



Regulation Review

Regulation Review: Interior's Fracking Rules

MAY 4, 2012

Following quickly after the EPA issued final clean air fracking rules, the Obama Administration issued their second fracking regulation today, from the Department of Interior's Bureau of Land Management (BLM). This proposed rule applies to federal and Native American lands. BLM estimates about "99 percent of the entities operating in the relevant sectors are small businesses in that they employ fewer than 500 employees."

Cost Breakdown

- \$44 million in annual costs, with possible net costs of \$30 million; costs could exceed benefits by more than 5:1 in some scenarios
- **Total ten-year costs: \$376.8 million**, with the highest costs in 2013
- Likely cost per well: \$11,833
- 28,560 paperwork burden hours

Analysis

According to Secretary Ken Salazar, this regulation has three elements:

- 1) Disclosure of fracking fluids, no later than 30 days after use; there are provisions to protect trade secrets and confidential business information,
- 2) Well-bore integrity to prevent leaks of fluids; requires drillers to ensure cement adheres correctly; drillers would need to conduct integrity tests, and
- 3) Water monitoring program to prevent groundwater pollution and hydrocarbon leaks.

On employment, BLM estimates that drilling companies would need to hire 15 to 18 additional employees for administrative and operational compliance in the next three years. Despite the added costs, BLM believes, "operators would not likely reduce investment."

BLM anticipates that the rule will be finalized by the end of 2012.