



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 1.4 (“Application to Drill”) and Statewide Rule 1.28 (“Plugging and Abandonment”)	
Specific Legal Authority Authorizing the promulgation of Rule: MCA Sec. 53-1-17(3) (1972)	Reference to Rules repealed, amended or suspended by the Proposed Rule: Statewide Rule 1.4 and Statewide Rule 1.28	

SIGNATURE 	TITLE Staff Attorney (MSO&GB)
DATE February 3, 2014	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



Board Members

CARROLL V. HOOD, Hazlehurst
Chairman
JOHN R. PARKER, Laurel
Vice-Chairman
DAVID A. SCOTT, Jackson
JAMES H. HEIDELBERG, Pascagoula
JERRY WILBURN, Mantachie

State Of Mississippi

500 Greymont Avenue, Suite E
Jackson, MS 39202
Telephone (601) 576-4900

LISA IVSHIN
Executive Director

HOWARD O. LEACH
Board Attorney

ECONOMIC IMPACT STATEMENT

(Revised)

This revised 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 revised 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 4 ("APPLICATION TO DRILL")** and **STATEWIDE RULE 28 ("PLUGGING AND ABANDONMENT")**. Specifically, the Mississippi State Oil and Gas Board proposes to amend and revise this agency's existing Statewide Rule 4 and Statewide Rule 28 to impose upon oil and gas operators additional annual fees for inactive wells which have been permitted and drilled but not plugged and reported as plugged as required by Statewide Rule 28(B)(3)(d). The inactive and unplugged wells which would be subject to these additional annual inactive well fees include regular oil and gas wells; wells within designated secondary and tertiary recovery projects (i. e., fieldwide unit wells); conventional Class II fluids injection and

disposal wells; and Class II enhanced oil recovery wells.

The proposed amendments and revisions to Statewide Rule 4 and Statewide Rule 28 would impose an additional annual inactive well fee of \$100.00 per well per year commencing at the time the operator files a petition with the Mississippi State Oil and Gas Board to approve or extend a well's inactive well status pursuant to the requirements of Statewide Rule 28.

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

Miss. Code Anno. Section 53-1-73(3) (1972), grants to the Mississippi State Oil and 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 addition, Section 53-1-73(3)(a) imposes upon the Mississippi State Oil and Gas Board the duty to promulgate and enforce rules, regulations and orders which require the timely drilling, casing and plugging of oil and gas wells for the purposes of preventing the escape of oil or gas out of one stratum to another; to prevent the intrusion of water into an oil or gas stratum from a separate stratum; to prevent the pollution of freshwater supplies by oil, gas or saltwater; and to prevent the waste of the natural resources of the state.

(b) A description of:

(i) the need for the proposed action

There are currently numerous oil and gas wells and Class II fluids injection and disposal wells located throughout the State of Mississippi which are inactive and which have been maintained in an inactive and unplugged status for substantial periods of time. These wells have ceased to be active producers of oil or gas or active Class II injectors yet remain unplugged. These wells and the downhole tubulars

and related equipment in the wells tend to deteriorate over time and potentially pose a threat to the public health and safety and to the environment in their current inactive and unplugged status. The Mississippi State Oil and Gas Board is charged with the duty to insure the timely plugging and abandonment of these inactive wells if they are not returned to an active status.

The imposition of these additional annual inactive well fees will serve two (2) primary purposes.

First, the imposition of these fees will provide additional incentives to oil and gas operators to proceed with the plugging of these wells in a more timely and expeditious manner.

Secondly, these fees will be payable into the Mississippi State Oil and Gas Board's "Emergency Plugging Fund." By Legislative directive, the Mississippi State Oil and Gas Board may only utilize the funds comprising the Emergency Plugging Fund for the purpose of plugging inactive wells which have been determined to be "orphan" or abandoned wells and which have further been determined to represent an imminent threat to the public health and safety or to the environment. The imposition of these additional annual inactive well fees will add critically needed resources to this agency's Emergency Plugging Fund and will thus facilitate the more timely and expeditious plugging of those "orphan" wells which have been deemed to represent an imminent threat to the public health and safety or to the environment.

(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 4 and Statewide Rule 28 will provide additional incentives to oil and gas operators to proceed with the plugging of these inactive wellbores and the restoration and clean-up of these wellsite locations in a more timely and expeditious manner. The more timely and expeditious plugging of these inactive wellbores will significantly reduce the risk to the public health and safety and will further help to protect and preserve the vital

land and water resources of the state.

In addition, the approval of the proposed amendments and revisions will further provide critical funds to this agency's Emergency Plugging Fund for use in the plugging of those inactive wells which have been determined to be "orphan" wells and which have further been determined to pose an imminent threat to the public health and safety or to the environment.

