

State of Utah
Administrative Rule Analysis

NOTICE OF PROPOSED RULE AMENDMENT

The agency identified below in box 1 provides notice of proposed rule change pursuant to Utah Code Section 63-46a-4. Please address questions regarding information on this notice to the agency. The full text of all rule filings is published in the Utah State Bulletin unless excluded because of space constraints. The full text of all rule filings may also be inspected at the Division of Administrative Rules.

DAR file no:	25788	Date filed:	12/12/2002	
Utah Admin. Code ref. (R no.):	R649-3-1	Time filed:	1:25:00 PM	
Change Code Ref. To:				

1.	Agency:	Natural Resources/Oil, Gas and Mining; Oil and Gas		
	Room no.:	1210		
	Building:			
	Street address 1:	1594 W NORTH TEMPLE		
	Street address 2:			
	City,state,zip:	SALT LAKE CITY, UT 84116-3154		
	Mailing address 1:	PO BOX 145801		
	Mailing address 2:			
	City,state,zip:	SALT LAKE CITY, UT 84114-5801		
	Contact person(s):			
	Name:	Phone:	Fax:	E-mail:
	Ron Daniels	801-538-5316	801-359-3940	rondaniels@utah.gov
				Remove:
	(Interested persons may inspect this filing at the above address or at DAR between 8:00 a.m. and 5:00 p.m. on business days.)			

2.	Title of rule or section (catchline): Bonding
3.	Type of notice: Amendment
4.	Purpose of the rule or reason for the change: This rule change strengthens the state's regulatory position, assuring that performance bonds will, in the event of an operator's default, come closer to addressing well plugging and site restoration costs.
5.	This change is a response to comments by the Administrative Rules Review Committee. No
6.	Summary of the rule change: The change will increase the amount and the cost of basic drilling and operating bonds, provide for escalation of bonds through the use of the Producer Price Index, require full cost bonding once an operator is in violation, set financial tests before the Division accepts blanket bonds, and require tests for successor operators if the transfer of a blanket bond is requested.
7.	Aggregate anticipated cost or savings to: A) State budget: It is difficult to estimate the cost or savings to the state budget since this rule change is designed to prevent the state from having to assume a future unspecified responsibility for operator failure. Past experience has shown that once a standard is established by regulation or law, responsible compliance behavior follows in most cases. Thus, the impact may be insignificant. B) Local government:

	<p>No significant impact is anticipated for local government because the function of oil and gas conservation regulation is a responsibility which is reserved to state authority.</p> <p>C) Other persons: No significant impact is anticipated for other persons since the two main groups impacted here are the State(addressed above in the impact to the "State Budget") and the operators(addressed in the "Compliance costs for affected persons" below). However, a slight but undetermined increase in surety premium payments may be made by operators to surety companies, who will gain additional revenue therefrom.</p>									
<p>8.</p>	<p>Compliance costs for affected persons ("person" means any individual, partnership, corporation, association, governmental entity, or public or private organization of any character other than an agency): Compliance costs for operators will increase as the size of bonds or financial guarantees rise. Presently, the exact amount of the increase is difficult to determine but an increase of about 50% in the cost of initial bonds for wells on privately-owned minerals or surface will be experienced. The inflation of bond amounts in concert with the Producer Price Index will cause all bonds to increase in cost at a rate approximately equal to the rate of inflation every five years.</p>									
<p>9.</p>	<p>Comments by the department head on the fiscal impact the rule may have on businesses: An increase in cost to business will occur at a rate which is near to the rate of inflation as reflected by the Producer Price Index. Since this will result in an additional measure of financial protection and reduced risk for the State generally, it is deemed to be a necessary increase in the cost of doing business.</p>									
<p>10.</p>	<p>This rule change is authorized or mandated by state law, and implements or interprets the following state and federal laws. State code or constitution citations (required): Section 40-6-1, et seq.</p>									
<p>11.</p>	<p>Titles of incorporated materials referenced by this rule (submit a copy to DAR; if none leave blank):</p>									
<p>12.</p>	<p>The public may submit written or oral comments to the agency identified in box 1. The public may also request a hearing by submitting a written request to the agency. the agency is required to hold a hearing if it receives requests from ten interested persons or from an association having not fewer than ten members. Additionally, the request must be received by the agency not more than 15 days after the publication of this rule in the <i>Utah State Bulletin</i>. See Section 63-46a-5 and Rule R15-1 for more information.) Comments will be accepted until 5:00 p.m. on (mm/dd/yyyy): 4/1/2003</p> <p>A public hearing (optional) will be held:</p> <table border="0"> <thead> <tr> <th>on (mm/dd/yyyy)</th> <th>at (time):</th> <th>at (place):</th> </tr> </thead> <tbody> <tr> <td>1/22/2003</td> <td>10:00 am</td> <td>Suite 1040A, 1594 West North Temple, Salt Lake City, UT</td> </tr> <tr> <td>2/26/2003</td> <td>10:00 am</td> <td>Suite 1040A, 1594 West North Temple, Salt Lake City, UT</td> </tr> </tbody> </table>	on (mm/dd/yyyy)	at (time):	at (place):	1/22/2003	10:00 am	Suite 1040A, 1594 West North Temple, Salt Lake City, UT	2/26/2003	10:00 am	Suite 1040A, 1594 West North Temple, Salt Lake City, UT
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13. **This rule change may become effective on (mm/dd/yyyy):** 4/2/2003

14. **Indexing information - keywords (maximum of four, in lower case):**
oil and gas law

15. **Attach an RTF document containing the text of this rule change (filename):**
There is currently a document associated with this filing.

To the agency: Information requested on this form is required by Section 63-46a-4,5,6, and 10. Incomplete forms may be returned to the agency for completion, possibly delaying publication in the Utah State Bulletin, and delaying the first possible effective date.

AGENCY AUTHORIZATION

Agency head or designee, and title:	Ron Daniels Coordinator of Minerals Research	Date (mm/dd/yyyy):	12/12/2002

R649. Natural Resources; Oil, Gas and Mining; Oil and Gas.**R649-3. Drilling and Operating Practices.****R649-3-1. Bonding.**

1. An owner or operator shall furnish a bond to the division prior to approval of a permit to drill a new well, reenter an abandoned well or assume responsibility as operator of existing wells.

1.1. An owner or operator shall furnish a bond to the division on Form 4, for wells located on lands with fee or privately owned minerals.

1.2. An owner or operator shall furnish evidence to the division that a bond has been filed in accordance with state, federal or Indian lease requirements and approved by the appropriate agency for all wells located on state, federal or Indian leases.

2. A bond furnished to the division shall be payable to the division and conditioned upon the faithful performance by the operator of the duty to plug each dry or abandoned well, repair each well causing waste or pollution, and maintain and restore the well site.

~~3. [Bond coverage previously established by an operator of existing wells shall be considered adequate by the division upon the adoption of these rules. In the future, bond coverage for drilling, or reentering a well or for a replacement bond if required for any reason, shall be considered in accordance with these rules.~~

~~4.] Bond liability shall be for the duration of the drilling, operating and plugging of the well and restoration of the well site.~~

~~3[4].1. Except for inflationary adjustment as described in subsections 4.1. and 4.2., the bond for drilling or operating wells shall remain in full force and effect until liability thereunder is released by the division.~~

~~3[4].2. Release of liability shall be conditioned upon compliance with the rules and orders of the Board.~~

~~4. For all drilling or operating wells, the bond amounts for individual wells and blanket bonds required in subsections 5. and 6. represent base amounts adjusted to year 2002 average costs for well plugging and site restoration. The base amounts are effective immediately upon adoption of this bonding rule, subject to division notification as described in subsection 4.3.~~

