

## **R649. Natural Resources; Oil, Gas and Mining; Oil and Gas.**

### **R649-1. Oil and Gas Definitions.**

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"Active Well" means a well that is drilled, completed and that is currently being utilized for disposal or injection of fluids related to oil and gas.

"Adjudicative proceeding" means an agency action or proceeding that determines the legal rights, duties, privileges, immunities, or other legal interests of one or more identifiable persons, including any agency actions to grant, deny, revoke, suspend, modify, annul, withdraw, or amend an authority, right, or license; and judicial review of any of such actions.

"Agency" means the Board of Oil, Gas and Mining and the Division of Oil, Gas and Mining including the director or division employees acting on behalf of or under the authority of the director or board.

"Agency head" means an individual or body of individuals in whom the ultimate legal authority of the agency is vested by statute.

"Application for Permit to Drill, Deepen or Plug Back" or "APD" means the Form 3 submission required under Section R649-3-4 with the division.

"Aquifer" means a geological formation including a group of formations or part of a formation that is capable of yielding a significant amount of water to a well or spring.

"Artificial Liner" means a pit liner made of material other than clay or other in-situ material that meets the requirements of Section R649-9-3, Permitting of Disposal Pits.

"At Risk Well" means a ~~Qualifying W~~-well that produces less than an average of 1 barrel of oil equivalency (BOE) per day for the first 12 consecutive months of the previous 15-month period, or a UIC well with zero injection activity for the same period of time.

**"At Risk Well Ratio" means an operator's total number of At Risk wells divided by the Total Well Count.**

**"At Risk Well Supplement Amount" means the amount calculated in accordance with R649-13-3(1)(b)(i)(B).**

"Authorized Agent" means a representative of the director as authorized by the board.

"Authority for Expenditure" or "AFE" is a detailed written statement made in good faith by an operator memorializing the total estimated costs to be incurred in the drilling, testing, completion and equipping of a well for oil and gas operations.

"Average TVD" means the average true vertical depth of all State Wells for an operator.

"Barrel" means 42 gallons at 60 degrees Fahrenheit at atmospheric pressure.

"Board" means the Board of Oil, Gas and Mining.

"BOE" means 1 barrel of oil equivalency. For conversion of gas production in calculating average daily production, 5,800 cubic feet of natural gas is equivalent to one BOE.

"Bond Calculation" means the calculation of the Performance Bonds as provided in R649-13-2 or R649-13-3 as applicable.

"Carrier, Transporter or Taker" means any person moving or transporting oil or gas away from a well or lease or from any pool.

"Casing Pressure" means the pressure within the casing or between the casing and tubing at the wellhead.

"Central Disposal Facility" means a facility that is used by one or more producers for disposal of exempt E and P wastes and that the operator of the facility receives no monetary remuneration, other than operating cost sharing.

"Class II Injection Well" means a well that is used for:

1. the disposal of fluids that are brought to the surface in connection with conventional oil or natural gas production and that may be commingled with wastewater produced from the operation of a gas plant that is an integral part of production operations, unless that wastewater is classified as a hazardous waste at the time of injection;
2. enhanced recovery of oil or gas; or
3. storage of hydrocarbons that are liquids at standard temperature and pressure conditions.

"Closed System" means the use of a combination of solids control equipment including a shale shaker, flowline cleaner, desanders, desilters, mud cleaners, centrifuges, agitators, and any necessary pumps and piping incorporated in a series on the rig's steel mud tanks, or a self contained unit that eliminates the use of a reserve pit to dump and dilute drilling fluids for the removal of entrained drill solids. A closed system

for the purpose of these rules may with Division approval include the use of a small pit to receive cuttings, but does not include the use of trenches for the collection of fluids of any kind.

"Coalbed Methane" means natural gas that is produced, or may be produced, from a coalbed and rock strata associated with the coalbed.

"Collateral Bond" means an agreement in a sum certain executed by the operator as principal which is supported by the deposit with the division of:

(a) a cash account, which will be the deposit of cash in one or more federally-insured account, payable only to the division upon demand, or the deposit of cash directly with the division;

(b) negotiable certificates of deposit, made payable or assigned to the division and placed in its possession, or held by a federally insured bank authorized to do business in Utah; or

(c) an irrevocable letter of credit of any bank authorized to do business in the United States.

"Commercial Disposal Facility" means a disposal well, pit or treatment facility whose owner or operator receives compensation from others for the temporary storage, treatment, and disposal of produced water, drilling fluids, drill cuttings, completion fluids, and any other exempt E and P wastes, and whose primary business objective is to provide these services.

"Completion of a Well" means that the well has been adequately worked to be capable of producing oil or gas or that well testing as required by the division has been concluded.

"Confining Strata" refers to a body of material that is relatively impervious to the passage of liquid or gas and that occurs either below, above, or lateral to a more permeable material in such a way that it confines or limits the movement of liquids or gases that may be present.

"Controlling Interest" means an ownership of more than 50% of the voting shares or equity in a company, project, or asset, granting the holder the power to make key operational, financial, and strategic decisions. This includes decisions about exploration, production, asset management, or corporate governance. In the absence of **more than** a 50% or greater percentage the largest percentage ownership will be the controlling interest.

"Correlative Rights" means the opportunity of each owner in a pool to produce his just and equitable share of the oil and gas in the pool without waste.

