

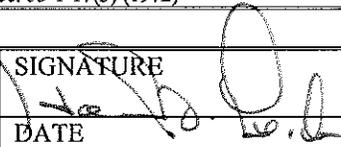


DELBERT HOSEMAN
Secretary of State

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	ZIP 39202
EMAIL hleach@ogb.state.ms.us	DESCRIPTIVE TITLE OF PROPOSED RULE Statewide Rule 1.61 ("Firewalls")		
Specific Legal Authority Authorizing the promulgation of Rule: MCA Sec. 53-1-17(3) (1972)	Reference to Rules repealed, amended or suspended by the Proposed Rule: Statewide Rule 1.61 ("Firewalls")		

SIGNATURE  (Howard O. Leach)	TITLE Staff Attorney (MSO&GB)
DATE December 19, 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

DAVID A. SCOTT, Jackson
Chairman

JAMES H. HEIDELBERG, Pascagoula
Vice-Chairman

CARROLL V. HOOD, Hazlehurst

JOHN R. PARKER, Laurel

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LISA IVSHIN
Executive Director

HOWARD O. LEACH
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ECONOMIC IMPACT STATEMENT

This Economic Impact Statement is submitted by the Mississippi State Oil and Gas Board (the "Board") pursuant to the requirements of the Mississippi Administrative Procedures Law [Miss. Code Anno. Section 25-43-3.105 (1972)].

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 61 ("Firewalls"). Specifically, the Mississippi State Oil and Gas Board proposes to prescribe new regulatory requirements governing the construction and operation of permanent dikes (or firewalls) and retaining walls surrounding oil tanks and oil tank batteries and/or saltwater tanks and saltwater tank batteries.

These proposed statewide rule-making proceedings were initiated by Mississippi State Oil and Gas Board on November 26, 2014 (Docket No. 3-2015-D).

- (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 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.

Specifically, 53-1-17(3)(a) authorizes this agency to promulgate rules and regulations **“(T)o prevent the pollution of freshwater supplies by oil, gas or saltwater.”**

Section 53-1-17(3)(g) authorizes this agency to promulgate rules and regulations **“(T)o prevent the creation of unnecessary fire hazards.”**

In addition, the Mississippi Legislature has declared, as a matter of public policy, that an effort shall be made to conserve and protect the surface lands of the state for agriculture and other uses. Specifically, Section 53-1-17(3)(a) states: **“(I)t is the policy of the state not only to conserve minerals but to conserve and protect its surface lands for agriculture, timber, and any and all other beneficial purposes, and the destruction of surface lands where reasonable means of their protection exist shall no longer be permitted.”**

The Mississippi State Oil and Gas Board, acting in accordance with the specific authority of Miss. Code Anno. Section 53-1-17(3), proposes in the instant rule-making proceeding to amend this agency's existing Statewide Rule 61 ("Firewalls") to establish additional regulatory standards governing the construction and operation of dikes (or firewalls) or retaining walls surrounding permanent oil tanks and oil tank batteries and/or saltwater tanks and saltwater tank batteries.

(b) A description of

(i) the need for the proposed action

The current version of this agency's Statewide Rule 61, which has been in force for many years, requires that each permanent oil tank or battery of oil tanks located in the State of Mississippi (other than those located in water, swamp or marsh areas) be surrounded by a dike (or firewall) or retaining wall of sufficient height and size so that the volume enclosed shall be equal to one hundred fifty percent (150%) of the capacity of the largest tank in the tank battery. The purpose of Statewide Rule 61 is to prevent crude oil and other confined substances from escaping from tanks and/or tank batteries during overflows, ruptures and equipment malfunctions thereby resulting in the pollution of the surrounding lands and waters of the State of Mississippi.

It is apparent that the construction and operating standards of Statewide Rule 61 need to be further strengthened in four (4) major areas.

First, the scope and application of Statewide Rule 61 should be expanded to include not only permanent oil tanks and tank batteries but saltwater

tanks and saltwater tank batteries as well.

Secondly, the rule should be amended to require that each permanent oil tank or oil tank battery and/or saltwater tank or saltwater tank battery be surrounded **either** by a dike (or firewall) or retaining wall of sufficient height and size so that the volume enclosed shall be equal to either 150% of the capacity of the largest tank in the battery **OR, alternatively, the total volume of fluids produced into the said battery during any twenty-four (24) hour period, whichever is greater in amount.**

Thirdly, the rule should be amended to require that dikes (or firewalls) or retaining walls around tanks and tank batteries be constructed of **impermeable material** to be approved in advance by either the Field Inspector or Field Director.

