invited business entities to submit input regarding the potential impact of the proposed 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 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.

Proposed amendments to OAC 165:10-3-10 imposing reporting requirements on operators whose wells have been impacted by hydraulic fracturing operations, OAC 165:10-5-6 establishing procedures for fluid level monitoring of wells required by underground injection control orders or permits and corrective action measures, OAC 165:10-7-19, OAC 165:10-7-26 and OAC 165:10-9-2 standardizing and enhancing requirements for land application of water-based fluids from earthen pits, tanks and pipeline construction, contaminated soils and petroleum hydrocarbon based drill cuttings, and other water-based type muds and/or cuttings, and OAC 165:10-9-3 requiring both leachate collection systems and monitor wells for new pits at commercial disposal well sites, and semiannual monitoring of such systems and monitor wells, will have a positive 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.

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 December 16, 2016.

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