

OIL, GAS, AND MINING REVISIONS

2019 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Ralph Okerlund

House Sponsor: _____

LONG TITLE

General Description:

This bill addresses oil, gas, and mining.

Highlighted Provisions:

This bill:

- ▶ adds provisions relating to the designation of oil and gas operators for which the Board of Oil, Gas, and Mining makes rules; and
- ▶ makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

40-6-5, as last amended by Laws of Utah 2012, Chapter 342

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **40-6-5** is amended to read:

40-6-5. Jurisdiction of board -- Rules.

(1) The board has jurisdiction over all persons and property necessary to enforce this chapter. The board shall ~~enact~~ make rules in accordance with ~~the~~ Title 63G, Chapter 3 Utah



28 Administrative Rulemaking Act.

29 (2) The board shall adopt rules and make orders as necessary to administer the
30 ~~[following provisions:]~~ provisions of this Subsection (2).

31 (a) Ownership of all facilities for the production, storage, treatment, transportation,
32 refining, or processing of oil and gas shall be identified.

33 (b) (i) Well logs, directional surveys, and reports on well location, drilling, and
34 production shall be made and filed with the division.

35 (ii) Logs of wells marked "confidential" shall be kept confidential for one year after the
36 date on which the log is required to be filed, unless the operator gives written permission to
37 release the log at an earlier date.

38 (iii) Production reports shall be:

39 ~~[(+)]~~ (A) filed monthly;

40 ~~[(+)]~~ (B) accurate; and

41 ~~[(+)]~~ (C) in a form that reasonably serves the needs of state agencies and private fee
42 owners.

43 (c) Monthly reports from gas processing plants shall be filed with the division.

44 (d) Wells shall be drilled, cased, operated, and plugged in such manner as to prevent:

45 (i) the escape of oil, gas, or water out of the reservoir in which ~~[they are]~~ the oil, gas, or
46 water is found into another formation;

47 (ii) the detrimental intrusion of water into an oil or gas reservoir;

48 (iii) the pollution of fresh water supplies by oil, gas, or salt water;

49 (iv) blowouts;

50 (v) cavings;

51 (vi) seepages;

52 (vii) fires; and

53 (viii) unreasonable:

54 (A) loss of a surface land owner's crops on surface land;

55 (B) loss of value of existing improvements owned by a surface land owner on surface
56 land; and

57 (C) permanent damage to surface land.

58 (e) The drilling of wells shall not commence without an adequate and approved supply

59 of water as required by Title 73, Chapter 3, Appropriation. This [~~provision~~] Subsection (2)(e)
60 is not intended to impose any additional legal requirements, but to assure that existing legal
61 requirements concerning the use of water have been met [~~prior to~~] before the commencement
62 of drilling.

63 (f) The operator shall furnish a reasonable performance bond or other good and
64 sufficient surety, conditioned for the performance of the duty to:

65 (i) plug each dry or abandoned well;

66 (ii) repair each well causing waste or pollution;

67 (iii) maintain and restore the well site; and

68 (iv) except as provided in Subsection (8), protect a surface land owner against
69 unreasonable:

70 (A) loss of a surface land owner's crops on surface land;

71 (B) loss of value of existing improvements owned by a surface land owner on surface
72 land; and

73 (C) permanent damage to surface land.

74 (g) Production from wells shall be separated into oil and gas and measured by means
75 and upon standards that will be prescribed by the board and will reflect current industry
76 standards.

77 (h) Crude oil obtained from any reserve pit, disposal pond or pit, or similar facility, and
78 any accumulation of nonmerchantable waste crude oil shall be treated and processed, as
79 prescribed by the board.

80 (i) Any person who produces, sells, purchases, acquires, stores, transports, refines, or
81 processes oil or gas or injects fluids for cycling, pressure maintenance, secondary or enhanced
82 recovery, or salt water disposal in this state shall maintain complete and accurate records of the
83 quantities produced, sold, purchased, acquired, stored, transported, refined, processed, or
84 injected for a period of at least six years. The records shall be available for examination by the
85 board or its agents at any reasonable time. Rules enacted to administer this [~~subsection~~]
86 Subsection (2)(i) shall be consistent with applicable federal requirements.

87 (j) Any person with an interest in a lease shall be notified when all or part of that
88 interest in the lease is sold or transferred.

89 (k) In the absence of a written agreement among owners that designates an operator,

90 the board may designate an operator for the drilling, pooling, and oil and gas operations:

91 (i) of a well not within a drilling unit;

92 (ii) of the lands and the pool within a drilling unit; or

93 (iii) as set forth in Subsection [40-6-8\(3\)\(j\)](#).

94 (3) The board has the authority to regulate:

95 (a) all operations for and related to the production of oil or gas including:

96 (i) drilling, testing, equipping, completing, operating, producing, and plugging of
97 wells; and

98 (ii) reclamation of sites;

99 (b) the spacing and location of wells;

100 (c) operations to increase ultimate recovery, such as:

101 (i) cycling of gas;

102 (ii) the maintenance of pressure; and

103 (iii) the introduction of gas, water, or other substances into a reservoir;

104 (d) the disposal of salt water and oil-field wastes;

105 (e) the underground and surface storage of oil, gas, or products; and

106 (f) the flaring of gas from an oil well.

107 (4) For the purposes of administering this chapter, the board may designate:

108 (a) wells as:

109 (i) oil wells; or

110 (ii) gas wells; and

111 (b) pools as:

112 (i) oil pools; or

113 (ii) gas pools.

114 (5) The board has exclusive jurisdiction over:

115 (a) class II injection wells, as defined by the federal Environmental Protection Agency
116 or any successor agency; and

117 (b) pits and ponds in relation to these injection wells.

118 (6) The board has jurisdiction:

119 (a) to hear ~~any~~ questions regarding multiple mineral development conflicts with oil
120 and gas operations if there:

- 121 (i) is potential injury to other mineral deposits on the same lands; or
122 (ii) are simultaneous or concurrent operations conducted by other mineral owners or
123 lessees affecting the same lands; and
124 (b) to enter ~~[its]~~ the board's order or rule with respect to those questions.
125 (7) The board has enforcement powers with respect to operators of minerals other than
126 oil and gas as are set forth in Section [40-6-11](#), for the sole purpose of enforcing multiple
127 mineral development issues.
128 (8) ~~[The provisions of]~~ Subsection (2)(f)(iv) ~~[do]~~ does not apply if the surface land
129 owner is a party to, or a successor of a party to:
130 (a) a lease of the underlying privately owned oil and gas;
131 (b) a surface use agreement applicable to the surface land owner's surface land; or
132 (c) a contract, waiver, or release addressing an owner's or operator's use of the surface
133 land owner's surface land.