Fourthly, the rule should be amended to provide that if more than 150% of the volume of the largest vessel in the tank battery is produced into the tank battery during a 24-hour period, the Operator may, in lieu of extending the size of the firewall to accommodate the excess of the 150% of the volume of the largest vessel in the tank battery, **install a high-level shutdown device or system inside the firewall** which would, in the event of a spill, shut down all production coming to the tank battery at a level which would not allow the fluid level to reach within six (6) inches of the top of the firewall.

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

The approval of the proposed amendments and revisions to Statewide Rule 61 (“Firewalls”) will significantly reduce the likelihood of unauthorized spills or discharges of crude oil or saltwater from oil or saltwater tanks and tank batteries onto adjacent lands and waterways in the State of Mississippi due to overflows, ruptures and equipment malfunctions.

- (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 and protected by imposing more stringent construction and operating standards on dikes (or firewalls) or retaining walls erected around oil and saltwater tanks and tank batteries, thereby further reducing the likelihood that crude oil and other confined substances will escape from such tanks and tank batteries during overflows, ruptures and equipment malfunctions.

- (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 significant cost to the Mississippi State Oil and Gas Board in implementing and enforcing the proposed amended and revised Statewide Rule 61 (“Firewalls”) (in terms of either actual costs or additional paperwork). There will be no cost to any other governmental entities (state or local) since the regulatory authority over dikes (or firewalls) or retaining walls surrounding oil and saltwater tanks and/or tank batteries is vested solely and exclusively in

the Mississippi State Oil and Gas Board. It is anticipated that the approval of the proposed amendments and revisions to Statewide Rule 61 will have no effect on state or local revenues.

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

The citizens of Mississippi in general and landowners in particular will ultimately benefit economically by further reducing the likelihood that crude oil and/or saltwater will overflow or be discharged onto surrounding lands and waterways by leaks, spills or overflows from tanks or tank batteries.

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

It is anticipated that the approval of the proposed revisions to Statewide Rule 61 (“Firewalls”) will have no significant impact on small businesses. It is estimated that the costs of complying with these additional construction and operating standards for dikes (or firewalls) and retaining walls surrounding tanks and tank batteries (including the installation of automatic shutdown devices) will probably be less than \$1,000.00 for each facility. This relatively low expenditure will be more than offset by the additional protection which will be afforded to surrounding landowners by further reducing the likelihood that unauthorized spills and discharges of crude oil and saltwater from these tanks and tank batteries will occur onto their adjacent lands and by the avoidance of the significant clean-up and remediation costs associated with such pollution incidents.

- (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 61 to not adopting these amendments is difficult to quantify economically. The purpose of the proposed amendments to existing Statewide Rule 61 is to further strengthen the mechanical integrity and functionality of dikes (or firewalls) and retaining walls surrounding crude oil and saltwater tanks and tank batteries, thereby reducing the likelihood of spillage and discharges from such facilities onto adjacent lands. Applying a cost-benefit analysis to rules which establish greater security against oilfield pollution incidents is impossible. In any event, the costs of implementing and complying with these new regulatory requirements on the part of oil and gas operators is expected to be minimal.

- (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 experience throughout the oil and gas industry, that there are no other readily available alternatives (to the proposed amended rule) which would be less intrusive and which would provide an equivalent level of integrity and security for dikes (or firewalls) and retaining walls surrounding crude oil and saltwater tanks and tank batteries. In support of this conclusion, the agency would point out that in the crafting of this rule-making docket, this agency has carefully reviewed the firewall requirements in effect in surrounding states, namely, the Louisiana Office of Conservation and the Arkansas Oil and Gas Commission. This agency's current

proposals in this rule-making docket are fully compatible with the regulatory regimes currently established by those sister state oil and gas conservation agencies.

- (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, based upon this agency's own experience, as well as the experience of other state oil and gas conservation agencies around the region, that the proposed amendments and revisions to Statewide Rule 61 ("Firewalls") afford the best and most efficient method of achieving the maximum level of security and functionality for firewalls surrounding crude oil and saltwater tanks and tank batteries.

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

The Mississippi State Oil and Gas Board has served as this state's oil and gas conservation agency for approximately eighty (80) years during which time it has been responsible for overseeing and regulating the permitting, drilling, completion, recompletion, operation and plugging of thousands of oil and gas wells. In addition, this agency has long overseen the construction of dikes (or firewalls) and retaining walls erected around crude oil and saltwater tanks and tank batteries in the State of Mississippi. Finally, this agency has carefully surveyed and reviewed the construction and operating requirements for dikes (or firewalls) and retaining walls in effect in other oil and gas producing states. This extensive experience and careful

review of what other states are doing in this area convinces the Mississippi State Oil and Gas Board that the proposed amendments to this agency's Statewide Rule 61 are necessary, appropriate and cost-effective and will serve the public interests.

- End -