

Attachment 1

Verifying a Federal or Indian Well's Orphaned Status

The Bureau of Land Management (BLM) provides this process for the BLM Field Offices (FOs) to determine whether liable parties exist or otherwise verify, document, and ensure that no liable parties exist to perform responsibilities, as described in 43 CFR 3104.1, “for complete and timely plugging of the well(s); reclamation of the lease area(s); and the restoration of any lands or surface waters adversely affected by lease operations after the abandonment or cessation of oil and gas operations on the lease(s) in accordance with, but not limited to, the standards and requirements set forth in [43 CFR] §§ 3162.3 and 3162.5 of this title and orders issued by the [authorized officer](#).” These steps must be completed prior to designating the well’s status as orphaned in the Automated Fluid Minerals Support System (AFMSS).

Please note: The bankruptcy filing of a potentially liable party is not sufficient evidence of an orphaned well without pursuing all current and previous Record Title Owners (RTOs) of the Federal or Indian lease and Operating Rights Holders (ORHs). Changing a well’s status in AFMSS, as well as in data reports that are used at all levels in the Bureau, can impact the BLM’s reported potential liabilities. Therefore, changing a well’s status on AFMSS to or from orphaned must be coordinated with the FO authorized officer and the BLM state office.

Step 1: Identify an Issue

The BLM identifies a potentially orphaned well in several ways: reviewing lease records, reviewing production records, reviewing a well’s operational history, and performing site inspections. The BLM may also learn of a potentially orphaned well in bankruptcy proceedings that affect Federal or Indian oil and gas leasing operations.

There may be situations where a well was erroneously or prematurely designated in AFMSS as being orphaned. This policy instructs all the BLM offices to evaluate their respective orphaned wells list(s) to determine if the orphaned status is verified and accurate. Record these updates and verifications on the Orphaned Well Combined Priority Rating Sheet (Attachment 6), by October 31st, every Fiscal Year. If the office determines from its review that the BLM has improperly or prematurely designated a well as orphaned, the FO will update the well status in AFMSS. (See step 6. D.).

A State that has Federal leasing operations within its boundaries may be interested in assisting the BLM in its efforts to identify federal wells as orphaned.¹ The State may inquire if the BLM has a bond and may ask if the State may use the bond for addressing the well. The only mechanism available to the BLM to assist a State financially when permanently plugging a federal well is through a cooperative agreement. BLM offices or States that currently have or have had moderate to high levels of oil and gas activity are encouraged to develop cooperative agreements with their State(s) to leverage funding capital and the State’s ability to plug wells efficiently and cost effectively. The BLM must provide an appropriate level of oversight on any plugging, abandonment, and reclamation procedures for a Federal or Indian well to ensure that the BLM’s requirements are met. The cooperative agreement should outline in sufficient detail

¹ If a State is interested in plugging and abandoning a well that is in whole or in part on Indian lands, the BLM will need to coordinate with the BIA and the Indian landowner(s).

the BLM's level of oversight and each party's roles and responsibilities. If assistance is needed when interacting with a State or when considering cooperative agreements, please contact your State Office or Headquarters for more information.

If a State identifies a federal well as "orphaned" and initiates contracts to plug the well, the BLM will not mark the well as orphaned in AFMSS, if:

- The bond is sufficient to plug, abandon, and reclaim the location, despite a State's designation as orphaned.
- A State plugs a federal well and the BLM has NOT determined through reasonable diligence (using the orphaned well designation process identified in this policy) that there are (or were) no other liable parties.

Step 2: Pursue the Enforcement Actions against the Operator

43 CFR Subpart 3163 governs the enforcement process against the operator and sets forth the requirements for addressing noncompliance, assessments, and penalties. See Attachment 2, which identifies the BLM's process to implement the applicable regulations. The BLM's first step should be to ensure that it has issued either a written order (WO) or incident of noncompliance (INC) for each well where the current operator has violated or failed to meet its lease operations obligations. If the current operator fails to comply with the BLM's requirements, as identified in its WO or INC, the BLM will pursue bond forfeiture against the operator, issue a bill for collections to the operators more than the bond amount, and add the operator and its officers to the Mineral Leasing Act (MLA) 17(g) List per 30 U.S.C. § 226(g) and 43 CFR § 3102.5-1(f). A bill for collection should be coordinated with the Office of Natural Resources Revenue (ONRR) for any unpaid royalties or fees. For Indian wells, the BLM will coordinate with BIA on bond forfeiture, and with ONRR and BIA on bills for collection. The BLM will also notify the Indian landowner(s).

Step 3: Pursue Enforcement Actions against Current Record Title Owners and Operating Rights Holders

If the operator does not respond to the BLM, the BLM must pursue the same enforcement process set forth in Step 2 against the current interest owners (i.e. RTOs and ORHs with rights in the area and horizon(s) that require permanent plugging and abandonment and reclamation of the Federal or Indian well. If the current RTOs and ORHs fail to comply with the BLM's compliance requirements as identified in its WO or INC, the BLM must issue a bill for collections to the RTO and ORH when the obligation is more than the operator's bond, and add the owners and their officers to the MLA 17(g) List per 30 U.S.C. § 226(g) and 43 CFR § 3102.5-1(f). Attachment 2 provides the process that the BLM should follow to properly document this step.

