

Financial Assurance FAQ

Q: Why did ECMC change its Financial Assurance requirements for operators?

A: On March 1 of 2022, the Energy & Carbon Management Commission (ECMC) completed its comprehensive revisions to the 700 series rules, which establish requirements for Financial Assurance for oil and gas operations in the State of Colorado. These rulemaking hearings were an outcome of over a year's worth of collaboration and input from a diverse group of individuals and stakeholders. Significant changes and protections from this rulemaking include:

- Ensuring each operator has the financial capability to meet all of their obligations under the Act through the development of a first-ever individual operator-specific financial assurance plans;
- Increasing financial assurance for transferred and inactive wells;
- Requiring financial assurance accounts for new wells funded in the initial years of operations;
- Creating an orphan well fund;
- Applying Colorado's new rules to Federal wells for the first time;
- Broadening access for local governments regarding plugging of wells; and
- Developing a first in the nation out-of-service plugging program.

Additional details of the Rulemaking may be found on the Financial Assurance Rulemaking Page at https://cogcc.state.co.us/hearings.html#/rulemaking_sb181_financial_assurance.

Q: What are ECMC's new Financial Assurance requirements?

A: The revisions to previous rules were comprehensive. To review specific financial assurance requirements, see the 700 series rules at <https://cogcc.state.co.us/reg.html#/rules>.

Q: What do I need to do to comply with the new rules?

A: Rule 702 requires all operators of wells to submit a Financial Assurance Plan by the specified deadline. If an operator does not operate wells but does operate facilities other than wells, the revised Financial Assurance requirements are detailed in Rule 703 and must be submitted by September 1, 2022.

Q: When do I need to submit my Financial Assurance Plan?

A: Dates for submittal of initial Financial Assurance Plans are specified in Rule 702.b.(1).A.

- Operators of 50 or more wells are required to submit plans by July 1, 2022. However, due to delays in form development, the Acting Director issued a [Notice to Operators](#) that it would not pursue enforcement on any operator for failure to submit a Plan by July 1, 2022, so long as the plan is received no later than September 15, 2022.
- Operators of 11 to 49 wells are required to submit plans by October 1, 2022.
- Operators of 10 or fewer wells are required to submit plans by December 31, 2022.

Q: How do I submit my Financial Assurance Plan?

A: The Form 3, Financial Assurance Plan, is currently in development. ECMC staff will release the form with sufficient lead time to prepare and file in accordance with the revised September 15th deadline. Please plan to attend ECMC Operator Meetings for status updates and information pertaining to the necessary forms as development continues. You may also view previous recordings of Operator Meetings and the associated materials at https://cogcc.state.co.us/reg.html#/opguidance/operator_meetings_archive.

Q: *What does my Financial Assurance Plan need to consist of?*

A: The Form 3 will automate all of the necessary analytical information required for the plan, such as production metrics, numbers of wells covered, and qualifying Options. For additional items that must be included with the plan, please see the requirements for each specific Option in Rule 702 in the 700 series rules at <https://cogcc.state.co.us/reg.html#/rules>.

Q: *When will the necessary forms be available?*

A: The Forms are currently in development. Please plan to attend ECMC Operator Meetings for status updates and information pertaining to the necessary forms as development continues. You may also view previous recordings of Operator Meetings and the associated materials at https://cogcc.state.co.us/reg.html#/opguidance/operator_meetings_archive.

Q: *How much Financial Assurance will I be required to submit?*

A: The amount of financial assurance varies depending on a variety of factors, including the Operator's average daily per-well production and the number of wells operated. For additional details, see Rule 702 in the 700 series rules at <https://cogcc.state.co.us/reg.html#/rules>.

Q: *Is my current financial assurance sufficient to comply with the current rules?*

A: The amount of financial assurance varies depending on a variety of factors, including the Operator's average daily per-well production and the number of wells operated. For additional details, see Rule 702 in the 700 series rules at <https://cogcc.state.co.us/reg.html#/rules>. However, it is not likely that an operator's existing financial assurance will satisfy the revised rules.

Q: *What happens to my current financial assurance?*

A: In accordance with Rule 702.f., found in the 700 series rules at <https://cogcc.state.co.us/reg.html#/rules>, the Commission will credit existing financial assurance to the total required by the revised rules. However, if an operator prefers, they may submit the full amount required according to their financial assurance plan and then request release of the preexisting financial assurance held by ECMC.

Q: *What Option plan do I qualify for?*

A: The amount of financial assurance varies depending on a variety of factors, including the Operator's average daily per-well production and the number of wells operated. For additional details, see Rule 702 in the 700 series rules at <https://cogcc.state.co.us/reg.html#/rules>.

Q: *Will my plan require a Commission Hearing?*

A: Plans submitted under Options 1, 2, and 6 may be approved by the Director and will not require hearings. Plans submitted under Options 3 and 4 will require a hearing if an operator proposes an alternative payment schedule, otherwise they may be approved by the Director. All Option 5 plans will require a hearing.

Q: *How do I know what operators have submitted for Financial Assurance?*

A: To find an operator's approved or in process financial assurance plan information, go to the "Data" tab of the ECMC website and click on the "Operator Name, Address and Financial Assurance" menu link. After selecting an operator, click on the "Doc" link found on the top right of the company detail page.

Additionally, a Financial Assurance Tracking Report has updated information on operator approved and in process financial assurance, and can be found on the ECMC website's Regulation >> Financial Assurance tab under “View Financial Assurance Plans Form 3”. Click on “ECMC Financial Assurance Tracking Report” or by clicking on <https://ecmc.state.co.us/cogisdb/ReportTools/FA/FATrackRpt>.

Q: *Who should I contact if I have additional questions?*

A: For additional questions, please email Debbie Lutz at Debbie.Lutz@state.co.us.

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