

STATE OF OKLAHOMA

1st Session of the 59th Legislature (2023)

COMMITTEE SUBSTITUTE  
FOR ENGROSSED

SENATE BILL NO. 852

By: Rader of the Senate

and

Boles of the House

COMMITTEE SUBSTITUTE

An Act relating to the Corporation Commission;  
amending 17 O.S. 2021, Section 518, which relates to  
neglect, failure, or refusal to plug and abandon or  
replug well; providing that the Commission may  
extract certain emissions to obtain carbon credit  
pursuant to certain standards and requirements;  
directing deposit of certain proceeds; providing for  
hiring of certain administrator of program;  
construing provision; amending 52 O.S. 2021, Section  
310, which relates to abandoned and unplugged or  
improperly plugged wells; conforming language;  
providing for promulgation of rules; updating  
statutory language; and declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 17 O.S. 2021, Section 518, is  
amended to read as follows:

Section 518. A. Any person who drills or operates any well or  
unit for the exploration, development or production of oil or brine,  
or as an injection or disposal well, within this state, shall

1 furnish in writing, on forms approved by the Corporation Commission,  
2 his or her agreement to drill, operate and plug wells in compliance  
3 with the rules of the Commission and the laws of this state,  
4 together with evidence of financial ability to comply with the  
5 requirements for plugging, closure of surface impoundments, removal  
6 of trash and equipment as established by the rules of the Commission  
7 and by law.

8 B. To establish evidence of financial ability, the Commission  
9 shall require an irrevocable commercial letter of credit, cash, a  
10 cashier's check, a ~~Certificate of Deposit~~ certificate of deposit,  
11 ~~Bank Joint Custody Receipt~~ bank joint custody receipt, other  
12 negotiable instrument or a blanket surety bond. The amount of such  
13 letter of credit, cash, cashier's check, certificate, bond, receipt  
14 or other negotiable instrument shall be in the amount of Twenty-five  
15 Thousand Dollars (\$25,000.00) per well. If an operator operates  
16 more than four wells subject to this requirement, the operator may  
17 file appropriate evidence of financial ability in a blanket amount  
18 of One Hundred Thousand Dollars (\$100,000.00). Any instrument shall  
19 constitute an unconditional promise to pay and be in a form  
20 negotiable by the Commission.

21 C. The agreement provided for in subsection A of this section  
22 shall provide that if the Commission determines that the person  
23 furnishing the agreement has neglected, failed or refused to plug  
24 and abandon, or cause to be plugged and abandoned, or replug any

1 well or has neglected, failed or refused to close any surface  
2 impoundment or removed or cause to be removed trash and equipment in  
3 compliance with the rules of the Commission, then the person shall  
4 forfeit from his or her bond, letter of credit or negotiable  
5 instrument or shall pay to this state, through the Commission, for  
6 deposit in the State Treasury, a sum equal to the cost of plugging  
7 the well, closure of any surface impoundment or removal of trash and  
8 equipment. The Commission may cause the remedial work to be done,  
9 issuing a warrant in payment of the cost thereof drawn against the  
10 monies accruing in the State Treasury from the forfeiture or  
11 payment. In the event that a well on the Commission's orphaned  
12 wells list has measurable methane, pursuant to the American Carbon  
13 Registry standards, the Commission may test and record the  
14 measurements of such emissions from the well pursuant to the  
15 requirements of the American Carbon Registry and obtain any carbon  
16 credits that may be available for the measured emissions. The  
17 Commission may use proceeds received from the sale of carbon  
18 credits, which shall be deposited into the Oil and Gas Division  
19 Revolving Fund to offset the cost of administering the program and  
20 testing for methane. The Commission may hire an administrator to  
21 assist in facilitating the program. All funds remaining after  
22 testing, administration, and the cost to market and secure the  
23 credits value shall be placed in the Corporation Commission Plugging  
24 Fund. Nothing in this section shall prohibit the Commission from

1 transferring an orphaned well, and all associated potential carbon  
2 credits, pursuant to the Commission's well transfer program. The  
3 Commission may promulgate rules as needed to effectuate the capture  
4 of emissions and obtaining of credits under this section. Any  
5 monies accruing in the State Treasury by reason of a determination  
6 that there has been a noncompliance with the provisions of the  
7 agreement or the rules of the Commission, in excess of the cost of  
8 remedial action ordered by the Commission, shall be credited to the  
9 Oil and Gas Division Revolving Fund. The Commission shall also  
10 recover any costs arising from litigation to enforce this provision.  
11 Provided, before a person is required to forfeit or pay any monies  
12 to the state pursuant to this section, the Commission shall notify  
13 the person at his or her last-known address of the determination of  
14 neglect, failure or refusal to plug or replug any well, or close any  
15 surface impoundment or remove trash and equipment and such person  
16 shall have ten (10) days from the date of notification within which  
17 to commence remedial operations. Failure to commence remedial  
18 operations shall result in forfeiture or payment as provided in this  
19 subsection.