~~4.1. After adoption of this bonding rule, new bonds posted with the division for new operators or newly proposed drilling or operating wells shall be in amounts equal to the base amounts of subsection 5. and 6. including inflationary adjustment. The inflationary adjustment for such new bonds shall be in an amount escalated from January 1, 2003 to the date of posting of the bonds using the Producer Price Index for the Oil and Gas Field Services industry sector as published by the U.S. Bureau of Labor Statistics for the applicable time period.~~

~~4.2. Every five years from the date of revision or establishment of bonds in accordance with this bonding rule, the division will review such bonds for inflationary adjustment. The bond amounts for those reviewed bonds shall be escalated from the date of revision or establishment of the bond to the review date using the Producer Price Index for the Oil and Gas Field Services industry sector as published by the U.S. Bureau of Labor Statistics for the applicable time period, subject to division notification as described in subsection 4.3.~~

~~4.3. The division shall provide written notification to each operator of the need to revise or establish bonds in amounts required by this bonding rule. Within 120 days of such~~

notification by the division, the operator shall post a bond with the division in compliance with this bonding rule.

4.4. If the division finds that a well subject to this bonding rule is in violation of Rule R649-3-36., Shut-in and Temporarily Abandoned Wells, the division shall require a bond amount for the applicable well in the amount of actual plugging and site restoration costs. Such shut-in well bonds shall be subject to inflationary adjustment described in subsection 4.2.

4.5. The division shall provide written notification to an operator found in violation of Rule R649-3-36., and identify the need to establish increased bonding for shut-in wells. Within 30 days of notification by the division, the operator shall submit to the division an estimate of plugging and site restoration costs for division review and approval. Upon review and approval of the cost estimate, the division will provide a notice of approval back to the operator specifying the approved bond amount for shut-in wells. Within 120 days of receiving such notice of approval, the operator shall post a bond with the division in compliance with this bonding rule.

5. Except for inflationary adjustment as described in subsections 4.1. and 4.2., the bond amount for drilling or operating wells located on lands with fee or privately owned minerals shall be one of the following:

5.1. For wells of less than 1,000 feet in depth, an individual well bond in the amount of at least \$1,500 [~~\$1,000~~], for each such well.

5.2. For wells of more that 1,000 feet in depth but less than 3,000 feet in depth, an individual well bond in the amount of at least \$15,000 [~~\$10,000~~] for each such well.

5.3. For wells of more that 3,000 feet in depth but less than 10,000 feet in depth, an individual well bond in the amount of at least \$30,000 [~~\$20,000~~] for each such well.

5.4. For wells of more than 10,000 feet in depth, an individual well bond in the amount of at least \$60,000 [~~\$40,000~~] for each such well.

6. If, prior to the January 1, 2003 revision of this bonding rule, an operator is drilling or operating more than one well on lands with fee or privately owned minerals, and a blanket bond was ~~may be~~ furnished and accepted by the division in lieu of individual well bonds, that operator shall remain qualified for a blanket bond with the division subject to the amounts described by this bonding rule and the procedures for inflationary adjustment as described in subsections 4.1. and 4.2.

6.1. A blanket bond shall be conditioned in a manner similar to individual well bonds and shall cover all wells that the operator may drill or operate on lands with fee or privately owned minerals within the state.

6.2. For wells of less than 1,000 feet in depth, a blanket bond in the amount of at least \$15,000 [~~\$10,000~~] shall be required.

6.3. For wells of more than 1,000 feet in depth, a blanket bond in the amount of at least \$120,000 [~~\$80,000~~] shall be required.

6.4. Subsequent to the January 1, 2003 revision of this rule, operators who desire to establish a new blanket bond that consists either fully or partially of a collateral bond as described in subsection 10.2. shall be qualified by the division for such blanket bond. Operators who elect to establish a surety bond as a blanket bond shall not require qualification by the division. In those cases where operator qualification for blanket bond is required, the division will review the following criteria and make a written finding of the operator's adequacy to meet

the criteria before accepting a new blanket bond:

6.4.1. The ratio of current assets to current liabilities shall be 1.20 or greater, as evidenced by audited financial statements for the previous two years and the most current quarterly financial report.

