

MARK - UP

RULE B-7: WHEN WELLS SHALL BE PLUGGED AND ABANDONED AND NOTICE OF INTENTION TO PLUG AND ABANDON WELLS

- a) The current permit holder is responsible for plugging wells as defined in this rule. In the case of leaking wells, plugging responsibility is in accordance with General Rule B-26 (k) and (l).
- b) All new wells drilled for ~~oil~~ liquid hydrocarbons, natural gas, or brine exploration, ~~oil, gas~~ or brine production, water supply or injection purposes, except such holes as are described in Rule B-10, regardless of depth are required to be either properly cased with production casing or the uncased well or dry hole shall be plugged and abandoned in accordance with applicable commission rules, unless an extension of time to plug is granted in accordance with subparagraph (c) below.
- c) Uncased wells and dry holes
 - 1) Any well in which production casing is not set and cemented shall be plugged in accordance with applicable commission rules, prior to the time that the equipment used to drill said well is released from the drilling operation. In the case of “staged” drilling operations, where multiple drilling rigs are used to drill the well over a period of time, production casing shall be set and cemented within 180 days after setting of the surface casing or the well shall be plugged, unless an extension of time to plug is granted in accordance with subparagraph 2) below.
 - 2) The Director however, may grant an extension of time to plug an uncased well. In determining whether to grant an extension and in determining the length of an extension, the Director may consider:
 - A) The permit holders specific plans for further wellbore utilization,
 - B) The total depth of the well,
 - C) The depth of surface and any intermediate casing,
 - D) A description of the current condition of the hole including a description of the type of drilling fluids currently in the well,
 - E) The location of the well.
 - 3) If the Director determines that the uncased well presents a risk of contamination to the environment or a risk to public safety the Permit Holder shall be required to repair, case, plug or perform other remediation measures to the well, as determined by the Director, within twenty four (24) hours after notification by the Director.
- d) All cased wells utilized for ~~oil~~ liquid hydrocarbons, natural gas or brine production, water supply or injection purposes, except such holes as are described in Rule B-10 or liquid hydrocarbons production wells located on actively producing leases, shall be plugged and

abandoned in accordance with applicable commission rules after the well has been idle for more than 24 months, or sooner should the Director determine that the cased well presents a risk of contamination to the environment or a risk to public safety, unless an application is filed to request temporary abandonment status for the well in accordance with subparagraph h) below. Upon such determination by the Director or if temporary abandonment status is denied, the Permit Holder shall commence plugging the well within 30 days after notification by the Director. Failure to commence plugging the well within 30 days after notification by the Director may result in the initiation of well abandonment proceedings in accordance with General Rule G-1.

- e) Prior to the commencement of any work in plugging and abandonment operations, the permit holder or other person responsible for the conduct of the drilling operations shall give notice of the intent to plug and abandon such well in a form prescribed by the Director as follows:
 - 1) For uncased wells and dry holes, notice shall be provided via verbal or facsimile communication to the Commission Regional Office where the well is located, as soon as possible, but no less than 8 hours, prior to commencement of plugging operations.
 - 2) For cased wells, written notice on a form prescribed by the Director shall be provided to the Commission Regional Office where the well is located, at least 72 hours prior to the commencement of plugging operations.
- f) Upon receipt and review of such verbal or written notice, the Commission Regional Office shall authorize the commencement of plugging operations and may send a duly authorized Commission representative to the well location to witness the plugging of such well.
- g) Authorization to plug and abandon is not granted unless the appropriate notice, as specified in subparagraph (e) above, has been provided to the Oil and Gas Commission by the permit holder or person responsible for the plugging of the well. Plugging of the well without providing proper notice as required can result in the Permit Holder being required to drill out the well plugs and the well replugged under Commission observation.
- h) Temporary Abandonment Status
 - 1) An application for temporary abandonment status shall be made on form prescribed by the Director and, if approved, shall be valid for a period not to exceed three (3) years from the date of the Director's approval. At the expiration of the three (3) year period the Permit Holder shall commence plugging operations within thirty (30) days, or file an application to request a hearing before the Commission in accordance with General Rules A-2, A-3 and other applicable hearing procedures to request an extension of the three (3) year period of the temporary abandonment status. Wells in an approved waterflood/enhanced oil recovery unit are exempt from the initial three (3) year time limit as long as the unit remains active.
 - 2) Wells which have not produced for more ten (10) years are not eligible for approval by the Director of temporary abandonment status, unless the well is in

an approved waterflood/enhanced oil recovery unit that remains active. Temporary abandonment status for these wells may only be granted by the Commission after notice and a hearing in accordance with General Rule A-2, A-3 and other applicable hearing procedures.

3) Temporary abandonment status shall be approved by the Director provided:

A) Financial Assurance in the amount of \$35,000 per well for any dry natural gas production well, or \$15,000 per well for any liquid hydrocarbon production well is submitted for each well. The Financial Assurance shall be in a form as prescribed by General Rule B-2, and shall remain valid until the well is put back into sustained production, plugged or a transferred.

B) The well is secured with a suitable wellhead with no leakage of any substance at the surface, and

C) The well site is maintained in accordance with General Rule B-26 i), and

D) Proper well identification is maintained in accordance with General Rule B-26 b), and

E) Useable groundwaters are protected utilizing one of the following methods:

- i) Set a drillable, retrievable or other type of mechanical bridge plug above the producing interval, in the cemented portion of the production casing, but at least 150 feet below the base of the lowest usable groundwater in the area, and secured at the surface with a wellhead and valve in operable condition; or
- ii) Set a packer run on tubing above the producing interval, in the cemented portion of the production casing, but at least 150 feet below the base of the lowest usable groundwater in the area, and secured at the surface with suitable wellhead packoff equipment and closed to the atmosphere or with a wellhead and valve in operable condition;
- iii) Run a casing inspection log confirming the mechanical integrity of the production casing and secured at the surface with a wellhead and valve in operable condition; or
- iv) Conduct a fluid level test by wireline or other approved electronic or mechanical means, which determines that the static fluid level is at least 150 feet below the base of the lowest usable groundwater in the area, and ~~which must be witnessed by commission staff~~ upon no less than 48 hours notice prior to conducting the fluid level test, may be witnessed by commission staff. The fluid level test shall be conducted annually, ~~on~~ within 60 days prior to the

anniversary date of the temporary abandonment during each year of the three (3) year temporary abandonment period.

- 4) Failure to maintain any of the above conditions ~~will~~ may result in the issuance of a Notice of Violation ("NOV"). Failure of the Permit Holder to comply with the NOV, or other applicable final administrative decision in accordance with General Rule A-5, shall result in the revocation of the temporary abandonment status and require the well to be plugged in thirty (30) days, unless an extension of time to plug is granted after notice and hearing.
- 5) Wells returning to active status from temporary abandonment status shall file for authorization to commence production operations on a form prescribed by the Director.