

New Financial Assurance Rules Clarifications

Operator Meeting

August 23, 2022



COLORADO
Oil & Gas Conservation
Commission
Department of Natural Resources

COGCC Staff

- For mitigation fee (Form 1B) & levy payments (Form 8), only electronic checks paid through the electronic payment system are accepted.

Form 1B (Annual Registration)
Form 8 (Conservation Levy)

August 1, 2022
September 1, 2022

Form 1C (Consolidation of Related Operators),
Form 3B (Federal Financial Assurance Wells), &
Form 6A (Out of Service Designation)

BEFORE Submitting the Form 3

Form 3 (Financial Assurance Plan)

September 15, 2022

Staff Contacts

Form 1C (Consolidation of Related Operators)

Jane Stanczyk (jane.stanczyk@state.co.us)

Form 1B (Annual Registration)

Chris Eisinger (chris.eisinger@state.co.us) (well lists and payment calculations)
Debbie Lutz (debbie.lutz@state.co.us) (liability insurance)

Form 3 (Financial Assurance Plan)

Chris Eisinger (chris.eisinger@state.co.us)
Jane Stanczyk (jane.stanczyk@state.co.us)

Form 3B (Federal Financial Assurance Wells)

Jane Stanczyk (jane.stanczyk@state.co.us)

Form 6A (Out of Service Designation)

Diane McCoy (diane.mccoy@state.co.us)

Form 8 (Conservation Levy)

Teri Ikenouye (teri.ikenouye@state.co.us)

New Financial Assurance Rules

➤ <https://cogcc.state.co.us/reg.html#/rules>

Rules Series with Significant Changes:

- 100 - Definitions
- 200 - General Provisions
- 400 - Operations and Reporting
- 700 - Financial Assurance
- 900 - Environmental Impact Prevention

Rules

Rules (effective April 30, 2022) ▼

- Outline of Contents
- Complete Rules (100 - 1200 Series)
- 100 Series - Definitions
- 200 Series - General Provisions
- 300 Series - Permitting Process
- 400 Series - Operations and Reporting
- 500 Series - Rules of Practice and Procedure
- 600 Series - Safety and Facility Operations Regulations
- 700 Series - Financial Assurance
- 800 Series - Underground Injection for Disposal and Enhanced Recovery Projects
- 900 Series - Environmental Impact Prevention
- 1000 Series - Reclamation Regulations
- 1100 Series - Flowline Regulations
- 1200 Series - Protection of Wildlife Resources
- Appendix I - Information on Completing COGCC Forms (to be updated)
- Appendix III - Fee Structure
- Appendix IV - Due Date-Response Time (to be updated)
- Appendix V - Oil & Gas Conservation Act Title 34 - Article 60 (Amended)
- Appendix VI - Public Water Systems
- Appendix VII - High Priority Habitat Maps



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Statement of Basis and Purpose (SBP)

➤ https://cogcc.state.co.us/hearings.html#/rulemaking_sb181_financial_assurance

Statement of Basis and Purpose (SBP)

Financial Assurance Rulemaking

- [Financial Assurance Rulemaking Portfolio](#)
- [Financial Assurance Informational Docket Questions \(February 19, 2021\)](#)
- [Financial Assurance Informational Docket No. 210200013 \(Final Prehearing Order\) \(March 17, 2021\)](#)
- [Financial Assurance: Questions, Answers, & Data \(May 5, 2021\)](#)
- [Wild Earth Guardians Comments \(May 25, 2021\)](#)
- [Small Operator Society Presentation \(May 26, 2021\)](#)
- [Industry Presentation \(May 26, 2021\)](#)
- [Financial Assurance Rulemaking Hearing Notice \(June 15, 2021\)](#)
- [Draft Financial Assurance Statement of Basis, Specific Statutory Authority, and Purpose \(SBP\) \(June 15, 2021\)](#)
- [Draft Financial Assurance Rules Redline \(June 15, 2021\)](#)
- [Case Management Order \(June 16, 2021\)](#)
- [Stakeholder Meeting Presentation \(June 16, 2021\)](#)
- [Revisions to Orphaned Well Program Costs for Financial Assurance Rulemaking \(July 23, 2021\)](#)
- [Completed COGCC Orphaned Well Program Sites \(August 11, 2021\)](#)
- [Case Management Order \(July 27, 2021\)](#)
- [Amended Notice of Rulemaking \(August 31, 2021\)](#)
- [Staff's 10/8 Revised Draft Financial Assurance Rules \(October 8, 2021\)](#)
- [Final Cost-Benefit Analysis and Regulatory Analysis \(October 29, 2021\)](#)
- [Statement of Basis and Purpose for October 8 Draft Rules - Clean \(October 29, 2021\)](#)
- [Statement of Basis and Purpose for October 8 Draft Rules - Redlined \(October 29, 2021\)](#)
- [Draft Financial Assurance Rules - Clean \(December 7, 2021\)](#)
- [Draft Financial Assurance Rules - Redlined \(December 7, 2021\)](#)
- [Draft Financial Assurance Rules - Clean \(February 11, 2022\)](#)
- [Draft Financial Assurance Rules - Redlined \(February 11, 2022\)](#)
- [Draft Financial Assurance Rules - Clean \(February 25, 2022\)](#)
- [Financial Assurance Rules - Final \(March 1, 2022\)](#)
- [Financial Assurance Statement of Basis, Specific Statutory Authority, and Purpose \(SBP\) \(March 1, 2022\)](#)



