

OIL & GAS CONSERVATION COMMISSION  
MINUTES OF MEETING/OCTOBER 31, 1997  
STEVEN L RAUZI, OIL & GAS ADMINISTRATOR



Jane Dee Hull  
Governor

State of Arizona  
**Arizona Geological Survey**

416 W. Congress, Suite 100  
Tucson, Arizona 85701  
(520) 770-3500



Larry D. Fellows  
Director and State Geologist

**NOTICE OF COMBINED PUBLIC MEETING AND POSSIBLE EXECUTIVE SESSION**

**OIL AND GAS CONSERVATION COMMISSION**

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Oil and Gas Conservation Commission and to the general public that the Oil and Gas Conservation Commission will hold a meeting open to the public on October 31, at 10:00 a.m. in Room 400 of the State Capitol located at 1700 West Washington, Phoenix, Arizona 85007. As indicated in the agenda, the Oil and Gas Conservation Commission may vote to go into executive session which will not be open to the public to discuss certain matters.

The agenda for the meeting is as follows:

1. Call to Order
2. Approval of the Minutes of Meeting of June 13, 1997
3. Statement of Director and State Geologist
4. Report of Oil & Gas Program Administrator
5. Status of Ridgeway Arizona Oil Corporation wells
6. Commission policy on Public and Indian lands
7. Call to the public
8. Announcements
9. Adjournment

The Oil and Gas Conservation Commission may vote to go into Executive Session, pursuant to A.R.S. § 38-431.03(A)(3), which will not be open to the public to consult with its attorney and receive legal advice with respect to any regular agenda item listed on this agenda.

A copy of the agenda background material provided to Commission members (with the exception of material relating to possible executive sessions) is available for public inspection at the Oil and Gas Program Administrator's office, 416 West Congress, Suite 100, Tucson, Arizona 85701.

The public will be afforded an opportunity to comment on any item on the agenda; however, at the beginning of the meeting, the Commission may vote to set up a time limit on individual comments.

Dated this 23rd day of October 1997

**OIL AND GAS CONSERVATION COMMISSION**

Steven L. Rauzi  
Oil and Gas Program Administrator

Title II of the Americans with disabilities Act prohibits the Oil and Gas Conservation Commission from discriminating on the basis of disability in its public meetings. Individuals with disabilities who need a reasonable accommodation to attend or communicate in the Commission's meeting, or who require this information in an alternate format, may contact the Program Administrator to make their needs known. Requests must be made at least 72 hours in advance so that the Commission will have sufficient time to respond.



Jane Dee Hull  
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Dated this 23rd day of October 1997

OIL AND GAS CONSERVATION COMMISSION

Steven L. Rauzi  
Oil and Gas Program Administrator

**PLEASE ADVISE ME ASAP IF YOU WILL NOT BE ATTENDING THIS MEETING**

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**OIL AND GAS CONSERVATION COMMISSION**

416 West Congress #100  
Tucson, Arizona 85701

Minutes of Meeting  
June 13, 1997

Present:

Dr. J. Dale Nations, Chairman  
Ms. Lisa C. Worthington, Vice-Chair  
Mr. Zed Veale, Member  
Mr. J. Dennis Wells, State Land Commissioner  
Dr. Larry D. Fellows, Director and State Geologist  
Mr. Steven L. Rauzi, Oil and Gas Program Administrator

The regular Commission Meeting of June 13, 1997, was called to order by Dr. J. Dale Nations, Chairman, at 8:30 a.m. at the Pera Prairie Schooner facility, St. Johns, Arizona.

APPROVAL OF THE MINUTES OF THE MEETING OF MARCH 14, 1997

Ms. Worthington moved, seconded by Mr. Veale:

THAT THE MINUTES OF THE MEETING OF MARCH 14, 1997, BE  
ACCEPTED AS PRESENTED

Motion carried unanimously.

STATEMENT OF DIRECTOR AND STATE GEOLOGIST

Dr. Fellows described the Arizona Geological Survey and its relationship to the Oil and Gas Conservation Commission. He discussed the several prepared exhibits showing the general geology, land status, and location of Ridgeway Arizona Oil Corporation's wells in southern Apache County and noted that several informative brochures were available.

Mr. Wells addressed the audience and reported that the State Land Department was very interested in the potential development of carbon dioxide in the area. He discussed the revenues that are generated from State Trust Land and noted that a significant portion of the income goes into funding K-12 education.

REPORT OF THE OIL AND GAS PROGRAM ADMINISTRATOR

Mr. Rauzi reported that Ridgeway had finished its 11-well drilling program and was now testing the wells. He noted that no results had yet been filed with the Commission.