"Cubic Foot" of gas means the volume of gas contained in one cubic foot of space at a standard pressure base of 14.73 psia and a standard temperature base of 60 degrees Fahrenheit.

"Day" means a period of 24 consecutive hours.

"Development Wells" means any oil and gas producing wells other than wildcat wells.

"Director" means the executive and administrative head of the division.

"Disposal Facility" means an injection well, pit, treatment facility or combination thereof that receives E and P Wastes for the purpose of disposal. This includes both commercial and noncommercial facilities.

"Disposal Pit" means a lined or unlined pit approved for the disposal or storage of E and P Wastes.

"Division" means the Division of Oil, Gas and Mining.

"Drilling" means creating a bore hole for the purpose of or to be used for producing, extracting, or injecting gas, petroleum, or another liquid related to oil or gas production or storage, including brine disposal, but excluding a bore hole drilled to produce potable water.

"Drilling Fluid" means a circulating fluid usually called mud, that is introduced in a drill hole to lubricate the action of the rotary bit, remove the drilling cuttings, and control formation pressures.

"Drilling Operations Suspended" means the cessation of drilling, or re-drilling of a well where the drilling rig is released before the well is officially abandoned or completed.

"E and P Waste" means Exploration and Production Waste, and is defined as waste resulting from the drilling of and production from an oil and gas well as determined by the Environmental Protection Agency (EPA), prior to January 1, 1992, to be exempt from Subtitle C of the Resource Conservation and Recovery Act (RCRA).

"Emergency Pit" means a pit used for containing any fluid at an operating well during an actual emergency or for a temporary period of time.

"Enhanced Recovery" means the process of introducing fluid or energy into a pool for the purpose of increasing the recovery of hydrocarbons from the pool.

"Enhanced Recovery Project" means the injection of liquids or hydrocarbon or non-hydrocarbon gases

directly into a reservoir for the purpose of augmenting reservoir energy, modifying the properties of the fluids or gases in the reservoir, or changing the reservoir conditions to increase the recoverable oil, gas, or oil and gas through the joint use of two or more well bores.

"Entity" means a well or a group of wells that have identical divisions of interest, have the same operator, produce from the same formation, have product sales from a common tank, LACT meter, gas meter, or are in the same participating area of a properly designated unit. Entity number assignments are made by the division in cooperation with other state government agencies.

"Existing Liability" means an outstanding obligation of the operator to the division, which includes:

- (a) where wells or facilities have been abandoned and not properly plugged and reclaimed;
- (b) where a forfeited bond was insufficient to cover plugging and restoration costs and additional costs incurred by the division in plugging and restoration have failed to be repaid;
- (c) a violation of or failure to comply with a final order of the division or the board and is not pending appeal; or
- (d) a failure to pay in full a final outstanding administrative penalty imposed by the division or board and is not pending appeal.

"Field" means the general area underlaid by one or more pools.

"Gas" means natural gas or natural gas liquids or other gas or any mixture thereof defined as follows:

1. "Natural Gas" means those hydrocarbons, other than oil and other than natural gas liquids separated from natural gas, that occur naturally in the gaseous phase in the reservoir and are produced and recovered at the wellhead in gaseous form. Natural gas includes coalbed methane.
2. "Natural Gas Liquids" means those hydrocarbons initially in reservoir natural gas, regardless of gravity, that are separated in gas processing plants from the natural gas as liquids at the surface through the process of condensation, absorption, adsorption, or other methods.
3. "Other Gas" means hydrogen sulfide (H<sub>2</sub>S), carbon dioxide (CO<sub>2</sub>), helium (He), nitrogen (N), and other nonhydrocarbon gases that occur naturally in the gaseous phase in the reservoir or are injected into the reservoir in connection with pressure maintenance, gas cycling, or other secondary or enhanced recovery projects.

"Gas-Oil Ratio" means the ratio of the number of cubic feet of natural gas produced to the number of barrels of oil concurrently produced during any stated period. The term GOR is synonymous with gas-oil ratio.

"Gas Processing Plant" means a facility in which liquefiable hydrocarbons are removed from natural gas, including wet gas or casinghead gas, and the remaining residue gas is conditioned for delivery for sale, recycling or other use.

"Gas Well" means any well capable of producing gas in substantial quantities that is not an oil well.

"Ground Water" means water in a zone of saturation below the ground surface.

"Hearing" means any matter heard before the board or its designated hearing examiner.

"Horizontal Well" means a well bore drilled laterally at an angle of at least 80 degrees to the vertical or with a horizontal projection exceeding one hundred feet measured from the initial point of penetration into the productive formation through the terminus of the lateral in the same common source of supply.

"Illegal Oil or Illegal Gas" means oil or gas that has been produced from any well within the state in violation of Title 40, Chapter 6, Board and Division of Oil, Gas and Mining, or any rule or order of the board.

"Illegal Product" means any product derived in whole or in part from illegal oil or illegal gas.

"Inactive Well" means a well that is drilled, completed and currently not being utilized for disposal or injection of fluids related to oil and gas.

"Incremental Production" means that part of production that is achieved from an enhanced recovery project that would not have economically occurred under the reservoir conditions existing before the project and that has been approved by the division as incremental production.

"Injection or Disposal Well" means any Class II Injection Well used for the injection of air, gas, water or other substance into any underground stratum.

"Interest Owner" means a person owning an interest, which may include working interest, royalty

interest, payment out of production, or any other interest, in oil or gas, or in the proceeds thereof.

