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S.WARD

Colorado Secretary of State

2019-2020 #178 Initial

Be it Enacted by the People of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, **amend** 34-60-106(13) as follows:

(13) THE PEOPLE OF THE STATE OF COLORADO FIND AND DECLARE THAT OIL AND GAS OPERATORS MUST BE REQUIRED TO PROVIDE FINANCIAL ASSURANCE SUFFICIENT TO COVER FUTURE CLOSURE, REMEDIATION, AND RESTORATION OF OIL AND GAS WELLS. The Commission shall require every operator to provide assurance that it is financially capable of fulfilling every obligation imposed by this article 60 as specified in rules adopted on or after April 16, 2019. The rule-making must consider: Increasing financial assurance for inactive wells and for wells transferred to a new owner; requiring a financial assurance account, which must remain tied to the well in the event of a transfer of ownership, to be fully funded in the initial years of operation for each new well to cover future costs to plug, reclaim, and remediate the well; and creating a pooled fund to address orphaned wells for which no owner, operator, or responsible party is capable of covering the costs of plugging, reclamation, and remediation. A MINIMUM FINANCIAL ASSURANCE SHALL BE TWO HUNDRED SEVENTY THOUSAND DOLLARS PER WELL. For purposes of this subsection (13), references to "operator" include an operator of an underground natural gas storage cavern and an applicant for a certificate of closure under subsection (17) of this section. In complying with this requirement, an operator may submit for commission approval, without limitation, one or more of the following:

(a) A guarantee of performance where the operator can demonstrate to the commission's satisfaction that it has sufficient net worth to guarantee performance of every obligation imposed by this Article 60. The commission shall annually review the guarantee and demonstration of net worth.

(b) A certificate of general liability insurance in a form acceptable to the commission that names the state as an additional insured and covers occurrences during the policy period of a nature relevant to an obligation imposed by this Article 60;

(c) A bond or other surety instrument;

(d) A letter of credit, certificate of deposit, or other financial instrument;

(e) An escrow account or sinking fund dedicated to the performance of every obligation imposed by this Article 60;

(f) A lien or other security interest in real or personal property of the operator. The lien or security interest must be in a form and priority acceptable to the commission in its sole discretion. The commission shall annually review the lien or security.

SECTION 2. Effective date. This amendment takes effect upon official declaration of the governor and is self-executing.