PRESENTATION BY DON RIGGS, RIDGEWAY ARIZONA OIL CORPORATION

Mr. Riggs presented a brief overview of the carbon dioxide (CO<sub>2</sub>) industry and Ridgeway's CO<sub>2</sub> project before introducing Mr. Stephen Melzer, University of Texas of the Permian Basin. Mr. Melzer discussed the use of CO<sub>2</sub> to increase oil recovery in the Permian Basin and described its economic impact there. From this, he extrapolated the potential economic impact of CO<sub>2</sub> development in southern Apache County. He described the several source and potential source areas of CO<sub>2</sub> in North America in comparison to the CO<sub>2</sub>-flood areas including the potential CO<sub>2</sub>-flood areas in southern California.

Mr. John Richardson summarized the land status in the CO<sub>2</sub> project area. Mr. George Scott III summarized the geology of the project and described the cores and logs in one of the wells. He explained the use of hydraulic fracturing to improve production in wells. Mr. Walter Ruck summarized the funding of and cost of the project.

Mr. Riggs closed the presentation with a discussion of the infrastructure needed to produce and get the CO<sub>2</sub> to markets in southern California including construction and employment needs.

CALL TO THE PUBLIC

Questions and answers were included in the presentation by Ridgeway Arizona Oil Corp.

ANNOUNCEMENTS

None.

ADJOURNMENT

Ms. Worthington moved, seconded by Mr. Veale:

THAT THE MEETING BE ADJOURNED

Motion carried unanimously. Time of adjournment was 11:15 a.m.

APPROVED

  
Dr. J. Dale Nations  
Chairman



Jane Dee Hull  
Governor

State of Arizona  
**Arizona Geological Survey**

416 W. Congress, Suite 100  
Tucson, Arizona 85701  
(520) 770-3500



Larry D. Fellows  
Director and State Geologist

October 23, 1997

**To: Oil and Gas Conservation Commissioners**  
**From: Steven L. Rauzi, Oil and Gas Program Administrator**  
**Re: Activity Report for October 31, 1997, Meeting**

One new permit to drill was issued since your last meeting on June 13, 1997. The new permit was issued to Central Resources for a development well at the East Boundary Butte Field in northeastern Arizona. Premco Western is drilling below 400 feet on his well near St. George with an old Bucyrus-Erie 48L cable tool rig. PetroSun, Inc. has advised that it plans to plug and abandon its 15-1 NMAL well in November or December.

Ridgeway Arizona Oil Corporation has requested temporary abandonment status for all of its wells and an extension of the six-month confidential status provided by rules and statute. Don Riggs and Tom White of Ridgeway discussed these requests and other issues with Larry Fellows and me in a meeting in Tucson on Friday, October 10, 1997. We advised them that the Commission would consider Ridgeway's request for temporary abandonment in its October 31 meeting. They plan to attend.

Ridgeway has filed some casing, perforation, and testing information for its wells, but has apparently overlooked earlier perforation and testing reported in news releases by Ridgeway Petroleum Corporation in April, May, and June 1997.

We received a survey from the IOGCC about overlapping regulations on the oil and gas industry in Arizona. We responded that no overlapping regulations exist because the BLM has jurisdiction on public and Indian lands and we have jurisdiction on State Trust and fee lands. Approved BLM documents satisfy this office for activities on public and Indian lands. As a result, should the Commission require a performance bond on public and Indian lands?

October 23, 1997

Memo: Oil and Gas Commissioners  
From: Steve Rauzi

Last Friday, October 10, 1997, Larry Fellows and I met with Don Riggs and Tom White of Ridgeway Arizona Oil Corporation. They had several questions and asked us to explain what our requirements were. This memo is a general summary of the meeting as I recall it.

1. Regarding the gas analyses requested in my letters of 9/2/97, 9/8/97, and 10/6/97, Ridgeway does not interpret R12-7-121 as giving the Commission authority to require submission of the gas analyses. They considered the rules as vague and open to interpretation on this requirement. In their opinion, the gas analyses were proprietary information, cost them a lot of money to get, and so did not intend to submit them.
2. Regarding the plugging of the Plateau Cattle #1A well in my letter of 10/6/97, they advised that Jay Platt had taken over the well as a water well. I reported that we received Platt's water-well acceptance form to assume responsibility for the Plateau Cattle #1 but not the #1A well. They advised Platt wanted the #1A also and got a form for Platt to fill out. *Ridgeway submitted an application to plug the #1A well on 10/22/97.*
3. Regarding the testing results and Ridgeway Petroleum Corporation's News Releases in my letter of 10/6/97, they advised that all completion reports had been submitted and copied to Dale Nations, Larry Fellows, and the Attorney General, and that they were not aware of "Ridgeway Petroleum Corporation's" News Releases. They had the News Releases faxed to them in St. Johns from Calgary after receiving my letter. Also, that we should depend on Ridgeway Arizona Oil Corporation and not Ridgeway Petroleum Corporation for information about the wells.

I reported that we received completion reports for the 22-1X and 3-1 wells, and several Sundry Notices for the other wells including their requests for temporary abandonment, which the Commission planned to consider in its meeting on October 31, 1997. I advised of several discrepancies between the dates and information in the News Releases and the dates and information submitted to this office in the Sundry Notices. Don Riggs advised that Walter Ruck is a good promoter and his cup is not half full, it was overflowing. Tom White advised us to just "throw the News Releases in the garbage" and to send a copy to them if we get anymore of them.