6.4.2. The ratio of total liabilities to stockholder's equity shall be 2.50 or less, as evidenced by audited financial statements for the previous two years and the most current quarterly financial report.

7. If an operator desires bond coverage in a lesser amount than required by these rules, the operator may file a Request for Agency Action with the Board for a variance from the requirements of these rules.

7.1. Upon proper notice and hearing and for good cause shown, the Board may allow bond coverage in a lesser amount for specific wells.

8. If after reviewing an application to drill or reenter a well or when reviewing a change of operator for a well, the division determines that bond coverage in accordance with these rules will be insufficient to cover the costs of plugging the well and restoring the well site, the division may require a change in the form or the amount of ~~request a hearing before the Board for its consideration of a greater~~ bond coverage. In such cases, the division will support its case for a change of bond coverage in the form of written findings to the operator of record of the well and provide a schedule for completion of the requisite changes.

8.1 Appeals of mandated bond amount changes will follow procedures established by Rule R649-10., Administrative Procedures. ~~Upon proper notice and hearing and for good cause shown, the Board may allow bond coverage in a greater amount for specific wells.~~

9. The bond shall provide a mechanism for the surety or other guarantor of the bond, to provide prompt notice to the division and the operator of any action alleging the insolvency or bankruptcy of the surety or guarantor, or alleging any violations which would result in suspension or revocation of the surety's or guarantor's charter or license to do business.

9.1. Upon the incapacity of the surety or guarantor to guarantee payment of the bond by reason of bankruptcy, insolvency, or suspension or revocation of a charter or license, the operator shall be deemed to be without bond coverage.

9.2. Upon notification of insolvency or bankruptcy, the division shall notify the operator in writing and shall specify a reasonable period, not to exceed 90 days, to provide bond coverage.

9.3. If an adequate bond is not furnished within the allowed period, the operator shall be required to cease operations immediately, and shall not resume operations until the division has received an acceptable bond.

10. The division shall accept a bond in the form of a surety bond, a collateral bond or a combination of these bonding methods.

10.1. A surety bond is an indemnity agreement in a sum certain payable to the division, executed by the operator as principal and which is supported by the performance guarantee of a corporation authorized to do business as a surety in Utah.

10.1.1. A surety bond shall be executed by the operator and a corporate surety authorized to do business in Utah that is listed in "A.M. Best's Key Rating Guide" at a rating of A- or better or a Financial Performance Rating (FPR) of 8 or better, according to the "A.M. Best's Guide". All surety companies also will be continuously listed in the current issue of the U.S. Department

of the Treasury Circular 570. Operators who do not have a surety bond with a company that meets the standards of subsection 10.1.1. will have 120 days from the date of division notification after enactment of the changes to subsection 10.1.1., or face enforcement action. When the division in the course of examining surety bonds notifies an operator that a surety company guaranteeing its performance does not meet the standards of subsection 10.1.1., the operator has 120 days after notice from the division by mail to correct the deficiency, or face enforcement action.

10.1.2. Surety bonds shall be noncancellable during their terms, except that surety bond coverage for wells not drilled may be canceled with the prior consent of the division.

10.1.3. The division shall advise the surety, within 30 days after receipt of a notice to cancel a bond, whether the bond may be canceled on an undrilled well.

10.2. A collateral bond is an indemnity agreement in a sum certain payable to the division, executed by the operator which is supported by one or more of the following:

10.2.1. A cash account.

10.2.1.1. The operator may deposit cash in one or more accounts at a federally insured bank authorized to do business in Utah, made payable upon demand only to the division.