"Joint Operating Agreement" or "JOA" is an agreement for the exploration, development, and production for oil, gas or other minerals between parties entitled to participate pursuant to the ownership of said minerals or leaseholds covering said minerals, which are subject to the contract area, which may be inclusive of a drilling unit, described therein.

"License" means a franchise, permit, certification, approval, registration, charter, or similar form of authorization required by statute.

"Load Oil" means any oil or liquid hydrocarbon that is used in any remedial operation in an oil or gas well.

"Log or Well Log" means the written record progressively describing the strata, water, oil or gas encountered in drilling a well with such additional information as is usually recorded in the normal procedure of drilling including electrical, radioactivity, or other similar conventional logs, a lithologic description of samples and drill stem test information.

"Multiple Zone Completion" means a well completion in which two or more separate zones, mechanically segregated one from the other, are produced simultaneously from the same well.

"Notice of Opportunity to Participate" means the written notice of opportunity to participate in a well for oil and gas operations required under Subsection 40-6-2(4) and (12) to be provided to an owner and which includes an offer to lease if the owner is an unleased owner, and an offer for the owner to directly participate financially, in proportion to the owner's interest in the drilling, testing, completion, equipping and operation of the subject well and which includes:

1. the approximate surface and, bottom hole location of the subject well by county, township, range, section, quarter- quarter section or substantially equivalent lot, and footages from directional section lines;
2. the proposed well name;
3. the proposed total distance from the surface of the ground to the terminus measured along the vertical and lateral components if the well is a horizontal well;
4. the proposed total depth;
5. the objective productive zone and the approximate depth and locations of producing intervals in the borehole;
6. the approximate date upon which the subject well was or will be spud;
7. a joint operating agreement proposed in good faith by the operator for operation of the drilling unit upon which the subject well is to be drilled;
8. an AFE for the subject well;
9. a statement that a refusal to agree to either lease or participate in the subject well may result in the imposition of the statutory risk compensation award allowed under Subsection 40-6-6.5(4)(d)(i)(D) of between 150% and 400% as determined by the board; and
10. a statement that any initial compulsory pooling order may apply to subsequent wells within the drilling unit including any statutory risk compensation award imposed under Utah law pursuant to Subsection 40-6-6.5(12).

"Oil" means crude oil or condensate or any mixture thereof, defined as follows:

1. "Crude Oil" means those hydrocarbons, regardless of gravity, that are produced at the wellhead in liquid form and occur naturally in the liquid phase in the reservoir or are produced through enhanced recovery operations authorized by the board in accordance with Subsection 40-6-5(3)(c).
2. "Condensate" means those hydrocarbons, regardless of gravity, that occur naturally in the gaseous phase in the reservoir that are separated from the natural gas as liquids through the process of condensation either in the reservoir, in the well bore or at the surface in field separators.
3. "Oil and Gas" may not include gaseous or liquid substances derived from coal, oil shale, tar sands or other hydrocarbons classified as synthetic fuel, except tar sands produced at the

wellhead in liquid form through enhanced recovery operations authorized by the board in accordance with Subsection 40-6-5(3)(c).

"Oil and Gas Field" means a geographical area overlying an oil and gas pool.

"Oil Well" means any well capable of producing oil in substantial quantities.

"Operator" means the person who has been designated by the owners or the board to operate a well or unit.

"Operatorship" means the exclusive right, privilege and obligation of exercising any rights granted by the owners or the board to act as operator of a well or drilling unit which rights are necessary and effective for prospecting for, producing, storing, allocating and distributing oil and gas extracted from a well or a drilling unit.

"Owner" means the person who has the right to drill into and produce from a reservoir and to appropriate the oil and gas that they produce, either for themselves and others.

"Party" means the board, division, or other person commencing an adjudicative proceeding, any respondents, any persons permitted by the board to intervene in the proceeding, and any persons authorized by statute or agency rule to participate as parties in an adjudicative proceeding.

"Performance Bond" or "Bond" means a surety bond or collateral bond, or a combination thereof, payable to the division, and conditioned upon the faithful performance by the operator of all requirements of the Act, the R649 Rules, the State Program, and of the duty to plug each dry or abandoned well, repair each well causing waste or pollution, maintain and restore the well site, and complete reclamation of other permitted oil and gas activity.

"Person" means an individual, group of individuals, partnership, corporation, association, political subdivision or its units, governmental subdivision or its units, public or private organization or entity of any character, or another agency.

"Pit" means an earthen surface impoundment constructed to retain fluids and oil field wastes.

"Pollution" means such contamination or other alteration of the physical, chemical or biological properties of any waters of the state, or the discharge of any liquid, gaseous or solid substance into any waters of the state in such manner as will create a nuisance or render such waters harmful, detrimental or injurious to the public health, safety or welfare; to domestic, commercial, industrial, agricultural, recreational, or other legitimate beneficial uses; or to livestock, wild animals, birds, fish or other aquatic life.

"Pool" means an underground reservoir containing a common accumulation of oil or gas or both. Each zone of a general structure that is completely separated from any other zone in the structure is a separate pool. "Common source of supply" and "reservoir" are synonymous with "pool."

"Preparation for Drilling" means:

1. mobilization of drilling equipment; or
2. erecting a drilling rig; or
3. diligently engaging in other work necessary to prepare the well site, including commencement of access road and pad construction.

