

Rule Summary and Fiscal Analysis

Part A - General Questions

Rule Number: 1501:9-1-04

Rule Type: No Change

Rule Title/Tagline: Spacing of oil and gas wells.

Agency Name: Department of Natural Resources

Division: Division of Mineral Resources Management-Oil and Gas

Address: 2045 Morse Road, D-3 Columbus OH 43229

Contact: Brian Becker **Phone:** (614) 265-6861

Email: brian.becker@dnr.state.oh.us

I. Rule Summary

1. **Is this a five year rule review?** Yes
 - A. **What is the rule's five year review date?** 6/26/2024 and 06/26/2029
2. **Is this rule the result of recent legislation?** No
3. **What statute is this rule being promulgated under?** 119.03
4. **What statute(s) grant rule writing authority?** 1509.03, 1509.23, 1509.24
5. **What statute(s) does the rule implement or amplify?** 1509.02, 1509.03, 1509.23, 1509.24
6. **What are the reasons for proposing the rule?**

The rule is scheduled for its 5-year review in accordance with ORC 106.03. The rule is being filed as "no change" pursuant to ORC 106.031. The rule implements requirements established in ORC 1509.23 and 1509.24. The rule sets minimum acreages for drilling unit boundaries, which act to conserve oil and gas reserves and protect correlative rights. The rule also seeks to ensure that drilling units are compact and composed of contiguous land in accordance with statutory requirements.

7. **Summarize the rule's content, and if this is an amended rule, also summarize the rule's changes.**

The rule implements requirements established in ORC 1509.23 and 1509.24. The rule sets minimum acreages for drilling unit boundaries, which act to conserve oil and gas reserves and protect correlative rights. The rule also seeks to ensure that drilling units are compact and composed of contiguous land in accordance with statutory requirements.

The Agency is not proposing any changes to the current rule and the rule is being filed as "no change."

8. **Does the rule incorporate material by reference? No**
9. **If the rule incorporates material by reference and the agency claims the material is exempt pursuant to R.C. 121.75, please explain the basis for the exemption and how an individual can find the referenced material.**

Not Applicable

10. **If revising or re-filing the rule, please indicate the changes made in the revised or re-filed version of the rule.**

Not Applicable

II. Fiscal Analysis

11. **Please estimate the increase / decrease in the agency's revenues or expenditures in the current biennium due to this rule.**

This will have no impact on revenues or expenditures.

\$0.00

The rule is being filed as "no change," therefore there is no impact on the agency's revenues or expenditures in the current biennium as a result of the rule filing.

12. **What are the estimated costs of compliance for all persons and/or organizations directly affected by the rule?**

The persons and organizations impacted by the rule are well owner/operators engaged in drilling a new well, reopening an existing well, and/or deepening or plugging back and existing well owners/operators and mineral rights holders of adjacent sites, nearby sites, and common resource pools. The costs for compliance with the rule are increased costs and time to comply with the rule's setback and spacing requirements,

such as obtaining the proper surface and underground rights to cover a specific amount of acreage. However, the rule also benefits people and organizations through protection of correlative rights, providing predictability in spacing, and protecting resources for further development, including by requiring that sites be compact and contiguous.

13. **Does the rule increase local government costs? (If yes, you must complete an RSFA Part B).** No
14. **Does the rule regulate environmental protection? (If yes, you must complete an RSFA Part C).** Yes
15. **If the rule imposes a regulation fee, explain how the fee directly relates to your agency's cost in regulating the individual or business.**

The rule provides that the Division will not issue a permit for drilling a new well, reopening an existing well, or deepening or plugging back an existing well to a different pool for production of oil or gas unless the proposed well location and spacing conforms to the rule's requirements. Additionally, other Division laws and rules require permits and associated permit fees for drilling operating, plugging, plugging back, etc. oil and gas wells in the state. However, this rule does not directly impose any permitting requirements or fees.

III. Common Sense Initiative (CSI) Questions

16. **Was this rule filed with the Common Sense Initiative Office?** Yes
17. **Does this rule have an adverse impact on business?** Yes
 - A. **Does this rule require a license, permit, or any other prior authorization to engage in or operate a line of business?** Yes

The rule provides that the Division will not issue a permit for drilling a new well, reopening an existing well, or deepening or plugging back an existing well to a different pool for production of oil or gas unless the proposed well location and spacing conforms to the rule's requirements. In addition, other Division laws and rules require permits and associated permit fees for drilling operating, plugging, plugging back, etc. oil and gas wells in the state.

