

Minutes

Annual Business Meeting Planning Call
Friday, January 15, 2016
2:00 pm – 3:00 pm CST

- I. Project Overview
 - a. Growing concern among many states about adequacy of financial assurances in current economic environment.
 - b. Define project scope for Legal & Regulatory Committee:
 - i. Funding mechanisms for orphaned wells
 - ii. What activities are covered by financial assurance – plugging, reclamation, remediation?
 - iii. How do states determine financial assurance requirements? When was most recent update to financial assurance requirements? Are financial assurance requirements set by statute or rule?
 - iv. How does current bonding market – generally very tight credit – effect financial assurance regulatory decisions?
 - c. Potential deliverables
 - i. Survey of existing state financial assurance requirements?
 - a. (Colorado Oil and Gas Conservation Commission will work with Mark Watson (WY) on Financial Assurance template for review on next call.)
 - ii. “Toolbox” describing various funding mechanisms, including third-party entities such as Oklahoma Energy Resources Board;
 - iii. Survey or summary of tools used by states concerning transfer of ownership (generally from bigger to smaller companies).
 - iv. Survey or summary of bonding markets.
 - v. Survey or summary of other tools, such as liens, to secure state position in case of bankruptcy or abandonment.
 - vi. Survey of financial assurance requirements for oil pipeline, storage, and gathering infrastructure.
- II. Featured speakers
 - a. Mark Watson, Wyoming Oil and Gas Supervisor

Wyoming has just approved new bonding rules that include: Blanket Bonds shall be \$100,000; existing wells not grandfathered. Individual well bonds shall be \$10 per foot. Idle well bonds also \$10/foot.

WOGCC can hold a selling company’s bond for 60 days in order to review financial position of purchaser. WOGCC can require purchasing company to increase bond based on financial review.

More information is in Wyoming’s statutes Chapter 3, Section 4.

Interstate Oil and Gas Compact Commission

Legal & Regulatory Affairs Committee

Chair: Matt Lepore, Colorado Oil and Gas Conservation Commission, Director

Vice Chair: Linda McDonald, Sandridge Energy, Regulatory Director

- b. Alan York, Arkansas Oil and Gas Commission, Assistant General Counsel

Arkansas last updated their financial assurance rules in 2009. They maintain a three-prong approach that includes individual well bond, blanket bonds and annual well assessment. More information please refer to Arkansas Code, Annotated, Title 15, Chapter 72, Rule B-2.

- c. Mindy Stitt, Oklahoma Energy Resources Board, Executive Director

The OERB is funded through a voluntary one-tenth of 1 percent assessment on the sale of oil and natural gas in Oklahoma, paid for by oil and natural gas producers and royalty owners. OK Corporation Commission plugs wells using separate plugging fund; OERB program cleans up well sites.

- d. Other comments:

New York requires selling entity to provide third-party estimates of plugging costs.

Mississippi imposes \$100 fee per well per year, which goes into a dedicated plugging fund.

III. Next Steps

- a. Next Conference Call: Friday, February, 19, 2016 3pm CST
 - i. Review bonding template
 - ii. Lynn Helms will try to produce a 'Surety' speaker
 - iii. Visit other financial assurance topics for inclusion, such as bankruptcy.
- b. Target May Annual Business Meeting in Denver for working sessions on various topics