"Presiding Officer" means an agency head, or an individual or body of individuals designated by the agency head, by the agency's rules, or by statute to conduct an adjudicative proceeding. The board, or its appointed hearing examiner, may be considered the presiding officer of any appeals or informal adjudicative proceedings that is commenced before the division as well as any adjudicative proceeding that is commenced before the board. The director or his designated agent may be considered a presiding officer for any informal adjudicative proceedings that is commenced before the division. If fairness to the parties is not compromised, an agency may substitute one presiding officer for another during any proceeding.

"Pressure Maintenance" means the injection of gas, water or other fluids into a reservoir, either to increase or maintain the existing pressure in such reservoir or to retard the natural decline in the reservoir pressure.

"Produced Water" means water produced in conjunction with the conventional production of oil or gas.

"Producer" means the owner or operator of a well capable of producing oil or gas.

"Producing Well" means a well capable of producing oil or gas.

"Product" means any commodity made from oil and gas.

"Production Facilities" means any storage, separation, treating, dehydration, artificial lift, power supply, compression, pumping, metering, monitoring, flowline, and other equipment directly associated with oil wells, gas wells or injection wells, prior to any processing plant or refinery.

"Production Level" means the operator's average daily production of the Total Well Count for the previous 12 consecutive reportable months.

"Purchaser or Transporter" means any person who, acting alone or jointly with any other person, by means of his own, an affiliated, or designated carrier, transporter or taker, shall directly or indirectly purchase, take or transport by any means whatsoever, or who shall otherwise remove from any well or lease, oil or gas produced from any pool, excepting royalty portions of oil or gas taken in kind by an interest owner who is not the operator.

~~"Qualifying Well" means a well located in the state of Utah that is not otherwise bonded with a federal, or tribal, or other governmental regulatory authority that, at the time of Bond Calculation, has one of the following statuses on the Division database: Active, Drilling, Drilling Operations Suspended, Inactive, Producing, Shut-in, and Temporarily Abandoned.~~

"Recompletion" means any completion in a new perforated interval or pool within an established wellbore and approved as a recompletion by the division.

"Refinery" means a facility, other than a gas processing plant, where controlled operations are performed by which the physical and chemical characteristics of petroleum or petroleum products are changed.

"Reserve Pit" means a pit used to retain fluid during the drilling, completion, and testing of a well.

"Resource Detriment" means: damage, harm or detriment to the mineral estate or oil and gas formation; pollution or surface damages as specified in Section R649-3-15; damage, harm or detriment to the surface estate or Surface Land as defined in Subsection 40-6-2(25); damage to a Surface land owner's property as defined in Subsection 40-6-2(27); or damage, harm or detriment to livestock or wildlife.

"Respondent" means any person against whom an adjudicative proceeding is initiated whether by an agency or any other person.

"Seismic Operator" means a person who conducts seismic exploration for oil or gas, whether for themselves or as a contractor for others.

"State At Risk Well" means a State Well that is an At Risk Well.

"State Well Count" means the total number of an Operator's State Wells at the time of Bond Calculation.

"State Well" means any well located in the state of Utah that either penetrates, **or proposes to penetrate,** fee or state minerals ~~lease~~ or is a well that includes a fee or state mineral lease within the drilling and spacing unit where the wellbore is completed and that, at the time of Bonding Calculations, has one of the following statuses in the Division's database: Active, Drilling, Drilling Operations Suspended, Inactive, Producing, Shut-in, and Temporarily Abandoned.

~~"Shut-in Well" means a well that is completed, is shown to be capable of production in paying quantities, and is not presently being operated. A State Well that has been completed and has not produced, in paying quantities, for a period of twelve (12) consecutive months and a Form 9 request for continued shut-in or status pursuant to R649-3-36 has been approved by the Division.~~

"Spud In" means the first boring of a hole in the drilling of a well by any type of rig.

"State" means the State of Utah.

"Stratigraphic Test or Core Hole" means any hole drilled for the sole purpose of obtaining geological information. The general rules applicable to the drilling of a well will apply to the drilling of a stratigraphic test or core hole.

"Surety Bond" means an indemnity agreement in a sum certain payable to the Division, executed by the operator as principal and which is supported by the performance guarantee of a company licensed to do business as a surety in Utah.

"Temporarily Abandoned Well" means:

(1) a well that is neither currently producing nor permanently plugged, but has all downhole completed intervals isolated with a plug set above the highest perforation so that the well cannot produce without

removing a plug; or

(2) a well that is incapable of production or injection without downhole intervention or the addition of one or more pieces of wellhead or other equipment.

"Temporary Spacing Unit" means a specified area of land designated by the board for purposes of determining well density and location. A temporary spacing unit may not be a drilling unit as provided for in Section 40-6-6, Drilling Units, and does not provide a basis for pooling the interest therein as does a drilling unit.

"Total Well Count" means the total number of wells operated by a single Operator in the **state** and that, at the time of Bonding Calculations, has one of the following statuses in the Division's database: Active, Drilling, Drilling operations suspended, Inactive, Producing, Shut-in, and Temporarily Abandoned.

"Underground Source of Drinking Water" (USDW) means a fresh water aquifer or a portion thereof that supplies drinking water for human consumption or that contains less than 10,000 mg/1 total dissolved solids and that is not an exempted aquifer under Section R649-5-4.

