



COLORADO
Oil & Gas Conservation
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Colorado Oil & Gas Conservation Commission Votes Unanimously to Adopt SB 19-181 New Financial Assurance Rules

Commission concludes a year of stakeholder engagement and rulemaking to increase financial responsibilities for oil and gas operators with the strongest rules in the nation

DENVER - The Colorado Oil and Gas Conservation Commission (COGCC) announced today it has completed the rulemaking hearings addressing Financial Assurance, as required by SB 19-181, to reflect the COGCC's new mission from "fostering" to "regulating" oil and gas in a manner that protects public health, safety, welfare, the environment and wildlife resources.

The Financial Assurance Rulemaking began in February 2021 and is one of the three remaining mandated rulemakings from SB 19-181, which directed the Commission to broadly consider changes to financial assurances including that every operator provide assurance capable of fulfilling every financial obligation imposed by the Act.

"I'm very proud of the Commission's new rules that deliver on the promise of SB 19-181 to make the strongest protections and oversight of oil and gas development in the country," said Dan Gibbs, Executive Director, Colorado Department of Natural Resources. "One component of the rulemaking is the innovative development of an orphan well program using a set of fees payable by industry, that will provide consistent dedicated funding to remediate these sites so they are once again assets to communities and not liabilities. With these new rules Colorado once again leads the nation in balancing our energy needs, while protecting our air, water, wildlife, land and communities."

The Commission gave direction to Staff for this rulemaking to reflect the spirit and mandates of SB 19-18. Significant changes and protections from this rulemaking include:

- Ensuring each operator has the financial capability to meet all of their obligations under the Act through the development of a first-ever individual operator-specific financial assurance plans;
- Increasing financial assurance for transferred and inactive wells;
- Requiring financial assurance accounts for new wells funded in the initial years of operations;
- Creating an orphan well fund;
- Applying Colorado's new rules to Federal wells for the first time;

- Broadening access for local governments regarding plugging of wells; and
- Developing a first in the nation out-of-service plugging program.

“Financial Assurance Rulemaking under SB 19-181 has created new protections from current rules that were last overhauled decades ago, and developed a model that is now the most robust in the country with by far the highest financial assurance requirements,” said COGCC Chair Jeff Robbins. “The COGCC is committed to conducting rulemakings in a manner that reflects how oil and gas is now regulated with increased access, transparency, public participation, engagement and information. Over the past months, the Commission took public comment, heard testimony from over 103 parties and diverse stakeholders, conducted discussion and deliberation during the rulemaking hearings.”

“The financial assurance rules that were developed in this rulemaking are truly a paradigm shift. They fundamentally change how financial assurance for oil and gas activities in the State of Colorado are addressed. They were an outcome of over a year’s worth of collaboration and input from a diverse group of individuals and stakeholders and not only meet the mandates set forth by SB19-181 but have created a model for financial assurance that leads the nation, “ said COGCC Commissioner John Messner. “They contemplate how financial assurance is addressed through the life cycle of oil and gas operations and operators, create a robust orphan well funding mechanism paid for by industry, are protective of the taxpayers in the State and set the standard for thoughtful and responsible oil and gas development in Colorado. I couldn’t be more appreciative of all of the work put into this by COGCC staff, commissioners, and stakeholders and citizens from across the State.”

The new Financial Assurance Rules will become effective on April 30, 2022. The COGCC is in the midst of reviewing its rules and procedures to evaluate what changes are needed to implement these new rules.

“I am so proud of the work by COGCC Staff, along with the diverse stakeholders, to deliver these first of a kind protective and implementable requirements,” said COGCC Director Julie Murphy. “These innovative rules will allow the COGCC to continue its oil and gas regulatory duties in a meaningful, impactful and protective manner for all of Colorado. Staff will begin the work to integrate these new rules into daily operations.”

Prior to today’s action, the Commission adopted these additional required SB 19-181 rulemakings:

500 Series Administrative Law Judge rules enacted, August 2019. Allowed COGCC to use Administrative Law Judges in Hearings. This process increases the efficiency of the COGCC Hearing Unit.

Flowline Rules (1100 Series) adopted in November 2019. Increases protections to the public by:

1. Strengthen the state’s oversight of flowlines and operators returning inactive wells to production or injection within Colorado.

2. Create for the first time a map of the actual paths of all flowlines in the state of Colorado, while at the same time balancing transparency with the need for public safety.
3. Ensure flowlines are abandoned in a manner that is least impactful, which balances the varying ways in which abandonment - in place or through removal - creates impacts or risks to public health, safety, welfare, the environment, or wildlife resources.

Wellbore Integrity Rulemaking adopted June 2020. Focuses on protecting Colorado's groundwater from potential contamination from oil and gas activity throughout the lifecycle of oil and gas operations, from development to production to abandonment. Rules provide the nation's strongest protections for groundwater by the following:

1. Health checks, using regular testing and maintenance, throughout the well's lifecycle.
2. Isolate all fluids associated with the well from escaping to protect groundwater.
3. Increase public access and transparency of precautionary measures to protect groundwater near homes and drinking water sources. Other key new protections include provide:
 - o Strict protections and detailed subsurface geological reviews for any wells that are proposed to fracture within shallow groundwater formations where the risk of contamination is at its greatest.
 - o Increased transparency so local governments, water-well owners and the public can readily learn about what precautions are being taken to protect groundwater near their homes and drinking water sources.

Mission Change Rulemaking adopted November 2020. Includes Alternative Location Analysis, Cumulative Impacts as well as Mission Change and the highlights include: defining the new relationships between state and local government, addressing cumulative impacts by developing a new program with the Colorado Department of Public Health and Environment, establishing setbacks for location siting purposes, establishing a streamlined permitting process that incentivizes landscape level planning, a reorganization of the rules using updated language to ensure accessibility, enacting a prohibition on routine flaring or venting, and increased protections for wildlife.

The Commission will take up additional rulemakings at future hearings, including Worker Safety, and the enactment of Permit Fees. To learn more about participating, upcoming hearings and the rulemaking schedule, visit the COGCC website: cogcc.state.co.us.

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