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Presentations at Operator Meetings

➤ https://cogcc.state.co.us/reg.html#/opguidance/operator_meetings_archive

New meetings are added at the top of the list.

Industry Operations Meetings Archive

August 9, 2022
Agenda

Video Recording (YouTube)

Presentations
GEODE - DOE Funding Notice
Form 1C - Consolidation of Related Operators
Reminders

Documents
Questions and Answers from August 9, 2022 Meeting

There have been 10 meetings held between these 2.

Scroll down to April 12 for the first mention of the New Financial Assurance Rules.

April 12, 2022
Agenda

Video Recording (YouTube)

Presentations
Bradenhead Requirement Updates



Workflows During Rule 702 Transition Period (4 of 5)

Existing Facilities and Operations

Operators with Wells

1. Existing Facilities and Operations are included in the Operator's Initial FA Plan
2. **Additional** FA will be required upon approval of the Initial FA Plan Form 3

Operators without Wells

- **File Form 3A and required additional FA for each facility by September 1, 2022**

New Facilities and Operations

- All Operators - File Form 3A and FA concurrently with registration or permit application form.

New Financial Assurance Rule 703 - Other (non-Well) Facilities and Operations

1. Rule 703.a. Centralized E&P Waste Management Facilities
 - Individual for actual cost to remediate and reclaim the facility (no change)
2. Rule 703.b. Remediation Projects
 - Individual project costs (no change)
3. Rule 703.c. Seismic Operations
 - Statewide Blanket \$25,000 (no change)
4. Rule 703.d. Gas Gathering, Gas Processing, and Underground Gas Storage Facilities
 - **Change Statewide Blanket from \$50,000 to \$100,000**
 - No change to individual \$5,000 for small systems
5. Rule 703.e. Produced Water Transfer Systems
 - **Change from Statewide Blanket \$50,000 to Individual \$50,000**
 - No change to individual \$5,000 for small systems
6. Rule 703.f. Commercial Disposal Facilities
 - **Change Individual from \$50,000 to \$100,000**

Form 6A - Out of Service Designation

1. Form 6A - Out of Service Designation is addressed in Rules 434.d.(1) - (4)
2. It is not reviewed by staff; it is accepted upon submittal.
3. It designates the listed Wells as Out of Service.
4. It assigns a plugging due date to each Well according to the number of Wells listed on the Form 6A, per Rule 434.d.(4).B. and C.:

B. If an Operator submits a Form 6A on or before December 31, 2023, the Operator will Plug and Abandon all designated Wells within the following timeframe:

- i. For a Form 6A that contains 1–10 Wells, no later than December 31, 2027;
- ii. For a Form 6A that contains 11–50 Wells, no later than December 31, 2028;
- iii. For a Form 6A that contains 51–250 Wells, no later than December 31, 2029; and
- iv. For a Form 6A that contains 251 or more Wells, no later than December 31, 2030.

C. If an Operator submits a Form 6A after December 31, 2023, the Operator will Plug and Abandon all designated Wells within four years from the Form 6A submittal date.

5. Rule 434.d.(3).E. requires “Evidence that the Operator is financially capable of meeting the timelines required by Rule 434.d.(4) for its Plugging List”. Financial capability is completely different than Financial Assurance and Liability Insurance. Operators should describe their strategy for meeting the requirements of their Plugging List. They should outline a reasonable plan for diligently plugging their Out of Service Wells.



