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April 17, 2025

ENGROSSED HOUSE
BILL NO. 1369

By: Boles and Waldron of the
House

and

Green of the Senate

An Act relating to oil and gas; amending 52 O.S. 2021, Section 318.1, which relates to evidence of financial ability for drilling and operating wells; phasing out category A surety; modifying surety amounts; providing for tiered surety amount based on number of operating wells; and providing an effective date.

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

SECTION 1. AMENDATORY 52 O.S. 2021, Section 318.1, is amended to read as follows:

Section 318.1. A. Any person who drills or operates any well for the exploration, development or production of oil or gas, or as an injection or disposal well, within this state, shall furnish in writing, on forms approved by the Corporation Commission, his or her agreement to drill, operate and plug wells in compliance with the rules of the Commission and the laws of this state, together with evidence of financial ability to comply with the requirements for

1 plugging, closure of surface impoundments, removal of trash and
2 equipment as established by the rules of the Commission and by law.
3 To establish evidence of financial ability, the Commission shall
4 require:

5 1. Category A surety which shall include a financial statement
6 listing assets and liabilities and including a general release that
7 the information may be verified with banks and other financial
8 institutions. The statement shall prove a net worth of not less
9 than Fifty Thousand Dollars (\$50,000.00). Category A surety will no
10 longer be accepted as valid form of surety for new operators to
11 select beginning November 1, 2025. All current operators who have
12 valid Category A surety and are in good standing with the Commission
13 will be able to retain their Category A surety for the time they are
14 a valid operator in the State of Oklahoma; or

15 2. Category B surety which shall include an irrevocable
16 commercial letter of credit, cash, a cashier's check, a Certificate
17 of Deposit, ~~Bank Joint Custody Receipt,~~ other negotiable instrument,
18 or ~~a blanket surety bond.~~ Except as provided in paragraph ~~3~~ 1 of
19 subsection ~~A~~ B or subsection C of this section, amount of such
20 letter of credit, cash, cashier's check, certificate, bond, receipt
21 or other negotiable instrument shall be ~~in the amount of Twenty-five~~
22 ~~Thousand Dollars (\$25,000.00) but may be set higher at the~~
23 ~~discretion of the Director of the Oil and Gas Conservation Division~~
24 based on the number of wells that the person operates as follows:

- 1 a. for one to ten wells, Twenty-five Thousand Dollars
2 (\$25,000.00),
3 b. for eleven to fifty wells, Fifty Thousand Dollars
4 (\$50,000.00),
5 c. for fifty-one to one hundred wells, One Hundred
6 Thousand Dollars (\$100,000.00), and
7 d. for more than one hundred wells, One Hundred Fifty
8 Thousand Dollars (\$150,000.00).

9 The Commission is authorized to determine ~~the~~ a higher amount of
10 Category B surety based upon the past performance of the operator
11 and its insiders and affiliates regarding compliance with the laws
12 of this state, and any rules promulgated thereto including but not
13 limited to the drilling, operation and plugging of wells, closure of
14 surface impoundments or removal of trash and equipment, provided
15 that such higher amount shall not exceed One Hundred Fifty Thousand
16 Dollars (\$150,000.00). Any instrument shall constitute an
17 unconditional promise to pay and be in a form negotiable by the
18 Commission.

19 ~~3.~~ B. 1. The Commission upon certification by any operator
20 subject to Category B surety that its plugging liability statewide
21 is less than the ~~twenty-five-thousand-dollar standard~~ amount based
22 on the number of wells operated as specified in this section may
23 allow said operator to provide Category B type surety in an amount
24 less than the amount required ~~Twenty-five Thousand Dollars~~

1 ~~(\$25,000.00)~~ by this section, but at least sufficient to cover the
2 estimated cost of all plugging, closure, and removal operations
3 currently the responsibility of that operator. The liability
4 certification referred to in this ~~paragraph~~ subsection shall take
5 the form of an affidavit from a licensed well plugger estimating the
6 costs of all plugging, closure, and removal operations of the
7 operator requesting such relief. This alternative amount shall be
8 modified upward upon the assumption of additional operations by such
9 operator, the maximum amount of Category B surety to be posted not
10 to exceed ~~the twenty-five-thousand-dollar total unless as provided~~
11 previously One Hundred Fifty Thousand Dollars (\$150,000.00).

