



6905 S. 1300 E. #288, Cottonwood Heights, UT 84047-1817

FUELING UTAH'S GROWTH & PROSPERITY

October 27, 2025

**SENT VIA E-MAIL**

Honorable Utah Board of Oil, Gas and Mining  
Attn: LaVonne Garrison, Madam Chair  
P.O. Box 145801  
Salt Lake City, UT 84114-5801  
Email: [lavonne.dogm@gmail.com](mailto:lavonne.dogm@gmail.com)

Mr. Mick Thomas, Director  
Utah Division of Oil, Gas and Mining  
P.O. Box 145801  
Salt Lake City, UT 84114-5801  
Email: [mickthomas@utah.gov](mailto:mickthomas@utah.gov)

***Re: UPA Commentary on Proposed Regulations on Bonding***

Dear Board Members and Director Thomas:

This letter and attachments will serve as the Utah Petroleum Association's ("UPA's") commentary on the Utah Division of Oil, Gas and Mining's ("DOGM's") latest draft of proposed regulations modifying current bonding requirements. As requested by several Board Members, in addition to supplying requested redlined changes to DOGM's last draft, this letter will provide a plain language narrative of UPA members' concerns and justifications for those redlined changes.

As an initial point, UPA wishes to express its appreciation to DOGM for returning to a prior version where **all** Utah wells, whether federal, tribal, State or fee, are included for purposes of the production level criteria for tier classification purposes. That was a major concern of many UPA members with DOGM's prior draft which only included state and fee wells in determining that criteria.

**A. Material Issue 1: What constitutes an "At-Risk Well" and how are such wells to be accounted for in setting bond amounts?**

There seems to be consensus that, for performance bonding purposes, “at-risk wells” should only include wells that are not already subject to performance bonds already in place with Federal and tribal agencies. In other words, the State should only be concerned with wells not already adequately bonded with other agencies having jurisdiction,<sup>1</sup> and operators should not be subject to possible double bonding. Notwithstanding, DOGM’s latest draft, presumed unintentional in many instances, fails to make clear that understanding.

First, DOGM has rejected UPA’s continuing request to exclude shut-in and temporarily abandoned wells that have been approved by DOGM under the criteria set in R649-3-36 from being classified as “At-Risk Wells.” DOGM’s only stated justification for the rejection is that these wells “are still a major risk.” As a consequence, in its latest draft, DOGM has changed the definitions of “shut-in wells” and “temporarily abandoned wells” to eliminate reference to R649-3-36 pursuant to which it reviews and approves applications for such status or extensions of such status without requiring plugging and abandonment. However, as has been consistently stated by UPA members, shut-in and temporarily abandoned wells that have been approved by DOGM in accordance with R649-3-36, by the very nature of that approval, do not constitute a risk to the safety and welfare of the public and therefore should not be considered “At-Risk Wells” requiring supplemental bonding. The current criteria under that regulation expressly require proof that the well has mechanical integrity and does not pose a health or environmental threat. The attached redline reinstates UPA’s prior suggested changes to clarify shut-in and temporarily abandoned wells approved by DOGM in accordance with R649-3-36 should not be deemed “At-Risk Wells.”

Second, the very definition of “At-Risk Wells” contained in DOGM’s latest draft, and as that term is utilized in other definitions (such as “At-Risk Well Ratio”), fails to limit such wells to just wells which are not already subject to Federal or tribal performance bonding. For purposes of tier classification, the “At-Risk Well Ratio” should include only such wells as the numerator and not include “at-risk” wells already subject to Federal or tribal bonds. The attached redline incorporates the necessary clarification language.

To the same point, DOGM’s latest draft includes in its definition of “State Wells,” wells in which a fee or State lease is within the drilling unit without exclusion if such wells are already adequately bonded with Federal or tribal agencies. There are many wells in such drilling units that do not even penetrate State or fee leases and are already adequately bonded with Federal and/or tribal agencies. Double bonding is simply unacceptable to UPA members and does nothing to address the true risks to the State. Again, the attached redline incorporates this clarifying language.

