

OKLAHOMA STATE SENATE  
CONFERENCE  
COMMITTEE REPORT

May 16, 2023

Mr. President:

Mr. Speaker:

The Conference Committee, to which was referred

SB852

By: Rader of the Senate and Boles of the House

Title: Corporation Commission; providing for certain emission extraction; allowing Commission to obtain carbon credits for certain purpose. Emergency.

together with Engrossed House Amendments thereto, beg leave to report that we have had the same under consideration and herewith return the same with the following recommendations:

1. That the Senate accept all House Amendments.
2. By restoring the title as follows:

"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."

Respectfully submitted,

SENATE CONFEREES:

  
Rader  
  
Paxton  
  
Green

  
Jett  
  
Howard  
  
Montgomery  
  
Boren

HOUSE CONFEREES:

Conference Committee on Utilities

Senate Action \_\_\_\_\_ Date \_\_\_\_\_ House Action \_\_\_\_\_ Date \_\_\_\_\_

1 ENGROSSED HOUSE AMENDMENT  
TO  
2 ENGROSSED SENATE BILL NO. 852 By: Rader of the Senate  
3 and  
4 Boles of the House  
5  
6  
7 An Act relating to the Corporation Commission;  
8 amending 17 O.S. 2021, Section 518, which relates to  
9 neglect, failure, or refusal to plug and abandon or  
10 replug well; providing that the Commission may  
11 extract certain emissions to obtain carbon credit;  
12 amending 52 O.S. 2021, Section 310, which relates to  
13 abandoned and unplugged or improperly plugged wells;  
14 conforming language; providing for promulgation of  
15 rules; updating statutory language; and declaring an  
16 emergency.  
17  
18 AMENDMENT NO. 1. Strike the title, enacting clause, and entire bill  
19 and insert:  
20  
21 "[ Corporation Commission - extraction of emissions  
22 to obtain carbon credit - deposit of proceeds -  
23 hiring of administrator of program - promulgation  
24 of rules -  
emergency ]

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

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

3       Section 518. A. Any person who drills or operates any well or  
4 unit for the exploration, development or production of oil or brine,  
5 or as an injection or disposal well, within this state, shall  
6 furnish in writing, on forms approved by the Corporation Commission,  
7 his or her agreement to drill, operate and plug wells in compliance  
8 with the rules of the Commission and the laws of this state,  
9 together with evidence of financial ability to comply with the  
10 requirements for plugging, closure of surface impoundments, removal  
11 of trash and equipment as established by the rules of the Commission  
12 and by law.

13       B. To establish evidence of financial ability, the Commission  
14 shall require an irrevocable commercial letter of credit, cash, a  
15 cashier's check, a ~~Certificate of Deposit~~ certificate of deposit,  
16 ~~Bank Joint Custody Receipt~~ bank joint custody receipt, other  
17 negotiable instrument or a blanket surety bond. The amount of such  
18 letter of credit, cash, cashier's check, certificate, bond, receipt  
19 or other negotiable instrument shall be in the amount of Twenty-five  
20 Thousand Dollars (\$25,000.00) per well. If an operator operates  
21 more than four wells subject to this requirement, the operator may  
22 file appropriate evidence of financial ability in a blanket amount  
23 of One Hundred Thousand Dollars (\$100,000.00). Any instrument shall  
24

1 constitute an unconditional promise to pay and be in a form  
2 negotiable by the Commission.

3 C. The agreement provided for in subsection A of this section  
4 shall provide that if the Commission determines that the person  
5 furnishing the agreement has neglected, failed or refused to plug  
6 and abandon, or cause to be plugged and abandoned, or replug any  
7 well or has neglected, failed or refused to close any surface  
8 impoundment or removed or cause to be removed trash and equipment in  
9 compliance with the rules of the Commission, then the person shall  
10 forfeit from his or her bond, letter of credit or negotiable  
11 instrument or shall pay to this state, through the Commission, for  
12 deposit in the State Treasury, a sum equal to the cost of plugging  
13 the well, closure of any surface impoundment or removal of trash and  
14 equipment. The Commission may cause the remedial work to be done,  
15 issuing a warrant in payment of the cost thereof drawn against the  
16 monies accruing in the State Treasury from the forfeiture or  
17 payment. In the event that a well on the Commission's orphaned  
18 wells list has measurable methane, pursuant to the American Carbon  
19 Registry standards or pursuant to the standards of other carbon  
20 registries chosen by the Commission, the Commission may test and  
21 record the measurements of such emissions from the well pursuant to  
22 the requirements of the American Carbon Registry or pursuant to the  
23 standards of other carbon registries chosen by the Commission and  
24 obtain any carbon credits that may be available for the measured

1 emissions. The Commission may use proceeds received from the sale  
2 of carbon credits, which shall be deposited into the Oil and Gas  
3 Division Revolving Fund, to offset the cost of administering the  
4 program and testing for methane. The Commission may hire an  
5 administrator to assist in facilitating the program. All funds  
6 remaining after testing, administration, and the cost to market and  
7 secure the credits value shall be placed in the Corporation  
8 Commission Plugging Fund. Nothing in this section shall prohibit  
9 the Commission from transferring an orphaned well, and all  
10 associated potential carbon credits, pursuant to the Commission's  
11 well transfer program. The Commission may promulgate rules as  
12 needed to effectuate the capture of emissions and obtaining of  
13 credits under this section. Any monies accruing in the State  
14 Treasury by reason of a determination that there has been a  
15 noncompliance with the provisions of the agreement or the rules of  
16 the Commission, in excess of the cost of remedial action ordered by  
17 the Commission, shall be credited to the Oil and Gas Division  
18 Revolving Fund. The Commission shall also recover any costs arising  
19 from litigation to enforce this provision. Provided, before a  
20 person is required to forfeit or pay any monies to the state  
21 pursuant to this section, the Commission shall notify the person at  
22 his or her last-known address of the determination of neglect,  
23 failure or refusal to plug or replug any well, or close any surface  
24 impoundment or remove trash and equipment and such person shall have

