

Oil and Gas Well Bonding

What is the purpose of a well bond?

A bond represents the amount of money an oil or gas operator must set aside to help offset the cost of plugging a well when it is no longer anticipated to be used for future production. The amount of a bond is intended to represent a reasonable portion of the plugging cost that, combined with an operator's other assets, ensures sufficient resources are available to properly plug the well.

Is the bond amount the total amount a producer must pay to plug a well?

No. Under Pennsylvania [law](#), oil and gas producers must incur whatever cost is necessary to properly plug a well at the end of its useful life and to reclaim and restore the surrounding well site. Wells must be plugged in accordance with Pennsylvania environmental regulations and reclaimed and restored well sites must pass an inspection by state environmental inspectors.

What are the bond amounts for oil and gas operators in Pennsylvania?

Required bond amounts in Pennsylvania are set separately for conventional and unconventional oil and gas operators. For conventional operators, the amount is \$2,500 per well, or an operator may choose to secure a \$25,000 blanket bond to cover all of its conventional wells. For unconventional operators, [amounts](#) are based upon the total well bore length (< 6,000 feet or at least 6,000 feet) and the number of wells an operator has. The highest bond amount is \$600,000 for an operator that has at least 167 unconventional wells.

How do Pennsylvania's well bonding requirements compare to other states?

While the structure of calculating well bond amounts varies by state, Pennsylvania's bond amounts for unconventional shale gas operators are among the highest in the nation:

STATE	UNCONVENTIONAL WELL BOND AMOUNT
Pennsylvania	\$600,000 blanket for 167+ unconventional wells; tiered levels based on wellbore length
Colorado	\$20,000/well or \$100,000 for 100+ wells
New Mexico	\$250,000 blanket (100+) active wells; separate bond for inactive wells
North Dakota	\$50,000/well or \$100,000 blanket for 2+ wells
Ohio	\$15,000 blanket for 2+ wells
Oklahoma	\$25,000 blanket
Texas	\$25,000 (10 wells) - \$250,000 (100+ wells) blanket
West Virginia	\$250,000 blanket
Wyoming	\$100,000 blanket