

Procedure for Taking Over An Orphaned Well

Definition of Orphan Well:

A well that is inactive 12 months or longer and the current operator as reflected on Railroad Commission records has a delinquent P-5 Organization Report.

Requirements for taking over an orphan well:

- 1) the acquiring operator must have an Active P-5;
- 2) the acquiring operator cannot have outstanding final orders ("639")
- 3) the acquiring operator must be a "bonded operator" (Opt 1 or 2 financial assurance in the form of a performance bond, letter of credit, or cash deposit)
- 4) the acquiring operator must have sufficient financial assurance to cover the acquisition along with all currently operated wells.
- 5) any P-4 holds placed on the well(s) by the Commission for non-compliance, must be addressed with the appropriate Commission section (Field Operations, Enforcement, Well Plugging) prior to the transfer.
- 6) the acquiring operator must have (and may be required to provide proof of) a good-faith claim to operate the well(s).
- 7) the appropriate forms to transfer the well(s) to the acquiring operator must be filed with and approved by the Commission.
 - a. Two signature P-4's- When the current delinquent operator's signature can be obtained, a P-4 with signatures of the current operator and the acquiring operator may be filed.
 - b. Single signature P-4's- When a signature cannot be obtained from the current delinquent operator, a P-4 may be filed with only the acquiring operator's signature but the acquiring operator must also provide: a letter explaining why the prior operator has not signed (e.g., he cannot be found after a diligent search or he refuses to sign) and documentation establishing that the acquiring operator has at least a good-faith claim to the right to operate the wells(s).
 - c. Oil lease subdivision-If the acquiring operator is only taking over certain oil wells on an existing lease and not the entire oil lease, in addition Form P-4 filing requirements, the acquiring operator must file a Form P-6, before and after plats outlining the configuration of the lease, and a statement that no overproduction exists on the lease.
 - d. Good faith claim to operate-For all single signature P-4s and for other P-4 transfers when requested by the Commission, proof of good faith claim to operate the wells must be filed with the Commission.

Plugging & Compliance Responsibility:

Any operator who successfully acquires an orphaned well, acknowledges responsibility for the regulatory compliance of the wells they are acquiring and for the proper plugging of the well(s) pursuant to Statewide Rule 14 through their signature on the Form P-4. Additionally, the acquiring operator assumes responsibility for the physical operation and control of the wells, and acknowledges that they will remain designated as the responsible operator of record until a new operator designation is approved by the Commission.

For Questions Related to:	Contact:	Phone Number:
Form P-5 or Financial Assurance	P-5 Section	(512) 463-6772
Form P-4 or Form P-6 Subdivisions	Proration Section	(512) 463-6838
Good Faith Claim to Operate Requirement	Office of General Counsel	(512) 463-6793
SB639 Holds or Enforcement Holds	Enforcement Section	(512) 463-6762
State Plugging Holds or Orphan Well List	Well Plugging Section	(512) 463-6830
Field Operations Holds	Field Operations Section	(512) 463-6830

NOTE: An operator adopting such wells from January 1, 2006, to December 31, 2007, may be eligible to receive certain benefits, such as a payment from the Oil Field Cleanup Fund and/or an exemption from severance taxes and Oil Field Cleanup Regulatory fees on future production from the wells. SEE [Orphan Well Reduction Program](#).