



Idle Well Project Summary

**LEGAL & REGULATORY
IOGCC ANNUAL CONFERENCE**

Pittsburgh, PA

Sheraton at Station Square

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8:30am – 10:00am

Background

- Choice of idle wells as the subject for the next “toolbox” approach was based in part on financial assurance toolbox discussions and specific interest in the topic.
- Timely topic for many jurisdictions given the economic situation facing the industry.
- Having the discussion and resulting toolbox to review how the different jurisdictions addressed regulating idle wells could provide a real benefit to regulators and the industry.

Toolbox Questionnaire

- Six main questions included in the questionnaire:
 - 1) How does the regulatory authority classify idle well inventories?
 - 2) How long may a well remain idle prior to requiring regulatory authority approval to remain idle?
 - 3) How long does the regulatory authority allow wells to remain idle?

Toolbox Questionnaire

- Six main questions included in the questionnaire (*cont.*):
 - 4) What are the requirements to obtain this approval, including any bonding requirements?
 - 5) Are there any exceptions or exemptions to the regulatory requirements?
 - 6) What is the current idle well inventory for each regulatory authority?

Idle Well Classifications

- Major issue was identifying the different ways each jurisdiction classified idle wells.
- The questionnaire classified an idle well as: “*a well that is not producing or injecting, or otherwise being used for its intended purpose.*”

Idle Well Classifications

- No uniform definition – there are even multiple definitions per jurisdiction.
- Condition of the well is often a distinguishing factor:
 - Capable of returning to active status immediately, or
 - Some extra step necessary to return well to active status, i.e., retrieval of a plug.

Duration of Idle Status Prior Regulatory Approval

- Major area of interest was how long do other jurisdictions allow wells to be idle?
 - Varies across jurisdictions.
 - Majority of responding jurisdictions indicate some regulatory approval is required between one and three years.
 - Can be different based on a well's classification, immediately returnable to service or extra work required?
 - Shorter timeframes:
 - 90-days,
 - Six months, or
 - As soon as the well is not being used for intended purpose.
 - Other requirements include annual filing or construction verification to remain idle.

Duration of Regulatory Approved Idle Status

- How long does regulatory approval last?
 - Many jurisdictions require annual approval or filing with no prescribed end to the process, i.e., continuous one year incremental approvals.
 - The majority of jurisdictions establish a timeframe that requires greater action like a mechanical integrity test or a hearing after a certain number of idle well status approvals.

Duration of Regulatory Approved Idle Status

- Still a considerable number of jurisdictions with no time limit to regulatory approved idle status.
 - Many have financial assurance or mechanical integrity testing requirements as protection from pollution threats and orphaned wells.

Regulatory Requirements

- What do jurisdictions require for regulatory approved idle well status?
- General Requirements
 - Report or test regarding the mechanical condition of the idle wellbore.
 - The frequency and type of well report or test vary by well type and across jurisdictions from annual to five-year increments.
- Application Fees
 - The majority of responding jurisdictions charge no fee for approving idle well status.
 - Jurisdictions with fees range from \$100 per well per year of idle well status to \$500.
 - Fees often cover general operations but can be earmarked for hearings.
 - Fees are generally static, but some jurisdictions escalate fees based on the consecutive number of approvals obtained.

Regulatory Requirements

- Financial Assurance
 - Jurisdictions are split fairly evenly regarding financial assurance requirements necessary to keep wells in regulatory approved idle status.
 - Many jurisdictions refer back to blanket bonding requirements as justification for the lack of increased assurance requirements.

Regulatory Requirements

- Financial Assurance
 - Jurisdictions with financial assurance requirements vary as well.
 - Can be specific to the number of renewals granted for a certain well.
 - Some are based on overall number of idle wells in an operator's inventory.
 - Idle well depth is often used to derive the specific financial assurance required.

Potential Next Steps

- Combining research and information from Financial Assurance Toolbox and Idle Well Toolbox could be used to formulate a regulator response to 2016 Resources for the Future report on what jurisdictions are actually doing to prevent wells from becoming orphaned.
- Collaboration with International Committee
 - Transfer of liability?

Thank You

- Carol Booth for coordinating the phone calls, meetings, and compiling all of the responses into the document.
- All of the 30+ jurisdictions who supplied responses to the questionnaire and participated in the calls and meeting.