

OIL & GAS BOARD
5-YEAR STRATEGIC PLAN
FOR THE FISCAL YEARS 2027-2031
LBO NUMBER 491-00

**STATE OIL & GAS BOARD
MISSISSIPPI**

1. Comprehensive Mission Statement:

The mission of the Mississippi Oil and Gas Board (the “MSOGB”) is to foster, encourage, and promote the development, production, and utilization of oil and gas natural resources in the State of Mississippi. The MSOGB endeavors to protect public and private interests by prohibiting waste in the production and utilization of oil and gas. Furthermore, the MSOGB seeks to safeguard, protect and enforce the co-equal and correlative rights of owners in a common source or pool of oil and gas to the end that each such owner in a common pool or source of supply of oil and gas may obtain his just and equitable share of production therefrom.

It is the duty of the MSOGB to make such inquiries as it may deem proper to determine whether or not waste exists or is imminent and to take such action as may be reasonably necessary to enforce the provisions of MS Code Ann. §§ 53-1-1 through 53-1-47 and §§ 53-3-1 through 53-3-21. The MSOGB is tasked with promulgating rules and regulations requiring the disposal of waste products such as, but not limited to mud, acids, saltwater, or any corrosive products brought to the surface from any oil or gas well in this state. MSOGB rules and regulations are also intended to prevent seepage, overflow, or damage and injury to the surface. The MSOGB strives to not only ensure the conservation of minerals, but endeavors to conserve and protect the surface lands for agriculture, timber, and any and all other beneficial purposes, while also striving to protect the public health, safety and the environment.

2. Statement of Agency Philosophy:

The MSOGB is committed to the enforcement of its rules and regulations as a means to protect the co-equal and correlative rights of all owners of interests. The MSOGB regulates the non-commercial disposal of oilfield waste in an effort to ensure that such disposal is undertaken in an environmentally safe manner consistent with federal and state regulations. It is the philosophy of the MSOGB to adhere to the highest standards of honesty, integrity, impartiality and conduct in order to earn and maintain the confidence of the citizens, the industry and any other interested parties.

The MSOGB is also committed to ensuring that the natural resources of the state and the health and safety of its citizens are protected by ensuring all wells are operated and maintained in compliance with the Conservation Statutes of the State, and the Rules and Regulations of the MSOGB.

3. Relevant Statewide Goals and Benchmarks:

The MSOGB is committed to the efficient and effective regulation of the drilling of oil and gas wells, the operation and maintenance of underground storage projects, and the proper disposal of oilfield waste in conformance with Mississippi's conservation laws and EPA oversight.

The MSOGB conducts public hearings as mandated by law and upon examining all evidence and considering all testimony presented, renders decisions based on statutes and rules to protect and enforce the co-equal and correlative rights of all parties of interest. The MSOGB maintains records for state and public use as required by law and issues all permits relating to drilling, production, underground storage, and operation of oil and gas wells. In conformance with the U.S. Safe Drinking Water Act and other Environmental Protection Agency ("EPA") rules and regulations, the MSOGB promulgates rules and regulations aimed to ensure the proper permitting, operation, plugging and abandoning of all Class II Injection Wells in the State.

The MSOGB addresses non-compliance issues in a timely manner and assesses civil penalties when matters of non-compliance remain uncorrected. The MSOGB also oversees the plugging of orphaned wells as needed in order to avoid any potential harm to the environment and threats to public health and safety.

4. Overview of the Agency 5-Year Strategic Plan:

The MSOGB is currently engaged in numerous agency activities and expects additional programs and projects to increasingly develop in the coming years. Several of these MSOGB projects are detailed below:

A. IJA Federal Orphan Well Plugging Program

The Infrastructure Investment and Jobs Act (the "IIJA") was signed into law on November 15, 2021. The IIJA is a once-in-a generation investment in our Nation's infrastructure and competitiveness. Among its many goals are addressing issues associated with climate change and other environmental issues, and investing in communities throughout the United States. To help achieve these goals, the IIJA established the Orphaned Well Site Plugging, Remediation, and Restoration Program (the "Orphan Well Program") which provides a Federal program for addressing orphaned wells on Federal Land and a grant program for State and Tribes to establish or grow and manage their own orphaned well plugging, remediation and restoration programs.

