

Transfer of Plugging and Reclamation Responsibility Through Change of Operator Requests

The Montana Board of Oil and Gas Conservation is directed by § 82-11-123(5), MCA, to require “the furnishing of a reasonable bond with good and sufficient surety, conditioned for performance of the duty to properly plug each dry or abandoned well.” To assure that the statutory requirements are being met, the Board has directed staff to apply the following policy for review of change of operator requests:

For New Companies: Requests for approval of bond and a change of operator request by a company new to the Board that includes 10 or more wells to be covered by a single, multiple well bond will be referred to the Board.

Change of Operator Requests: If the approval of a change of operator request would result in 5 or more inactive wells on a multiple well bond, approval of the change of operator request will be referred to the Board.

Commercial Disposal Wells: The transfer of one or more commercial disposal wells for which the primary purpose is for-profit disposal of oil and gas wastes not generated by the well operator will be referred to the Board.

For this policy, a well will be considered inactive if it has not produced oil or gas or injected for 2 years prior to receipt of the well transfer request.

Requests that are subject to the criteria listed above will be scheduled for the Board’s next available hearing date. By statute, the Board may require one or more bonds for good and sufficient surety to properly plug each dry or abandoned well (§ 82-11-123(5), MCA; § 1-2-105(3), MCA). By rule, the Board may consider doubling the required bond or limiting the number of wells covered by any multiple well bond (ARM 36.22.1308(3)). Other conditions of approval may be considered.

The Board suggests that the operator receiving the wells be prepared to present and discuss the following:

- Financial information that will help assess the company’s ability to meet the statutory requirement and determine whether additional bond coverage may be warranted;
- For new companies, management experience in oil and gas operations, and presence in other states; and
- Plans for acquired wells, including a schedule for reduction in the plugging liability represented by inactive wells on either existing or new multiple well bonds.