



MEMORANDUM

To: Companies Holding Financial Surety Obligations
for Oil and Gas Operations in the State of Colorado

CC:

From: Jeff Robbins, Director, COGCC

Subject: COGCC Policy for Financial Assurance Forfeiture
Adopted October 28, 1999
Revised June 6, 2019

Date: June 6, 2019

When an operator fails to comply with COGCC rules and regulations regarding the plugging and abandonment of oil and gas well(s) and associated facilities, the following policy is applied:

1. In accordance with Rule 709.b., the Director will apply to the Commission for an order calling or foreclosing on the financial assurance. If the Commission finds the operator in non-compliance, the COGCC staff is directed to call the available financial assurance. The COGCC will charge a ten percent (10%) "overhead recovery fee" on the expended amount for the plugging and/or reclamation work. This fee will be collected from any unexpended funds before returning those funds to the operator or bonding company. If the plugging and reclamation expenditures for the wells and associated facilities exceed the available financial assurance, monies from the Oil and Gas Conservation and Environmental Response Fund will be used.
2. If the financial assurance is in the form of Cash, the COGCC will claim both principal and accrued interest held in trust by the Colorado State Treasury. The COGCC will plug and reclaim the well(s) and associated facilities in accordance with COGCC rules. Any excess claimed funds will be returned to the operator, or treated as unclaimed property if the operator cannot be found.
3. If the financial assurance is in the form of a Certificate of Deposit {CD}, the CD will be cashed, with the check issued payable to the

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COGCC. The COGCC will claim both principal and any undisbursed accrued interest and use the funds to plug and reclaim the well(s) and associated facilities in accordance with COGCC rules. Any excess claimed funds will be returned to the operator, or treated as unclaimed property if the operator cannot be found.

4. If the financial assurance is in the form of a Surety Bond (insurance), the bonding company will be contacted and given two options:
 - a) The bonding company can make all necessary expenditures to plug and reclaim the well(s) and associated facilities in accordance with COGCC rules and assume the risk that these expenditures may exceed the amount of the bond. If the bonding company, is not successful in plugging and reclaiming the well(s) and associated facilities in accordance with COGCC rules, the entire amount of the bond must be surrendered to the COGCC.
 - b) The bonding company can provide the entire amount of the bond to the COGCC for the plugging and reclamation of the well(s) and associated facilities in accordance with COGCC rules. "Blanket" bonds are surrendered for the entire amount of the bond, regardless of the number of wells involved. The COGCC has complete discretion as to operational and financial decisions made in plugging and reclaiming the well(s) under this option.



Jeff Robbins
Director