

**ARKANSAS POLLUTION CONTROL & ECOLOGY COMMISSION
ECONOMIC IMPACT/ENVIRONMENTAL BENEFIT ANALYSIS**

Rule Number & Title: Rule 1, “Prevention of Pollution by Oil Field Waste”

Petitioner: Division of Environmental Quality

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2A. ECONOMIC IMPACT

1. Who will be affected economically by this proposed rule?

State: a) the specific public and/or private entities affected by this rulemaking, indicating for each category if it is a positive or negative economic effect; and b) provide the estimated number of entities affected by this proposed rule.

This rule will impact owners and operators of Class II disposal wells, and Class II commercial disposal wells. These owners and operators will incur both a positive and negative economic impact from the rule.

The Department of Energy and Environment will conserve resources from the rule change because currently high volume Class II Disposal wells and Class II Commercial Disposal wells are regulated and permitted by both the Division of Environmental Quality (DEQ) and the Oil and Gas Commission. Under the rule change, DEQ will no longer regulate these wells and the cost of this program will be eliminated.

Oil and Gas Commission Rules H-1 and B-2 will require approximately 30-35 commercial disposal well operators to obtain a bond to ensure proper clean-up of the surface facilities in the event that the company becomes insolvent and the sites are abandoned. The rule will require bond amounts ranging from \$50 - \$400K depending on the size and characteristics of the surface facility. DEQ is unable to quantify the exact cost that the disposal well operators will incur to purchase these financial assurances, but letters of credit, surety bonds and CD's maybe used to satisfy the bond amount.

2. What are the economic effects of the proposed rule?

State: a) the estimated increased or decreased cost for an average facility to implement the proposed rule; and b) the estimated total cost to implement the rule.

This rule will impact owners and operators of high volume Class II disposal wells, and Class II commercial disposal wells. These owners and operators will only be required to obtain a permit for the well and surface facilities from the Oil and Gas Commission. The Oil and Gas Commission will also completely regulate these facilities. Streamlining the regulatory process should save the owners and operators of these facilities time and fees.

Also, the Oil and Gas Commission will require a bond to guarantee the clean-up of the surface facilities after the well has been plugged. The cost of this bond will vary by the size of the facility, and therefore the precise financial impact of purchasing this bond cannot be calculated.

3. List any fee changes imposed by this proposal and justification for each.

There are no fee changes associated with this proposed rulemaking.

4. What is the probable cost to DEQ in manpower and associated resources to implement and enforce this proposed change, and what is the source of revenue supporting this proposed rule?

DEQ will save manpower and resources because it will no longer regulate high volume Class II disposal wells or Class II commercial disposal wells or the surface facilities associated with these wells.

5. Is there a known beneficial or adverse impact to any other relevant state agency to implement or enforce this proposed rule? Is there any other relevant state agency's rule that could adequately address this issue, or is this proposed rulemaking in conflict with or have any nexus to any other relevant state agency's rule? Identify state agency and/or rule.

There is no known economic impact or adverse impact to any other state agency.

6. Are there any less costly, non-regulatory, or less intrusive methods that would achieve the same purpose of this proposed rule?

There are no less costly, non-regulatory, or less intrusive methods that would achieve the same purpose of the rule.

2B. ENVIRONMENTAL BENEFIT

1. What issues affecting the environment are addressed by this proposal?

Under the amendment, Class II disposal wells and commercial disposal wells will be permitted and regulated by the Oil and Gas Commission. The Commission will require that owners and operators purchase a bond to guarantee clean-up of the surface facilities after the well has been plugged. This bond requirement will ensure that adequate clean-up and restorative measures are taken after the well has been plugged.

2. How does this proposed rule protect, enhance, or restore the natural environment for the well-being of all Arkansans?

The rule amendment protects the environment because it directly impacts corrective action taken to clean up facilities after the wells have been plugged.

3. What detrimental effect will there be to the environment or to the public health and safety if this proposed rule is not implemented?

Currently, there is no public remedy to pay for the clean-up of the surface facility if the owner or operator abandons the property after the well has been plugged. If this rule is not implemented, many of these facilities will not be restored if the owner does not perform this responsibility.

4. What risks are addressed by the proposal and to what extent are the risks anticipated to be reduced?

There are no known risks associated with the rule proposal.