

ENROLLED ACT NO. 45, SENATE

FIFTY-EIGHTH LEGISLATURE OF THE STATE OF WYOMING
2005 GENERAL SESSION

AN ACT relating to oil and gas operations; establishing requirements prior to commencing oil and gas operations on split estates; providing an exception; requiring notice, good faith negotiation and surface use agreements or financial assurances, as specified; authorizing compensation to surface owners for damages due to oil and gas operations; providing definitions; providing a statute of limitations; specifying applicability of the act; and providing for an effective date.

Be It Enacted by the Legislature of the State of Wyoming:

Section 1. W.S. 30-5-401 through 30-5-410 are created to read:

ARTICLE 4
ENTRY TO CONDUCT OIL AND GAS OPERATIONS

30-5-401. Definitions.

(a) As used in this act:

(i) "Commission" means the Wyoming oil and gas conservation commission and its authorized employees;

(ii) "Compensate" and "compensation" mean monetary payment or other consideration that may include, but is not limited to, the furnishing of materials, labor or equipment;

(iii) "Oil" and "gas" mean as defined in W.S. 30-5-101(a)(vii);

(iv) "Oil and gas operations" means the surface disturbing activities associated with drilling, producing

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and transporting oil and gas, including the full range of development activity from exploration through production and reclamation of the disturbed surface;

(v) "Oil and gas operator" means a person engaged in oil and gas operations, his designated agents, contractors and representatives;

(vi) "Reclamation" means the restoring of the surface directly affected by oil and gas operations, as closely as reasonably practicable, to the condition that existed prior to oil and gas operations, or as otherwise agreed to in writing by the oil and gas operator and the surface owner;

(vii) "Surety bond or other guaranty" means as defined in W.S. 30-5-101(a)(x);

(viii) "Surface owner" means any person holding any recorded interest in the legal or equitable title, or both, to the land surface on which oil and gas operations occur, as filed of record with the county clerk of the county in which the land is located. "Surface owner" does not include any person or governmental entity that owns all of the land surface and all of the underlying oil and gas estate, or any person or governmental entity that owns only an easement, right-of-way, license, mortgage, lien, mineral interest or nonpossessory interest in the land surface;

(ix) "This act" means W.S. 30-5-401 through 30-5-410.

30-5-402. Entry upon land for oil and gas operations and nonsurface disturbing activities; notice; process; surety bond or other guaranty; negotiations.

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(a) Any oil and gas operator having the right to any oil or gas underlying the surface of land may locate and enter the land for all purposes reasonable and necessary to conduct oil and gas operations to remove the oil or gas underlying the surface of that land. The oil and gas operator shall have the right at all times to enter upon the land for nonsurface disturbing activities reasonable and necessary to determine the feasibility and location of oil and gas operations to extract the oil and gas thereunder. The oil and gas operator shall first comply with the provisions of this act and shall reasonably accommodate existing surface uses. The oil and gas operator may reenter and occupy so much of the surface of the land thereof as may be required for all purposes reasonable and necessary to conduct oil and gas operations on the land.

(b) An oil and gas operator may enter to conduct nonsurface disturbing activities, including inspections, staking, surveys, measurements and general evaluation of proposed routes and sites for oil and gas operations. Prior to initial entry upon the land for nonsurface disturbing activities, the oil and gas operator shall provide at least five (5) days notice to the surface owner. Prior to any subsequent entry upon the land for nonsurface disturbing activities not previously discussed, the oil and gas operator shall provide notice to the surface owner.

(c) Entry upon the land for oil and gas operations shall be conditioned on the oil and gas operator providing the required notice, attempting good faith negotiations and:

(i) Securing the written consent or waiver of the surface owner for entry onto the land for oil and gas operations;

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(ii) Obtaining an executed surface use agreement providing for compensation to the surface owner for damages to the land and improvements as provided in W.S. 30-5-405(a);

(iii) Securing a waiver as provided in W.S. 30-5-408; or

(iv) In lieu of complying with paragraph (i) or (ii) of this subsection, executing a good and sufficient surety bond or other guaranty to the commission for the use and benefit of the surface owner to secure payment of damages. The amount of the initial bond or other guaranty shall be determined pursuant to W.S. 30-5-404(b).

(d) Before entering upon the land for oil or gas operations, the oil and gas operator shall give to all the surface owners a written notice of its proposed oil and gas operations on the land. This notice shall be given to the surface owners at the address shown by the records of the county where the land is located at the time notice is given.

