

# *Form 27 Financial Assurance Information Requirements*

COGCC Operator Meeting

June 14, 2022



**COLORADO**  
Oil & Gas Conservation  
Commission  
Department of Natural Resources

**Greg Deranleau**  
**Environmental Manager**



# Rule 703.b

## b. Remediation Projects.

**(1) Submission of Financial Assurance.** In reviewing an Operator's Form 27, Site Investigation and Remediation Workplan, if the Director determines that the Operator's Financial Assurance is inadequate to address the scope of Remediation activities contemplated by the form, the Director may require the Operator to provide Financial Assurance, or additional Financial Assurance, as a condition of approval.

**A.** If an Operator disagrees with the Director's determination, the Operator may file an application for a Financial Assurance hearing before the Commission pursuant to Rule 503.g.(11).

**B.** The Director may conditionally approve the Operator's Form 27, and the Operator may commence Remediation activities, prior to the Commission issuing a final order in such a hearing.



# *Rule 703.b (continued)*

**(2) Amount of Financial Assurance.** The Operator will provide Financial Assurance in an amount equal to the estimated cost necessary to ensure the proper Remediation, Reclamation, closure, and abandonment of the Remediation project site. The Director may require the Operator to adjust the amount of Financial Assurance it provides to account for inflation pursuant to Rule 707.a.(1).A.

**(3) Release of Financial Assurance.** Financial Assurance required by this Rule 703.b will be held by the Director until the required Remediation of soil and/or Groundwater impacts is completed pursuant to the approved workplan and Rule 913.h\*.

\*Requires a rule cleanup to change the reference to Rule 913.i.



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# *Rule 705.f*

## Rule 705. GENERAL LIABILITY INSURANCE

...

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.

...

f. Operators will provide information about their general liability insurance coverage and whether that coverage is sufficient to cover Remediation costs on the Form 19 - Supplemental or Form 27 the Operator files pursuant to Rule 912.b.(6).



# *Rule 912 and 913*

**912.b.(6)C.** On the Form 19 - Supplemental or Form 27 submitted pursuant to this Rule 912.b.(6), the Operator will provide information about general liability insurance pursuant to Rule 705.

**913.i. Release of Financial Assurance.** Financial Assurance required by **Rule 706\*** may be held by the Director until the required Remediation of soil and/or Groundwater impacts is completed in accordance with the approved workplan, or until cleanup goals are met.

\*Requires a rule cleanup to change the reference to Rule 703.b.



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# Form 27

Ver: 2 Form: 27 DocNum: 403076835 Status: DRAFT  
Operator: COLORADO OIL & GAS CONSERVATION COMMISSION W/L Name:  
Created: 6/13/2022 11:33:04 AM Received:

- Operator Information
- Project, Purpose, & Site Information
- Site Investigation Plan
- Site Investigation Report
- Remedial Action Plan
- Remediation Progress Update**
- Reclamation Plan
- Implementation Schedule
- Related Forms
- Attachments
- Submit
- Review\*
- OGCC COAs & Comments\*

## PERIODIC REPORTING

### Approved Reporting Schedule:

- Quarterly  Semi-Annually  Annually  Other (Describe if selected)

### Request Alternative Reporting Schedule:

- Semi-Annually  Annually  Other (Describe if selected)

Scroll Down





# Form 27

## Adequacy of Operator's General Liability Insurance and Financial Assurance

Describe the adequacy of the Operator's general liability insurance and Financial Assurance to fully address the anticipated costs of Remediation, including the estimated remaining cost for this project (below).

If this information has been provided on a Form 27 within the last 12 months, provide the Document Number of that form.

Operator anticipates the remaining cost for this project to be: \$

Save

Validate

Print

Submit

Save & Exit

Exit

Delete



# *Timing & Rollout*

- Form 27 was updated on June 6, 2022 to require this information on all forms submitted since the effective date of the rule (April 30, 2022).
- Administratively, this creates a significant problem with hundreds of Forms submitted in the interim.
- Updating form version to require information for all Form 27s submitted after June 6, 2022.
  - This will include any form that is resubmitted after being returned to draft for any reason, regardless of original submittal date.
  - Forms submitted prior to June 6, 2022 will remain in original version, unless returned to draft.
  - Forms will not be returned to draft solely to collect this information.
- COGCC EPS Staff will evaluate this information on behalf of director.