They advised that they would submit supplemental well histories and bring the testing reports up-to-date. *We received Sundry Notices reporting a summary report for nine of the wells on 10/16/97. No information was reported about the earlier testing reported in the News Releases.*

4. Regarding Temporary Abandonment, they told us that their attorney advised them of a lease problem if their wells were classified as "temporarily abandoned." Apparently there would be a problem with maintaining or extending the lease if the wells were classified as "temporarily abandoned." As a result, they asked for some other mechanism like "long-term shut-in." I told them I thought that however the wells were classified, the leases would remain in force throughout the primary and any possible secondary terms as long as the rentals were paid but that the question should be directed to the Land Department.

We advised them that the Commission planned to consider their request to temporarily abandon their wells at its meeting in Phoenix on October 31, 1997. We requested that they attend to answer any questions the Commission may have. They indicated that they planned to attend and would probably bring their attorney and landman.

They anticipated development drilling with 6-8 drilling rigs next year. They anticipated unitization (a production unit) in 5-6 years because the project area extended across the state line.

5. They requested permission to report production per unit rather than per well because of the expense to meter each well. I advised that R12-7-161 required the reporting of production per well.

6. They indicated a desire to extend the confidential status of the wells for longer than the 6 months provided in R12-7-121, possibly longer than 1 year if a 6-month extension was granted.



Jane Dee Hull  
Governor

State of Arizona  
**Arizona Geological Survey**

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Larry D. Fellows  
Director and State Geologist

October 6, 1997

Mr. Thomas White  
Production Manager  
Ridgeway Arizona Oil Corp  
P.O. Box 1110  
St. Johns, Arizona 85936

Dear Mr. White:

Our records continue to show that Ridgeway Arizona Oil Corporation remains out of compliance with its obligation to (1) file copies of all gas analyses reported in your letter of September 5, 1997; (2) plug and abandon the Plateau Cattle #1A well; and (3) report complete testing results for all perforated intervals in all wells drilled and perforated in 1997, including the testing reported in News Releases by Ridgeway Petroleum Corporation in April, May, and June 1997.

Please be advised that pursuant to A.R.S. § 27-527(B) each operator is required to file a full, true, and correct record of its operations.

Sincerely,

Steven L. Rauzi  
Oil & Gas Program Administrator

c Oil and Gas Conservation Commissioners, J. Dale Nations, Chairman  
Larry D. Fellows, Director and State Geologist  
Marc T. Steadman, Office of Attorney General



Jane Dee Hull  
Governor

State of Arizona  
**Arizona Geological Survey**

416 W. Congress, Suite 100  
Tucson, Arizona 85701  
(520) 770-3500



Larry D. Fellows  
Director and State Geologist

September 8, 1997

Mr. Thomas White  
Production Manager  
Ridgeway Arizona Oil Corp  
P.O. Box 1110  
St. Johns, Arizona 85936

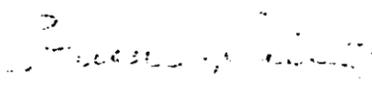
Dear Mr. White:

This will acknowledge your letter of September 5 with a second copy of our Form 18 dated July 25 for the 22-1X (Permit 888) well attached. Please note that Ridgeway Arizona Oil Corporation is required to submit a copy of the gas analyses that you reported were taken at various wells and which were composited and used for the percentages of CO<sub>2</sub>, N<sub>2</sub>, and Helium that are reported on our Form 18. A copy of the gas analysis we have on file is enclosed. It is this type of substantiating gas analyses that Ridgeway is required to file.

Regarding your letter of September 4, please note that operators are required to (1) explain why temporary abandonment is necessary and (2) file a description of the current mechanical condition of the well including casing and perforation record before this office may consider the request. Our files show that no record has been submitted for the 9-22-29 (Permit 898) well. This office understands that testing and stimulation testing of this well started in April or May. Ridgeway is required to file a full, true, and correct record of its testing operations

Our records show that we have received no response to our letter of August 12, 1997, about the status and your plans for the 11-21 (Permit 895), 12-15-30 (Permit 900), 12-16-28 (Permit 902), 10-26-29 (Permit 903), and 9-22-29 (Permit 898) wells.

Sincerely,

  
Steven L. Rauzi  
Oil & Gas Program Administrator

Enclosure

c Oil and Gas Conservation Commissioners, J. Dale Nations, Chairman  
Larry D. Fellows, Director and State Geologist  
Marc T. Steadman, Office of Attorney General  
Walter B. Ruck, President, Ridgeway Petroleum Corporation



Fife Symington  
Governor

State of Arizona  
**Arizona Geological Survey**

416 W. Congress, Suite 100  
Tucson, Arizona 85701  
(520) 770-3500



Larry D. Fellows  
Director and State Geologist

September 2, 1997

Mr. Don Riggs  
Vice President  
Ridgeway Arizona Oil Corp  
P.O. Box 1110  
St. Johns, Arizona 85936

Dear Mr. Riggs:

This will acknowledge receipt of our Form 18 dated July 25 reporting the absolute open flow for the 3-1 (Permit 884) and 22-1X (Permit 888) wells. The percentages of carbon dioxide, nitrogen, and helium reported on these forms do not match gas analyses currently on file with this office.

