

## **PERMITTING & TECHNICAL SERVICES UNIT**

### **FINANCIAL ASSURANCE (BONDING)**

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An operator must provide financial assurance or a “bond” to the Commission in order to conduct oil and gas operations in Colorado. Financial assurance requirements and procedures are set out in the Commission’s 700-Series Rules. The Commission claims a bond when an operator fails to perform statutory and regulatory obligations and releases a bond when an operator has complied with all such obligations.

Oil and gas operations on federal or tribal lands are covered by federal bonds.

#### **Required Bonds**

The amount of financial assurance and purpose of different types of bonds within the Commission’s jurisdiction are listed below.

“Surface Bond” for wells and associated facilities for which the surface owner neither owns the minerals nor has a surface use agreement with the operator:

- Provides monetary award to surface owner for unreasonable crop loss or land damage that cannot be remediated; and
- Rule 703 requires a \$2,000 or \$5,000 individual bond by well, or a \$25,000 state-wide blanket bond.

Centralized exploration and production (E&P) waste management facilities bond:

- Provides for reclamation, closure, and abandonment of facility; and
- Rule 704 requires the amount equal to the total estimated cost to properly reclaim, close, and abandon the facility.

Seismic operations bond:

- Provides for plugging of shot holes (if any) and surface reclamation; and
- Rule 705 requires a \$25,000 state- wide blanket bond.

“Plugging Bond” for wells and associated facilities:

- Provides for protection of the soil, proper plugging and abandonment of the well, and reclamation of the site; and
- Rule 706 requires:

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- A \$10,000 individual bond for well less than 3000 feet deep and a \$20,000 individual bond for well equal to or more than 3000 feet deep, or
- A \$60,000 state-wide blanket bond for less than 100 wells, or \$100,000 state-wide blanket bond for more than 100 wells.

### Inactive wells bond:

- Provides additional financial assurance for excess inactive wells; and
- Rule 707 requires a \$10,000 bond for each excess inactive well less than 3000 feet deep, and a \$20,000 bond for each excess inactive well equal to or more than 3000 feet deep.

### Natural gas gathering, natural gas processing, or underground natural gas storage facilities bond:

- Ensures compliance with rules pertaining to methods of E&P waste management, procedures for spill/release response and reporting, and sampling and analysis for remediation activities; and
- Rule 711 requires a \$50,000 statewide blanket bond or \$5,000 individual bond for small systems gathering or processing less than 5 MMSCFD.

### Produced water transfer system bond:

- Ensures compliance with rules pertaining to methods of E&P waste management, procedures for spill/release response and reporting, and sampling and analysis for remediation activities; and
- Rule 712 requires a \$50,000 statewide blanket bond or \$5,000 individual bond for small systems gathering or processing less than 700 barrels of water per day.

### A surface facilities and structures associated with Class II commercial Underground Injection Control (UIC) wells bond:

- Ensures compliance with rules pertaining to methods of E&P waste management, procedures for spill/release response and reporting, and sampling and analysis for remediation activities; and
- Rule 713 requires a \$50,000 bond for each facility.

### **Additional Bonding**

The Commission may increase the required assurance under special circumstances, per Rule 702.a.

## **General Liability Insurance**

All operators are required to maintain general liability insurance of \$1,000,000 per occurrence to cover property damage and bodily injury to third parties. (Rule 708)

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