



ADMINISTRATIVE RULES OF MONTANA

36.22.1308 PLUGGING AND RESTORATION BOND

- (1) Except as otherwise provided in these rules, the following bonds are required for wells within the board's jurisdiction:
 - (a) the owner or operator of a single well to be drilled, or of a single existing oil, gas, or Class II injection well to be acquired, must provide a one well bond:
 - (i) in the sum of \$1500, where the permitted total depth of a drilling well, or the actual, or plugged-back, total depth of an existing well, is 2000 feet or less; or
 - (ii) in the sum of \$5000, where the permitted total depth of drilling well, or the actual, or plugged-back, total depth of an existing well, is greater than 2000 feet and less than 3501 feet; or
 - (iii) in the sum of \$10,000 where the permitted total depth of a drilling well, or the actual, or plugged-back, total depth of an existing well, is 3501 feet or more.
 - (b) the owner or operator of multiple wells to be drilled, of existing wells to be acquired, or any combination thereof, must provide a multiple well bond in the sum of \$50,000. A one-time consolidation of companies will not be considered an acquisition requiring a \$50,000 bond if the consolidation does not change the party or parties responsible for the ultimate plugging of the wells and the resulting consolidated company provides a bond not less than the aggregate amount of the existing bonds covering wells prior to consolidation;
 - (c) the owner or operator of existing wells covered by a multiple well bond in an amount less than \$25,000 must provide a new bond, or a supplemental bond, or rider to an existing bond to increase coverage to \$25,000.
- (2) All bonds must be executed on board Form No. 3 or board Form No. 14, must be payable to the state of Montana, and must be conditioned for the performance of the duty to properly plug each dry or abandoned well, and to restore the surface of the location as required by board rules.
- (3) The board may require an increase by appropriate rider of any bond from \$1500 to \$3000, \$5000 to \$10,000, or from \$10,000 to \$20,000 for a single well bond, and from \$50,000 to \$100,000 for a multiple well bond, when in the opinion of the board the factual situation warrants such an increase in order for any owner or operator to be in compliance with this rule. In addition to, or in lieu of, an increase in the bond amount as provided above, the board may limit the number of wells that may be covered by any multiple well bond.
- (4) No new or additional wells shall be added or substituted to any bond existing prior to the effective date of this rule.

- (5) The staff may refer approval of any proposed bond to the board for consideration at its next regularly scheduled business meeting. The staff will promptly notify the applicant of the reason(s) approval has been deferred to the board and will advise the applicant of the time and place for the business meeting. The board may approve, require modification, or reject a proposed bond.
- (6) The bond referred to in this rule must be in one of the following forms:
 - (a) a good and sufficient surety bond secured from a bonding company licensed to do business in the state of Montana;
 - (b) a federally insured certificate of deposit issued and held by a Montana bank; or
 - (c) a letter of credit issued by an FDIC-insured, Montana commercial bank.
- (7) Out-of-state bank bonds previously approved by the board remain in effect.
- (8) A well must remain covered by a bond, and such bond must remain in full force and effect until:
 - (a) the plugging and restoration of the surface of the well is approved by the board; or
 - (b) a new bond is filed by a successor in interest and such bond is approved by the board.
- (9) A notice of intent to change operator must be filed on Form No. 20 by a proposed new owner or operator of a well within 30 days of the acquisition of the well. Said notice shall include all information required thereon and must contain the endorsement of both the transferor and the transferee. The board administrator may delay or deny any change of operator request if he determines that either the transferor or the transferee is not in substantial compliance with the board's statutes, rules, or orders. The board may require an increase in any bond up to the maximum amount specified in (3) as a condition of approval for any change of operator request. The transferor of a well is released from the responsibility of plugging and restoring the surface of the well under board rules after the transfer is approved by the board.
- (10) Where the owner of the surface of the land upon which one or more noncommercial wells have been drilled wishes to acquire a well for domestic purposes, the bond provided by the person who drilled or operated the well will be released if the surface of the location is restored as required by board rules, and if said surface owner furnishes:
 - (a) proof of ownership of the surface of the land on which the well is located; and
 - (b) for actual beneficial water uses of 35 gallons or less per minute, not to exceed ten acre-feet per year, a copy of the Notice of Completion of Groundwater Development (Water Rights Form 602) filed with the Department of Natural Resources and Conservation (DNRC); or
 - (c) for actual beneficial water uses of more than 35 gallons per minute, or in excess of ten acre-feet per year, a copy of the Beneficial Water Use Permit (Water Rights Bureau Form 600) received from the DNRC; or
 - (d) for a domestic gas well, a written and signed inspection report from one of the board's field inspectors stating that the well is presently being beneficially used as a source of domestic natural gas; and
 - (e) for a domestic gas well:
 - (i) a federally insured certificate of deposit in the amount of \$5000 for a single well or in the amount of \$10,000 for more than one well; or

- (ii) a real property bond in the amount of two times the amount of the required federally insured certificate of deposit.
- (11) The real property bond required in (10)(e)(ii) must be:
 - (a) provided on a board-approved form; and
 - (b) accompanied by a certified real property appraisal and abstract of title which evidence unencumbered owner equity in an amount equal to or greater than the amount of the bond required.
- (12) A domestic well must be plugged, abandoned, and restored in accordance with ARM 36.22.1301 through 36.22.1304, 36.22.1306, 36.22.1307, and 36.22.1309, or transferred to a bonded operator in accordance with (9), after the well ceases to be used for domestic purposes.

Authorizing statute(s): 82-11-111, MCA

Implementing statute(s): 82-11-123, MCA

History: Eff. 12/31/72; AMD, 1977 MAR p. 549, Eff. 9/24/77; AMD, 1982, MAR p. 855, Eff. 4/30/82; AMD, 1982 MAR p. 1398, Eff. 7/16/82; AMD, 1990 MAR p. 305, Eff. 2/9/90; AMD, 1993 MAR p. 152, Eff. 7/1/93; AMD, 1998 MAR p. 482, Eff. 2/13/98; AMD, 1998 MAR p. 1745, Eff. 6/26/98; AMD, 2000 MAR p. 3542, Eff. 12/22/00; AMD, 2007 MAR p. 350, Eff. 3/23/07.