Regulation Review

Regulation Review: Interior Fracking Rule, Part II

MAY 17, 2013

Yesterday, the Bureau of Land Management (BLM) released the second version of its proposed fracking rule. AAF reviewed the first iteration here, and noted that in some cases, the first proposal's costs exceeded benefits by a factor of five. The most recent version drastically cuts costs "while providing the same benefits," according to the proposed rule.

COST COMPARISON

- First Proposal: $376 million in costs over ten years
- This Proposal: $166 million in costs over ten years
- First Proposal: $11,833 in costs per well
- This Proposal: $5,110 in costs per well
- First Proposal: 28,560 paperwork burden hours
- This Proposal: 32,904 paperwork burden hours

ANALYSIS

The proposal essentially keeps three of the core regulatory components of the original regulation: 1) requiring disclosure of chemicals used during fracking, 2) ensuring that wells do not contaminate local groundwater, and 3) confirming that fracking operators have a water management plan for flow back to the surface.

As far as business impacts, BLM noted that 99 percent of fracking operators have fewer than 500 employees, but this proposed rule would raise operating costs by less than one percent of a company's net income. The affected industries are Crude Petroleum and Natural Gas Extraction, and Drilling Oil and Gas Wells.

Unlike the initial proposal, this version did not provide a quantified figure on employment impacts. Instead, it noted, "Firms in support services for oil and gas drilling industry are likely to benefit from the rule, since they would likely carry out the operational requirements of the rule."

On benefits, BLM did not monetize all potential figures, but noted the proposal could reduce risks associated with fracking. The analysis continued, "[T]he likelihood of an incident resulting from hydraulic fracturing operations could be between 0.03 and 2.70 percent. Damage from an incident could cost between $15,000 and $1 million for remediation plus any lost revenue from unrecoverable resources, including spilled or stranded sources."

The public will have 30 days to comment on the 171-page proposal once it's published in the Federal Register.