

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 1st Session of the 59th Legislature (2023)

4 COMMITTEE SUBSTITUTE
5 FOR ENGROSSED
6 SENATE BILL NO. 852

By: Rader of the Senate

and

Boles of the House

8
9 COMMITTEE SUBSTITUTE

10 An Act relating to the Corporation Commission;
11 amending 17 O.S. 2021, Section 518, which relates to
12 neglect, failure, or refusal to plug and abandon or
13 replug well; providing that the Commission may
14 extract certain emissions to obtain carbon credit
15 pursuant to certain standards and requirements;
16 directing deposit of certain proceeds; providing for
17 hiring of certain administrator of program;
18 construing provision; amending 52 O.S. 2021, Section
19 310, which relates to abandoned and unplugged or
20 improperly plugged wells; conforming language;
21 providing for promulgation of rules; updating
22 statutory language; and declaring an emergency.

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

24 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,

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

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

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

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

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

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

23 SECTION 2. AMENDATORY 52 O.S. 2021, Section 310, is
24 amended to read as follows:

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

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

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

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

16 C. In the event that a well on the Commission's orphaned wells
17 list has measurable methane, pursuant to the American Carbon
18 Registry standards, the Commission may test and record the
19 measurements of such emissions from the well pursuant to the
20 requirements of the American Carbon Registry and obtain any carbon
21 credits that may be available for the measured emissions. The
22 Commission may use proceeds received from the sale of carbon
23 credits, which shall be deposited into the Oil and Gas Division
24 Revolving Fund to offset the cost of administering the program and

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

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

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

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20 COMMITTEE REPORT BY: COMMITTEE ON UTILITIES, dated 04/10/2023 - DO
21 PASS, As Amended.
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