"Waste" means:

(1) The inefficient, excessive or improper use or the unnecessary dissipation of oil or gas or reservoir energy.

(2) The inefficient storing of oil or gas.

(3) The locating, drilling, equipping, operating, or producing of any oil or gas well in a manner that causes reduction in the quantity of oil or gas ultimately recoverable from a reservoir under prudent and economical operations, or that causes unnecessary wells to be drilled, or that causes the loss or destruction of oil or gas either at the surface or subsurface.

(4) The production of oil or gas in excess of:

(a) Transportation or storage facilities.

(b) The amount reasonably required to be produced in the proper drilling, completing, testing, or operating of a well or otherwise utilized on the lease from which it is produced.

(5) Underground or above ground waste in the production or storage of oil or gas.

"Waste Crude Oil Treatment Facility" means any facility or site constructed or used for the purpose of wholly or partially reclaiming, treating, processing, cleaning, purifying or in any manner making non-merchantable waste crude oil marketable.

"Well" means an oil or gas well, injection or disposal well, or a hole drilled for the purpose of producing oil or gas or both. The definition of well may not include water wells, or seismic, stratigraphic test, core hole, or other exploratory holes drilled for the purpose of obtaining geological information only.

"Well Site" means the areas that are directly disturbed during the drilling and subsequent use of, or affected by production facilities directly associated with any oil well, gas well or injection well.

"Wildcat Wells" means oil and gas producing wells that are drilled and completed in a pool in which a well has not been previously completed as a well capable of producing in commercial quantities.

"Willful Violation" means any action or inaction done with conscious objective or desire to engage in the action or inaction that a reasonably prudent person would know is likely to cause a violation.

"Working Interest Owner" means the owner of an interest in oil or gas burdened with a share of the expenses of developing and operating the property.

"Workover" means any operation designed to sustain, to restore, or to increase the production rate, the ultimate recovery, or the reservoir pressure system of a well or group of wells and approved as a workover, a secondary recovery, a tertiary recovery, or a pressure maintenance project by the division. The definition may not include operations that are conducted principally as routine maintenance or the replacement of worn or damaged equipment.

**KEY: oil and gas law**

**Date of Last Change: August 24, 2022**

**Notice of Continuation: July 28, 2021**

**Authorizing, and Implemented or Interpreted Law: 40-6-1 et seq.**

**R649-2-4. Designation of Operator.**

(1) Subject to the provision of Subsections R649-2-4(3) and (4), the designated operator of a drilling unit for oil and gas operations shall be the owner which, in the applicable drilling unit:

- (a) owns more than an undivided 50% of the working interest;
- (b) owns 50% or less of the working interest, and has the written authorization and designation by additional owners to operate on their behalf which, combined with the designated operator's interest, totals more than an undivided 50% of the working interest; or
- (c) is the designated owner selected by the consenting parties to a JOA if:
  - (i) a JOA has been entered by owners owning more than an undivided 50% of the working interest;
  - (ii) the operator designated under the JOA has elected to go non-consent to the proposed operation, and
  - (iii) the terms of the JOA allow the designation.

(2) Subject to the provision of Subsections R649-2-4(3) and (4) below, in the absence of a board order establishing a drilling unit for oil and gas operations, the designated operator of a well shall be the owner that:

- (a) owns more than the aggregate of the undivided 50% of:
  - (i) the working interest in the lease covering the lands which the well will physically penetrate and in the targeted formations from which the well will produce; and
  - (ii) the working interest derived from oil and gas owned in fee in the lands which the well will physically penetrate and in the targeted formations from which the well will produce; or
- (b) owns the aggregate of the undivided 50% or less of:
  - (i) the working interest in the lease covering the lands which the well will physically penetrate and in the targeted formations from which the well will produce; and
  - (ii) the working interest derived from oil and gas owned in fee in the lands which the well will physically penetrate and in the targeted formations from which the well will produce; and
  - (iii) has the written authorization and designation by additional owners to operate on their behalf which, combined with the designated operator's interest totals more than the aggregate of an undivided 50%:
    - (A) the working interest attributable to the lease covering the lands which the well will physically penetrate and in the targeted formations from which it will produce; and
    - (B) the working interest derived from oil and gas owned in fee in the lands which the well will physically penetrate and in the targeted formations from which it will produce; or
- (c) the designated owner selected by consenting parties to a JOA if:
  - (i) a JOA has been entered by owners owning more than the aggregate of an undivided 50% of:
    - (A) the working interest in the lease covering the lands which the well will physically penetrate and in the targeted formations from which the well will produce; and
    - (B) the working interest derived from oil and gas owned in fee in the lands which the well will physically penetrate and in the targeted formations from which the well will produce;
  - (I) the operator designated under the JOA has elected to go non-consent to an operation; and
  - (II) the terms of the JOA allow the designation.

(3) If the criteria set forth in Subsection R649-2-4(1) or (2) cannot be met, or if any owner desires to challenge whether any of the required criteria have been satisfied, or if any owner desires to challenge the designation of the operator on any other good faith basis, including those specified in Subsection R649-3-4(4), the owner may file a request for agency action seeking board review and designation of a different operator provided that no challenge may be asserted after the protest period specified in Subsection R649-3-4(4) has elapsed and, if the division has determined that good cause exists for shortening the ten day period under Subsection R649-3-4(4), preparation for drilling has commenced.