(e) The notice of proposed oil and gas operations shall sufficiently disclose the plan of work and operations to enable the surface owner to evaluate the effect of oil and gas operations on the surface owner's use of the land. The notice shall be given no more than one hundred eighty (180) days nor less than thirty (30) days before commencement of any oil and gas operations on the land. The notice shall include, but is not limited to:

(i) The proposed dates on which planned operations shall commence;

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(ii) To the extent reasonably known at the time, the proposed facility locations and access routes related to the proposed oil and gas operations, including locations of roads, wells, well pads, seismic locations, pits, reservoirs, power lines, pipelines, compressor pads, tank batteries and other facilities;

(iii) The name, address, telephone number and, if available, facsimile number and electronic mail address of the oil and gas operator and his designee, if any;

(iv) An offer to discuss and negotiate in good faith any proposed changes to the proposed plan of work and oil and gas operations prior to commencement of oil and gas operations;

(v) A copy of this act.

(f) After providing the notice of proposed oil and gas operations to the surface owner, the oil and gas operator and the surface owner shall attempt good faith negotiations to reach a surface use agreement for the protection of the surface resources, reclamation activities, timely completion of reclamation of the disturbed areas and payment for damages caused by the oil and gas operations. At any time in the negotiation, at the request of either party and upon mutual agreement, dispute resolution processes including mediation or arbitration may be employed or the informal procedures for resolving disputes established pursuant to W.S. 11-41-101 et seq. may be requested through the Wyoming agriculture and natural resource mediation board.

(g) The oil and gas operator shall not engage in work, location of facilities and access routes or oil and gas operations substantially and materially different from

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those disclosed to the surface owner in accordance with this section, without first providing additional written notice disclosing proposed changes and offering to schedule a meeting to comply with the requirements of subsection (f) of this section.

30-5-403. Application for permit drill; additional notice.

(a) Before an application for a permit to drill is approved by the commission, the oil and gas operator shall file a statement with the commission, including the surface owner's name, contact address, telephone number and any other relevant and necessary contact information known to the oil and gas operator, certifying that:

(i) Notice of proposed oil and gas operations was provided to the surface owner;

(ii) The parties attempted good faith negotiations as required under W.S. 30-5-402(f) to reach a surface use agreement;

(iii) The oil and gas operator has met the conditions of W.S. 30-5-402(c), specifying how the conditions have been met.

(b) The surface use agreement between the oil and gas operator and the surface owner shall not be filed with the oil and gas conservation commission and the terms of the agreement shall not be required as a condition of approval of an application for a permit to conduct oil and gas operations.

30-5-404. Surety bond or guaranty; approval; objections; release of surety bond or guaranty.

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(a) The surety bond or other guaranty required under W.S. 30-5-402(c)(iv) shall be executed by the oil and gas operator, or a bonding company acceptable to the commission. Other forms of guaranty acceptable by the commission under article 1 of this chapter may be submitted by the oil and gas operator in lieu of a surety bond.

(b) The surety bond or other guaranty shall be in an amount of not less than two thousand dollars (\$2,000.00) per well site on the land. At the request of the oil and gas operator, after attempted consultation with the surface owner the commission may establish a blanket bond or other guaranty in an amount covering oil and gas operations on the surface owner's land as identified by an oil and gas operator in the written notice required under W.S. 30-5-402(e). Neither the minimum amount of the per well site bond or other guaranty specified in this subsection nor a blanket bond or other guaranty established by the commission is intended to establish any amount for reasonable and foreseeable damages.

(c) Within seven (7) days following receipt of a per well site surety bond or other guaranty or the establishment of a blanket bond or other guaranty, the commission shall notify the surface owner of receipt of the per well site surety bond or other guaranty or the establishment of a blanket bond or other guaranty based on the oil and gas operator's request and the written notice required under W.S. 30-5-402(e). The commission's notice shall also include a description of the amount and the type of the bond or guaranty received or established and provide to the surface owner a copy of the statement required under W.S. 30-5-403(a). If, at the expiration of thirty (30) days after receipt of the commission's notice by the surface owner, he makes no objection to the amount or the type of

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the surety bond or guaranty, the commission shall approve the surety bond or guaranty. If the surface owner objects in writing to the amount or the type of the surety bond or guaranty, the commission shall give immediate consideration to the surety bond or guaranty objected to and the accompanying papers filed by the oil and gas operator in support of the surety bond or guaranty amount and the type of surety bond or guaranty submitted or established, and the surface owner's objections, and the commission shall render a final decision as to the acceptability of the amount and type of the surety bond or guaranty and shall notify the parties of the decision. Proof of any additional surety bond or guaranty required by the commission shall be filed with the commission within thirty (30) days of the commission's final decision. Any aggrieved party may appeal the final decision of the commission to the district court in accordance with the Wyoming Administrative Procedure Act.

