

1 **SENATE FLOOR VERSION**

2 February 23, 2023

3 COMMITTEE SUBSTITUTE
4 FOR

5 SENATE BILL NO. 852

By: Rader of the Senate

and

Boles of the House

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9 An Act relating to the Corporation Commission;
10 amending 17 O.S. 2021, Section 518, which relates to
neglect, failure, or refusal to plug and abandon or
11 replug well; providing that the Commission may
extract certain emissions to obtain carbon credit;
12 amending 52 O.S. 2021, Section 310, which relates to
abandoned and unplugged or improperly plugged wells;
conforming language; providing for promulgation of
13 rules; updating statutory language; and declaring an
emergency.
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16 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

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

19 Section 518. A. Any person who drills or operates any well or
20 unit for the exploration, development or production of oil or brine,
21 or as an injection or disposal well, within this state, shall
22 furnish in writing, on forms approved by the Corporation Commission,
23 his or her agreement to drill, operate and plug wells in compliance
24 with the rules of the Commission and the laws of this state,

1 together with evidence of financial ability to comply with the
2 requirements for plugging, closure of surface impoundments, removal
3 of trash and equipment as established by the rules of the Commission
4 and by law.

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

17 C. The agreement provided for in subsection A of this section
18 shall provide that if the Commission determines that the person
19 furnishing the agreement has neglected, failed or refused to plug
20 and abandon, or cause to be plugged and abandoned, or replug any
21 well or has neglected, failed or refused to close any surface
22 impoundment or removed or cause to be removed trash and equipment in
23 compliance with the rules of the Commission, then the person shall
24 forfeit from his or her bond, letter of credit or negotiable

1 instrument or shall pay to this state, through the Commission, for
2 deposit in the State Treasury, a sum equal to the cost of plugging
3 the well, closure of any surface impoundment or removal of trash and
4 equipment. The Commission may cause the remedial work to be done,
5 issuing a warrant in payment of the cost thereof drawn against the
6 monies accruing in the State Treasury from the forfeiture or
7 payment. In the event that methane is being emitted from a well on
8 which the Commission is performing remedial work, the Commission may
9 capture such emissions from the well and obtain any carbon credits
10 that may be available for the captured emissions. The Commission
11 may promulgate rules as needed to effectuate the capture of
12 emissions and obtaining of credits under this section. Any monies
13 accruing in the State Treasury by reason of a determination that
14 there has been a noncompliance with the provisions of the agreement
15 or the rules of the Commission, in excess of the cost of remedial
16 action ordered by the Commission, shall be credited to the Oil and
17 Gas Revolving Fund. The Commission shall also recover any costs
18 arising from litigation to enforce this provision. Provided, before
19 a person is required to forfeit or pay any monies to the state
20 pursuant to this section, the Commission shall notify the person at
21 his or her last-known address of the determination of neglect,
22 failure or refusal to plug or replug any well, or close any surface
23 impoundment or remove trash and equipment and such person shall have
24 ten (10) days from the date of notification within which to commence

1 remedial operations. Failure to commence remedial operations shall
2 result in forfeiture or payment as provided in this subsection.

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

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

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

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

18 2. The operator of the well or any other person responsible for
19 plugging, replugging, or repairing the well in such manner as is
20 necessary to prevent further or future pollution cannot be found or
21 is financially unable to pay the cost of performing ~~said~~ the work,
22 the Commission or any person authorized by the Commission may enter
23 upon the land upon which the well is located and plug, replug, or
24 repair the well as may be reasonably required to remedy the

1 condition. If an emergency exists or if it otherwise appears to the
2 Commission that irreparable injury will result if immediate remedial
3 action is not taken, ~~said~~ entry upon the land may be made or
4 authorized by the Commission without notice or hearing, for the
5 purpose of taking such temporary remedial action as the Commission
6 considers necessary to prevent or minimize the injury, pending the
7 giving of notice and hearing. The operation shall be conducted in
8 the manner prescribed by the Commission.

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

1 C. In the event that methane is being emitted from a well on
2 which the Commission is performing remedial work, the Commission is
3 hereby authorized to capture such emissions from the well and obtain
4 any carbon credits that may be available for the captured emissions.
5 The Commission may promulgate rules as needed to effectuate the
6 capture of emissions and obtaining of credits under this section.

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

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

16 COMMITTEE REPORT BY: COMMITTEE ON ENERGY AND TELECOMMUNICATIONS
17 February 23, 2023 - DO PASS AS AMENDED BY CS
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