(a) The board may elect to consider the provisions of the applicable JOA regarding change of operatorship in determining which owner shall be the operator rather than designating an operator under this rule.

(b) The board may elect to take the designation of an operator under advisement or continue the request until additional information is provided to the board.

(4) If a request for agency action is filed as provided in Subsection R649-2-4(3), and after opportunity for a hearing, the board may consider any of the following factors in its deliberations and ruling:

- (a) experience, prudence and competence as an operator in other similarly situated wells;
- (b) multi-well expenditures already made for infrastructure that involve the applicable well or drilling unit;
- (c) good faith negotiations prior to the board's consideration of the operator designation;
- (d) whether drainage of the spacing or drilling unit has occurred or is likely to occur in the immediate future and whether an owner has committed to drill a well in a timely fashion;
- (e) project complexity and geology;
- (f) contractual obligations including those arising under a drilling contract, surface use agreement, or an expiring lease; and
- (g) any other factors the board may deem material to its decision.

(5) Subject to Subsection R649-2-4(5.3) the designated operator has the right to request the division revoke any other approved APDs for any wells where preparation for drilling has not yet commenced relating to:

- (a) the applicable drilling unit; or
- (b) in the absence of a board order establishing a drilling unit, any approved APDs for any wells approved under the criteria specified in R649-2-4(2) above.
- (c) The division may not revoke APDs approved pursuant to Subsection R649-3-4(5).
- (6) The operator of a drilling unit shall designate, on Form 0 Registration Form, an agent responsible for operations in the state who will receive and accept service of all communications, notices, and orders of the division and board.

(a) An operator shall provide the division written notice within 5 business days of any change to the designated agent or its contact information.

(b) Service of any notice or order under these rules shall be sufficient if sent to the designated agent at the last address or email address furnished to the division by the operator.

(7) The designated operator of a well shall notify the division in writing when a party, other than the designated operator, is on site operating a well.

(a) Written notice to the division should include the on site party's name, address, telephone number, and email address.

(b) Providing the division with notice of the on site party's contact information does not relieve the designated operator of responsibility for the well or the resolution of any compliance issues.

#### **R649-2-4a Request for Change of Operator**

(1) The operator of a well shall notify the division, in writing, on Form 16, Operator Change Form, of the sale, assignment, transfer, conveyance, exchange, or other disposition of the well by the operator of the well as soon as reasonably possible, but in no event no later than 90 days after the date that the sale, assignment, transfer, exchange, or other disposition becomes final.

(2) The Operator Change form shall include the following:

(a) the name and address of the person to whom the well was or will be sold, assigned, transferred, conveyed, exchanged, or otherwise disposed;

(b) the well name, API number, and location as described by the section, township, range, and county;

(c) a description of the well's current status;

(d) the date that the sale, assignment, transfer, conveyance, exchange or other disposition was or becomes final; and

(e) the proposed effective date for the operator change.

(3) The Operator Change form shall be signed by the current operator and the new operator. In lieu of the signature of the current operator, the new operator may submit a court order or other legal document evidencing ownership of the well to be transferred if the current operator cannot be located or refuses to sign the Operator Change form.

- (4) Prior to the division approving the operator change, the new operator shall:
- (a) be authorized to do business within the state of Utah;
  - (b) be registered as an operator with the division; and
  - (c) furnish a performance bond for the well as required by Rule R649-13.
- (5) If the proposed operator refuses or is unable to provide an acceptable performance bond for the well, the division shall deny the operator change and the original operator shall remain responsible for the well.
- (6) Except as set forth in Subsection (7), if the division determines that the requirements of this rule have been met and has approved the form and amount of the proposed operator's performance bonds, the division shall issue a notice of approval of the operator change.
- (6) The division's approval of an operator change is conditioned upon both operators' compliance with the Act, rules, and orders of the division and board.
- (7) Except as set forth in Subsection (8), the division shall not approve an operator change where information available to the division indicates that either the current operator or proposed operator:
- (a) has an existing liability with the division; or
  - (b) has an owner, officer, director, partner, member or manager of a limited liability company, or other person with a controlling interest in the entity, who has or previously had, a controlling interest in another entity with an existing liability with the division.
- (8) The division may approve an operator change for an operator with an existing liability if the operator provides proof that the existing liability has been resolved or is in the process of being resolved to the division's satisfaction.
- (9) The current operator shall not be relieved of responsibility for the well and will be responsible for resolving all compliance issues until the division approves the operator change.
- (10) The denial of an operator change by the division may be appealed by filing a request for agency action with the division pursuant to Rule R649-10.
- (11) Upon request, the current and new operators shall provide the division copies of documents involving the sale, assignment, transfer, conveyance, exchange, or other disposition of the well.
- (12) The division's decision to approve or deny the operator change shall be made within 60 days of submittal of a complete Operator Change form, and to the extent possible, conform with approvals of operator changes made by federal agencies. An Operator Change form is determined to be complete once the Division receives the information necessary to process and approve the request.