10.2.1.2. The operator may deposit the required amount directly with the division.

10.2.1.3. Any interest paid on a cash account shall be retained in the account and applied to the bond value of the account unless the division has approved the payment of interest to the operator.

10.2.1.4. The division shall not accept an individual cash account in an amount in excess of \$100,000 or the maximum insurable amount as determined by the Federal Deposit Insurance Corporation.

10.2.2. Negotiable bonds of the United States, a state, or a municipality.

10.2.2.1. The negotiable bond shall be endorsed only to the order of and placed in the possession of the division.

10.2.2.2. The division shall value the negotiable bond at its current market value, not at face value.

10.2.3. Negotiable certificates of deposit.

10.2.3.1. The certificates shall be issued by a federally insured bank authorized to do business in Utah.

10.2.3.2. The certificates shall be made payable or assigned only to the division both in writing and upon the records of the bank issuing the certificate.

10.2.3.3. The certificates shall be placed in the possession of the division or held by a federally insured bank authorized to do business in Utah.

10.2.3.4. If assigned, the division shall require the banks issuing the certificates to waive all rights of setoff or liens against those certificates.

10.2.3.5. The division shall not accept an individual certificate of deposit in an amount in excess of \$100,000 or the maximum insurable amount as determined by the Federal Deposit Insurance Corporation.

10.2.4. An irrevocable letter of credit.

10.2.4.1. Letters of credit shall be placed in the possession of and payable upon demand only to the division.

10.2.4.2. Letters of credit shall be issued by a federally insured bank authorized to do business in Utah.

10.2.4.3. Letters of credit shall be irrevocable during their terms.

10.2.4.4. Letters of credit shall be automatically renewable or the operator shall ensure continuous bond coverage by replacing letters of credit, if necessary, at least 30 days before their expiration date with other acceptable bond types or letters of credit.

11. The required bond amount specified in subsections [~~R649-3-1.~~]5. and 6. of all collateral posted as assurance under this section shall be subject to a margin determined by the division which is the ratio of the face value of the collateral to market value, as determined by the division.

11.1. The margin shall reflect legal and liquidation fees, as well as value depreciation, marketability and fluctuations which might affect the net cash available to the division to complete plugging and restoration.

12. The market value of collateral may be evaluated at any time, and in no case shall the market value of collateral be less than the required bond amount specified in subsections [~~R649-3-1.~~]5. and 6.

12.1. Upon evaluation of the market value of collateral by the division, the division will notify the operator of any required changes in the amount of the bond and shall allow a reasonable period, not to exceed 90 days, for the operator to establish acceptable bond coverage.

12.2. If an adequate bond is not furnished within the allowed period the operator shall be required to cease operations immediately and shall not resume operations until the division has received an acceptable bond.

13. Persons with an interest in collateral posted as a bond, and who desire notification of actions pursuant to the bond, shall request the notification in writing from the division at the time collateral is offered.

14. The division may allow the operator to replace existing bonds with other bonds that provide sufficient [~~equivalent~~] coverage.

14.1. Replacement of a bond pursuant to this section shall not constitute a release of bond under subsection [~~R649-3-1.~~]15.

14.2. The division shall not allow liability to cease under an existing bond until the operator has furnished, and the division has approved, an acceptable replacement bond.

14.3. When the operator of wells covered by a blanket bond changes, the division will review the financial eligibility of a new operator for blanket bonding as described in subsection 6.4., and the division will make a written finding concerning the applicability of blanket bonding to the prospective new operator.

14.4[3]. Transfer of the ownership of property does not cancel liability under an existing bond until the division reviews and approves a change of operator for any wells affected by the transfer of ownership.

14.5[4]. If a transfer of the ownership of property is made and an operator wishes to request a change to a new operator of record for the affected wells, then the following requirements shall be met:

14.5[4].1. The operator shall notify the division in writing when ownership of any well associated with the property has been transferred to a named transferee, and the operator shall

request a change of operator for the affected wells.

