

700. Series Rules

Financial Assurance

703 – Surface Owner Protection

- A bond to protect surface owners is required by CRS 34-60-106(3.5)
- The Commission shall require the furnishing of reasonable security with the commission by lessees of land for the drilling of oil and gas wells, in instances in which the owner of the surface of lands was not a party to such lease, to protect such surface owner from unreasonable crop losses or land damage from the use of the premises by said lessee.

703 – Surface Owner Protection

In addition to old language requiring a
\$5,000 / \$25,000 bond

Relief granted by the Commission upon application by a surface owner pursuant to this section may include an order requiring the operator to conduct corrective or remedial action, and any monetary award for unreasonable crop loss or land damage that cannot be remediated or corrected is not limited to the amount of the operator's financial assurance here under.

704 – Centralized E&P Waste Management Facilities

1. Bonding amount was \$50,000. It is now “an amount equal to the estimated cost necessary to ensure the proper reclamation, closure, and abandonment of such facility.
2. Bonding can also be in an amount agreed to by the Director or an amount ordered by the Commission.
3. Existing facilities must comply with this rule.

706 – Soil Protection, Plugging and Abandonment

1. Old bonding amounts were \$5,000 per well and \$30,000 or \$100,000 blanket bonds.
2. New rules require \$10,000 bond per well for wells less than 3000 feet deep and \$20,000 bond per well for wells more than 3000 feet deep.
3. Blanket bonds are now \$60,000 (less than 100 wells) and \$100,000 (more than 100 wells).
4. New bonding levels are required for all wells except domestic wells bonded prior to May 1, 2009.
5. An operator may seek a variance from these rules under appropriate circumstances.

707 – Inactive Wells

(REVISION TO OLD RULE)

1. Inactive wells less than 3000 feet deep shall count \$10,000 against the blanket plugging bond.
2. Inactive wells more than 3000 feet deep shall count \$20,000 against the inactive plugging bond.
3. If you have more inactive wells than the amount of the plugging bond, more bonding maybe required.

708 – General Liability Insurance

(REVISION TO OLD RULE)

1. The wording requiring a “minimum amount of \$500,000” of general liability insurance has been deleted.
2. The effect is that all operators must carry \$1,000,000 of liability insurance.

709.d - Financial Assurance

(IN ADDITIONAL TO OLD RULE)

The Director shall not approve a new Operator Registration, Form 1, or a new Certificate of Clearance, Form 10, when wells are sold or transferred until the successor operator has filed satisfactory financial assurance under the 700 Series Rules.

Rule 710 - Response Fund

(REWORDING OF OLD RULE)

Oil and Gas Conservation and Environmental Response Fund:

The Commission shall ensure that the two-year average of the unobligated portion of the Oil and Gas Conservation and Environmental Response Fund is maintained at a level of approximately, but not to exceed, four million dollars and there is an adequate balance in the fund to address environmental response needs, which may be used in accordance with the Act and Rule 701.

Rule 712

(NEW RULE)

Surface Facilities and Structures Appurtenant to Class II Commercial Underground Injection Control Wells:

Operators of Class II commercial Underground Injection Control (UIC) wells shall be required to provide financial assurance to ensure compliance with the 900-Series Rules in the amount of \$50,000 for each facility, or in an amount voluntarily agreed to with the Director, or in an amount to be determined by order of the Commission. The financial assurance required by this Rule 712 shall apply to the surface facilities and structures appurtenant to the Class II commercial injection well and used prior to the disposal of E&P wastes into such well and shall be in place by July 1, 2009. The financial assurance requirements for the plugging and abandonment of Class II commercial UIC wells are specified in Rule 706.