12 ~~B. Operators of record as of June 7, 1989, who do not have any~~
13 ~~outstanding contempt citations or fines and whose insiders or~~
14 ~~affiliates have no outstanding contempt citations or fines may post~~
15 ~~Category A surety.~~

16 2. New operators, operators who have outstanding fines or
17 contempt citations and operators whose insiders or affiliates have
18 outstanding contempt citations or fines as of June 7, 1989, shall be
19 required to post Category B surety. ~~Operators who have posted~~
20 ~~Category B surety and have operated under this type surety and have~~
21 ~~no outstanding fines at the end of three (3) years may post Category~~
22 ~~A surety.~~

23 3. Operators using Category A surety who are assessed a fine of
24 Two Thousand Dollars (\$2,000.00) or more and who do not pay the fine

1 within the specified time shall be required to post a Category B
2 surety within thirty (30) days of notification by the Commission.

3 C. For good cause shown concerning pollution or improper
4 plugging of wells by the operator posting either Category A or B
5 surety or by an insider or affiliate of such operator, the
6 Commission, upon application of the Director of the Oil and Gas
7 Conservation Division, after notice and hearing, may require the
8 filing of additional Category B surety in an amount greater than
9 Twenty-five Thousand Dollars (\$25,000.00) but not to exceed ~~One~~
10 ~~Hundred Thousand Dollars (\$100,000.00)~~ One Hundred Fifty Thousand
11 Dollars (\$150,000.00).

12 D. If the Commission determines that a blanket surety bond is
13 required, the bond shall be conditioned on the fact that the
14 operator shall cause the wells to be plugged and abandoned surface
15 impoundments to be closed, and trash and equipment to be removed in
16 accordance with the laws of this state and the rules of the
17 Commission. Each bond shall be executed by a corporate surety
18 authorized to do business in this state and shall be renewed and
19 continued in effect until the conditions have been met or release of
20 the bond is authorized by the Commission.

21 E. The agreement provided for in subsection A of this section
22 shall provide that if the Commission determines that the person
23 furnishing the agreement has neglected, failed, or refused to plug
24 and abandon, or cause to be plugged and abandoned, or replug any

1 well or has neglected, failed or refused to close any surface
2 impoundment or removed or cause to be removed trash and equipment in
3 compliance with the rules of the Commission, then the person shall
4 forfeit from his or her bond, letter of credit or negotiable
5 instrument or shall pay to this state, through the Commission, for
6 deposit in the State Treasury, a sum equal to the cost of plugging
7 the well, closure of any surface impoundment or removal of trash and
8 equipment. The Commission may cause the remedial work to be done,
9 issuing a warrant in payment of the cost thereof drawn against the
10 monies accruing in the State Treasury from the forfeiture or
11 payment. Any monies accruing in the State Treasury by reason of a
12 determination that there has been a noncompliance with the
13 provisions of the agreement or the rules of the Commission, in
14 excess of the cost of remedial action ordered by the Commission,
15 shall be credited to the Oil and Gas Revolving Fund. The Commission
16 shall also recover any costs arising from litigation to enforce this
17 provision. Provided, before a person is required to forfeit or pay
18 any monies to the state pursuant to this section, the Commission
19 shall notify the person at his or her last-known address of the
20 determination of neglect, failure or refusal to plug or replug any
21 well, or close any surface impoundment or remove trash and equipment
22 and said person shall have ten (10) days from the date of
23 notification within which to commence remedial operations. Failure
24

1 to commence remedial operations shall result in forfeiture or
2 payment as provided in this subsection.

3 F. It shall be unlawful for any person to drill or operate any
4 oil or gas well subject to the provisions of this section, without
5 the evidence of financial ability required by this section. The
6 Commission shall shut in, without notice, hearing or order of the
7 Commission, the wells of any such person violating the provisions of
8 this subsection and such wells shall remain shut in for
9 noncompliance until the required evidence of Category B surety is
10 obtained and verified by the Commission.

11 G. If title to property or a well is transferred, the
12 transferee shall furnish the evidence of financial ability to plug
13 the well and close surface impoundments required by the provisions
14 of this section, prior to the transfer.

15 H. As used in this section:

16 1. "Affiliate" means an entity that owns twenty percent (20%)
17 or more of the operator, or an entity of which twenty percent (20%)
18 or more is owned by the operator; and

19 2. "Insider" means officer, director, or person in control of
20 the operator; general partners of or in the operator; general or
21 limited partnership in which the operator is a general partner;
22 spouse of an officer, director, or person in control of the
23 operator; spouse of a general partner of or in the operator;
24 corporation of which the operator is a director, officer, or person

1 in control; affiliate, or insider of an affiliate as if such
2 affiliate were the operator; or managing agent of the operator.

3 SECTION 2. This act shall become effective November 1, 2025.

4 COMMITTEE REPORT BY: COMMITTEE ON ENERGY
5 April 17, 2025 - DO PASS
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