

**RULES
OF
THE TENNESSEE STATE OIL AND GAS BOARD
STATEWIDE ORDER NO. 2
DRILLING, RE-ENTERING, PLUGGING, AND ABANDONING EXPLORATORY
AND EXPLOITATION OIL AND GAS WELLS**

**CHAPTER 1040-02-02
PERMITS**

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1040-02-02-.01 PERMIT REQUIRED.

- (1) A permit is required from the Supervisor before any person shall conduct operations described in chapter 1040-02-01 through Chapter 1040-02-12. Each permit, when granted, shall expire ninety (90) days after issuance unless the applicant has commenced operations and reasonably continues said operations pursuant to the permitted objective. Any permit now in force shall expire ninety (90) days from the date of this order unless permittee complies with this requirement. If a permitted location is to be abandoned without the commencement of any drilling activity, then the operator must notify the Supervisor in writing within thirty (30) days after expiration of the permit.
- (2) No work shall begin on a well pursuant to this chapter before a permit for such work on the well has been issued by the Supervisor. Furthermore, any work the operator may do, or may have done, will be at his own risk and with the full understanding that the Supervisor may find it necessary to require changing the well location or operation plans, or otherwise deny the permit because of noncompliance with applicable rules and regulations and require that the well be plugged. No requests for exceptions will be considered for a well that was started before a permit was issued.
 - (a) A legible copy of this permit must be displayed on location upon commencement of drilling operations and remain on display at said location until completion of the well.
- (3) Fifteen (15) day progress on drill reports, upon request of the Supervisor, shall be mailed to the Supervisor describing well activities for the previous week. Said reports shall be made on the Fifteen Day Progress Drill Report (Form R-PD-I).
- (4) Organization Report (Form R-O- 1) shall be made to the Supervisor prior to the issuance of a permit. This report shall identify the company, organization, individual, or group for whom the benefit of the project is being conducted. If such persons have previously filed an R-O-1 report with the Supervisor, it will not be necessary to submit another report, unless there has been a change in the information originally submitted.
- (5) A notice to surface owners of oil and gas estates is required as follow:
 - (a) No later than the filing of the application with the Board for a permit to drill and prior to initiating any site preparation, the applicant shall give notice by certified mail, return receipt requested, of his intent to drill to the property owner or owners of the surface of the land to be drilled or to be affected by the surface disturbances listed in subparagraph (c) below.

(Rule 1040-02-02-.01, continued)

- (b) The property owners to be notified under this section shall be the property owners of record in the property tax assessor's office in the county where the property is located.
- (c) The notice shall include a well location plat which shows the proposed location of the oil and gas well site, the proposed location of all new ingress and egress, the location of all diversions, drilling pits, dikes, and related structures and facilities, the location of proposed storage tanks and all other surface disturbances. Said plat shall comply with Chapter 1040-02-03.
- (d) The notice shall state that the property owner and applicant have fifteen (15) working days from the date of mailing to discuss the location of surface disturbances in connection with the drilling operation. It shall also state that if the property owner and applicant are unable to resolve differences regarding the location of surface disturbances, either or both may request in writing a hearing before the Supervisor or his designee. The notice shall provide the name and address of the Supervisor.
- (e) The applicant shall file with the Supervisor, as a part of the application, written certification that the notice required by subparagraph (a) has been given, including the name and address of each property owner given notice and the date on which each notice was mailed.
- (f) The applicant and the property owners given notice under subparagraph (a) shall attempt to resolve any differences between them regarding surface disturbances related to the proposed drilling operation. If those differences cannot be resolved, then a hearing and order may be obtained as follows:
 - 1. Any property owners entitled to notice (or the applicant) may request, within fifteen (15) working days of the mailing of the notice required in subparagraph (a), that the Supervisor or his designee conduct a hearing. A request for hearing under this paragraph shall be in writing to the Supervisor, and shall be mailed by certified mail, return receipt requested within fifteen (15) working days of the mailing of the notice required in subparagraph (a) above. The purpose of the hearing will be to minimize the impact of the proposed drilling operation on the surface of the land.
 - 2. The hearing shall be conducted as a contested case under Title 4, Chapter 5, Part 3 and shall be held before a hearing officer sitting alone. For purposes of the hearing, the Supervisor or his designee shall be the hearing officer. The hearing shall be held within ten (10) working days of receipt of a request for hearing by the Supervisor or his designee, and shall be held in the county of the proposed oil and gas well. Notice of the hearing shall be given to all persons entitled to notice under subparagraph (a) and the applicant.
 - 3. The hearing officer shall render a decision within ten (10) calendar days of the hearing. The decision shall be considered a final order not subject to further agency review pursuant to *T.C.A. 4-5-315(a)(1)*.
 - 4. For purposes of subparagraph (f) above, "working day" means all calendar days excluding Saturdays, Sundays, and legal holidays as designated in *T.C.A. 15-1-101*.
- (g) Notwithstanding any other requirement for a permit to drill, such a permit may only be issued:

(Rule 1040-02-02-.01, continued)

1. If the applicant submits to the Supervisor statements of no objection signed by all property owners entitled to notice under subparagraph (a); or
 2. If a hearing is not requested as provided in subparagraph (f), part 1; or
 3. Upon the issuing of a final order pursuant to subparagraph (f), part 3.
- (h) For purposes of satisfying the requirements of subparagraph (g) above for issuing a permit:
1. The Supervisor may treat the persons named in the applicant's certification of property owners, under subparagraph (e) above, as being all of the property owners entitled to notice under subparagraph (a) above, unless the Supervisor has actual notice to the contrary.
 2. If a request for hearing as provided in subparagraph (f), part 1, is not delivered to the office of the Supervisor within fifteen (15) working days plus three (3) additional days after the date notice-of-intent to drill was mailed to each property owner, as stated in the applicant's certification of notice, under subparagraph (e) above, the Supervisor may assume that no hearing was requested, unless he has actual notice to the contrary.
- (6) Inspection and approval of all access roads, surface disturbances, and pollution control structures at a proposed well site by the designated gas and oil field inspector is required prior to the issuance of any permit under this Chapter.
- (7) Permits shall not in any way be construed as a certification by the State of Tennessee that any property interest in the premises covered by a permit is vested in the permit; they are issued solely under the regulatory powers vested in the State Oil and Gas Board under the provision of Title 60 of the T C A for the purposes recited in said Code Section and the rules and regulations promulgated by the Board pursuant to said Code Section.
- (8) In the event of litigation over a particular tract of land, or in the event a tract of land is contested as to the ownership of oil and gas rights, the policy of the Board will be to issue permits in order to preserve the physical integrity of that particular tract without prejudicing any claimants to the title of that land.

Authority: T.C.A. §§60-1-202 and 60-1-204. **Administrative History:** Original rule certified May 24, 1974. Amendment file June 29, 1982; effective August 13, 1982. Amendment filed February 7, 1986; effective March 9, 1986. Amendment filed July 7, 1987; effective August 21, 1987. Amendment filed April 20, 1988; effective June 4, 1988.

1040-02-02-.02 DRILLING PERMITS.

- (1) Applications for a permit to drill a well for oil and gas shall be made on Application for Permit to Drill (Form P-AD-1) and submitted to the Supervisor's office for approval. The application shall be accompanied by two (2) copies of a location plat, bond, organization report, and a fee of five hundred dollars (\$500.00). The application shall give the name and address of the drilling contractor, if known; otherwise notification shall be made by letter to the Supervisor as soon as determined. The application shall also include a plan for erosion control, prevention of pollution of surface waters, and reclamation of all areas disturbed by the operations, including access roads. The plan shall conform to the requirements of Rule 1040-02-09-.05. The plan must be sufficiently detailed to allow a gas and oil field inspector to locate the site of the facilities to be constructed and estimate the expected environmental impact, but does not have to include detailed engineering design drawings. The Supervisor may require

(Rule 1040-02-02-.02, continued)

modifications in the operator's plan if such modifications are necessary to prevent pollution or to promote reclamation. Upon approval, the operator's plan shall be a condition of the permit. Failure to comply with the plan shall be grounds for revocation of the permit and forfeiture of the bond.