Please note that Ridgeway Arizona Oil Corporation is required to submit the gas analyses substantiating the percentages reported on our Form 18.

Our records show that Ridgeway Arizona Oil Corporation remains out of compliance with its obligation to: (1) file all gas analyses; (2) submit Weekly Progress Reports for each well in its current testing operations; and (3) submit application to plug and abandon or document mechanical integrity of and obtain written permission to temporarily abandon its 12-15-30 (Permit 900), 12-16-28 (Permit 902), 10-26-29 (Permit 903), and 9-22-29 (Permit 898) wells.

Sincerely,

Steven L. Rauzi  
Oil & Gas Program Administrator

c Oil and Gas Conservation Commissioners, J. Dale Nations, Chairman  
Larry D. Fellows, Director and State Geologist  
Office of Attorney General





**Ridgeway**  
Arizona Oil Corporation

Arizona Geological Survey  
416 W, Congress  
Suite 100  
Tucson, AZ 85701

10/14/1997

ATT. Mr. Larry Fellows

Dear Mr. Fellows

This letter is to request a 6 mo. extension on the confidential status of our wells. We would like to keep all of our well information confidential, if more information is needed please advise.

Sincerely

Thomas White  
Production Manager, RAOC

Cc: J. Dale Nations, Oil Gas Conservation Commissioner, and Chairman  
Marc Steadman, Office of Attorney General  
Walter Ruck, President of Ridgeway Petroleum Corp.

Fel. 10-14-97



P.O. Box 1110  
St. Johns, AZ 85936

Tel: 520 337 3230  
Fax: 520 587 3522



STATE OF ARIZONA

OFFICE OF THE ATTORNEY GENERAL

GRANT WOODS  
ATTORNEY GENERAL

1275 WEST WASHINGTON, PHOENIX 85007-2926

MAIN PHONE : 542-5025  
TELECOPIER : 542-4085

December 2, 1994

*rc'd 12-6-94*

Mr. Stephen L. Rauzi, Administrator  
Arizona Oil & Gas Conservation Commission  
845 North Park Avenue, #100  
Tucson, AZ 85719

Re: Commission jurisdiction over federal land

Dear Steve:

As per the commission's request at its last meeting, I have had the question researched of its jurisdiction and authority, if any, over federal land.

The simple answer is that the commission, like any other state agency, has no authority or jurisdiction over federal land. There is an exception which may be created by statute as, for example, in the cases of certain federal environmental statutes such as CERCLA and RCRA which contain explicit waivers of federal sovereign immunity. Absent such specific statutes, states simply have no authority or jurisdiction over federal land.

This includes, not only federal land used by the federal government itself, but land leased by the federal government to others. In other words, the states have no authority to compel the federal government to comply with state law nor do they have authority to compel private entities using federal land to comply.

This same concept extends to "Indian Country" although the rule is differently stated. States can only regulate on Indian lands "when state control is not preempted by federal law, as determined largely through a balancing of tribal, federal and state interests. The rule is also stated as allowing state regulatory authority over Indian lands "only where the state interests in regulating constitute exceptional circumstances." This presupposes that the balancing of interests results in the state interests outweighing the other, competing ones.

In the case of the commission, although state interests are high, the area of conservation and regulation of the use of natural

Stephen L. Rauzi  
December 2, 1994  
Page 2.

resources such as oil and gas is heavily regulated by the federal government, as well as in some cases, by tribal laws as well.

Therefore, in summary, the Arizona Oil & Gas Conservation Commission has no authority or jurisdiction over federal lands.

If you have any questions, please call at your convenience.

Very truly yours,



BERYL I. DOLSKY  
Chief, Civil Unit  
Environmental Enforcement Section

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10-13-1997 03:20PM FROM

TO 1800346533766248591 P.01

To: Robert Blaylock

From: Steve Rauzi, AZGS

A REVIEW OF OVERLAPPING REGULATIONS ON THE OIL AND GAS INDUSTRY

Date: 10-14-97

To fulfill the terms of a grant from the U.S. Department of Energy, the Interstate Oil and Gas Compact Commission (IOGCC) has commissioned a study of oil and gas industry regulations. The study will focus on overlapping regulations, where two or more government agencies have regulatory control over a particular aspect of the oil and gas industry. Historically, overlapping regulations were identified between State regulatory agencies and Federal regulatory agencies. However, there is increasing evidence of overlap between State agencies and native tribes, counties, or local municipalities. This study will survey the various regulatory agencies, with results incorporated into a final report. Your assistance in completing the attached brief questionnaire would be most appreciated.