- B. **Does this rule impose a criminal penalty, a civil penalty, or another sanction, or create a cause of action, for failure to comply with its terms?** No

As noted above, the Division will not issue a permit to a well unless it conforms to the rule's acreage and spacing requirements, but the rule does not directly impose criminal penalties, civil penalties, or other sanctions, or create a cause of action, for failure to comply with its terms. However, pursuant to other authority, the Division may enforce violations of the Well Spacing rule. Violations may result in a compliance notice, a Chief's Order, a compliance agreement, injunctive relief, permit revocation, and/or civil or criminal penalties. (See generally ORC 1509.03, 1509.04, and ORC 1509.33 regarding civil penalties that may apply and ORC 1509.99 for criminal penalties that may apply.)

C. Does this rule require specific expenditures or the report of information as a condition of compliance? Yes

The rule does not require specific expenditures, but in accordance with ORC 1509.06, each application for a well permit to be accompanied by a map prepared by an Ohio registered surveyor. The applicant must demonstrate by map that the proposed well location conforms to all acreage and spacing requirements established in the rule.

D. Is it likely that the rule will directly reduce the revenue or increase the expenses of the lines of business of which it will apply or applies? Yes

Cost to comply with the rule requirements could impact well owner/operator net revenues. These costs can be quantified as increased costs and time to comply with the rule's setback and spacing requirements, such as obtaining the proper surface and underground rights to cover a specific amount of acreage. However, the rule also benefits businesses through protection of correlative rights, providing predictability in spacing, and protecting resources for further development, including by requiring that sites be compact and contiguous.

Rule Summary and Fiscal Analysis

Part C - Environmental Rule Questions

Pursuant to Am. Sub. H.B. 106 of the 121st General Assembly, prior to adopting a rule or an amendment to a rule dealing with environmental protection, or containing a component dealing with environmental protection, a state agency shall:

- (1) Consult with organizations that represent political subdivisions, environmental interests, business interests, and other persons affected by the proposed rule or amendment.
- (2) Consider documentation relevant to the need for, the environmental benefits or consequences of, other benefits of, and the technological feasibility of the proposed rule or rule amendment.
- (3) Specifically identify whether the proposed rule or rule amendment is being adopted or amended to enable the state to obtain or maintain approval to administer and enforce a federal environmental law or to participate in a federal environmental program, whether the proposed rule or rule amendment is more stringent than its federal counterpart, and, if the proposed rule or rule amendment is more stringent, the rationale for not incorporating its federal counterpart.
- (4) Include with the proposed rule or rule amendment and rule summary and fiscal analysis required to be filed with the Joint Committee on Agency Rule Review information relevant to the previously listed requirements.

(A) Were organizations that represent political subdivisions, environmental interests, business interests, and other persons affected by the proposed rule or amendment consulted? Yes

Please list each contact.

Contact lists attached.

(B) Was documentation that is relevant to the need for, the environmental benefits or consequences of, other benefits of, and the technological feasibility of the proposed rule or amendment considered? Yes

Please list the information provided and attach a copy of each piece of documentation to this form. (A SUMMARY OR INDEX MAY BE ATTACHED IN LIEU OF THE ACTUAL DOCUMENTATION.)

The primary purpose of the rule is to implement the requirements established in ORC 1509.23 and 1509.24 by setting minimum acreages for drilling unit boundaries (which act to conserve oil and gas reserves and protect correlative rights) and ensuring that drilling units are compact and composed of contiguous land in accordance with statutory requirements. However, Ohio's oil and gas regulatory framework, in part, exists to ensure the protection of the environment and the State's natural resources. In addition to conserving oil and gas resources, protecting correlative rights, and providing for compact

and contiguous drilling units, the Well Spacing rule contributes to the Division's mission to ensure that state law prohibiting the release or discharge of oil, gas, or brine to the land and into water was is not violated, or if violated, that the impacts are minimized.

The Division sought input from its technical staff as well as business and environmental interests in the initial development and subsequent revisions of the rule, and the rule is not being changed in this filing.