20 D. If title to property or a well is transferred, the  
21 transferee shall furnish the evidence of financial ability to plug  
22 the well and close surface impoundments required by the provisions  
23 of this section, prior to the transfer.  
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SECTION 2. AMENDATORY 52 O.S. 2021, Section 310, is

amended to read as follows:

Section 310. A. If, after notice and hearing, the Corporation Commission finds that:

1. A well drilled for the exploration, development, or production of oil or gas, or as an injection or disposal well, is abandoned and unplugged or improperly plugged or is causing or is likely to cause surface or subsurface pollution of any fresh water or is purging or is likely to purge salt water, oil, gas, or other deleterious substances onto the surface of the land in the vicinity of the well; and

2. The operator of the well or any other person responsible for plugging, replugging, or repairing the well in such manner as is necessary to prevent further or future pollution cannot be found or is financially unable to pay the cost of performing ~~said~~ the work, the Commission or any person authorized by the Commission may enter upon the land upon which the well is located and plug, replug, or repair the well as may be reasonably required to remedy the condition. If an emergency exists or if it otherwise appears to the Commission that irreparable injury will result if immediate remedial action is not taken, ~~said~~ such entry upon the land may be made or authorized by the Commission without notice or hearing, for the purpose of taking such temporary remedial action as the Commission considers necessary to prevent or minimize the injury, pending the

1 giving of notice and hearing. The operation shall be conducted in  
2 the manner prescribed by the Commission.

3 B. For the purpose of immediately responding to emergency  
4 situations within the Commission's jurisdiction having potentially  
5 critical environmental or public safety impact, the Commission may  
6 take whatever necessary action, without notice and hearing,  
7 including the expenditure of monies from the Corporation Commission  
8 Plugging Fund, to promptly respond to the emergency. Such emergency  
9 expenditure shall be made pursuant to the provisions of ~~The~~ the  
10 Oklahoma Central Purchasing Act upon such terms and conditions  
11 established by the Office of Management and Enterprise Services to  
12 accomplish the purposes of this section. Thereafter, the Commission  
13 shall seek reimbursement from the responsible person, firm or  
14 corporation for all expenditures made from the Corporation  
15 Commission Plugging Fund. Any monies received as reimbursement  
16 shall be deposited to the credit of the Corporation Commission  
17 Plugging Fund.

18 C. In the event that a well on the Commission's orphaned wells  
19 list has measurable methane, pursuant to the American Carbon  
20 Registry standards, the Commission may test and record the  
21 measurements of such emissions from the well pursuant to the  
22 requirements of the American Carbon Registry and obtain any carbon  
23 credits that may be available for the measured emissions. The  
24 Commission may use proceeds received from the sale of carbon

1 credits, which shall be deposited into the Oil and Gas Division  
2 Revolving Fund to offset the cost of administering the program and  
3 testing for methane. The Commission may hire an administrator to  
4 assist in facilitating the program. All funds remaining after  
5 testing, administration, and the cost to market and secure the  
6 credits value shall be placed in the Corporation Commission Plugging  
7 Fund. Nothing in this section shall prohibit the Commission from  
8 transferring an orphaned well, and all associated potential carbon  
9 credits, pursuant to the Commission's well transfer program. The  
10 Commission may promulgate rules as needed to effectuate the capture  
11 of emissions and obtaining of credits under this section.

12 D. If, at any time, the monies in the Corporation Commission  
13 Plugging Fund are insufficient to cover the cost of remedial action  
14 for all wells eligible for plugging, replugging or repair under this  
15 statute, the Commission shall prioritize expenditures according to  
16 degree of actual or potential environmental harm.

17 SECTION 3. It being immediately necessary for the preservation  
18 of the public peace, health or safety, an emergency is hereby  
19 declared to exist, by reason whereof this act shall take effect and  
20 be in full force from and after its passage and approval.

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22 59-1-8147 JBH 04/06/23  
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