



DELBERT HOSEMANN  
Secretary of State

**ECONOMIC IMPACT STATEMENT**

An Economic Impact Statement is required for this proposed rule by Section 25-43-3.105 of the Administrative Procedures Act. An Economic Impact Statement must be attached to this Form and address the factors below. A PDF document containing this executed Form and the Economic Impact Statement must be filed with any proposed rule, if required by the aforementioned statute.

AGENCY NAME Mississippi State Oil & Gas Board	CONTACT PERSON Howard O. Leach (Staff Attorney)	TELEPHONE NUMBER (601) 576-4921
ADDRESS 500 Greymont Avenue – Suite E	CITY Jackson	STATE MS
EMAIL hleach@ogb.state.ms.us	DESCRIPTIVE TITLE OF PROPOSED RULE Statewide Rule 1.13 (“Blowout Preventers”)	
Specific Legal Authority Authorizing the promulgation of Rule: MCA Sec. 53-1-17(3) (1972)	Reference to Rules repealed, amended or suspended by the Proposed Rule: Statewide Rule 1.13 (“Blowout Preventers”)	

SIGNATURE 	TITLE Staff Attorney (MSO&GB)
DATE October 11, 2013	PROPOSED EFFECTIVE DATE OF RULE 45 days after approval

1. Describe the need for the proposed action:
2. Describe the benefits which will likely accrue as the result of the proposed action:
3. Describe the effect the proposed action will have on the public health, safety, and welfare:
4. Estimate the cost to the agency and to any other state or local government entities, of implementing and enforcing the proposed action, including the estimated amount of paperwork, and any anticipated effect on state or local revenues:
5. Estimate the cost or economic benefit to all persons directly affected by the proposed action:
6. Provide an analysis of the impact of the proposed rule on small business:
  - a. Identify and estimate the number of small businesses subject to the proposed regulation:
  - b. Provide the projected reporting, recordkeeping, and other administrative costs required for compliance with the proposed regulation, including the type of professional skills necessary for preparation of the report or record:
  - c. State the probable effect on impacted small businesses:
  - d. Describe any less intrusive or less costly alternative methods of achieving the purpose of the proposed regulation including the following regulatory flexibility analysis:
    - i. The establishment of less stringent compliance or reporting requirements for small businesses;

- ii. The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses;
  - iii. The consolidation or simplification of compliance or reporting requirements for small businesses;
  - iv. The establishment of performance standards for small businesses to replace design or operational standards required in the proposed regulation; and
  - v. The exemption of some or all small businesses from all or any part of the requirements contained in the proposed regulations:
7. Compare the costs and benefits of the proposed rule to the probable costs and benefits of not adopting the proposed rule or significantly amending an existing rule:
8. Determine whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rule where reasonable alternative methods exist which are not precluded by law:
9. Describe reasonable alternative methods, where applicable, for achieving the purpose of the proposed action which were considered by the agency:
10. State reasons for rejecting alternative methods that were described in #9 above:
11. Provide a detailed statement of the data and methodology used in making estimates required by this subsection:

# State Oil and Gas Board



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## ECONOMIC IMPACT STATEMENT

This Economic Impact Statement is submitted by the Mississippi State Oil and Gas Board pursuant to the requirements of the Mississippi Small Business Regulatory Flexibility Act, to-wit, Miss: Code Anno. Section 25-43-3.105 (1972) (as amended).

This Economic Impact Statement is intended to assess the economic impact, if any, of the Mississippi State Oil and Gas Board's proposal to amend and revise its existing **STATEWIDE RULE 13 ("BLOWOUT PREVENTERS")**. Specifically, the Mississippi State Oil and Gas Board proposes to amend and revise this agency's existing Statewide Rule 13 to add requirements for the installation and testing of blowout preventers (BOPs) and auxiliary well control equipment on oil and gas wells. The proposed amendments and revisions to Statewide Rule 13 will require the installation of blowout preventers (BOPs) on oil and gas wells during drilling operations, during completion operations and during recompletions and production work. In addition, new testing requirements will be imposed on BOPs during both drilling and completion operations and on recompletion and production operations. Additionally, certified well

control personnel will be required to be on-site at all oil and gas drilling, completion and recompletion locations.

(a) The specific legal authority authorizing the promulgation of the rule

Miss. Code Anno. Section 53-1-17(3) (1972), grants to the Mississippi State Oil & Gas Board the authority to promulgate rules and regulations necessary and proper to the administration and enforcement of the Mississippi Oil and Gas Conservation Laws, to-wit, Sections 53-1-1 through 53-1-47, inclusive, and Sections 53-3-1 through 53-3-21, inclusive.

In this instance, the Mississippi State Oil & Gas Board proposes to amend and revise this agency's existing Statewide Rule 13 ("Blowout Preventers") to significantly strengthen the requirements of the regulation relating to both the installation and testing of oil and gas well blowout preventers (BOPs) and auxiliary well control equipment.

The specific authority of this agency to promulgate or to amend and revise such a regulation is specifically set forth in Miss. Code Anno. Section 53-1-17(3)(f) which requires this agency to adopt rules and regulations to prevent "blowouts," "caving" and "seepage" in connection with oil and gas drilling and producing operations.

(b) A description of:

(i) the need for the proposed action

The current version of existing Statewide Rule 13 requires oil and gas operators to take all proper and necessary precautions to avoid blowouts when engaged in oil and gas drilling in high pressure areas. The current version of Statewide Rule 13 does not, however, set forth in specific detail requirements relating to the installation and testing of blowout preventers (BOPs) and auxiliary well control equipment. The proposed amendments and revisions to Statewide Rule 13 are intended to address those deficiencies.