**R649-3-1. Bonding. Will be deleted entirely. R649-3 numbering will not change.**

**R649-3-26. Seismic Exploration.**

- (1) Form 1, Application for Permit to Conduct Seismic Exploration shall be submitted to the division by the seismic contractor at least seven days prior to commencing any type of seismic exploration operations. In cases of emergency, approval may be obtained either verbally or by telegraphic communication.
- (a) Changes of plans or line locations may be implemented in an emergency situation without division approval.
  - (b) Within five days after the change is performed, the seismic contractor shall submit written notice of the change to the division.
  - (c) The permit may be revoked at any time by the division for failure to comply with the rules and orders of the board.
  - (d) Any request to deviate from the general plugging and operations procedures of these rules shall be included on the permit application.
  - (e) The name, address, and telephone number of the seismic contractor's local contact shall be submitted to the division as soon as determined if not available when the permit application is submitted.
  - (f) After review of the application for a seismic permit, the division may require written permission of the owner of the surface of the affected land if it is determined that the seismic operation may

significantly impact any building, pipeline, water well, flowing spring, or other cultural or natural feature in the area.

(g) The permit will be in effect for six months from the date of approval. The permit may be extended upon application to and approval by the division.

(2) Before beginning any geophysical operations or seismic exploration, the applicant must provide the division a performance bond in the amount of \$10,000.

(3) Seismic contractors shall give the division at least 24 hours advance notice of the plugging of seismic holes. The notice shall include the date and time the plugging activities are expected to commence, the name and address of the seismic contractor responsible for the holes, and, if different, the name and address of the hole plugging company.

(4) Unless the seismic contractor can prove to the satisfaction of the division that another method will provide adequate protection to ground water resources and other man-made or natural features and will provide long-term land stability, the following procedures shall be required for the conduct of seismic operations and hole plugging:

(a) Seismic contractors shall take reasonable precautions to avoid conducting shot hole operations closer than 1,320 feet to any building, pipeline, water well, flowing spring, or other cultural/natural feature, e.g., a historical monument, marker, or structure, that may be adversely affected by the seismic operations.

(b) When nonartesian water is encountered while drilling seismic shot holes, the holes shall be filled from the bottom up with a high grade bentonite/water slurry mixture.

(c) The slurry shall have a density that is at least four percent greater than the density of fresh water and shall have a marsh funnel viscosity of at least 60 seconds per quart.

(d) The density and viscosity of the slurry are to be measured prior to adding cuttings. Cuttings not added to the slurry are to be disposed of in accordance with Subsection R649-3-26-4.6.

(e) Upon approval by the division, any other suitable plugging material commonly used in the industry may be substituted for the bentonite/water slurry as long as the physical characteristics of the substitute plugging material are at least comparable to those of the bentonite/water slurry.

(f) The hole shall be filled with the substitute plugging material from the bottom up to a depth of three feet below ground level.

(g) A nonmetallic permaplug or similar method shall be set at a depth of three feet. The remaining hole shall be filled and tamped to the surface with cuttings and native soil.

(h) The permaplug or similar method shall be imprinted with an approved identification number or mark.

(i) When drilling with air only, and in completely dry holes, plugging may be accomplished by returning the cuttings to the holes, tamping the returned cuttings to the depth of three feet below ground level, and setting the permaplug or similar method topped with more cuttings and soil. A small mound shall be left over the hole for settling allowance.

(j) If artesian flow, water flowing at the surface, is encountered in the drilling of any seismic hole, cement shall be used to seal off the water flow to prevent cross-flow, erosion, or contamination of fresh water supplies.

(k) Unless severe weather conditions prevent access, the holes shall be cemented immediately.

(l) Approval may be granted to a seismic operator to plug a flowing hole in another manner, if it is proved to this division that the alternate method will provide adequate protection to ground water resources and provide long term land stability.

(m) The owner of the surface of the land affected may assume liability for a seismic hole capable of conversion to a water well by sending a letter assuming such liability to the division and by filing an application with and obtaining approval for appropriation of underground water from the Division of Water Rights.

(n) Shotholes shall be properly plugged and abandoned as soon as practical after the shot has been fired.

(o) No shothole shall be left unplugged for more than 30 days without approval of the division.

- (p) Until properly plugged, shotholes shall be covered with a tin hat or other similar cover.
  - (q) The hats shall be imprinted with the seismic contractor's name or initials.
  - (r) Any slurry, drilling fluids, or cuttings that are deposited on the surface around the seismic hole shall be raked or otherwise spread out to a height of not more than one inch above the surface, so that the growth of the natural grasses or foliage will not be impaired.
  - (s) Restoration plans required by the Mined Land Reclamation Act, Section 40-8, or by any other surface management agency will be accepted by the division.
  - (t) The surface area around each seismic shothole shall be reclaimed and reseeded to its original condition insofar as such restoration is practical and is required by the surface management agency.
  - (u) Any flagging, stakes, cables, cement, or mud sacks shall be removed from the drill site and disposed of in an acceptable manner.
- (5) Upon application to the division, approval may be obtained for preplugging of shotholes using coarse bentonite material or a suitable alternative used in the industry. Preplugging of holes in this manner shall be performed according to the following procedures:
- (a) A sales receipt indicating proof of purchase of an adequate amount of coarse bentonite to properly plug any shotholes shall be submitted to the division upon request.
  - (b) For shotholes drilled with air that are completely dry, the seismic contractor shall have the option of preplugging with the coarse bentonite material or of using an alternate plugging material under Subsection R649-3-26-4.3.
  - (c) For conventionally drilled, wet holes, enough approved material shall be used to cover the initial water level, i.e., the depth of the initial water level in the hole prior to adding coarse bentonite material shall be equal to the final plug depth.
  - (d) An additional ten feet of approved material shall be placed above this depth and hole cuttings shall be used to fill the remainder of the hole to a depth of three feet below ground level.
  - (e) A nonmetallic plug imprinted with an approved identification number or mark shall be installed at this depth.
  - (f) The remaining three feet of hole shall be filled and tamped to the surface with cuttings and native soil.
  - (g) The remaining cuttings shall be raked or spread to a height not to exceed one inch above ground level.
  - (h) When using heliportable drills and insufficient cuttings are available, the hole shall be preplugged with bentonite plugging material or an approved alternate material to a depth of three feet below ground level.
  - (i) Installation of a nonmetallic plug and filling the remainder of the hole shall be performed as required by Subsection R649-3-26-5.3.
  - (j) The coarse bentonite plugging material shall have the following specifications - chemically unaltered sodium bentonite, coarse ground, three quarter inch maximum size, not more than 19% moisture content and not more than 15% inert solids by volume.
- (6) Form 2, Seismic Exploration Completion Report shall be submitted to the Division within 60 days after completion of each seismic exploration project. The report shall include: Certification by the seismic contractor that any shot holes have been plugged as prescribed by the division.