Orphaned wells, either plugged or improperly plugged, can leak methane and other harmful air pollutants into the atmosphere, leach contaminants into surrounding lands and waters, create safety hazards on the ground, and prevent lands from being used for recreation or other productive purposes. Addressing the environmental harms caused

by orphaned wells requires the cooperation and collaboration of numerous agencies across the whole of government.

The Orphan Well Program was developed and implemented in partnership with the Department of Interior (DOI), the U.S. Department of Agriculture (USDA), the Department of Energy (DOE), the Environmental Protection Agency (EPA), and the Interstate Oil and Gas Compact Commission (IOGCC), in collaboration and partnership with IOGCC member states to include the State of Mississippi. The IJA's Orphan Well Program established Federal funding in the form of grants for States to grow and manage their own orphan well plugging, remediation, and restoration programs (the "State Grant Program"). The State Grant Program consists of Initial, Formula, and Performance grants.

The MSOGB has received various Federal grant awards the funding of which is being used to plug, restore and reclaim orphaned well sites within the State of Mississippi. Over 70 project sites have been completed during the initial phases of the grant program. Project scopes associated with these plugging and remediation projects include the following:

- plug, remediate, and restore orphaned wells located within Mississippi;
- identify and characterize undocumented orphaned wells on State and private land;
- rank orphaned wells based on factors including public health and safety, potential environmental harm, and other land use priorities;
- measure and track emissions of methane and other gases associated with orphaned wells;
- measure and track contamination of groundwater or surface water associated with orphaned wells;
- remediate soil and restore native species habitat that has been degraded due to the presence of orphaned wells and associated pipelines, facilities, and infrastructure; and
- remediate land adjacent to orphaned wells and decommission or remove associated pipelines, facilities, and infrastructure.

B. State Orphan Well Plugging Program

The MSOGB continues to plug orphan wells as they are identified and designated by the Board. The plugging of an orphan well is necessary to ensure the protection of our ground water resources from the well bores that have penetrated through the fresh water zones. The funds used to plug statewide orphan wells are provided by the MSOGB's Orphan Well Plugging Fund. The primary mechanism used to fund the Orphan Well Plugging Fund is the annual assessment of a \$100.00 per well unplugged well fee on each well within Mississippi.

Over the last five (5) years, the MSOGB has plugged the following number of orphan wells at the total costs listed below:

| <u>Fiscal Year</u> | <u>Number of Orphan Wells Plugged</u> | <u>Total Cost</u> |
|--------------------|---------------------------------------|-------------------|
| FY 2020 | Fourteen (14) | \$507,145.00 |
| FY 2021 | Eight (8) | \$43,037.00 |
| FY 2022 | One (1) | \$36,075.90 |
| FY 2023 | Three (3) | \$2,632,375.00 |
| FY 2024 | Sixteen (16) | \$1,434,217.39 |

C. UIC Class II Well Program

The MSOGB operates its UIC Program with assistance provided through a Federal grant from the EPA. The MSOGB is vested with the authority and responsibility to permit and oversee the operation of all underground injection wells in Mississippi. These well projects include saltwater disposal wells, hydrocarbon storage projects, and the enhanced recovery of oil and gas. The MSOGB continues to work to improve and enhance its UIC Program in order to maintain compliance with its agreement with the EPA and all applicable Federal rules and regulations including but not limited to the Safe Drinking Water Act. The MSOGB currently employs six (6) staff members within its UIC Department. The UIC Geologist Team Lead oversees the UIC Department and is responsible for reviewing and ensuring compliance with all applicable UIC rules and regulations. The UIC Department is also responsible for administering permits and ensuring compliance with all permitted projects, in addition to preparing work plans and providing other reports as required by the EPA’s Strategic Planning and Management Systems. As the MSOGB’s UIC Program continues to develop, additional staffing needs will need to be addressed in order to keep pace with the workload future UIC projects are expected to generate.