14.5[4].2. The request [notice] shall describe each well by reference to its well name and number, API number, and its location, as described by the section, township, range, and county, and shall also include a proposed effective date for the operator change.

14.5[4].3. The request [notice] shall contain the endorsement of the new operator accepting such change of operator [transfer of ownership].

14.5.4. The request shall contain evidence of the new operator's bond coverage.

14.5[4].4. The request [notice] may include a request to cancel liability for the well(s) included in the operator change that are listed under the existing operator's bond upon approval [receipt] by the division of an adequate replacement bond in the name of the new operator.

~~[14.5. Within 30 days of the receipt by the division of the notice of transfer of ownership, the new operator shall do one of the following:~~

~~14.5.1. Submit a new bond.~~

~~14.5.2. Accept responsibility for the wells under an existing blanket bond.~~

~~14.5.3. Produce the written consent of the operator and, if applicable, surety of the previous bond that their responsibility shall continue with respect to the new operator.]~~

14.6. Upon receipt of a request for change of operator, the division will review the proposed new operator's bond coverage, and if bond coverage is acceptable, the division will issue a notice of approval of the change of operator.

14.6.1. If the division determines that the new operator's bond coverage will be insufficient to cover the costs of plugging and site restoration for the applicable well(s), the division may deny the change of operator, or the division may require a change in the form and amount of the new operator's bond coverage in order to approve the change of operator. In such cases, the division will support its case for a change of the new operator's bond coverage in the form of written findings, and the division will provide a schedule for completion of the requisite changes in order to approve the operator change. The written findings and schedule for changes in bond coverage will be sent to both the operator of record of the applicable well(s) and the proposed new operator.

14.7[6]. If the request for operator change included a request to cancel liability under the existing operator's bond in accordance with subsection 14.5.5., and the division approves the operator change, then the division will issue a notice of approval of termination of liability under the existing bond for the wells included in the operator change. When the division has approved the termination of liability under a bond [in accordance with R649-3-1.14.2 and R649-3-1.14.3], the original operator is relieved from the responsibility of plugging or repairing any wells and restoring any well site affected by the operator change [transfer of ownership].

14.8[7]. If all of the wells covered by a bond are affected by an operator change [transfer of ownership], the bond may be released by the division in accordance with subsection [R649-3-]15.

15. Bond release procedures are as follows:

15.1. Requests for release of a bond held by the division may be submitted by the operator at any time after a subsequent notice of plugging of a well has been submitted to the division or the division has issued a notice of approval of termination of liability for all wells covered by an existing bond.

15.1.1. Within 30 days after a request for bond release has been filed with the division, the operator shall submit signed affidavits from the surface landowner of any previously plugged ~~[the]~~ well site certifying that restoration has been performed as required by the mineral lease and surface agreements.

15.1.2. If such affidavits are not submitted, the division shall conduct an inspection of the well site in preparation for bond release as explained in subsection ~~[R649-3-1.]~~15.2.

15.1.3. Within 30 days after a request for bond release has been filed with the division, the division shall publish notice of the request in a daily newspaper of general circulation in the city and county of Salt Lake and in a newspaper of general circulation in the county in which the proposed well is located.

15.1.4. If a written objection to the request for bond release is not received by the division within 15 days after publication of the notice of request, the division may release liability under the bond as an administrative action.

15.1.5. If a written objection to the request for bond release is received by the division within 15 days after publication of the notice of request, the request shall be set for hearing and notice thereof given in accordance with the procedural rules of the Board.

15.2. If affidavits supporting the bond release application are not received by the division in accordance with subsection ~~[R649-3-1.]~~15.1.1., the division shall within 30 days or as soon thereafter as weather conditions permit, conduct an inspection and evaluation of the well site to determine if restoration has been adequately performed.

15.2.1. The operator shall be given notice by the division of the date and time of the inspection, and if the operator is unable to attend the inspection at the scheduled date and time, the division may reschedule the inspection to allow the operator to participate.