- (2) A drilling permit must be amended by filing an Application to Amend Well Permits (Form P-AD-2) with the Supervisor and paying a fee of twenty-five dollars (\$25.00) if the well name, number, elevation, location, or proposed total depth is changed. If the well location is changed, one (1) copy of a revised survey plat must be filed with the application. The amended permit is subject to the same terms and conditions as a well permit. A person who is granted a drilling permit can only transfer the permit and attendant rights to another person after submitting an Application to Change Operators (Form P-AD-3) and receiving approval of the application from the Supervisor. The person to whom the permit is being transferred must file an Organization Report (Form R-0-1), post a well plugging bond and a reclamation bond, and pay a fee of twenty-five dollars (\$25.00). The transfer of a permit from the original permittee to another operator, with or without the approval of the Supervisor, does not relieve the original permittee of obligations occurring before the transferal, and the bond will not be released until all material at the time of transferal has been submitted. Unless change of operator forms have been processed or approved by the office of the Supervisor, any operation conducted on the well in question is the responsibility of the original permittee, and his bond will not be released until all State requirements have been met.
 - (a) If an Application to Change operators (Form P-AD-3) is to be submitted without the signature of the current permittee, then the following items must also be submitted:
 1. Copy of the lease and assignments, if any, under which the permit was originally issued, or subsequently transferred, if those documents are available, or an affidavit from the landowner that no prior oil and gas leases are still active.
 2. An affidavit from the original landowner that there are no other unexpired oil and gas leases, if the title to the land has changed hands since the Board issued the permit on the land in question, or, if the original landowner cannot be located, an affidavit by the new operator or his agent that he has checked the grantor index in the register's office and found no unexplained conveyance of the oil and gas rights by the original landowner.
 3. Copy of the lease and assignments, if any, under which the permit will be transferred to the new operator.
 4. Copy of a certified letter to the current permittee requesting that an Application to Change Operators (Form P-AD-3) be signed, and also stating that if the application is not signed, and no written objection to a change of operator without that signature is submitted to the Oil and Gas Board in writing within ten (10) days of receipt of said letter, the new operator will seek approval from the Oil and Gas Board of that Approval to Change Operators without said signature.
 5. A copy of a Court Order relative to the inactive or expired status of any prior oil and gas leases may be submitted in lieu of the items mentioned in parts 2 and 3.
 6. If a written objection to approving the application to Change Operators is properly submitted to the Oil and Gas Board, the policy of the Board's staff will be to administratively deny the application. If the applicant seeks to have the application considered further, he may then apply for a hearing before the Oil and Gas Board. The Board will then consider approval of the application only when there is no doubt as to the ownership of the oil and gas rights of the

(Rule 1040-02-02-.02, continued)

applicant. If a cloud or question as to the title is determined to exist by the Board, then the policy of the Board will be to deny the application, and refer the applicant to the court for a ruling on the question of ownership.

- (b) If a well or wells revert back to a landowner, whether by court action, or by lease expiration or other provisions, and the well will remain in operation, then the landowner must submit an Application to Change Operators (Form P-AD-3), file an Organization Report (Form R-0-1), post a well plugging bond, post a reclamation bond if required, pay a fee of twenty-five dollars (\$25.00), and otherwise comply with well spacing regulations. If the well will be used for domestic gas only, then a plugging bond in the amount of five hundred dollars (\$500) will be required.
 - (c) Before a well can be turned over to a landowner for use as a fresh water well, the operator must set a one hundred (100) foot plug within three hundred (300) feet of the surface, or a cement plug at fifty (50) feet above the casing shoe, whichever is the deeper, and the well must be completed as a water well, and approved by the Department of Environment and Conservation, Division of Water Supply. No Organization Report (Form R-0-1) is required, and in lieu of a plugging bond the landowner must submit a notarized letter agreeing to assume liability for any subsequent plugging which might be required.
- (3) If drilling operations cease for a period of thirty (30) days, the operator shall notify the Supervisor in writing of the reason for the shutdown and the date on which operations shall be resumed.
 - (4) All wells shall be either properly plugged or completed within a period of six (6) months following cessation of drilling. Upon written request to the Supervisor by the operator, showing valid cause for requiring additional time, a reasonable extension of as much as ninety (90) days additional may be granted.
 - (5) An applicant who requests a permit to drill on site which is closer than normal statewide spacing to the boundary of an offsetting oil and gas lease, or mineral or surface property, or on a tract of land which is contested as to the ownership of oil and gas rights, must comply with the following procedures:
 - (a) Notify by certified mail all affected offset and/or separate owners of oil and gas leases and mineral and surface property, as can reasonably be determined, that he is applying for a permit to drill a well; and submit a copy of the drillsite location plat with the notice.
 - (b) Publish the operator's name, lease name, well number and description of the drillsite location in a newspaper of general circulation in the county where the well is to be drilled, with a statement that if any interested owner objects to the drilling of said well, they should make their objections known to the Supervisor of the State Oil and Gas Board.
 - (c) If, within ten (10) days after the notice, there are no objections to issuing the permit, then the Supervisor shall issue the permit, provided all other requirements have been complied with.
 - (d) If there is an objection or objections to issuing the permit, the objector or objectors must furnish the applicant and the Supervisor the basis of the objection and support his contentions with documents, etc., within ten (10) days after the date of the notice.