OVERLAPPING REGULATIONS SURVEY

1) Are you aware of any other government agencies, Federal, State, Tribal, County, or Municipality which has imposed regulations on the oil and gas industry which overlap into the area of regulation handled by your agency? If yes, please give name of the agency and a person to contact with that agency.

No, USBLM has jurisdiction on public & Indian lands  
We have jurisdiction on State Trust & Fee lands

2) Have any arrangements been made between your agency and the overlapping agency to facilitate ease of compliance with the overlapping regulations of both agencies? If yes, please explain or provide a contact whom we can interview for additional information.

Copies of approved BLM documents satisfy this office for activities on Public and Indian lands.

3) Who in your organization should be contacted to discuss this problem of overlapping regulations and possible solutions to the problem?

Name: Latty Fellows Telephone: 520-770-3500 FAX: 520-770-3505

4) Would you and your agency be interested in receiving a copy of the report of this study for your review? If yes, please provide a recipient name and mailing address.

Name: Latty Fellows Mailing Address: Arizona Geological Survey  
416 W. Congress # 100  
City/State/Zip Code: Tucson, AZ, 85701

Thank you for your assistance. Please fax this completed form to Robert Blaylock at (505) 828-9425. If you have any questions, please contact Mr. Blaylock at (505) 835-5938 or by e-mail at rcb@baer.van.nmt.edu.



# INTERSTATE OIL AND GAS COMPACT COMMISSION

P.O. Box 53127, Oklahoma City, OK 73152-3127 • 900 N.E. 23rd Street, Oklahoma City, OK 73105  
Phone: 405/525-3556 • Fax: 405/525-3592 • E-Mail: [iogcc@oklaosf.state.ok.us](mailto:iogcc@oklaosf.state.ok.us)  
World Wide Web <http://www.iogcc.oklaosf.state.ok.us>

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Governor Frank Keating, Oklahoma

Vice Chairman:  
James A. Skutz, Indiana

Second Vice Chairman:  
James W. Carter, Utah

Executive Director:  
Christine Hansen

## MEMORANDUM VIA BROADCAST FAX

To: State Oil & Gas Division Directors  
From: Mike Harris *FROM: Steve Rauzi, AZ Seal Survey*  
Staff Liaison, Regulatory Reform Workgroup  
Interstate Oil and Gas Compact Commission (IOGCC)  
Date: October 10, 1997  
Subject: IOGCC / BLM Well Inspection Comparison Report

During the last two years the IOGCC Regulatory Reform Workgroup, a subgroup of the Public Lands Committee, has been working with BLM to facilitate the transfer of oil and gas well inspection and enforcement responsibilities on federal lands from the BLM to the individual states. The significance of the transfer involves several advantages to the states, including duplication of efforts and the possibility of increased royalty revenue to the states from leases on federal lands.

The workgroup will be meeting with congressional offices in Washington on November 3-4. In an effort to prepare for that meeting, we are developing a cost comparison between the expenditures of the BLM for oil and gas regulatory activities and the expenditures of the states on a per well basis.

We have the cost figures of BLM, but need figures from each state to complete the cost comparison chart. We need your help.

Please provide us with the number of oil and gas wells under the jurisdiction of your state office and the amount of your oil and gas division budget. If your budget includes additional activities that are not precisely parallel to BLM activities, that's OK. We would rather give a high estimate cost per well for the states and represent it as being the maximum state cost. Every indication is that it will still be lower than the BLM figures.

Cory will be making phone calls from the IOGCC office on Monday and Tuesday to collect this information, or you can enter the numbers below and fax this sheet back to me at 405-525-3592.

Thank you for your help, and thanks for the good response to our request of last week regarding the names of oil and gas division legal counsel.

State: ARIZONA  
Number of oil and gas wells under our jurisdiction: 13 wells on State & Fee land  
Annual oil and gas division budget: None dedicated, about \$60,000/yr expenditure

MEMBER STATES Alabama • Alaska • Arizona • Arkansas • California • Colorado • Illinois • Indiana • Kansas • Kentucky • Louisiana • Maryland • Michigan • Mississippi • Montana • Nebraska • Nevada • New Mexico • New York • North Dakota • Ohio • Oklahoma • Pennsylvania • South Dakota • Texas • Utah • Virginia • West Virginia • Wyoming ASSOCIATES Georgia • Idaho • Missouri • North Carolina • Oregon • South Carolina • Washington INTERNATIONAL AFFILIATE Alberta

October 1997

**OFFICIAL FILE COPY**  
Return to Central Files

Q30  
AA

UNITED STATES DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
WASHINGTON, D.C. 20240  
December 14, 1995

In Reply Refer To:  
3104/3160 (310)  
Reference to  
IM 96-9  
ARIZONA STATE OFFICE  
BUREAU OF LAND MGMT  
JAN 19 '96

EMS TRANSMISSION 1/18/96  
Instruction Memorandum No. 96-35  
Expires: 9/30/97

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ACTION	RES

To: All SD's  
From: Director  
Subject: Elimination of Duplicate State Oil and Gas Bond Coverage on Federal Oil and Gas Lease Lands

**ISSUE:** The Bureau Performance Review (BPR) Bonding and Unfunded Liability Team reviewed several aspects of the Federal oil and gas bonding provisions and provided recommendations in its final report issued in early 1995. One of the report's recommendations was to work with the State Governments to encourage introduction and passage of State legislation that would eliminate duplicate State bond coverage for oil and gas operations in those States that require a State oil and gas bond on Federal lands in addition to the Federal bond required under 43 CFR Subpart 3104.