- (C) Is the proposed rule or rule amendment being adopted or amended to enable the state to obtain or maintain approval to administer and enforce a federal environmental law or to participate in a federal environmental program? No**

Is the proposed rule or rule amendment more stringent than its federal counterpart?
Not Applicable

- (D) If this is a rule amendment that is being adopted under a state statute that establishes standards with which the amendment is to comply, is the proposed rule amendment more stringent than the rule that it is proposing to amend? No**

Adkins, Kerry

Contact Group Name: Rules Affected Parties Part II

Members:

Adell Heneghan	adell.heneghan@pdce.com
Alicia Carnahan	carnahan@envls.com
Amalie Lipstreu	amalie@oeffa.org
Andrea Bourque	andrea.bourque@halliburton.com
Ankit Jain	ankit.jain@sierraclub.org
Athena Adams	aadams@eclipsereg.com
Barry Browne	blbrowne@earthlink.net
Blake Arthur	barthur@gulfportenergy.com
Blake Roush	blake.roush@pdce.com
Booth, Wendy	Wendy.Booth@dnr.ohio.gov
Bryan Smith	bsmith@anteroresources.com
Christine Shepard-Desai	christine.shepard-desai@pinoakep.com
Colton Parsons	colton.parsons@steptoe-johnson.com
Connie Carden	connie.carden@cabotog.com
Craig Enos	craig.enos@holcim.com
Cyrus Blue	cyrusblu24@yahoo.com
Diana Shaheen	dsshaheen@gmail.com
Don Fishbach	fischbach@cox.net
Donald Wood	dwoodohio@live.com
Douglas Kitchen	doug.kitchen@hockinghillsenergy.com
Dow Cameron	dcamero1@gmail.com
Elizabeth Joyner	elizabeth.joyner@chevron.com
Erin Spine	espine@eqt.com
Felicia Mettler	frm171818@windstream.net
G Kohler	gkohler@anteroresources.com
H Evonen	hevonen59@gmail.com
Hongtao Yi	yi.201@osu.edu
J Zavatchan	JZAVATCHAN@EQT.COM
Jace Marshall	jmarshall@gulfportenergy.com
Jamie Wright	jwright@chevron.com
Jeffrey Glossa	jeffrey.glossa@pdce.com
Jenifer Hakkarinen	jenifer.hakkarinen@pdce.com
Jensen Silvis	jsilvis.fwap@yahoo.com
Joseph Drozinski	jdrozinski@rettew.com
Karen Winters	karen.winters@squirepb.com
Kathi Albertson	albertsons2@frontier.com
Kathy Shatto	k.shatto@yahoo.com
Kathy Trent	ktrent@wm.com
Kevin Kosko	koskokd@aol.com
Kimberly Beall	k.rose.beall@icloud.com
L Kelly	lpatrickkelley@gmail.com
Lester Zitkus	lzitkus@gulfportenergy.com
Lisa Barnard	lbarnard@anteroresources.com
M Huncik	mhuncik@cs.com
Mallory Stanton	mstanton@anteroresources.com
Marc Willerth	marc.willerth@magvar.com
Marcus Miller	mmiller@shumaker.com
Marilyn Yensick	marilyn.yensick@gmail.com
Mark Gaughan	gaughanmark8@aol.com
Mark Layne	mlayne@gwpc.org
Mark Peavy	mark@peavyenergy.com

Mark Ramser	markramser@hotmail.com
Matthew Pitts	mpitts@rettew.com
Melissa Breitenbach	melissa_breitenbach@xtoenergy.com
Nathan Anderson	nathan.anderson@pdce.com
Nathan Fela	nfela@rettew.com
Patrick Hunkler	patrickhunkler@yahoo.com
Patrick Jorgensen	patrick.jorgensen@steptoe-johnson.com
Rebecca Clutter	rclutter362@aol.com
Richard Ellman	rellman@spiritservices.com
Richard Hannan	rhannan@larsondesigngroup.com
River Pilot	riverpilot66@hotmail.com
Robert Barr	rbarr1951@yahoo.com
Ron Hale	mrrxtech_yah@yahoo.com
Russ Huffmyer	rhuffmyer@mckimcreed.com
Ryan Channell	ryan.channell@ncdenr.gov
Shelly Corbin	shelly.corbin@sierraclub.org
Steve Tugend	stugend@keglerbrown.com
Steven Buffone	stevenbuffone@consolenergy.com
Taylor Airey	tairey@oglawyers.com
Thaddeus Driscoll	tdriscoll@fbtlaw.com
Tony Long	tony.long@pdce.com
Zachary Frymier	z frymier@ohiochamber.com

Adkins, Kerry

Contact Group Name: Rules Affected Parties

Members:

Adam Watchey	adam.watchey@rettew.com
Adgate, Andrew	Andrew.Adgate@dnr.ohio.gov
Allison Carmichael	acarmichael@wallacepancher.com
Amy Miller	amiller@tug-hillop.com
Andrew Karas	akaras@fairshake-els.org
Andy Kime	andy.kime@dnr.state.oh.us
Angie Harakal	angie.harakal@cabotog.com
Ben Olszewski	bolszewski@gulfportenergy.com
Bill Chambers	bill.chambers@steptoe-johnson.com
Bo Valli	bvalli@cecinc.com
Boyer Brian R. Boyer	brb@sgkpc.com
Brad Nelson	bradenelson@yahoo.com
Brent Powell	bpowell@triadhunter.com
Brooke Gorbach	bgorbach@lawlion.com
C Grossi	cgrossi@anteroresources.com
Carl Redfern	carlredfern6@gmail.com
Carrie Buchanan	carrie@petroevaluation.com
Cathy Bihlman	cathy.bihlman@rettew.com
Cheri Budzynski	cbudzynski@slk-law.com
Chris Collet	chriscollet@americanprojects.com
Christine Shepard	cshepard@abresources.com
Claire Linkhart	linkhartc@api.org
Craig Owens	cowens@centralohiooil.com
D Schrantz	dschrantz@gulfportenergy.com
Dan Arnett	dan@ernstseed.com
David Bockelmann	dbockelmann@all-llc.com
Doctor Parsons	Doctorparson@gmail.com
Doug Stuart	dstuart@hullinc.com
Drew Adamo	dadamo@dgoc.com
Duane Clark	dclark@petroxinc.com
Elly Benson	elly.benson@sierraclub.org
Erik Fargo	erik.fargo@riceenergy.com
Erik Mikkelson	erik.mikkelson@hickspartners.com
Greg Russell	gdrussell@vorys.com
J Matzorkis	jmatzorkis@gmail.com
J Resnik	jresnick@anteroresources.com
Jamie Johnson	jjohnson@edgemarcenergy.com
Janet Steele	janet.steele@dnr.state.oh.us
Jerry Nolder	jerry.nolder@hotmail.com
Jim Samuel	jsamuel@capitolintegrity.com
Jody Jones	wvuroundr77@hotmail.com
Joe Smith	joseph.smith@pdce.com
John Krattenmaker	john.krattenmaker@pdce.com
John Lawrence	jp.lawrence@riceenergy.com
John Pickelhaupt	john.pickelhaupt@dom.com
John thomas	jthomas@foenergyllc.com
John Watkins	jwatkins@mwcd.org
Jon Hickman	jon.hickman@ascentresources.com
Kris Anderson	kandersen@all-llc.com
Kyle Baldwin	kyle.baldwin@ascentresources.com
Larry Drane	larry.drane@tetrattech.com

Mark Gamin	mgamin@sbcglobal.net
Matthew Pitts	matthew.pitts@mbakerintl.com
Maureen Turman	mturman@nisource.com
Melanie Houston	mhouston@theoec.org
Melissa Breitenbach	melissa_breitenbach@xtoenergy.com
Melissa Lannom	sssoilandgas@gmail.com
Michael Vale	mvale@hammontree-engineers.com
Mike Gialousis	mgialousis@gulfportenergy.com
N Wilson	nwilson@mwcd.org
Nathan Vaughan	nvaughan@kimblecompanies.com
Nichole Saunders	nsaunders@edf.org
Patrick Gallagher	pgallagher@ctleng.com
Peggy Freund	peggyhenderson1@gmail.com
Phillip Keevert	philkeevert@gmail.com
Phillip Porter	phillip.porter@pdce.com
Radhika Swaminarayan	radhika.swaminarayan@sierraclub.org
Randall Ferguson	randall.ferguson@pdce.com
RHDK Engineering	RHDKEngineering@kimblecompanies.com
Robert Pollitt	robert.pollitt@steptoe-johnson.com
Rocky King	ohioshale@gmail.com
Ryan Elliott	rdelliott@vorys.com
Sam Miracle	smiracle@triadhunter.com
Sarah Ghezzi	sarah.ghezzi@bwc.state.oh.us
Stephanie Airey	stephanie.airey@gmail.com
Stephen Kilper	skilper@avalonholdings.com
Steven Hamit	shamit@thrashereng.com
Susan Baldwin	susanbaldwin@halldrilling.com
Teresa Mills	tmills@chej.org
Teresa Mills	millstb@aol.com
Timothy Knobloch	tknobloch@jkpcinc.com
Tina Tucker	ttucker003@woh.rr.com
Tom Tugend	tgt1955@gmail.com
Tony Vizurraga	tony.vizurraga@pdce.com
Vanessa Pesec	vanessapesec@gmail.com