

WYOMING OFFICE OF STATE LANDS AND INVESTMENTS

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POLICY

Effective Date
March 1, 2014

Idle Well Bonding Per Foot of Well Bore

The Office of State Lands and Investments (OSLI) has determined the appropriate level of bonding sufficient to protect and indemnify the State of Wyoming from any liabilities associated with an idle well is \$10 per foot of well bore.

In the 2009 study “Reclamation Costs and Regulation of Oil and Gas Development with Application to Wyoming”, Andersen et. al. authors used Wyoming Oil and Gas Conservation Commission (OGCC) data to analyze the actual cost of reclaiming land disturbed by oil and gas development in Wyoming. The data was derived from studying full reclamation of 255 orphaned wells on 48 separate locations from 1997-2007. Their research suggests appropriate bonding costs are strongly correlated with production measurements and the reclamation rate is approximately \$10.01 per foot of well depth and \$27,555 per well. Additionally, the bond rate is calculated based on a regression analysis where the total cost of reclamation is a function of three primary attributes; the number of wells per location, the total drilling depth per location, and the thirty (30) year average of annual precipitation at the location.

OSLI shall require an idle well bond for any well not producing in paying quantities for a continuous one hundred eighty (180) days. The idle well bond shall be posted as detailed by the Wyoming Board of Land Commissioners’ Rules and Regulations, Chapter 18, Section 3. The idle well bond shall not be released until full payment of all moneys, rents, and royalties accruing to the Wyoming Board of Land Commissioners (Board) is received, full compliance with all applicable statutes and terms and conditions of the Board’s leases and rules and regulations is attained, the well has been properly plugged and abandoned to OGCC standards and satisfaction, and/or the well is brought back to producing status. Posting an idle well bond shall not relieve any other bonding obligations that are required by the Wyoming Board of Land Commissioners’ Rules and Regulations.

Authority/Justification

W.S. 36-6-101(b)
Wyoming Board of Land Commissioners' Rules and Regulations
Chapter 18, Section 13

<u>Effective Date:</u> March 1, 2014	<u>Revision/Review Date:</u> March 1, 2019
<u>Summary of Revision/Review:</u> To Be Completed In 2019	<u>Supersedes Existing Policy:</u> Any policy and/or documentation prior to March 1, 2014