

UTAH

Administration

1. State agency: Department of Natural Resources, Division of Oil, Gas and Mining, 1594 W. North Temple, Suite 1210, P.O. Box 145801, Salt Lake City, UT 84114-5801. Phone (801) 538-5340. Fax (801) 359-3940. Web Page: www.ogm.utah.gov.
2. Docketing procedure: Petitions requesting a hearing should be filed by the 10th day of each calendar month for docketing of a hearing by the Board or appointed Hearing Examiner at the regularly scheduled meeting during the following calendar month, usually the 4th Wednesday.
 - (a) Emergency orders: Issued by the Division Director or any Board member without notice or hearing. Order effective until the next regularly scheduled meeting of the Board.
 - (b) Notice: Publication given by Board by the 1st day of the month in which the hearing is held, but in no event less than 15 days before the hearing. In addition to published notice, the Board shall give notice by mail to all interested parties.

Bond

1. Compliance bond required: Yes, for active wells on school trust lands and fee or private lands and for disposal facilities.
2. Conditions of active well bond: For the performance of the duty to plug each dry or abandoned well, to repair each well causing waste or pollution, and to maintain and restore the well site.
 - (a) Amount per well:

<u>Well Depth (ft)</u>	<u>Bond Amount (\$)</u>
0 - 1,000	\$1,500
1,000 - 3,000	\$15,000
3,000 - 10,000	\$30,000
Greater than 10,000	\$60,000
 - (b) Amount of blanket bond: Wells < 1,000 ft. in depth - \$15,000
Wells > 1,000 ft. in depth - \$120,000

Full cost bonding may be required for shut-in or temporarily abandoned wells that are found in violation of Rule R649-3-36.

3. Conditions of disposal facility bond: Disposal facilities, other than injection wells, shall be bonded in order to protect the State and oil and gas producers from unnecessary liabilities and cleanup costs in the future.
 - (a) Bond amounts are calculated according to the amount of pit area, pit storage capacity and stockpiled waste assessed at the following rates:
 - (i) \$14,000 per acre of pit, plus
 - (ii) \$1.00 per barrel of produced water for one-quarter of the total storage capacity of the facility, plus
 - (iii) \$30 per cubic yard of solid or semi-solid waste material stockpiled at the facility.
 - (b) The initial and minimum bond amount for any facility is \$10,000 and the total bond amount will be as calculated in part (a). Disposal facility operators may request incremental bond posting above the initial amount at a rate of \$0.02 per barrel of liquid or \$0.60 per cubic yard of solid/semi-solid waste material accepted for disposal at the facility.
 - (c) The incremental rules in part 3 a & b apply to operators of pits in operation prior to 1997 and do not apply to any

new construction or operators. All new operators and pits are being bonded at full cost. Although this is not yet a rule it is a policy that is strictly adhered to.

Spacing

1. Spacing requirements: Yes. Statewide location and siting of vertical wells and statewide spacing for horizontal wells.
 - (a) Vertical well density: In the absence of special orders of the Board establishing drilling units or authorizing different well density or location patterns for particular pools or parts thereof, each oil and gas well shall be located in the center of a 40-acre quarter quarter section, or a substantially equivalent lot or tract or combination of lots or tracts as shown by the most recent government survey, with a tolerance of 200 feet in any direction from the center location.
 - (d) Lineal setbacks for vertical wells: No oil or gas well shall be drilled less than 920 feet from any other well drilling to or capable of producing oil or gas from the same pool.
 - (e) Horizontal well density: A temporary 640 acre spacing unit consisting of the governmental section in which a horizontal well is located, is established for orderly development of an anticipated pool.
 - (f) Lineal setbacks for horizontal wells: In the absence of special orders of the Board, no portion of the horizontal interval within the potentially productive formation shall be closer than 660 feet to a drilling or spacing unit boundary, federally unitized area boundary, uncommitted tract within a unit, or boundary line of a lease which is not committed to the drilling of such a horizontal well. Any horizontal interval shall not be closer than 1,320 feet to any vertical well completed in and producing from the same formation.
2. Exceptions: Yes.
 - (a) Basis: Not specifically defined but may include geological topographical, cultural, archeological, and others as requested by the operator.
 - (b) Approval: Granted administratively providing that evidence of necessity, verification of lease ownership and the written consent from all owners within a 460-foot radius of the proposed well location or owners of directly or diagonally offsetting drilling units are received by the Division.

Pooling

1. Authority to establish voluntary: Yes.
2. Authority to establish compulsory: Yes.

Drilling Permit

1. Require approvals for:
 - (a) Drilling a producing or service well? Yes.
 - (b) Seismic drilling? Yes.
 - (c) Recompletion? Yes.
 - (d) Plugging and abandoning? Yes.
 - (e) Reentry of an abandoned well. Yes.
2. Permit fee:

- (a) Drilling: None.
 - (b) Seismic drilling: None.
 - (c) Recompletion: None.
 - (d) Plugging and abandoning: None.
3. Require filing report of work performed: Yes.