**POLICY:** Although the Federal Government cannot, without specific approval, transfer its authority to administer the statutory and regulatory requirements to a State Government, we should identify those areas that can improve efficiencies in the way we provide service to our customers while promoting an environmental and reasonable approach to the way we conduct business.

**IMPLEMENTATION:** The attached suggested letter (Attachment 1) is intended to serve as a model for each State Director to initiate discussions with the State Governor and appropriate State oil and gas agency to request that State legislation be introduced and enacted to remove duplicate State oil and gas bonding requirements on Federal oil and gas leases. Based on the information provided by the Interstate Oil and Gas Compact Commission (IOGCC), the States of Arizona, California, Colorado, Florida, Michigan, Ohio, New Mexico, Oklahoma, North Dakota, South Dakota, Wyoming, and Nebraska require a State oil and gas bond on Federal leases in addition to the Federal bond coverage required by 43 CFR Subpart 3104. This IOGCC listing (see Attachment 2) is possibly not complete, and therefore, each State Office is requested to research whether other States within their area of jurisdiction have similar requirements of State bond coverage on Federal oil and gas leases or whether the State's bond requirements have been changed since 1993.

Further, we suggest that each State Office enter into a Memorandum of Understanding (MOU) with the appropriate State oil and gas agency in those instances where the State bond amounts are equal to or greater than the Federal oil and gas bond amounts required by the BLM regulations in 43 CFR Subpart 3104. That is, the BLM-State MOU would set forth the Federal Government agreement that Federal oil and gas lease bond amounts will be required to be not less than the bond coverage otherwise required by the State for non-federal lands (except, of course, for those few States where no bond coverage is required for oil and gas lease wells). This MOU would serve as an added encouragement to State Governments to enact legislation to remove the State bonding requirement from Federal oil and gas leases, and would achieve minimum Federal oil and gas bond requirements that are consistent with the State bond amounts. For example, the State of California requires a \$10,000 bond for each well that is less than 5,000 in depth, with a blanket bond allowed in the amount of \$100,000. Accordingly, if an MOU were adopted between the BLM California State Office and the California Division of Oil, Gas and Geothermal Resources, the BLM would require the same Federal bond amount on a lease basis as required by the State on non-Federal lands, e.g., 4 wells of less than 5,000 feet depth on a Federal lease would justify our requiring a Federal bond amount of \$40,000. This would help lessen the liabilities that could occur on Federal leases, particularly those with shut-in and temporarily-abandoned wells (see IM 96-9, dated October 30, 1995).

**COORDINATION:** The endeavor to eliminate duplicate State oil and gas bonds on Federal oil and gas leases requires in-depth coordination by the State and Field Offices with the State Governor's Office and the State oil and gas agency or commission. Any assistance that can be provided by the BLM Washington Office should be identified and communicated to the Washington Office Compliance Team or Use Authorization Team.

**CONTACT PERSON:** Questions or comments can be made to Erick Kaarlela, Compliance Team, telephone 452-0340.

Signed  
Jim Fox  
Acting Assistant Director  
Resource Use and Protection

Authenticated  
Robert M. Williams  
Directives Team, WO530

**2 Attachments**

- 1 - Example Letter to Governor (1 p.)
- 2 - Listing of State Bonding Requirements (4 pp.)

Honorable \_\_\_\_\_  
Governor, State of \_\_\_\_\_  
City, State & Zip Code

Dear Governor \_\_\_\_\_

Late in 1993, the Bureau of Land Management (BLM) initiated a performance review of its onshore oil and gas program as part of the Federal Government's Reinvention of Government initiative. A series of scoping meetings were held at various locations throughout the country in late 1993 and early 1994 to obtain input from our publics on how the BLM can improve its performance in managing oil and gas resources on Federal lands. This Bureau Performance Review (BPR) evaluated various aspects of the Federal oil and gas program that resulted in several recommendations that the BLM is now in the process of implementing.

Among several teams that reviewed the Federal oil and gas program, the Bonding and Unfunded Liability BPR Team reviewed the adequacy of the Federal oil and gas bonding requirements on Federal lands, and addressed the unfunded liability issues caused by operators whose financial guarantees fall short. This team also looked for ways to reduce duplication of regulations by different Federal, State and local governments. A review of information provided to the BLM by the Interstate Oil and Gas Compact Commission indicates that several State Governments, including the State of \_\_\_\_\_, require a State bond for oil and gas operations conducted on Federal lands, in addition to the BLM Federal oil and gas bond required for operations on Federal lands under the Federal regulations in Title 43 of the Code of Federal Regulations, Subpart 3104.

