



Oil & Gas Regulation and Current Issues

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Regulation in Kansas and Missouri

- Oil and Gas extraction is predominantly regulated at the state level.
- Controlled by state commissions
 - Kansas Corporation Commission, Oil and Gas Conservation Division
 - Missouri Department of Natural Resources, Oil and Gas Council (Division 50).

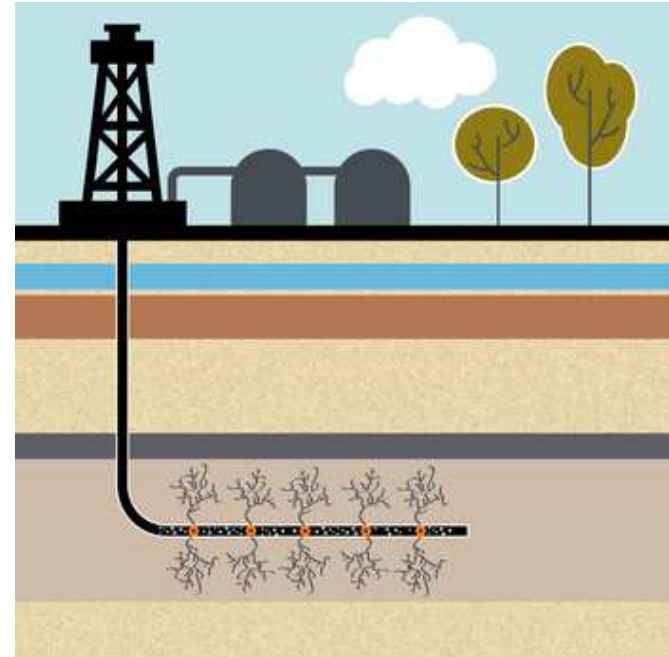
State Laws

- Generally Address 4 things:
 - Pre-drilling: site location, design, permits
 - Prior or ongoing ground and surface water protection
 - Wastewater disposal: surface or underground, permits
 - Solid waste disposal, drill cuttings, muds, hazardous wastes

- Special Rules (examples from different states)
 - Colorado – Sample nearby groundwater before and after
 - New York – New York passed another two-year moratorium on fracking.
 - Pennsylvania – Must test baseline water chemistry criteria
 - Texas – there are no fracking/shale gas specific baseline testing requirements

Fracking

- Fracking is a procedure for extracting oil and gas from tight rock formations.
- A mixture of water, sand, and chemicals is pumped underground, and pressurized to fracture rock formations and stimulate the flow of hydrocarbons.
- The Fracking and oil & gas are far below the water table



Fracking

- Recent developments in Hydraulic Fracturing fundamentally changed extractive industry in 2000's
- The vast majority of newly drilled US wells involve production enhancing procedures
- Kansas was the site of the country's first vertical fracking in 1947 and more than 57,000 vertical wells have been fracked in Kansas from 1947 to mid-2012



Fracking

- Formerly unproductive deposits made productive in areas including the:
 - Marcellus – PA, NY
 - Barnett – TX
 - Eagle Ford – TX
 - Haynesville – TX, LA



<http://www.geomore.com/shale-gas-and-fracking/>

Major US Shale Gas Plays



Opposition to Fracking



- Fear of Water Contamination
 - Failure of the Surface Casing
 - Contamination of water table
- Potential Induced Seismicity
- Nuisance and traffic complaints in populated areas

Contemporary Municipal Concerns

- Increased drilling near populated areas
- Municipalities want more local control, with less state-level power.
- Some counties want to streamline permitting process (e.g., Arapahoe County, Colorado).
- Other counties have expressly banned Fracking (e.g., Santa Cruz, California).

Rail Transportation

- On July 23, 2014, the Pipeline and Hazardous Material Safety Administration proposed more stringent requirements for rail shipments of crude oil, ethanol, and flammable materials in the wake of several serious rail accidents.
- PHMSA is seeking comments on Class 3 flammable liquid transportation including speed limits, braking requirements, and route requirements. They also improved tank car standards.
- California has passed new laws that impose additional fees on crude rail transport for spill prevention and response and require railroads come up with oil spill prevention and response plans.
 - Currently in litigation as railroads claim federal laws prohibit states from adding such additional safety rules.

Seismic Studies

- On June 24, 2014 the Colorado Oil & Gas Conservation Commission suspended fracking operations in Weld County to determine whether it was causing seismic activity.
- The Texas Rail Road Commission has proposed amendments to regulations for fracking injection wells giving it the power to modify or suspend permits for saltwater and oil waste disposal wells shown to cause seismic activity.
- Kansas formed the Induced Seismicity State Task Force.
 - Task Force found no conclusive evidence linking fluid injection to specific seismic events in Kansas
 - Seismic Action Plan includes more monitoring and a formula for evaluating seismic events to provide a mechanism for action if the evidence changes.
 - Important note in Report – Fracking should not be confused with saltwater injection wells.

Home Rule in Cities

- State Authority v. City Bans
 - Longmont, Colorado; a 2012 voter initiative attempted to Ban fracking, state challenged and Supreme court found city ban preempted by state law.
 - Litigation caused Colorado Oil and Gas Commission to reconsider set back distances (distance from residential areas), safety, and water quality testing requirements.
 - 500 foot setback required, though 1000 foot considered. 2000 foot is essentially a ban.

Home Rule in Cities

- State Authority v. City Bans
 - Pennsylvania Supreme court took different position, affirming municipal right determining how or where drilling may occur
 - Many cities, (e.g. Buffalo PA, Auburn Hills, MI), have restricted drilling to specially zoned industrial properties only, and ban production within city
 - Cities like Beverly Hills and Santa Barbra, CA, have banned Fracking

Revising State Commissions

- Some states have revised their Oil and Gas oversight commissions to try and balance interests and introduce new stakeholders, for example:
 - Idaho's 5 member Oil and Gas Commission must include one member knowledgeable in oil and gas, one in geology, one in water, and include two private landowners, one with and one without mineral interests.

State and Local Reactions

- Outright bans on Hydraulic Fracturing
- Laws Requiring:
 - Setbacks of 200 to 1500 feet
 - Hydrological studies prior to drilling
 - Seismic surveys prior to drilling
 - Restrictive zoning for high-intensity oil and gas production, with different quotas for steam injection and acid well stimulation.

Questions?

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