Vertical Deviation

1. Regulation requirement: Yes.
- (a) When is directional survey necessary? (1) Intentional deviation and directional drilling programs and, (2) at the discretion of the Division Director when it is determined or questioned that the tolerances for vertical drilling are exceeded.
 - (b) Filing of survey required? Yes.

Casing and Tubing

1. Minimum amount required:
- (a) Surface casing: Yes. (1) To a depth below all known or reasonably estimated, utilizable, domestic, fresh water levels, (2) to a depth sufficient to prevent blowouts or uncontrolled flows.
 - (b) Production casing: As necessary.
2. Minimum amount of cement required:
- (a) Surface casing: Yes.
 - (b) Production casing: Yes, special circumstances.
 - (c) Setting time: No.
3. Tubing requirements:
- (a) Oil wells: As necessary.
 - (b) Gas wells: As necessary.

Completion

1. Completion report required: Yes.
- (a) Time limit: 30 days after cessation of operations on abandonment or completion of any well drilled for the production of oil or gas.
 - (b) Where submitted: Division of Oil, Gas and Mining.
2. Well logs required to be filed: Yes.
- (a) Time limit: 30 days.

- (b) Where submitted: Division of Oil, Gas and Mining.
 - (c) Confidential time period: Yes, one year, if requested.
 - (d) Available for public use: Yes.
 - (e) Log catalog available: Yes.
3. Multiple completion regulation: Yes.
 - (a) Approval obtained: Administrative approval or Board hearing.
 4. Commingling in well bore: Yes.
 - (a) Approval obtained: Administrative approval or Board hearing.

Oil Production

1. Definition of an oil well: Any well capable of producing oil in substantial quantities.
2. Potential tests required: Yes. In conjunction with gas-oil ratio (GOR) test.
 - (a) Time interval: 15 days following completion or recompletion.
 - (b) Witness required: As necessary.
3. Statewide allowable: No.
 - (a) Pool allowable: Yes. (1) To the extent provided by the granting of well spacing or spacing exception orders by the Board and, (2) by order of the Board to protect correlative rights, prevent waste, preserve reservoir pressure and obtain maximum recovery.
 - (b) Well allowable: No.
 - (c) Exempt allowable: No.
4. Maximum gas-oil ratio: No.
 - (a) Provision for limiting gas-oil ratio: Yes. Determined on individual well basis for purposes of conservation or prevention of waste.
 - (b) Exception to limiting gas-oil ratio: Yes. If conclusively proven reservoir or energy waste does not occur.
5. Bottom-hole pressure test reports required: Yes.
 - (a) Periodical bottom-hole pressure surveys: No.
6. Commingling oil in common facilities: Yes.
7. Measurement involving meters: Yes.
8. Production reports:
 - (a) By lease: No.
 - (b) By well: Yes.

- (c) Time limit: 45 days.

Gas Production

1. Definition of a gas well: Any well capable of producing gas in substantial quantities that is not an oil well.
2. Pressure base 14.73 psia @ 60 degrees F.
3. Initial potential tests: Yes.
 - (a) Time interval: 15 days following completion or recompletion of a well.
 - (b) Witness required: As necessary.
4. Statewide allowable: No.
 - (a) Pool allowable: Yes.
 - (i) To the extent provided by the granting of well spacing or spacing exception orders by the Board and,
 - (ii) By order of the Board to protect correlative rights, prevent waste, preserve reservoir pressure and obtain maximum recovery.
 - (b) Well allowable: No.
 - (c) Exempt allowable: No.
5. Bottom-hole pressure test reports required: Yes.
 - (a) Periodical bottom-hole pressure surveys: Yes. As requested by the Division.
6. Commingling of gas in common facilities: No.
7. Measurement involving meters: Yes.
8. Production reports:
 - (a) By lease: No.
 - (b) By well: Yes.
 - (c) Time limit: 45 days.

Water Disposal

1. State agencies that control disposal of produced salt water: Division of Oil, Gas and Mining.

Unitization

1. Compulsory unitization of all or part of a pool or common sources of supply: Yes.
2. Minimum percentage of voluntary agreement before approval of compulsory unitization:

- (a) Working interest: 70%.
- (b) Royalty interest: 70%.

Taxation

Gas severance tax = 3.0% up to and including the first \$1.50 per MCF of gas
 5.0% of the value from \$1.51 and above per MCF of gas

Gas ad valorem tax = variable

Total gas tax burden = 3.0% or greater

Oil severance tax = 3.0% of the value up to and including the first \$13 per barrel for oil
 5.0% of the value from \$13.01 and above per barrel of oil

Oil ad valorem tax = variable

Total oil tax burden = 3.0% or greater

1. Tax collecting agency: Utah Tax Commission, 210 North 1950 West, Salt Lake City, UT 84134.
2. How tax is computed:

Severance Tax -

- (a) Effective January 1, 2004, the severance tax rate for natural gas is as follows:
 - (1) 3.0% of the value up to and including the first \$1.50 per MCF for gas; and
 - (2) 5.0% of the value from \$1.51 and above per MCF for gas.
- (b) Effective January 1, 2004, the severance tax rate for oil is as follows:
 - (1) 3.0% of the value up to and including the first \$13 per barrel for oil; and
 - (2) 5.0% of the value from \$13.01 and above per barrel for oil.
- (c) Effective January 1, 2004, the severance tax for natural gas liquids is 4% of the taxable value for natural gas liquids.