We would look forward to meeting with you and the (Name of State Oil and Gas Agency) to discuss your support and consideration of sponsoring State legislation to eliminate the duplicate bonding of oil and gas operations on Federal lands. If such State legislation were enacted and to ensure adequate bonding of oil and gas operations on Federal lands in the State of \_\_\_\_\_, we would be interested in entering a Memorandum of Understanding (MOU) between the BLM (State) Office and the (Name of State Oil and Gas Agency), whereby the Federal bonding coverage on Federal lands within the State of \_\_\_\_\_ would be commensurate with those otherwise required on non-Federal lands within the State of \_\_\_\_\_. While we have some problems with orphan oil and gas wells on Federal lands, we expect that revisions in the Federal bonding measures that are anticipated to be achieved over the next couple of years, as a result of the BPR Bonding and Unfunded Liability Team's review, will help ensure the proper plugging and abandonment of such wells and the reclamation of sites on Federal lands.

We would forward to hearing your thoughts on this proposal and any State plans that may be proposed to eliminate duplicate bonding on Federal lands. We look forward to establishing a joint Federal-State team to successfully adopt an MOU to that would allow the Federal oil and gas bonding requirements to be the sole bonding provisions on Federal lands in the State of \_\_\_\_\_.

Sincerely,

Attachment 1

10/95

**SUMMARY OF STATE GOVERNMENT OIL AND GAS BOND AMOUNT REQUIREMENTS**  
(As of 10/93)

	<u>Per Well - Depth/Amount</u>	<u>Blanket</u>
<u>ALABAMA</u>	0 - 5,000' \$ 5,000 5,001'-10,000' \$ 10,000 10,001'-15,000' \$ 15,000 15,001'-20,000' \$ 30,000 20,000' or deeper \$ 50,000	\$100,000
<u>ALASKA</u>	Not less than \$100,000 (regardless of depth)	Not less than \$200,000
<u>ARIZONA*</u>	\$5,000 (regardless of depth)	\$25,000
<u>ARKANSAS</u>	\$15,000 (regardless of depth)	N/A
<u>CALIFORNIA*</u>	Less than 5,000' \$10,000 5,000' but less than 10,000' \$15,000 10,000' or deeper \$25,000 Class II disposal well \$50,000 Long-term idle wells \$100,000 Individual long-term idle well \$5,000/well	\$100,000
<u>COLORADO**</u>	Plugging \$5,000 (regardless of depth) Surface damage - non-irrigated land \$2,000 Surface damage - irrigated land \$5,000	\$30,000 \$25,000 \$25,000
<u>FLORIDA*</u>	0 - 9,000' \$50,000 (for producer at this depth \$100,000) 9,000' or more \$100,000 (for producer at this depth \$200,000)	\$1,000,000
<u>GEORGIA</u>	Flexible - up to \$50,000	\$50,000
<u>IDAHO</u>	\$10,000 (regardless of depth)	\$25,000
<u>ILLINOIS</u>	0 - less than 2,000' \$1,500 Over 2,000' \$3,000  (Required for operators on record less less than 2 years with State agency)	\$ 25,000 (0-25 wells) \$ 50,000 (26-50 wells) \$100,000 (51 + wells)
<u>INDIANA</u>	\$2,000 (regardless of depth)	\$30,000

\* State bond required on Federal leases in addition to the Federal BLM bond.

\*\* No State bond required on Federal leases, except when State surface with Federal minerals.

Attachment 2-1

<u>KANSAS</u>	<u>No compliance bond required</u>		
<u>KENTUCKY</u>	0 - 500'	\$ 500	\$10,000
	501' - 1,000'	\$1,000	
	1,001' - 1,500'	\$1,500	
	1,501' - 2,000'	\$2,000	
	2,001' - 2,500'	\$2,500	
	2,501' - 3,000'	\$3,000	
	3,001' - 3,500'	\$3,500	
	3,501' - 4,000'	\$4,000	
	Over 4,000'	\$5,000 (or an amount set by State O&G Commission)	
<u>LOUISIANA</u>	Amount per well or blanket bond as determined by Conservation Commissioner.		
<u>MARYLAND</u>	\$10,000 (minimum) to \$100,000 (maximum) (no depths specified)		\$50,000-\$500,000
<u>MICHIGAN*</u>	\$5,000 (regardless of depth)		\$50,000
<u>MISSISSIPPI</u>	<u>No compliance bond required</u> (except for out-of-State operators)		
<u>MISSOURI</u>	0 - 500'	\$1,000	\$20,000 (0-800' w/up to 50 unplugged wells)
	501' - 1,000'	\$2,000	
	1,001' - 2,000'	\$3,000	\$30,000 (801'-1,200' w/up to 15 unplugged wells)
	2,000' - 5,000'	\$4,000	
	5,001 and over	\$4,000 plus \$1/ft. beyond 5,001'	
<u>MONTANA</u>	3,500' or less	\$ 5,000	\$25,000
	More than 3,500'	\$10,000	(May be increased to \$50,000 at Board's discretion)
	(May be increased to \$10,000 or \$20,000, respectively, at Conservation Board's discretion)		
<u>NEBRASKA*</u>	\$5,000 (regardless of depth)		\$25,000
<u>NEVADA</u>	\$10,000 (regardless of depth)		\$50,000
<u>NEW MEXICO*</u>	\$5,000 - \$12,500 (dependent on depth & location of well)		\$50,000
	\$25,000 required for oil recovery/waste disposal facilities.		