Out of Service Wells

1. Out of Service Well is defined in the 100 Series of the COGCC Rules.

OUT OF SERVICE WELL means a Well that an Operator intends to Plug and Abandon and for which a Form 6A, Out of Service Well designation has been submitted by the Operator.

2. Out of Service Wells are addressed in Rules 434.d.(1) - (12).
3. Out of Service Wells will never be returned to an oil and gas use without an Order of the Commission.
4. A Well that is Inactive, but will be returned to production should not be designated as Out of Service.
5. Initial Financial Assurance Plans for Options 1, 2, and 6 exclude Out of Service Wells.
 - Option 1: Rule 702.d.(1).B.i.
 - Option 2: Rule 702.d.(2).B.i.
 - Option 6: Rule 702.d.(6).B.i.
6. Out of Service is a “designation,” the Well will still have a “status” such as Shut-In (SI), Temporarily Abandoned (TA), Suspended Operations (SO), Waiting on Completion (WO), etc.
7. Out of Service Wells are not exempt from monthly reporting on a Form 7. An Out of Service Well must be reported until it has been Plugged and Abandoned and reported for one month as abandoned. Rule 413.a.(1).



Inactive Wells and the Form 5B

1. Inactive Well is defined in the 100 Series of the COGCC Rules.

INACTIVE WELL means:

- a. An oil or gas Well that has been shut-in and has not produced for a period of 12 consecutive months;
- b. An oil or gas Well that has been temporarily abandoned for a period of 6 consecutive months;
- c. A Class II UIC Well which has not been utilized for a period of 12 consecutive months; or
- d. A Suspended Operations Well or a Waiting on Completion Well with no activity other than monthly Bradenhead monitoring for more than 24 consecutive months.
- e. An Inactive Well does not mean:
 - (1) An oil or gas Well that is completed for fewer than 12 months;
 - (2) A Class II UIC Well that is completed for fewer than 12 months;
 - (3) A Well used for the purpose of monitoring or observing an oil or gas reservoir, or a Stratigraphic Well; or
 - (4) An oil or gas Well designated as Out of Service.

2. Inactive Wells are addressed in Rule 434.c.

3. An Inactive Well that will not be returned to production or plugged within 6 months should have either a Form 5B, Inactive Well Notice or a Form 6A, Out of Service Designation filed.

4. A Inactive Well that will be returned to production should not be designated as Out of Service.

5. Single Well Financial Assurance (SWFA) may be required with a Form 5B after the Operator has an approved Form 3, Financial Assurance Plan.



Annual Mitigation Fee and the Form 1B, Annual Registration

1. The Annual Mitigation Fee and the Form 1B, Annual Registration are addressed in Rule 205.c.(1) - (3).
2. Per Rule 205.c.(3).B the Form 1B is filed and the Fee is paid for every Well that was spud and not plugged as of December 31 of the *previous* calendar year.
 - Wells that are Active Permits (status is AP) on December 31 are excluded because the Well did not spud on or before December 31.
 - Wells that are Plugged & Abandoned (status is PA), Dry and Abandoned (status is DA), or Reported Plugged (designated RP) on December 31 are excluded.
 - All Tribal Wells are excluded.



General Liability Insurance

1. General Liability Insurance is addressed in Rule 705.

2. Per Rule 705.b.:

All Operators will maintain general liability insurance coverage for property damage, bodily injury to third parties, and sudden or accidental pollution that requires Remediation, with no exclusion for claims arising from operator-caused seismicity from oil or gas Wells, in the minimum amount of \$5,000,000 per occurrence. The coverage required by this Rule may be secured alone or in combination with an umbrella or excess policy.

3. Operator is defined in the 100 Series of the COGCC Rules:

OPERATOR means any person who exercises the right to control the conduct of Oil and Gas Operations.

4. Oil and Gas Operations are defined in the 100 Series of the COGCC Rules:

OIL AND GAS OPERATIONS means exploring for oil and gas, including conducting seismic operations and the drilling of test bores; siting, drilling, deepening, recompleting, reworking, or abandoning a well; producing operations related to any well, including installing flowlines; the generating, transporting, storing, treating, or disposing exploration and production wastes; and any constructing, site preparing, or **reclaiming activities associated with such operations.**

5. As long as an Operator has Wells, Locations, or Facilities that have not passed Final Reclamation, they must have the required General Liability Insurance.



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THANKS!!!

Any Questions?

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