D. Class VI Program

The MSOGB continues to develop rules and regulations specific to its Carbon Capture and Storage (“CCS”) program. The MSOGB oversees the storage of manufactured carbon dioxide (CO2) and in collaboration with the Mississippi Department of Environmental Quality (“MDEQ”), oversees and monitors the operation of Class VI Wells within Mississippi. Class VI wells are used for long-term storage (i.e., geologic sequestration) of CO2 into deep rock formations.

The MSOGB continues to develop and enhance its regulatory framework for Mississippi’s future CCS projects. This regulatory framework, on addition to Mississippi’s existing CO2 pipeline infrastructure, has Mississippi poised to be a future leader in the emerging CCS industry.

The MSOGB also continues its efforts to complete and submit a Class VI primacy application to the EPA. Currently, the EPA maintains regulatory authority for Class VI wells. The MSOGB hopes to submit its primacy application to the EPA by the end of the 2024 calendar year.

E. MSOGB Technology/Online Database Improvements

MS Code Ann. §53-1-31 provides the following:

The permanent records of the board shall be available, upon request, for inspection by the public in accordance with the established procedures of the office of the Oil and Gas Board and during reasonable office hours. All well logs, casing records, compiled data and other information shall be properly indexed and suitably recorded in the permanent records of the board.

Historically, the MSOGB has maintained all oil and gas files and records in “hard copy” format. These files are organized into Well Files, Docket Files, Production Records, various logs, etc. The practice of maintaining hard copy files of oil and gas records continues today, however, the MSOGB strives to convert an increasing amount of its files and records to a more user-friendly digital format.

The MSOGB continues to make significant technological improvements while enhancing access to online files and documents available on the agency website. The improvements are made possible through the MSOGB’s partnership with the Groundwater Protection Council (“GWPC”). The GWPC continues to support the MSOGB through collaboration and funding which allows the MSOGB to continually improve its Risk Based Data Management System (“RBDMS”). RBDMS was developed in partnership with the MSOGB and the GWPC and is used to track all permits, inspections and other activities associated with the drilling and regulating of oil and gas wells in the state.

Historically, MSOGB practice included scanning most paper copies of the well files that are maintained at the MSOGB. This practice has become increasingly antiquated and laborious. Enhancements enabled by the MSOGB’s continued partnership with the GWPC provides the MSOGB with additional software and resources which has allowed the MSOGB to make more of its files and records accessible to the public in a more user-friendly digital format. It is critical to the MSOGB’s ability to effectively and efficiently maintain these historical records that the agency is able to continue to partner with the GWPC. This partnership will continue to provide much needed technological enhancements to the MSOGB’s online RBDMS database.

F. Off-Shore Drilling

At this time, there are no existing drilling or producing oil/gas wells offshore in the State waters of Mississippi.

G. M SOGB Staffing

M SOGB staff is comprised of dedicated and experienced individuals who are committed to the agency and ensuring all interested parties are treated fairly and respectfully. The M SOGB staff is comprised of individuals who possess a great deal of industry-specific knowledge that is critical to the agency's ability to operate effectively and efficiently. M SOGB staff is routinely offered the opportunity to cross-train in different M SOGB departments and are also encouraged to seek and complete available continuing education and professional development courses, a practice that has proven to enhance not only the M SOGB's effectiveness, but also provides our staff members with much needed professional development.

Maintaining our staff is critical to ensuring consistent and continued effective job performance. It is the goal of the M SOGB to maintain the compensation levels of its staff members at a level that prevents turnover and job vacancies. As industry-related projects increase throughout Mississippi, the M SOGB expects to need additional staff in order to meet the growing needs generated by new programs and projects.

