

ENGROSSED HOUSE
BILL NO. 1228

By: Rice of the House

and

Easley of the Senate

An Act relating to oil and gas; requiring operators of commercial salt water disposal wells to furnish certain agreement regarding operation of well; requiring operators to furnish certain financial security; providing minimum security amount; stating acceptable forms of surety; stating acceptable type and requirements for bonds; authorizing the Corporation Commission to determine amount of surety in certain circumstances; stating form of instrument; providing for forfeiture of bond for failure to comply with certain laws and rules; authorizing the Commission to take remedial action; providing for excess funds; allowing Commission to recover certain costs; requiring certain notification before forfeiture action; prohibiting operation of commercial salt water disposal well without evidence of financial ability; allowing Commission to shut in wells for noncompliance; requiring evidence of financial ability prior to transfer of well; defining term; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 318.1b of Title 52, unless there is created a duplication in numbering, reads as follows:

A. Any person who drills or operates a well as a commercial salt water disposal well, within this state, shall furnish in writing, on forms approved by the Corporation Commission, an agreement to drill, operate and plug the well in compliance with the rules of the Commission and the laws of this state, together with financial security in an amount sufficient to cover the cost of plugging the well and restoring the well-site, but in no event less than Twenty-five Thousand Dollars (\$25,000.00). Financial security may consist of cash, a cashier's check, a certificate of deposit, bank joint custody receipt or other negotiable instruments or a blanket surety bond. Any bond submitted for purposes of complying with this section shall be a blanket bond conditioned on the fact that the operator shall cause the well to be plugged and the well-site restored in accordance with the laws of this state and the rules of the Commission. Each bond shall be executed by a corporate surety authorized to do business in this state and shall be renewed and continued in effect until the conditions have been met or release of the bond is authorized by the Commission. The Commission is authorized to determine the amount of surety based upon the past performance of the operator and its insiders and affiliates regarding compliance with the laws of this state, and any rules promulgated thereto including, but not limited to, the drilling, operation and plugging of wells, closure of surface impoundments or removal of trash and equipment. Any instrument shall constitute an unconditional promise to pay and be in a form negotiable by the Commission.

B. The agreement provided for in subsection A of this section shall include a provision that if the Commission determines that the person furnishing the agreement has neglected, failed or refused to plug the well before abandonment, to replug the well if leaking, or to restore the well-site as required by the laws of this state and the rules of the Commission, then the person shall forfeit the bond or negotiable instrument, or shall pay to this state, through the Commission, a sum equal to the value of the bond or negotiable instrument for deposit in the State Treasury. The Commission may cause the remedial work to be done, by issuing a warrant for payment of the remediation costs drawn against the monies accruing in the State Treasury from the forfeiture or payment. Any monies accruing in the State Treasury by reason of a determination that there has been noncompliance with the provisions of the agreement or the rules of the Commission, in excess of the cost of remedial action, shall be credited to the Conservation Fund. The Commission shall also recover any costs arising from litigation to enforce the provisions of this section. Before a person is required to forfeit or pay any monies to the state pursuant to this section, the Commission shall notify, at the last-known address, the person of the determination of neglect, failure or refusal to comply with applicable laws or rules. The person shall have ten (10) days from the date of notification in which to commence remedial operations. Failure to commence remedial operations within the time limit shall result in the forfeiture action or required payment as provided for in this subsection.

C. It shall be unlawful for any person to operate a commercial salt water disposal well without evidence of financial ability as required by this section. The Commission shall shut in, without notice, hearing or order of the Commission, the well of any person violating the provisions of this section and the well shall remain

shut in for noncompliance until the operator complies with the requirements of this section.

D. If title to a well is transferred, the transferee shall be required to furnish to the Commission evidence of financial ability to plug the well and restore the well-site, prior to completion of the transfer.

E. As used in this section, "commercial salt water disposal well" means a well open to the public and operated for the purpose of disposing of salt water or other deleterious substances for a fee.

SECTION 2. This act shall become effective November 1, 1995.

Passed the House of Representatives the 13th day of March, 1995.

Speaker of the House of
Representatives

Passed the Senate the ____ day of _____, 1995.

President of the Senate