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

The approval of the proposed amendments to Statewide Rule 4 and Statewide Rule 28 to authorize the imposition of these additional annual inactive well fees will serve two (2) basic purposes. First, these fees will provide incentives to oil and gas operators to plug these inactive wells in a more timely manner. Secondly, these fees will provide critical resources to this agency's Emergency Plugging Fund. By statute, those funds will be used exclusively to fund the plugging of "orphan" or abandoned wells which have been determined to represent an imminent threat to the public health, safety or the environment.

This agency's Statewide Rule 28 ("Plugging & Abandonment") also requires the restoration and clean-up of wellsite locations in connection with the plugging of abandoned wells. The more timely plugging of these inactive wells will expedite the restoration of these wellsite locations and the removal of surface equipment, slabs and debris which will also contribute to the public health and safety.

- (c) An 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 additional costs to the Mississippi State Oil and Gas Board in implementing and enforcing the proposed amendments and revisions to Statewide Rule 4 and Statewide Rule 28 (either out-of-pocket costs or in terms of additional paperwork) since these amendments and revisions only impose additional annual inactive

well fees for inactive and unplugged wellbores. With respect to any costs or other impact of the proposed rule-making on any other state or local 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 wells.

The approval of the proposed amendments will have no impact on state or local revenues other than to provide some additional funding to the Mississippi State Oil and Gas Board's Emergency Plugging Fund (a special purpose fund utilized to defray the costs of plugging so-called "orphan" or abandoned wells).

(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 will be both economic and non-economic in nature.

The primary economic benefits will be to landowners who may have the value of their surface lands potentially enhanced by the plugging and removal of inactive and unplugged wellbores from their property.

The non-economic benefits will be to both landowners and to the general public since by the plugging of these inactive wellbores the risks posed to the public health and safety and to the environment by these unplugged wellbores will be significantly reduced.

The costs to oil and gas operators by the imposition of these additional annual inactive well fees will be minimal since the fees will be due and owing only on those wells which are inactive and have not been timely plugged in accordance with the requirements of Statewide Rule 28(B)(3)(d).

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

The proposed amendments and revisions to Statewide Rule 4 and Statewide Rule 28 will have only minimal impact on small operators because of the de minimis nature of the additional annual inactive well fees involved. Small oil and gas operators are already under a legal and regulatory obligation to timely plug inactive wellbores which they operate and which have no future utility (either as producing wells or service wells). The imposition of these additional annual inactive well fees can be easily avoided by the operators of such

wells simply proceeding with the timely plugging of such wells.

Whatever the economic impact is on small business, it is far outweighed by the benefits, both to the public health and safety and to the environment, of having these inactive wellbores timely and expeditiously plugged.

- (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

The Mississippi State Oil and Gas Board has determined that the costs of the proposed rule-making is relatively low (i. e., the payment of an additional annual inactive well fee) compared to the significant benefits which will accrue to the public health and safety and to the environment by encouraging the timely and expeditious plugging of these inactive wellbores and the restoration and clean-up of these oil and gas well location sites.

- (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 and revisions to Statewide Rule 4 and Statewide Rule 28. The purpose of the proposed amendments and revisions to Statewide Rule 4 and Statewide Rule 28 is to impose additional annual inactive well fees upon the operators of inactive and unplugged wellbores. In so doing, the agency hopes to provide an incentive for the more timely and expeditious plugging of these wellbores and to provide much needed funds to this agency's Emergency Plugging Fund for well-plugging purposes. Those objectives can best be realized by the approval of the proposed amendments and revisions to Statewide Rule 4 and Statewide Rule 28.

- (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 and Gas Board has determined that the proposed amendments and revisions to Statewide Rule 4 and Statewide Rule 28 to impose additional annual inactive well fees upon the operators of inactive and unplugged wellbores provide the best and most practicable method for encouraging the more timely and expeditious plugging of these wellbores and the restoration and clean-up of wellsite locations. The agency has determined that there are no reasonable and effective alternatives to this approach.

- (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 bases the estimates required by this subsection upon the many decades of experience this agency has in regulating the oil and gas industry in the State of Mississippi. The Mississippi State Oil and Gas Board has served as this state's oil and gas conservation agency since 1932. The approximately eighty (80) years of experience as a state oil and gas conservation agency convinces the Mississippi State Oil and Gas Board that the public interests will be served by the more timely plugging of these inactive wellbores and the clean-up and restoration of these wellsite locations. The agency's long experience as an oil and gas regulatory agency indicates that the imposition of these relatively modest additional annual inactive well fees is the most practical and cost-effective way to encourage the more timely and expeditious plugging of these wells.

- End -