Conservation Tax -

A 2-mill fee is levied and assessed on the value at the well of oil or gas produced, saved, and sold or transported from the premises where the oil or gas is produced.

Ad Valorem Property Tax -

For the taxable year beginning January 1, 1992, the taxable value of the underground oil and gas rights shall be determined by discounting future net revenues to their present value as of the lien date of the assessment year and then subtracting the value of applicable exempt federal, state and Indian royalty interests. The value of the production equipment shall be considered in the value of the oil and gas reserves. Other tangible property shall be separately valued at fair market value.

3. Exemption or exceptions:
 - (a) Severance Tax: - No tax is imposed upon:
 - (1) the first \$50,000 annually in gross value of each well or wells;

- (2) stripper wells, unless the exemption prevents the severance tax from being treated as a deduction for federal tax purposes;
 - (3) the first 12 months of production for wildcat wells started after January 1, 1990; or
 - (4) the first six months of production for development wells started after January 1, 1990;
 - (5) governmental interests (royalties); and
 - (6) oil or gas used in drilling or completion operations for recycling or repressuring purposes.
- (b) Conservation Tax: - No tax is imposed upon:
- (1) governmental interests (royalties); and
 - (2) oil or gas used in drilling or completion operations or for recycling or repressuring purposes.
- (c) Ad valorem property Tax: - No tax is imposed upon exempt federal, state and Indian royalty interests.
- (d) Recompletion or Workover Tax Credit: -
- Working interest owners participating in the expenses of recompletions or workovers are entitled to a severance tax credit equal to 20% of the amount paid for the recompletion or workover. The tax credit is limited to \$30,000 per well during each calendar year.
- (e) Incremental production incentive: -
- A 50% reduction in the severance tax rate is imposed upon the incremental production achieved from an enhanced recovery project initially approved by the board as a new or expanded enhanced recovery project on or after January 1, 1996.

4. Name of tax: Severance, Conservation, and Ad Valorem.

5. Statutory Citation:

Severance: Utah Code Ann. Section 59-5-101 through 59-5-119.

Conservation: Utah Code Ann. Section 40-6-14.

Ad Valorem: Utah Code Ann. Section 59-2-201, and 59-2-210.

Land Leasing Information

1. Leasing Method: Competitive sealed bids.
2. Notice Method: Notice mailed to mailing list. Ad placed in Rocky Mountain Oil and Gas Journal.
3. Minimum bidding \$ (per acre): \$1 per acre on trust lands. Depends on tract on sovereign lands.
4. Qualification of the bidder: Anyone can submit a sealed bid. Corporations must be registered in Utah.
5. State Statutes: See contact information.
6. Maximum acres: Sovereign lands are limited by statute and cannot exceed approximately 2,560 acres. Trust lands do not have a limit.
7. Contact: School and Institutional Trust Lands Administration: Phone: (801) 538-5100
Forestry, Fire and State Lands: Phone: (801) 538-5555

Naturally Occurring Radioactive Material (NORM)

1. Regulating Agency: Department of Environmental Quality, Division of Radiation Control, P.O. Box 144850, Salt Lake City, UT 84114-4850. Phone: (801) 536-4250, Fax: (801) 533-4097.
2. Relevant Statute/Regulations: R313-19-13(2)(a)(i)(B) provides that naturally occurring radioactive material (NORM) containing less than 15 picocuries per gram radium-226 is exempt from regulation. Amounts greater than this are subject to licensing.
3. Scope: Current rules are somewhat limited in scope. The Conference of Radiation Control Program Directors (CRCPD) has released draft rules for the licensing and regulation of Technologically Enhanced Naturally Occurring Radioactive Materials (TENORM). The Division of Radiation Control supports this effort.
4. Licensing: Requirements for licensing are found in the Utah Rules at R313-22.
5. Cleaning Equipment: Licensees are allowed to clean and release equipment for unrestricted release. Methods and procedures are generally approved as part of the licensing process but they may also be approved when a licensee undergoes decommissioning.
6. Disposal of Waste: Licensed radioactive waste is generally disposed of by transfer to a licensed low-level radioactive waste land burial facility. Radiation Control Rules in R313-15-1002 provide for other disposal procedures (on-site burial).
7. Subsequent Use of Equipment: Contaminated equipment may be released for unrestricted use once the licensee has decontaminated the equipment Division standards. The standards used as those found in Nuclear Regulatory Commission Regulatory Guide 1.86 (June 1974).
8. Subsequent Use of Materials: Licensed materials may be transferred to others for subsequent use provided the transfer is in accordance with R313-19-41.
9. Release/Sale of NORM-Contaminated Land: Licensed facilities (land) must meet decommissioning clean-up standards before it may be used for unrestricted purposes.
10. Projected Volume of stored NORM in the State: Unknown.
11. Other: See Utah Radiation Control Rules on the Internet at: www.deq.state.ut.us/eqrad/drc_hmpg.htm.
12. Respondent: Craig Jones
Phone: (801) 536-4264