(ii) the benefits which will likely accrue as a result of the proposed action

The approval of the proposed amendments and revisions to Statewide Rule 13 will significantly enhance the safety of oil and gas drilling, completion and recompletion operations in the State of Mississippi by requiring the installation and testing of blowout preventers (BOPs) and auxiliary well control equipment and the presence on-site during drilling, completion and recompletion operations of personnel certified in well control matters. Such improved regulatory requirements will significantly reduce the likelihood of well blowouts and will thus promote public safety and the better protection of the environment.

(iii) the effect the proposed action will have on the public health, safety and welfare

The public health, safety and welfare will be significantly enhanced by the adoption and approval of the proposed amendments and revisions to Statewide Rule 13 by reducing the likelihood of blowouts and explosions during oil and gas drilling, completion and recompletion operations. This is particularly true given the fact that an ever-increasing number of oil and gas wells are being drilled in highly populated areas. The protection of the environment will similarly be advanced.

(c) Estimate of the cost to the agency, and to any other state or local entities, of implementing and enforcing the proposed action, including the estimated amount of paperwork, and any anticipated effect on state or local revenues

It is anticipated that there will be no significant additional costs to the Mississippi State Oil & Gas Board in implementing and enforcing the proposed amendments and revisions to Statewide Rule 13 (either in actual out-of-pocket costs or in terms of additional paperwork). Most oil and gas operators currently comply with blowout prevention standards equivalent to those proposed in these amendments.

With respect to any costs or other impact of the newly amended rule on other state or local government entities, there will be no such costs or impact since no other state agency or local entity has the statutory authority to regulate oil and gas drilling and producing operations.

- (d) An estimate of the cost or economic benefit to all persons directly affected by the proposed action

The ultimate benefit of the proposed amendments and revisions to Statewide Rule 13 is essentially non-economic in nature. The benefit to the citizens of the State of Mississippi will arise out of the fact that the approval of the proposed amendments will enhance the safety of oil and gas drilling, completion and recompletion operations in the state by reducing the likelihood of blowouts or well explosions. The economic benefit of avoiding well blowouts is obvious.

The anticipated costs to oil and gas operators is believed to be minimal given the fact that virtually all operators currently install and test blowout preventers (BOPs) in accordance with the standards and requirements set forth in the proposed amendments and revisions to Statewide Rule 13.

- (e) An analysis of the impact of the proposed rule on small business.

It is anticipated that the proposed amendments and revisions to Statewide Rule 13 will have little impact on small business in view of the fact that virtually all oil and gas operators already comply with the well control standards set forth in the proposed amendments and revisions.

Any minimal costs to small business by the approval of the proposed amendments and revisions will be more than offset by enhanced safety to oilfield personnel and to the public and by the added protection afforded to the environment of the state.

- (f) A comparison of the costs and benefits of the proposed rule to the probable costs and benefits of not adopting the proposed rule or significantly amending an existing rule

A comparison of the costs and benefits of adopting the proposed amendments and revisions to Statewide Rule 13 to not adopting the proposed amendments is impossible. The benefits of adopting the proposed amendments are essentially non-economic in nature. The benefits will be the increased safety of Mississippi's oil field workers and the general public as well as the enhanced protection which will be afforded to Mississippi's environmental resources (lands, timber, water, vegetation, wildlife, etc.).

These benefits are obviously not readily subject to an economic or cost-benefit analysis.

- (g) A determination of whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rule where reasonable alternative methods exist which are not precluded by law

This agency has determined, based upon approximately seventy (70) years of experience as Mississippi's oil and gas conservation agency, that no less costly or less intrusive methods are available for achieving the purpose of the instant amendments or revisions to Statewide Rule 13. The objective of the proposed amendments and revisions to the rule is to prevent blowouts and explosions in connection with oil and gas drilling, completion and recompletion operations. That objective can only be realized through the proposed blowout prevention and well control standards set forth in the proposed amendments to Statewide Rule 13.

- (h) A description of reasonable alternative methods, where applicable, for achieving the purpose of the proposed action which were considered by the agency and a statement of the reasons for rejecting those alternatives in favor of the proposed rule

The Mississippi State Oil & Gas Board has determined that no reasonable alternative methods exist for insuring against well blowouts or explosions other than those contained in the proposed amendments and revisions to Statewide Rule 13. This agency has reviewed blowout prevention and well control rules in effect in surrounding states and the proposed amendments and revisions to Statewide Rule 13 are substantially similar to the

regulatory requirements in effect in those other states. Well blowouts and explosions can only be effectively controlled by the installation of properly designed and installed blowout preventers (BOPs) and related well control equipment. There is no reasonable alternative.

(i) A detailed statement of the data and methodology used in making the estimates required by this subsection

The Mississippi State Oil and Gas Board has relied upon its experience over a period of approximately seventy (70) years as the state's oil and gas conservation agency in determining that the proposed amendments and revisions to Statewide Rule 13 provide the best method of preventing well blowouts and explosions. This agency has additionally reviewed the blowout prevention and well control rules in effect in surrounding states in evaluating the appropriateness of the proposed amendments and revisions.

As stated previously, the estimates required by this subsection are essentially non-economic in nature. The purpose of these proposed amendments and revisions to Statewide Rule 13 are, to the extent possible, to prevent well blowouts and explosions and to protect the safety of the public and oilfield workers, as well as the environmental resources of the state. It is believed that the proposed amendments and revisions to Statewide Rule 13 best accomplish that purpose.

- End -