

April 14, 2004

NOTICE TO OPERATORS
Concerning
Plugging Bonds for State Lease Wells

Effective February 24, 2004, the School and Institutional Trust Lands Administration (SITLA) entered into an agreement with the Board and Division of Oil, Gas and Mining (DOG M) to transfer to DOGM the responsibility of maintaining sufficient bonds to cover drilling, operating and plugging of wells and the restoration of each well site. In the past, operators have been required to post bonds in various amounts with SITLA to cover their operations on lands owned and administered by SITLA, with DOGM if the company had operations on fee lands in Utah, and still another if its operations were on federal lands. Under this new agreement, SITLA will no longer require operators to post a plugging and reclamation bond. All plugging and reclamation bonds for operations on SITLA lands and fee lands will now be administered by DOGM under their rule R649-3-1, as revised July 1, 2003.

Operators are required, however, to post a performance bond for delinquent or unpaid royalties in the amount of \$5,000 per well or \$15,000 statewide with SITLA to cover lease obligations on SITLA lands not otherwise covered by the DOGM bond. The surety sources are the same as set out in SITLA's current rules at R850-20-2800.