There may be cases where the BLM or the BIA may not have adjudicated, and therefore, not assessed the current ORHs' fractional interests in the lease. When the BLM adjudicates the current ORHs, it posts this information on the agency's serial register page in LR2000. Note: If the BLM or the BIA has not adjudicated the current ORHs, it should do so.

Step 4: Request State Office Adjudication Run Title on the Lease

If the current interest owners on the lease do not comply with the BLM’s orders, the FO must have their State Office research the lease title to identify all of the previous RTOs and ORHs with rights in the area and horizon(s) that require permanent plugging and abandonment and reclamation on the lease. For Indian leases, the FO would ask the BIA Land Title and Records Office. The BLM (in coordination with BIA for Indian leases) may hold all previous interest owners (i.e. RTOs and ORHs) who held an interest in the lease on or after the well spud date, or date of any associated surface disturbance, responsible for permanently plugging a well and reclaiming the surface.

Step 5: Pursue Enforcement Actions against Previous Record Title Owners and Operating Rights Holders

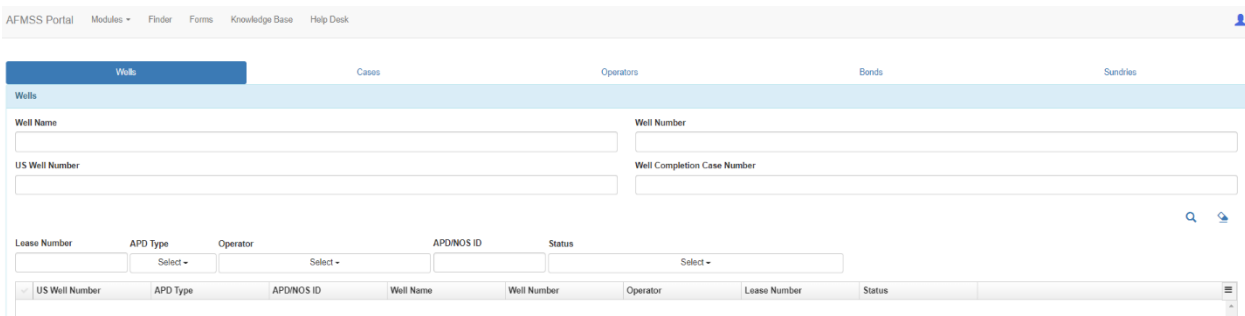
For ORHs, the BLM may only pursue ORHs with rights in the area and horizon(s) that require permanent plugging and abandonment and reclamation. All references to ORH in this section are conditioned upon meeting this requirement.

If the current interest owners do not respond to the BLM, the BLM must pursue the same enforcement process set forth in Step 2 against the previous RTOs and ORHs that have held ownership in the Federal or Indian lease since the well was spudded or surface disturbance occurred. If the previous RTOs and ORHs fail to comply with the BLM’s compliance requirements, as identified in its WO or INC, the BLM must issue a bill for collections to the previous RTOs and ORHs when the obligation is more than the operator’s bond, and add the owners and their officers to the MLA 17(g) List per 30 U.S.C. § 226(g) and 43 CFR § 3102.5-1(f). Attachment 2 provides the process that the BLM should follow to properly document this step.

Step 6: Notate Federal and Indian Well(s) as Orphaned in AFMSS2

If none of the current or previous interest owners respond to the BLM and the bond money is insufficient to cover the cost of permanently plugging and abandoning the wells and site reclamation, the BLM will promptly notate the well(s) as orphaned in AFMSS2. Below are example screenshots and steps for notating wells as orphaned in AFMSS2:

A. Open the AFMSS 2 Well Finder.



B. In the AFMSS 2 Well Finder screen, query for the appropriate well, select the well, and open the well by clicking on Open in the Actions drop-up menu.

Lease Number	APD Type	Operator	APDINOS ID	Status
<input type="text" value="Select"/>	<input type="text" value="Select"/>	<input type="text" value="Select"/>	<input type="text" value="Select"/>	<input type="text" value="Select"/>

US Well Number	APD Type	APDINOS ID	Well Name	Well Number	Operator	Lease Number	Status
4904320802	APD	96AIR0287AWOF	COTTONWOOD CREEK U...	259	CONTANGO RESOURCES...	WYW03996	TA

Well Name	Well Number	US Well Number	Wellbore Code	Lease Number	Case Number	Completion Status
COTTONWOOD CREEK UNIT	259	4904320802	00	WYW03996	WYW109468D	TA

C. In the Well Data screen, scroll towards the bottom of the page to the Orphan Well Yes/No radio button and select the Yes button after ensuring all of the criteria in above Steps 1 through 5 are met, then click on Save.

Helium Yes No

Orphan Well Yes No

Field Name *

Pool Name

Surface Owners

D. If, after review, it is determined that a well was improperly or prematurely designated as being orphaned, the FO needs to update the Orphan Well section of the well data screen by checking the No radio button and then clicking on Save.