



OPERATOR GUIDANCE

RULE 903.d - CryptoCurrency Mining (CCM)

Document Change Log

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Rule Summary

Rule 903 prohibits venting or flaring of produced gas except under specific circumstances. This guidance focuses on operations after the commencement of production, Rule 903.d.(1), which allows venting or flaring only under the following circumstances:

- flaring or venting during upset conditions for a period not to exceed 24 cumulative hours;
- venting during maintenance operations provided the venting is not prohibited by AQCC Regulation No.7 and best practices are used to minimize the volume of gas vented;
- flaring during a production evaluation or productivity test for a period not to exceed 60 days, if done in accordance with a Gas Capture Plan (Rule 903.e) approved by the Director;
- venting associated with a Bradenhead test (Rule 419); or,
- venting or flaring during well liquids unloading, with specific requirements to apply best management practices required by AQCC Regulation No. 7, and complete prohibition against venting if such presents a risk to public health, safety or welfare, and other reporting requirements to COGCC.

Rule 903.d.(3):

- disallows, effective January 15, 2022, any venting or flaring that had been approved by the Director prior to January 15, 2021; and,
- requires the operator to submit a Gas Capture Plan if access to a gas gathering line is lost or the operator stops beneficially using all gas onsite after January 15, 2021.

Purpose of Guidance

While this guidance is specifically focused on the installation of CryptoCurrency Mining (CCM) facilities to consume produced gas previously flared or vented, the guidance is also applicable to any similar activity. This guidance clarifies when CCM operators must register with COGCC and, if so, the type of registration required. Registration with COGCC is accomplished by submission of a Form 1 or Form 12, which can be found on the COGCC website, www.colorado.gov/COGCC, on the "Regulation" / "Forms" webpage.

This guidance does not comprehensively address the issue of when a Gas Capture Plan is required; see "Gas Capture Plan Clarifications" in the Operator Guidance section of the COGCC website for that information.

Guidance

1. Operators must submit a Form 4, Sundry Notice with Gas Capture Plan to describe any change in the disposition of produced gas from the operation that was in effect as of January 15, 2021. This includes the installation of equipment, such as CCM facilities, to beneficially use the produced gas or any transfer of the gas to any third party.
2. If the CCM equipment is installed on the oil and gas location, regardless of who owns or operates the equipment, the Sundry Notice will:
 - a. include an updated equipment inventory that includes the CCM equipment and all other permanent or temporary facilities;
 - b. a diagram of equipment location and layout; and,
 - c. if the installation of the equipment expands the Location, the operator must submit an Oil and Gas Development Plan (OGDP) application pursuant to Rule 304.a with an updated Form 2A.
3. Operators are required to report all gas produced from the oil and gas location pursuant to Rule 430.
 - a. Gas that is used to enable the production of the well, such as burner gas, pumpjack engines, etc. may be reported as "Used".
 - b. Gas that is flared must be reported as "Flared". Gas may not be vented or flared under normal operating conditions without a variance granted by the Commission.
 - c. All other gas, including gas being used to generate electricity, must be reported as "Sold", even if the sales price of the gas is zero.

COGCC Required Registration

The following registrations are required.

4. If the entity who owns or leases the equipment being used to generate electricity:
 - a. is the operator who produced the gas;
 - b. the equipment is located on the operator's oil and gas location; and,
 - c. the gas is not processed beyond a simple separator (i.e. natural gas liquids (NGLs) ARE NOT being stripped out of the gas)

Then, no further registration with COGCC is required.

5. If the entity who owns or leases the equipment being used to generate electricity:
 - a. is not the operator who produced the gas
- Then, the entity must be registered with COGCC as an Initial Purchaser.

6. If the entity who owns or leases the equipment being used to generate electricity:
 - a. installs the equipment on an oil and gas locationThen, the entity must be registered as an Operator, providing proof of \$5 million general liability insurance pursuant to Rule 705.b.

7. If the entity who owns or leases the equipment being used to generate electricity:
 - a. is processing the gas beyond a simple separator (i.e. NGLs ARE being stripped out of the gas)Then, the entity must be registered as a Downstream Gas Facility, providing the Financial Assurance required by Rule 703.d.

Some entities may be required to register as more than one type of entity. For instance:

If the entity who owns or leases the equipment being used to generate electricity:

- is not the operator who produced the gas;
- installs the equipment on an oil and gas location; and,
- further processes the gas to strip liquids out of the gas,

Then, that entity must be registered as an Operator, Initial purchaser, and Downstream Gas Facility.

Registration Decision Diagram

May be required to have more than one registration

