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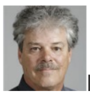
Oklahoma Corporation Commission fee proposals get feedback from oil and gas industry representatives



by **Jack Money** Published: March 1, 2018 5:00 AM CDT

Oil and gas attorneys and industry representatives provided the Oklahoma Corporation Commission's staff and two of its elected commissioners feedback Wednesday on a host of new and increased fees the staff proposes to help it reduce the agency's reliance on legislative appropriations.

While they told staff and Commissioner Todd Hiett and Commission Chair Dana Murphy they support the agency's goal to improve its financial footing, they also aired specific concerns.

Attorney Matt Allen, of Collin & Winters, conceded the agency doesn't have the cash it needs to meet all of its obligations in a timely fashion. But Allen also illustrated for them on how the proposals could impact regulatory costs, using a client that recently began an oil and gas infill project requiring 23 specific applications.

The client paid about $7,700 in application and permitting fees under current rates. Under the proposed increases and new fees, that same client would have been required to pay about $52,000.

"This is going to have some practical issues everyone should consider," Allen said, noting he hopes commissioners keep fee increases commensurate to the costs the agency encounters to provide those services.

Richard Parish, a representative of the Oklahoma Energy Producers Alliance, said he would like to see the commission focus most of its fee increase/establishment work on horizontal wells that are drilled, completed and produced.

"It should be attributed to the horizontal world" because of induced seismicity associated with those wells, Parish argued.

And attorney Eric R. King, of GableGotwals, said his clients would want to see improvements in the commission's performance if fees were increased by hiring additional workers.

"That way, the industry will see it can get its permits through quicker."

Mark Stout, who serves the Oklahoma Oil and Gas Association as chair of its regulatory chair committee, made similar comments, although he also said his members believe the commission's staff does an amazing job, given its constraints.

Commissioner Hiett agreed, noting, "We have some very talented people. We just don't have enough of them."

Proposed changes

The commission's staff proposes new fees and fee increases involving applications routinely processed to oversee new drilling, completion and production activities and to monitor and address issues with legacy assets that have produced for years, and often for decades.

These include:

• Increasing the permit fee to drill a well. The permitting fee now is $175, regardless of the type of well. The new fees would range from $750 for a vertical well to as much as $3,500 for a multiunit, horizontal well. The commission estimates the cost to process applications currently ranges from $580 to $2,900, depending on the type of well involved.

It also seeks a new temporary drilling permit fee, ranging from $750 to $3,000.

• Increasing the permit fee for an application to drill an injection or disposal well from $100 to $250 for a noncommercial well, and from $1,000 to $2,000 for a commercial disposal well. Staff estimates its current cost to handle those permits at $550 per well.

• Increasing application fees for disposing of drilling fluids through soil farming or recycling facilities, establishing annual fees for both types of operations, increasing fees for operators seeking to make a one-time disposal and creating new fees for operators that use earthen and flow-back pits as part of those activities.

• Creating an application fee to flare production at a well site.

• Creating an application fee to conduct a seismic operation.

• Creating an application fee to commingle produced oil from different formations produced by the same well.

• Creating an application fee to seek a temporary exemption from plugging a well.

• Creating an application fee to use waste oil for road applications (a practice used by county commissioners) or well cuttings to help build drilling and production pads for future drilling projects.

Other proposals

Many of the Oil and Gas Conservation Division's oversight responsibilities aren't tied to a future well.

Its inspectors, for example, are required to inspect operating well sites at least once every five years (40,000 inspections are conducted annually), to conduct inspections and investigations after emergencies and citizen complaints, and to witness well pluggings.

Additionally, the Legislature required the commission to create a new division to monitor ongoing issues with induced earthquakes, but provided no funding. The division also monitors and tracks well completion activities.

The commission needs money to help pay for those operations, and proposes creating a new fee that all oil and gas well operators would be required to pay when they file specific well-related operator information with the agency on an annual basis.

That fee would range from $150 for a nonactive operator to $10,000 for an operator that has 500 or more producing wells within the state. Officials estimate this new fee would generate about $1.9 million in annual revenue for the agency.

They also propose creating an annual fee for injection and disposal wells and disposal facilities.

If those changes and others are adopted by commissioners on March 13, they will be submitted to the Legislature and governor for review and approval. If approved, the proposed changes would take effect July 1, 2019, and would boost the agency's annual funding by $13.7 million.

"The money we get from general revenues goes down every year. We just don't have the money to do it all, we just don't. Something is going to have to change," Murphy said.

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