# *Timing & Rollout (NEW SLIDE!)*

- **Form 27 Initial** will have data fields available. They will not be required by business rule, but will be required by staff as follows:
  - Information **will be required** on a Form 27 Initial submitted under Rule 912.b.(6)B. For example, a spill for which cleanup has or will take longer than 90 days, and therefore requires a Form 27 be submitted, the operator will provide a summary of FA and Insurance information, plus estimated cost to cleanup.
  - Information **will not be required** on a Form 27 Initial submitted under Rule 913.c, except for 913.c.(3 & 6). For example when an operator is removing tanks and production equipment, they will submit a Form 27 Initial as required by Rule 913.c.(9) for the decommissioning of oil and gas facilities and will not provide Financial Assurance and Insurance information.
- **Form 27 Supplemental** will have data fields available and required by business rule.



# *Information Requirements*

Information provided in the text box should answer this basic question:

“Is the operator’s financial assurance adequate or is additional financial assurance necessary and reasonable for this remediation project?”

How is that addressed?





# *Information Requirements*

- How much project-specific financial assurance does the operator already have?
  - In what form?
- How much and what type of general, environmental, or pollution liability insurance does the operator carry?
  - How can it be accessed for use on this project, if necessary?
- How far along is the project?
  - Work completed to date?
  - Work remaining to be completed?
  - Time remaining to completion?
- What is the operator's level of commitment to the project?
- Estimate of anticipated cost to complete the project! [Separate data field]



# *Information Requirements*

## Example 1:

- No current site-specific Financial Assurance.
- Operator carries \$5MM environmental and pollution liability insurance, however, no claim is anticipated for this clean up effort.
- Project is approx 90% complete.
  - Investigation and delineation complete, no GW impacts, source removal complete.
  - Remaining work is backfill, grading, and interim reclamation for operating wellsite.
  - remaining work will take approximately 2 weeks plus monitoring of reclamation.
- Active wellsite and production facilities will continue to produce for 20+ years.
- Estimated cost to completion: \$20,000.





# Information Requirements

## Example 2:

- This remediation project is part of a clean up at a centralized E&P waste management facility that carries \$750,000 financial assurance for site-specific clean up.
- Operator carries \$10MM environmental and pollution liability insurance, however, no claim is anticipated for this clean up effort.
- Project is approx 25% complete.
  - Investigation and delineation has been completed, source removal is underway.
  - Need to complete source removal and plan to monitor groundwater attenuation.
  - Source removal this summer, attenuation in GW may take 2 years, plus an additional year of monitoring.
- Operator plans to operate the facility for 15 years or more, so we are 100% committed to clean up during the operational life of the facility.
- Estimated cost to completion: \$110,000.



# *Information Requirements*

## Example 3:

- No extra financial assurance for this project.
- Operator carries General Liability Insurance per Rule 705.
- Project is ongoing.
  - Currently excavating and removing groundwater from ex.
  - Hauling off contaminated material, no delineation of soil or groundwater.
  - Keep digging, pump groundwater, determine treatment, natural attenuation.
- Estimated cost to completion: \$10,000.
- [Staff review finds that the Operator has 22 active low producing wells, 3 open spills, 2 active remediation projects]

*Based on this information, it appears that the operator has underestimated the cost of work remaining, has significant environmental liability relative to their asset base, and may not have a full grasp of the full scope of work necessary.*  
*Additional Financial Assurance required.*





# *Information Requirements*

## Example 4:

- Financial Assurance information provided on 2nd quarterly update earlier this year (doc # 8675309, May 23, 2022); no changes since.
- Estimated cost to completion: \$25,000.



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*Thank you!*

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