1 ten (10) days from the date of notification within which to commence  
2 remedial operations. Failure to commence remedial operations shall  
3 result in forfeiture or payment as provided in this subsection.

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

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

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

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

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

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

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

1       C. In the event that a well on the Commission's orphaned wells  
2 list has measurable methane, pursuant to the American Carbon  
3 Registry standards or pursuant to the standards of other carbon  
4 registries chosen by the Commission, the Commission may test and  
5 record the measurements of such emissions from the well pursuant to  
6 the requirements of the American Carbon Registry or pursuant to the  
7 standards of other carbon registries chosen by the Commission and  
8 obtain any carbon credits that may be available for the measured  
9 emissions. The Commission may use proceeds received from the sale  
10 of carbon credits, which shall be deposited into the Oil and Gas  
11 Division Revolving Fund, to offset the cost of administering the  
12 program and testing for methane. The Commission may hire an  
13 administrator to assist in facilitating the program. All funds  
14 remaining after testing, administration, and the cost to market and  
15 secure the credits value shall be placed in the Corporation  
16 Commission Plugging Fund. Nothing in this section shall prohibit  
17 the Commission from transferring an orphaned well, and all  
18 associated potential carbon credits, pursuant to the Commission's  
19 well transfer program. The Commission may promulgate rules as  
20 needed to effectuate the capture of emissions and obtaining of  
21 credits under this section.

22       D. If, at any time, the monies in the Corporation Commission  
23 Plugging Fund are insufficient to cover the cost of remedial action  
24 for all wells eligible for plugging, replugging or repair under this



1 statute, the Commission shall prioritize expenditures according to  
2 degree of actual or potential environmental harm.

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

7 Passed the House of Representatives the 27th day of April, 2023.

8  
9  
10 \_\_\_\_\_  
Presiding Officer of the House of  
Representatives

11  
12 Passed the Senate the \_\_\_\_ day of \_\_\_\_\_, 2023.

13  
14  
15 \_\_\_\_\_  
Presiding Officer of the Senate

1 ENGROSSED SENATE  
2 BILL NO. 852

By: Rader of the Senate

3 and

4 Boles of the House

5  
6 An Act relating to the Corporation Commission;  
7 amending 17 O.S. 2021, Section 518, which relates to  
8 neglect, failure, or refusal to plug and abandon or  
9 replug well; providing that the Commission may  
10 extract certain emissions to obtain carbon credit;  
11 amending 52 O.S. 2021, Section 310, which relates to  
12 abandoned and unplugged or improperly plugged wells;  
13 conforming language; providing for promulgation of  
14 rules; updating statutory language; and declaring an  
15 emergency.

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

17 SECTION 4. 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,  
together with evidence of financial ability to comply with the  
requirements for plugging, closure of surface impoundments, removal

1 of trash and equipment as established by the rules of the Commission  
2 and by law.

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

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

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

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

5 SECTION 5. AMENDATORY 52 O.S. 2021, Section 310, is  
6 amended to read as follows:

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

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

16 2. The operator of the well or any other person responsible for  
17 plugging, replugging, or repairing the well in such manner as is  
18 necessary to prevent further or future pollution cannot be found or  
19 is financially unable to pay the cost of performing ~~said~~ the work,  
20 the Commission or any person authorized by the Commission may enter  
21 upon the land upon which the well is located and plug, replug, or  
22 repair the well as may be reasonably required to remedy the  
23 condition. If an emergency exists or if it otherwise appears to the  
24 Commission that irreparable injury will result if immediate remedial

1 action is not taken, ~~said~~ entry upon the land may be made or  
2 authorized by the Commission without notice or hearing, for the  
3 purpose of taking such temporary remedial action as the Commission  
4 considers necessary to prevent or minimize the injury, pending the  
5 giving of notice and hearing. The operation shall be conducted in  
6 the manner prescribed by the Commission.

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

22 C. In the event that methane is being emitted from a well on  
23 which the Commission is performing remedial work, the Commission is  
24 hereby authorized to capture such emissions from the well and obtain

1 any carbon credits that may be available for the captured emissions.  
2 The Commission may promulgate rules as needed to effectuate the  
3 capture of emissions and obtaining of credits under this section.

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

9 SECTION 6. It being immediately necessary for the preservation  
10 of the public peace, health or safety, an emergency is hereby  
11 declared to exist, by reason whereof this act shall take effect and  
12 be in full force from and after its passage and approval.

13 Passed the Senate the 8th day of March, 2023.

14

15

\_\_\_\_\_  
Presiding Officer of the Senate

16

17 Passed the House of Representatives the \_\_\_\_ day of \_\_\_\_\_,  
18 2023.

19

20

\_\_\_\_\_  
Presiding Officer of the House  
of Representatives

21

22

23

24