15.2.2. The surface landowner, agent or lessee shall be given notice by the operator of such inspection and may participate in the inspection; however, if the surface landowner is unable to attend the inspection, the division shall not be required to reschedule the inspection in order to allow the surface landowner to participate.

15.2.3. The evaluation shall consider the adequacy of well site restoration, the degree of difficulty to complete any remaining restoration, whether pollution of surface and subsurface water is occurring, the probability of future occurrence of such pollution, and the estimated cost of abating such pollution.

15.2.4. Upon request of any person with an interest in bond release, the division may arrange with the operator to allow access to the well site or sites for the purpose of gathering information relevant to the bond release.

15.2.5. The division shall retain a record of the inspection and the evaluation, and if necessary and upon written request by an interested party, the division shall provide a copy of the results.

15.3. Within 60 days from the filing of the bond release request, if a public hearing is not held pursuant to subsection ~~[R649-3-1.]~~15.1.5., or within 30 days after such public hearing has been held, the division shall provide written notification of the decision to release or not release the bond to the following parties:

15.3.1. The operator.

15.3.2. The surety or other guarantor of the bond.

15.3.3. Other persons with an interest in bond collateral who have requested notification under R649-3-1.13.

15.3.4. The persons who filed objections to the notice of application for bond release.

15.4. If the decision is made to release the bond, the notification specified in subsection [~~R649-3-1.~~]15.3. shall also state the effective date of the bond release.

15.5. If the division disapproves the application for release of the bond or portion thereof, the notification specified in subsection [~~R649-3-1.~~]15.3. shall also state the reasons for disapproval, recommending corrective actions necessary to secure the release, and allowing an opportunity for a public hearing.

15.6. The division shall notify the municipality in which the well is located by certified mail at least 30 days prior to the release of the bond.

16. The following guidelines will govern the Forfeiture of Bonds.

16.1. The division shall take action to forfeit the bond if any of the following occur:

16.1.1. The operator refuses or is unable to conduct plugging and site restoration.

16.1.2. Noncompliance as to the conditions of a permit issued by the division.

16.1.3. The operator defaults on the conditions under which the bond was accepted.

16.2. In the event forfeiture of the bond is necessary, the matter will be considered by the Board.

16.3. For matters of bond forfeiture, the division shall send written notification to the parties identified in subsection [~~R649-3-1.~~]15.3., in addition to the notice requirements of the Board procedural rules.

16.4. After proper notice and hearing, the Board may order the division to do any of the following:

16.4.1. Proceed to collect the forfeited amount as provided by applicable laws for the collection of defaulted bonds or other debts.

16.4.2. Use funds collected from bond forfeiture to complete the plugging and restoration of the well or wells to which bond coverage applies.

16.4.3. Enter into a written agreement with the operator or another party to perform plugging and restoration operations in accordance with a compliance schedule established by the division as long as such party has the ability to perform the necessary work.

16.4.4. Allow a surety to complete the plugging and restoration, if the surety can demonstrate an ability to complete the plugging and restoration.

16.4.5. Any other action the Board deems reasonable and appropriate.

16.5. In the event the amount forfeited is insufficient to pay for the full cost of the plugging and restoration, the division may complete or authorize completion of plugging and restoration and may recover from the operator all costs of plugging and restoration in excess of the amount forfeited.

16.6. In the event the amount of bond forfeited was more than the amount necessary to complete plugging and restoration, the unused funds shall be returned by the division to the party from whom they were collected.

16.7. In the event the bond is forfeited and there exists any unplugged well or wells previously covered under the forfeited bond, then the operator must establish new bond coverage in accordance with these rules.

DRAFT

November 8, 2002

16.8. If the operator requires new bond coverage under the provisions of subsection ~~[R649-3-1.]~~16.7., then the division will notify the operator and specify a reasonable period, not to exceed 90 days, to establish new bond coverage.