(Rule 1040-02-02-.02, continued)

- (e) If the applicant, after receiving an objection, still wants the permit he must then apply for a hearing before the Oil and Gas Board. The Board will then decide whether or not to issue the permit or refer the applicant to the court for relief.
- (6) If more than one applicant applies for a permit to drill the same or a conflicting location on a tract of land at a permissible distance from an offset or offsetting well, the first application received in the Supervisors office shall be issued the permit, provided the applicant complies with all other rules and regulations governing permits to drill a well. If the first applicant fails to exercise his permit privilege, then the next applicant of record, based on time submittal, shall receive the permit, provided he complies with all other requirements.
- (7) If the ownership of the drill site tract of land is contested, all claimants shall be identified by an accompanying letter.
- (8) Requests for permits for a voluntary pooled drilling unit, or for two or more leases or tracts that have been pooled for exploration or development shall be accompanied by a notarized affidavit signed by the operator that has the right to pool these leases to form a drilling unit.
- (9) The Supervisor has the right to withhold the issuance of a permit to any operator in violation of any rule or regulation of this order until such violation has been removed.

Authority: T.C.A. §§60-1-101 et seq., 60-1-202, 60-1-204 and 68-2013-101 et seq.. **Administrative History:** Original rule certified May 24, 1974. Amendment filed June 6, 1975; effective July 5, 1975. Amendment filed June 29, 1982; effective August 13, 1982. Amendment filed February 1, 1986; effective March 9, 1986. Amendment filed April 20, 1988; effective June 4, 1988. Amendment filed August 26, 1988; effective October 10, 1988. Amendment filed May 30, 1990; effective July 14, 1990. Amendment filed July 23, 1991; effective September 6, 1991. Amendment filed July 25, 2005; effective October 8, 2005. Amendment filed December 17, 2008; effective March 2, 2009.

1040-02-02-.03 REPEALED

Authority: T.C.A. §§60-1-102. **Administrative History:** Original rule certified May 24, 1974. Repeal filed July 25, 2005; effective October 8, 2005.

1040-02-02-.04 NOTIFICATION TO PLUG AND ABANDON.

Prior to plugging, notice shall be given the Supervisor in order that the Supervisor or his representative may witness the work. Work performed must be reported to the Supervisor on the Plug and Abandon Report (Form R-P&A-1) within thirty (30) days after completing the work. Form R-P&A-1 must be accompanied by a copy of the drilling contractor's or the service company's ticket for work done unless the work was observed by the Supervisor or his representative.

Authority: T.C.A. §§60-1-202. **Administrative History:** Original rule certified May 24, 1974. Amendment filed June 29, 1982; effective August 13, 1982. Repeal and new rule filed July 25, 2005; effective October 8, 2005.

1040-02-02-.05 REPEALED.

Authority: T.C.A. §§60-104. **Administrative History:** Original rule certified May 24, 1974. Repeal filed June 29, 1982; effective August 13, 1982.