

1 STATE OF OKLAHOMA

2 1st Session of the 60th Legislature (2025)

3 COMMITTEE SUBSTITUTE
FOR
4 HOUSE BILL NO. 1369

By: Boles of the House

5 and

6 Green of the Senate

7

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9 COMMITTEE SUBSTITUTE

10 An Act relating to oil and gas; amending 52 O.S.
11 2021, Section 318.1, which relates to evidence of
12 financial ability for drilling and operating wells;
13 phasing out category A surety; modifying surety
amounts; providing for tiered surety amount based on
number of operating wells; and providing an effective
date.

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

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

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

1 evidence of financial ability to comply with the requirements for
2 plugging, closure of surface impoundments, removal of trash and
3 equipment as established by the rules of the Commission and by law.

4 To establish evidence of financial ability, the Commission shall
5 require:

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

16 2. Category B surety which shall include an irrevocable
17 commercial letter of credit, cash, a cashier's check, a Certificate
18 of Deposit, ~~Bank Joint Custody Receipt~~, other negotiable instrument,
19 or, a blanket surety bond. Except as provided in paragraph 3 1 of
20 subsection A B or subsection C of this section, amount of such
21 letter of credit, cash, cashier's check, certificate, bond, receipt
22 or other negotiable instrument shall be ~~in the amount of Twenty five~~
23 ~~Thousand Dollars (\$25,000.00) but may be set higher at the~~

1 ~~discretion of the Director of the Oil and Gas Conservation Division~~
2 based on the number of wells that the person operates as follows:

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

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

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

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

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

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

1 3. Operators using Category A surety who are assessed a fine of
2 Two Thousand Dollars (\$2,000.00) or more and who do not pay the fine
3 within the specified time shall be required to post a Category B
4 surety within thirty (30) days of notification by the Commission.

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

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

23 E. The agreement provided for in subsection A of this section
24 shall provide that if the Commission determines that the person

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

1 notification within which to commence remedial operations. Failure
2 to commence remedial operations shall result in forfeiture or
3 payment as provided in this subsection.

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

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

16 H. As used in this section:

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

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

1 corporation of which the operator is a director, officer, or person
2 in control; affiliate, or insider of an affiliate as if such
3 affiliate were the operator; or managing agent of the operator.

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

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