

Carter & Company, L.L.P.

“Across from the Post Office” P. O. Box 672 Luling, Texas 78648
1-830-875-3164 x214 512-532-0609 FAX

CONTROL OF WELL INSURANCE – INFORMATION

This is a non-standardized coverage form. While specifics vary by carrier, most policies provide the following coverage and protection for the operator or in some cases the driller.

First of all the title for this coverage may be Control of Well, Operators Extra Expense, Energy, Exploration Extra Expense policy and it is sometimes called “Blowout Insurance” but we do not encourage calling it that as it may be confused with coverage found on the General Liability policy.

Some of the insurance companies that write this coverage include AIG, Lexington Insurance Company, St. Paul Surplus Lines Insurance Company and various markets at Underwriters at Lloyds – London

CONTROL OF WELL INSURANCE **SECTION I - OPERATOR'S EXTRA EXPENSE**

Limits: Multiples of \$1,000,000 Combined Single Limit as
Respects Sections A, B& C. Coverage should be obtained in a limit approximately
two or three times the AFE.

Minimum Deductible: \$ 25,000 Any One Occurrence

Coverage usually purchased for 100% of the risk but it is possible to insure only a percentage, if for instance another party has a separate policy to insure their own interests separately.

Possible Terms Include the following but not all of these coverages will be offered.

Section A. - Control of Well
Section B. - Redrilling (Following a Well Out of Control)
Section C. - Pollution (Following a well Out of Control)
Replacement Cost Redrilling
Extra Expense Endorsement
Farmout / Farm-In Endorsement
Underground Control of Well
Removal of Wreck and/or Debris Coverage Included.
Deliberate Well Firing Coverage Endorsement.
Evacuation Expense (All following a Well Out of Control).
Limited Earthquake Coverage
Making Well Safe
Directors and Officers and Additional Insureds
Extended Pollution Endorsement (Onshore wells only)
Year 2000 Computer related problems exclusion endorsement

Covered Well Endorsement
Extended Redrill & Restoration Endorsement (named perils).
Turnkey Endorsement (Operator) (READ ENDORSEMENT)
Contingent Rig Coverage - coverage for subsidence due to unsound well site
and sudden corrosion damage caused by corrosive gas.
Third Party Blowout - Wells of Others.
Unintentional Delay, Errors and Omissions in Well Reporting Endorsement
Area Amendment Endorsement – Various

Coverage can be selected for the following classes of wells:

- Drilled Wells of operator
- Workover Wells of operator
- Producing Wells of operator
- Drilled Wells of non-operator
- Workover Wells of non-operator
- Producing Wells of non-operator

Coverage is based on rates shown in the policy and apply per foot with an adjustment for horizontal or directional wells. The premium is subject to quarterly audit adjustment.

Possible Exclusions - Include But Not Limited To:

Excluded Well(s) Endorsement (Plugged & Abandoned & Shut-in Wells)
Earthquake or Volcanic Eruption (West of the Rockies)
Fines, Penalties, Exemplary or Punitive Damages
Breach of Warranties
Waste Disposal Wells
War, Weapon of War, Insurrection, Revolution, Civil War
Radioactive Contamination Exclusion Endorsement

TYPICAL CONDITIONS:

25% Minimum Earned Premium
Deep wells may require prior approval or independent engineering review
Turnkey Credit may be subject to preview by underwriter as the driller's qualifications.

Section II CARE, CUSTODY AND CONTROL COVERAGE (CCC)

Limits: Start at \$500,000 Combined Single Limit (Sublimit)
Deductibles from: \$ 25,000 and up.

This section offers "All Risk" but named peril coverage for property of others in hole that may be in your care, Custody and control.

RATING TERRITORIES – AREAS – May vary by carrier

Area I in TX is Railroad Comm. Dist. 5-10 inclusive (North TX)
Area II in TX is Railroad Comm. Dist. 1-4 inclusive (South TX)
Area III Gulf of Mexico

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