\* State bond required on Federal leases in addition to the Federal BLM bond.

<u>NEW YORK</u>	0 - 2,500':		Not to exceed \$2,000,000
	1-25 wells	\$2,500, up to \$25,000	
	26-50 wells	\$25,000 + \$2,500/well in excess of 25 wells, up to \$40,000	
	51-100 wells	\$40,000 + \$2,500/well in excess of 50 wells, up to \$70,000	
	Over 100 wells	\$70,000 + \$2,500/well in excess of 100, up to \$100,000	
	2,500' - 6,000':		
	1-25 wells	\$5,000, up to \$40,000	
	26-50 wells	\$40,000 + \$5,000/well in excess of 25 wells, up to \$60,000	
	51-100 wells	\$60,000 + \$5,000/well in excess of 50 wells, up to \$100,000	
	Over 100 wells	\$100,000 + \$5,000/well, up to \$150,000	
	Over 6,000':	Amount set by Conservation Dept., not to exceed \$250,000/well, up to \$2,000,000	
<u>NORTH CAROLINA</u>	\$5,000 (regardless of depth)		None
<u>NORTH DAKOTA*</u>	\$15,000 (except wells at 2,000' or less may be bonded in lesser amount on administrative approval)		\$50,000 (10 wells or less) \$100,000 (more than 10 wells)
	Commercial disposal wells - \$15,000		Not allowed on Blanket bond
<u>OHIO*</u>	\$5,000 (regardless of depth)		\$15,000
<u>OKLAHOMA*</u>	Based on estimated costs of P&A/reclamation (not including salvage value of casing, tubing or wellhead equipment)		\$25,000 (Surety bond LOC, CD, or cash) \$50,000 (Financial statement minimum net worth)
<u>OREGON***</u>	Less than 2,000' \$10,000 2,000' or more \$25,000		\$150,000
<u>PENNSYLVANIA</u>	\$2,500 (regardless of depth)		\$25,000

- \* State bond required on Federal leases in addition to the Federal BLM bond.
- \*\* No State bond required on Federal leases, except when State surface with Federal minerals.
- \*\*\* State bond waived if Federal bond deemed adequate amount.

<u>SOUTH DAKOTA****</u>	Plugging	\$5,000	\$20,000 - plugging
	Surface restoration	\$2,000	\$10,000 - surface restoration
<u>TENNESSEE</u>	Plugging	\$2,000 (\$10,000 for gas wells)	\$10,000 - plugging (up to 10 wells)
	Reclamation	\$1,500 (for new wells)	None for reclamation (except LOC or CD in appropriate amount to cover multiple wells)
	Change of operator	\$1,000 (when initial reclamation has been accomplished)	
<u>TEXAS</u>	\$2/foot x total aggregate depth of all wells of the operator		\$25,000 (1-10 wells) \$50,000 (11-99 wells) \$250,000 (100 wells or more)
<u>UTAH</u>	0 - 1,000'	\$ 1,000	\$10,000 (less than 1,000')
	1,000' - 3,000'	\$10,000	
	3,000' - 10,000'	\$20,000	\$80,000 (more than 1,000')
	More than 10,000'	\$40,000	
<u>VIRGINIA</u>	Not less than \$10,000 (plus \$2,000/acre of disturbed land)		\$25,000 (1-15 wells) \$50,000 (16-30 wells) \$75,000 (31-50 wells) \$100,000 (51 + wells)
<u>WASHINGTON</u>	Not less than \$50,000 (regardless of depth)		Not less than \$250,000
<u>WEST VIRGINIA</u>	\$5,000 (regardless of depth)		\$50,000
<u>WYOMING**</u>	For fee lands:		
	Less than 2,000'	\$5,000	\$25,000
	More than 2,000'	\$10,000	\$25,000
	(Additional bonding of \$2/foot for dormant wells in excess of 12,500')		

- \* State bond required on Federal leases in addition to the Federal BLM bond.
- \*\* No State bond required on Federal leases, except when State surface with Federal minerals.
- \*\*\* State bond waived if Federal bond deemed adequate amount.
- \*\*\*\* State plugging bond required on Federal leases.