**B. Material Issue 2: There must be a cap upon bonding required under the Surface Owner Protection Act (R649-3-38(6.2)).**

---

<sup>1</sup> The Federal agencies in 2024 substantially increased the amount of performance bonds required.

In its latest draft, DOGM has maintained that the bond required under the Surface Owner Protection Act be not less than \$10,000 per well site but does not set any cap on that amount. Without a cap, there are no guardrails upon DOGM to avoid setting arbitrary amounts which could result in operators having to submit massive bonds. UPA previously suggested, and which the attached redline incorporates, the option for the operator to submit a State-wide bond of \$100,000 effectively setting such a cap. As an important reminder, this particular subsection of the regulation (R649-3-38(6.2)) must be read in conjunction with subsection 6.1 of the same regulation; namely, the bond required under subsection 6.2 only applies if there is no lease or surface use agreement in place. Given that limited applicability, a State-wide bond of \$100,000 should more than adequately protect a surface owner, especially given the current regulation requires only a set \$6,000 bond per well site.

**C. Material Issue 3: How is the percentage “at-risk” well qualifier within each tier to be implemented?**

UPA is grateful that DOGM agreed to provide an allowable percentage of State At-Risk Wells that can be covered by a blanket bond as provided in draft R649-13-3(1)(a)(ii). However, UPA members need clarification on how these percentages are to be implemented. For example, if an operator has 21% State At-Risk Wells and meets the production level criteria for a Tier 1 classification, does that result in 20% being exempt and only 1% being truly deemed “At-Risk” to maintain a Tier 1 classification or does it result in total disqualification for a Tier 1 classification? In other words, does the exclusion apply as part of the tier classification process or only apply after the tier classification is set? The draft is unclear and UPA obviously prefers the former. The attached redline incorporates language clarifying that position.

**D. Material Issue 4: What is the proper metric for the rates in the “production level” requirements?**

DOGM’s drafts specify certain production level rates in R649-13-3(1)(a)(iii) “for the previous reportable 12 months.” However, since the term “production level” is utilized without capitalization, UPA members have questioned whether the level is based on total production over a 12-month period or daily average production over a 12-month period (as the term is currently defined in R649-3-1)? Conflicting language is used between R649-13-3 and R649-13-4, particularly when one apparently is based on all wells whereas the other refers only to State wells. The difference has dramatic impact upon some of the UPA members, *e.g.*, if the latter, an operator would be classified as Tier 3, whereas if the former, it would be classified as Tier 1. Consequently, the attached redline incorporates the former understanding.

**E. Material Issue 5: A revised bond calculator is needed to properly assess the impact of DOGM's latest proposal.**

With the changes DOGM has made, and the anticipation that the proposed rule will soon be moved to formal rulemaking, UPA members have requested that DOGM provide a new bond calculator so that UPA members can see what their new bonding obligations would be under DOGM's latest proposal. This will allow for a fair comparison and analysis to see if additional modifications are required (including further edits to address Material Issues C and D outlined above).

**F. Material Issue 6: A grace period to remedy inadequate bonding for changes in operatorship is needed.**

DOGM's prior draft of R649-13-6 provided a 12-month grace period for a new operator to remedy any inadequate bonding. This allows an acquiring operator time to manage the newly acquired assets (including bringing wells back on-line or securing approval for shut-in or temporarily abandoned wells). However, DOGM's latest draft deletes this provision without any explanation or justification. The attached redline reinstates that provision with one change to make the grace period applicable upon written request and at DOGM's discretion .

On behalf of the UPA membership, I want to thank you in advance for your time and consideration of UPA's commentary as set forth herein. If I or any of our members can be of further assistance in your assessment of this commentary or throughout the remaining rulemaking process, please do not hesitate to contact me.

Very truly yours,

**UTAH PETROLEUM ASSOCIATION**

A handwritten signature in black ink, appearing to read "Rikki Hrenko-Browning". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Rikki Hrenko-Browning, President

Attachments:

cc: Natasha Ballif, DOGM - [natashaballif@utah.gov](mailto:natashaballif@utah.gov)