(d) Upon receipt or establishment of an acceptable surety bond or other guaranty by the commission as specified in subsection (b) of this section, and receipt of all required regulatory approvals to secure a drilling permit, the oil and gas operator shall be permitted entry upon the land to conduct oil and gas operations in accordance with terms of any existing contractual or legal right.

(e) Any surety bond, other guaranty or blanket bond, as applicable, for surface damages to particular lands will be released by the commission after:

- (i) Compensation for damages has occurred;
- (ii) Agreement for release by all parties;

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(iii) Final resolution of the judicial appeal process for any action for damages and all damages have been paid; or

(iv) The oil and gas operator certifies in a sworn statement that the surface owner has failed to give the written notice required under W.S. 30-5-406(a) or has failed to bring an action for damages within the required time period.

(f) Prior to the release of any applicable bond or other guaranty, the commission shall make a reasonable effort to contact the surface owner and confirm that compensation has been received, an agreement entered into or that the surface owner has failed to give written notice required or failed to bring a timely action for damages. The commission may, in its sole discretion, release any surety bond, other guaranty or blanket bond related to particular lands if the oil and gas operator shows just cause for the release.

(g) Any surety bond or guaranty executed under this section shall be in addition to the surety bond or guaranty required under W.S. 30-5-104(d)(i)(D) for reclamation and compliance with rules and orders of the commission.

30-5-405. Surface damage and disruption payments; penalty for late payment.

(a) The oil and gas operator shall pay the surface owner as follows:

(i) A sum of money or other compensation equal to the amount of damages sustained by the surface owner for loss of production and income, loss of land value and loss of value of improvements caused by oil and gas operations;

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(ii) The amount of damages and method of compensation may be determined in any manner mutually agreeable to the surface owner and the oil and gas operator. When determining damages, consideration shall be given to the period of time during which the loss occurs;

(iii) The payments contemplated by this subsection shall only cover land directly affected by oil and gas operations. Payments under this subsection are intended to compensate the surface owner for damage and disruption. No person shall sever from the land surface the right to receive surface damage payments.

(b) An oil and gas operator who fails to timely pay an installment under any annual damage agreement negotiated with a surface owner is liable for payment to the surface owner of twice the amount of the unpaid installment if the installment payment is not paid within sixty (60) days of receipt of notice of failure to pay from the surface owner.

30-5-406. Surface damage negotiations; notice of damages to oil and gas operator; right to bring action.

(a) If the oil and gas operator has commenced oil and gas operations in the absence of any agreement for compensation for all damages, a surface owner shall give written notice to the oil and gas operator and the commission of the damages sustained by the surface owner within two (2) years after the damage has been discovered, or should have been discovered through due diligence, by the surface owner.

(b) Unless both parties provide otherwise by written agreement, within sixty (60) days after the oil and gas operator receives notice of damages pursuant to subsection

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(a) of this section, the oil and gas operator shall make a written offer of settlement to the surface owner as compensation for damages. The surface owner seeking compensation for damages under this section may accept or reject any offer made by the oil and gas operator.

(c) If the surface owner who submits a notice as required under subsection (a) of this section receives no reply to his notice, receives a written rejection or counter offer or rejects an offer or counter offer from the oil and gas operator, the surface owner may bring an action for compensation for damages in the district court in the county where the damage was sustained.

30-5-407. Remedies cumulative.

The remedies provided by this act do not preclude any person from seeking other remedies allowed by law, nor does this act diminish rights previously granted by law or contract.

30-5-408. Waiver.

A surface owner may waive any rights afforded under this act by providing a written waiver of rights to the oil and gas operator, identifying which rights have been waived.

30-5-409. Statute of limitations for civil action.

A surface owner entitled to bring an action for damages under this act, or to seek any other remedy at law for damages caused by oil and gas operations, shall bring such action within two (2) years after the damage has been discovered, or should have been discovered through due diligence, by the surface owner. The limitation on bringing an action under this section shall be tolled for a

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period of four (4) months, if a written demand for compensation for damages is timely submitted by the surface owner under W.S. 30-5-406.

30-5-410. Applicability.

This act shall not apply to a public utility regulated by the Wyoming public service commission or to a natural gas pipeline regulated by the federal energy regulatory commission.

Section 2. Any written surface use agreement, consent, prior regulatory approval or judicial order or decree in effect prior to the effective date of this act shall not be subject to the provisions of this act.

Section 3. This act is effective July 1, 2005.

(END)

Speaker of the House

President of the Senate

Governor

TIME APPROVED: _____

DATE APPROVED: _____

I hereby certify that this act originated in the Senate.

Chief Clerk