5. External/Internal Assessment:

The economic conditions of the industry with which this agency is charged by statute to regulate remain volatile, complex and cyclical bringing about great difficulty in determining the budgetary demands in the future. Oil and gas well operators in Mississippi can be classified as Independent Oil & Gas Companies. The Major U.S. Oil & Gas Companies do not currently operate wells in Mississippi.

The M SOGB is classified as a Special Fund Agency. As such, the M SOGB does not receive an appropriation from the General Fund. The primary method by which the M SOGB generates revenue is by the assessment of a maintenance fee levied on the production and sales of oil and gas. Currently, the maintenance fee for oil is 44 mills per barrel produced and sold; the maintenance fee for gas is 5 mills per one thousand cubic feet produced and sold. Other agency revenue is generated from monies generated by permit fees, filing fees, fines, and other assessments.

Volatility within the oil and gas industry greatly impacts the M SOGB's revenues and thus, its budget. The M SOGB prepares its annual budget using a conservative approach based on an average of prior fiscal years, adjusting for various needs and expenditures as needed.

6. Agency Program Goals:

Agency Program Goals include the following:

- To foster, encourage, and promote permitting, drilling and production by enforcing the MSOGB's Rules and Regulations;
- To promote the utilization oil and gas natural resources the State of Mississippi;
- To prohibit waste;
- To enforce the oil and gas conservation statues of this state as enacted by the Mississippi Legislature, as well as the Rules, Regulations, orders and/or policies of the MSOGB; and
- To protect the natural resources of the state, the environment and the health and safety of its citizens.

7. Program Goal Objectives:

OBJECTIVE A.1. Complete the effective and proper plugging of orphaned wells located in Mississippi; restore, remediate and reclaim orphan well sites.

Outcome: Protection of the environment; protection of the USDW.

A.1.1. Strategy: Implement and oversee an effective orphan well plugging program pursuant to the regulations and guidelines within the IJA and MSOGB Rules and Regulations.

Output: Plug and remediate numerous orphaned and abandoned oil and gas wells and the well sites on which they are situated.

Efficiency: Cost of plugging orphaned wells

OBJECTIVE A.2. Implement and oversee the UIC Class II Well Program

Outcome: Protection of the environment; protection of the USDW.

A.2.1. Strategy: Implement and oversee the UIC Class II Well Program in accordance with EPA rules and regulations and rules and regulations of the MSOGB.

Output: Permit, oversee and regulate the proper drilling, operation and maintenance of Class II Wells.

Efficiency: Number of permitted and operated Class II Wells.

OBJECTIVE A.3. Oversee and regulate the Carbon Capture and Storage Program (“CCS”); develop an enhanced Class VI Well Program

Outcome: Protection of the environment.

A.3.1. Strategy: Promulgate rules and regulations aimed at ensuring an effective and efficient CCS Program and regulation of Class VI Wells.

Output: Permit, regulate and ensure the proper operation of CCS projects and Class VI Wells

Efficiency: Number of permitted CCS projects; number of permitted Class VI Wells

OBJECTIVE A.4. Continue to enhance and improve data management

Outcome: Provide an enhanced and more user-friendly data management system; maintain accuracy of agency files and records.

A.4.1. Strategy: Utilize resources and partnerships in an effort to improve the agency’s filing and data management system.

Output: Digitize more agency files and records in an effort to make more efficient and effective use for the public.

Efficiency: Ensure integrity of records; cost of data management upgrades and improvements.

OBJECTIVE A.5. To regulate all on-shore permitting, drilling and production in the state.

Outcome: Protection of the environment of our state.

A.5.1. Strategy: Oversee and supervise this agency’s field inspectors whose function it is to regularly inspect oil and gas wells and related facilities.

Output: Periodic update on numbers for drilling and production in the state.

Efficiency: Number of inspections

OBJECTIVE A.6. Continue to staff and retain a dedicated and qualified staff.

Outcome: Diligent, professional effective and efficient operation of the agency.

A.6.1. Strategy: Hire and retain qualified and professional agency staff.

Output: Maintain continued effective and efficient job performance.

Efficiency: Timely and accurate response to job needs.