

An Act

ENROLLED SENATE
BILL NO. 852

By: Rader of the Senate

and

Boles of the House

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; establishing program administration; construing provision; providing for rule promulgation; amending 52 O.S. 2021, Section 310, which relates to abandoned and unplugged or improperly plugged wells; conforming language; updating statutory language; and declaring an emergency.

SUBJECT: Corporation Commission

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

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

C. The agreement provided for in subsection A of this section shall provide that if the Commission determines that the person furnishing the agreement has neglected, failed or refused to plug and abandon, or cause to be plugged and abandoned, or replug any well or has neglected, failed or refused to close any surface impoundment or removed or cause to be removed trash and equipment in compliance with the rules of the Commission, then the person shall forfeit from his or her bond, letter of credit or negotiable instrument or shall pay to this state, through the Commission, for deposit in the State Treasury, a sum equal to the cost of plugging the well, closure of any surface impoundment or removal of trash and equipment. The Commission may cause the remedial work to be done, issuing a warrant in payment of the cost thereof drawn against the monies accruing in the State Treasury from the forfeiture or payment. In the event that a well on the Commission's orphaned wells list has measurable methane, pursuant to the American Carbon Registry standards or pursuant to the standards of other carbon registries chosen by the Commission, the Commission may test and record the measurements of such emissions from the well pursuant to the requirements of the American Carbon Registry or pursuant to the standards of other carbon registries chosen by the Commission and obtain any carbon credits that may be available for the measured emissions. The Commission may use proceeds received from the sale of carbon credits, which shall be deposited into the Oil and Gas Division Revolving Fund, to offset the cost of administering the program and testing for methane. The Commission may hire an administrator to assist in facilitating the program. All funds

remaining after testing, administration, and the cost to market and secure the credits value shall be placed in the Corporation Commission Plugging Fund. Nothing in this section shall prohibit the Commission from transferring an orphaned well, and all associated potential carbon credits, pursuant to the Commission's well transfer program. The Commission may promulgate rules as needed to effectuate the capture of emissions and obtaining of credits under this section. Any monies accruing in the State Treasury by reason of a determination that there has been a noncompliance with the provisions of the agreement or the rules of the Commission, in excess of the cost of remedial action ordered by the Commission, shall be credited to the Oil and Gas Division Revolving Fund. The Commission shall also recover any costs arising from litigation to enforce this provision. Provided, before a person is required to forfeit or pay any monies to the state pursuant to this section, the Commission shall notify the person at his or her last-known address of the determination of neglect, failure or refusal to plug or replug any well, or close any surface impoundment or remove trash and equipment and such person shall have ten (10) days from the date of notification within which to commence remedial operations. Failure to commence remedial operations shall result in forfeiture or payment as provided in this subsection.

D. If title to property or a well is transferred, the transferee shall furnish the evidence of financial ability to plug the well and close surface impoundments required by the provisions of this section, prior to the transfer.

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

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

C. In the event that a well on the Commission's orphaned wells list has measurable methane, pursuant to the American Carbon Registry standards or pursuant to the standards of other carbon registries chosen by the Commission, the Commission may test and record the measurements of such emissions from the well pursuant to the requirements of the American Carbon Registry or pursuant to the standards of other carbon registries chosen by the Commission and obtain any carbon credits that may be available for the measured emissions. The Commission may use proceeds received from the sale of carbon credits, which shall be deposited into the Oil and Gas

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

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

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

Passed the Senate the 25th day of May, 2023.

Presiding Officer of the Senate

Passed the House of Representatives the 25th day of May, 2023.

Presiding Officer of the House
of Representatives

OFFICE OF THE GOVERNOR

Received by the Office of the Governor this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____

Approved by the Governor of the State of Oklahoma this _____

day of _____, 20_____, at _____ o'clock _____ M.

Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Office of the Secretary of State this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____