#### **R649-3-38. Surface Owner Protection Act Provisions**

6.2. The surety bond or other guarantee shall be in an amount of not less than ten thousand dollars (\$10,000.00) per well site on the land unless the operations involve seismic activities. The surface use bond shall be conditioned upon the performance by the owner or operator of the duty to protect a surface land owner against unreasonable loss of crops on surface land, unreasonable loss of value of existing improvements, and unreasonable permanent damage to surface land.

#### **R649-8. Reporting and Report Forms.**

##### **R649-8-1. General Report Forms.**

(1) The forms listed below, as modified by the Division from time to time shall be used for the purpose indicated in accordance with the instructions and the applicable rule.

Form 0 Registration Form

Form 1 Application for Permit to Conduct Seismic Exploration R649-8-2

Form 2 Seismic Exploration Completion Report R649-8-3

Form 3 Application for Permit to Drill, Deepen, or Plug Back (APD) R649-8-4

Form 4 Bond R649-8-5

Form 5 Designation of Agent or Operator R649-8-6

Form 6 Entity Action Form R649-8-7

Form 7 Report of Water Encountered During Drilling R649-8-8

Form 8 Well Completion or Recompletion Report and Log R649-8-9

Form 9 Sundry Notices and Reports on Wells R649-8-10

Form 10 Monthly Oil and Gas Production Report R649-8-11

Form 11 Monthly Oil and Gas Disposition Report R649-8-12

Form 12 Report of Transferred Oil R649-8-13

Form 13-A Monthly Summary Report of Gas Processing Plant Operations R649-8-14

Form 13-B Monthly Report of Gas Processing Plant Product Allocations R649-8-15

Form 14 Monthly Report of Waste Crude Oil Treatment Facility Operations R649-8-16

Form 15 Designation of Workover or Recompletion R649-8-17

Form 16 Operator Change Form R649-8-18

UIC Form 1 Application for Injection Well R649-8-18

UIC Form 2 Monthly Report of Enhanced Recovery Project R649-8-19

UIC Form 3 Monthly Injection Report R649-8-20

UIC Form 4 Annual Fluid Injection Report R649-8-21

UIC Form 5 Transfer of Authority to Inject R649-8-22

(2) Any permitted well which is referenced on a report form, correspondence, or well log should be identified by its assigned API number.

#### **R649-8-18. Form 16, Operator Change Form**

(1) The operator of a well shall notify the division of the sale, assignment, transfer, conveyance, exchange, or other disposition of the well by the operator of the well by filing an operator change form with the division.

(2) The operator change form shall be filed as soon as reasonably possible, but in no event later than 90 days after the date that the sale, assignment, transfer, exchange, or other disposition of a well becomes final.

#### **R649-8-19. UIC Form 1, Application for Injection Well.**

Prior to the commencement of operations for injecting any fluid into a well for the purpose of enhanced recovery, disposal, or storage, the operator shall submit an Application for Injection Well and obtain division approval in accordance with R649-5-2.

#### **R649-8-20. UIC Form 2, Monthly Report of Enhanced Recovery Project.**

(1) The operator shall submit this report monthly to report the injection pressure, rate, and volume for each enhanced recovery injection well or project.

(2) The report is due within 30 days following the end of the month of operations.

#### **R649-8-21. UIC Form 3, Monthly Injection Report.**

(1) The operator shall submit this report monthly to report the daily injection pressure, rate, and volume for each disposal well and/or storage well.

(2) The report is due within 30 days following the end of the month of operations.

#### **R649-8-22. UIC Form 4, Annual Fluid Injection Report.**

(1) The operator of disposal wells, storage wells, or enhanced recovery projects shall file an annual report with the division using this form.

(2) The report is due within 60 days following the end of the year.

**R649-8-23. UIC Form 5, Transfer of Authority to Inject.**

(1) The authority to inject for any injection well shall not be transferred from one operator to another without the approval of the division. The transfer of authority to inject for any injection well from one operator to another shall be submitted to the division on this form prior to the date of the proposed transfer.

(2) The division shall, within 30 days after receipt of a properly completed form, return a copy of the form to each operator indicating approval or denial of the transfer of authority to inject. If approved, a copy of the order authorizing injection shall be attached to the form returned to the new operator.