

# *Colorado Oil and Gas Conservation Commission*

Financial Assurance Rulemaking  
Stakeholder Meeting

June 16, 2021



**COLORADO**  
Oil & Gas Conservation  
Commission

Department of Natural Resources

**Julie Murphy, Director**

# Overview

- Public Participation Opportunities
- Substance of Staff's Proposed Draft Rules
- Questions



# *Public Participation Opportunities*

- Party Status

- Submit written prehearing statements, responses, exhibits, and pre-filed written testimony
- Deadline to request is June 23, 2021

- Public Comment

- Submit written or oral feedback to the Commission
- September 10 deadline for written comments
- September 16 deadline to sign up for oral comments



# Public Participation Opportunities

Task	Date
Deadline to file Request for Party Status	June 23, 2021, at 7:00 p.m.
Deadline to file Prehearing Statements	July 16, 2021, at 7:00 p.m.
Deadline to file Responses to Prehearing Statements	August 20, 2021, at 7:00 p.m.
Deadline to file Pre-filed Written Testimony and all Associated Exhibits	September 10, 2021, at 7:00 p.m.
Deadline to file Written Rule 512 Statements	September 10, 2021, at 7:00 p.m.
Deadline to sign-up to deliver oral comments at Hearing	September 16, 2021, at 7 p.m.
<b>HEARING DATES</b>	September 21-22, 2021 September 29-30, 2021 October 1, 2021 October 5-8, 2021 October 11-13, 2021 October 21-22, 2021 October 25-28, 2021



# *Public Participation Opportunities*

Who to ask if you have questions:

- eFiling System: Angelica Amaro, [angelica.amaro@state.co.us](mailto:angelica.amaro@state.co.us), or Margaret Humecki, [margaret.humecki@state.co.us](mailto:margaret.humecki@state.co.us)
- Procedural Matters: Hearing Officer Jeff Fugate, [jeff.fugate@coag.gov](mailto:jeff.fugate@coag.gov)



# *Substance of Proposed Rules -- Overview*

- Rule 702: Financial Assurance Plans
- Rule 434.c: Plugging Inactive Wells
- Rule 218: Transfer of Inactive Wells
- Rule 205: Annual Well Registration Fee to Fund Orphaned Well Program
- Rule 211: Well and Location Closure Hearings
- Rule 705: Environmental Liability Insurance
- Other 700 Series Revisions & Reorganization
- Other conforming edits (Rules 223, 304, 306, 413, 436, 503, 504, 505, 810, 907)



# Rule 702 - Financial Assurance Plans

- Provide Commission oversight and appropriately tailor financial assurance to individual situation of each operator
- Submitted as hearing application; reviewed by Staff; Director makes recommendation; Commission makes final decision
- Operators file a plan based on where they fall within one of three tiers based on risk profile:
  - Tier 1: <20% low producing wells or plugged >20% of wells in past year
  - Tier 2: <60% low producing wells or plugged > 10% of wells in past year
  - Tier 3: All other operators
- Operators provide financial assurance based on Tier:
  - Tier 1: Lower blanket bonds
  - Tier 2: Higher blanket bonds
  - Tier 3: Full cost bonding within 10 years through sinking fund



# Rule 434.c - Plugging Inactive Wells

- New definitions of “low producing well” and “inactive well”
  - Inactive: produces less than 1 barrel of oil equivalent (“BOE”) per day over a trailing 12 month average
  - Low Producing: produces less than 5 BOE/day over trailing 12 month average
- Within 6 months of a well becoming inactive, operator must:
  - Plug the well;
  - Return the well to production;
  - “Bond up” by submitting a Form 3A, Single Well Financial Assurance to provide financial assurance for the well; or
  - Submit a Form 6A, Plugging List setting enforceable plugging deadline
- Operators must provide full-cost bonding for any well subject to a Form 3A or 6A if it is not plugged or producing within 3 years.





# *Rule 218 - Transfers of Inactive Wells*

- Requires full-cost bonding of all transferred inactive wells
- Establishes Commission-level oversight for transactions involving more than 30% low producing wells



# *Rule 205.c - Annual Well Registration Fee*

- Creates new Form 1B, Annual Well Registration Fee
- Operators must file annual report listing all their wells and the status of each well
- Form 1B must be accompanied by annual well registration fee:
  - \$100 per well in 2022
  - \$200 per well in subsequent years
- Fee will only be spent to fund the Orphaned Well Program



# *Rule 211 - Well & Location Closure Hearing*

- Finishes process of revising Rule 211 that began in Mission Change
- Proposes new definition of Used or Useful to identify wells that are no longer being utilized and are no longer economically viable
- Establishes clearer hearing procedures for Well and Location Closure Hearings in 500 Series



# *Rules 705, 912, & 913: Environmental Liability Insurance & Remediation*

- Rule 705 requires operators to maintain a \$5 million per-occurrence environmental liability insurance policy with Commission as additional insured
- Rules 912 and 913 allow Staff review of adequacy of environmental liability insurance in context of specific remediation projects, with option to require additional financial assurance if necessary



# *Other 700 Series Revisions & Reorganization*

- Rule 701: Clarifies types of financial assurance
  - Conforming 100 Series definitions of Cash Bond, Surety Bond, and Letter of Credit
  - Limits self-bonding
  - Prohibits new bond riders
- Rule 703: Financial Assurance for other oil and gas facilities and operations
  - Reorganized and clarified with few substantive changes
  - Increased financial assurance for commercial disposal wells
  - Per-facility financial assurance for produced water transfer systems and gas gathering, gas processing, and underground gas storage facilities



# *Other 700 Series Revisions & Reorganization*

- Rule 704: Surface Owner Protection Bonds
  - Procedural clarifications; no substantive changes
- Rule 706: Releasing or Accessing Financial Assurance
  - Procedural clarifications; no substantive changes
- Rule 707: Review of Financial Assurance
  - Staff will conduct annual review of every operator's financial assurance
  - Commission review required if more than 75% of operator's wells are low producing or 50% are inactive
  - New provision to adjust for inflation
  - Commission and Director both may conduct discretionary review based on relevant risk factors



## *Other Conforming Edits*

*(Rules 223, 304, 306, 413, 436, 503, 504, 505, 810, 907)*

- Updated cross references
- Corrected typos
- Revised to facilitate substantive changes made in other Rules



# *Questions?*



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