

# Irresponsible Operators

## Proposed Oil and Gas Financial Assurance Plans that Skirt the Law

Alison Gallensky, Rocky Mountain Wild

March 8, 2023

New laws in Colorado require oil and gas operators to put aside enough money to properly clean up wells once they are depleted. This project created a map that illustrates low producing wells and the riskiest operators, and is also sortable by city, county, and legislative district so communities and their leaders can see which operators pose the greatest risk to the state.

The state estimates the cost of cleanup at about \$120,000 per well on average. However, many operators have proposed putting aside only a few thousand dollars, far short of what is required. If operators don't clean up after themselves, the state of Colorado and taxpayers are on the hook to do so. Currently, about a third of operators have proposed cleanup costs less than state estimates, which presents a major decision for the Colorado Oil and Gas Conservation Commission (COGCC).

As COGCC holds hearings this spring to evaluate whether plans from oil and gas companies are adequate, they must decide whether to enforce these rules and live up to their [\*strongest in the nation\*](#) description, or allow irresponsible oil and gas companies to skirt the rules and force Coloradans to clean up their messes.

### PROBLEM OPERATORS

Every oil and gas company was required to file a financial assurance plan by February 1, 2023. 125 operators met that deadline. Many other operators have still not filed plans and should be fined for their failure to comply.

As of February 3, 2023, 40 operators filed financial assurance plans that appear to violate state law or are not meeting the spirit and intent of the law. These operators have filed financial assurance plans that provide less than 50% of the cleanup amount per well that the law requires. Many of these operators also have numerous low producing and inactive wells in their portfolio. The financial assurance plans submitted by these operators should be denied or require a public hearing.

Out of these 40 problem operators we are highlighting the following dozen for filing plans that are especially egregious:

Omimex Petroleum Inc	Low producing operator proposing to post only 2.8% of COGCC-estimated costs. They have 339 wells, 306 are low producing including 5 that are inactive.
Williford Resources LLC	Very low producing operator proposing to post only 5.1% of COGCC-estimated costs. They have 51 wells, 50 are low producing including 5 that are inactive.
KP Kauffman Company Inc	Very low producing operator proposing to post only 7.8% of COGCC-estimated costs. They have 1,206 wells, 1,022 are low producing including 126 that are inactive.

CWC Petro LLC	Low producing operator proposing to post only 8.8% of COGCC-estimated costs. They have 48 wells, 29 are low producing including 1 that is inactive.
Renegade Oil & Gas Company LLC	Very low producing operator proposing to pay financial assurance over 40 years (rather than 20 years). They have 176 wells, 154 are low producing including 98 that are inactive.
Smith Energy LLC	Low producing operator proposing to post only 10.5% of COGCC-estimated costs. They have 198 wells, 28 are low producing.
Impetro Resources LLC	Low producing operator proposing to post only 14.5% of COGCC-estimated costs. They have 117 wells, 31 are low producing including 3 that is inactive.
Dover Atwood Corporation	Very low producing operator proposing to post only 20% of COGCC-estimated costs. They have 57 wells, all are low producing including 1 that is inactive.
Fritzler Resources Inc	Low producing operator proposing to post only 15.5% of COGCC-estimated costs. They have 47 wells, 28 are low producing including 2 that are inactive.
Citation Oil & Gas Corp	Low producing operator proposing to post only 32% of COGCC-estimated costs. They have 173 wells, 67 are low producing including 51 that are inactive.
Own Resources Operating LLC	Very low producing operator proposing to post only 3.4% of COGCC-estimated costs. They have 3,311 wells, 1,893 are low producing including 23 that are inactive.
Evergreen Natural Resources LLC	Operator is proposing to post only 34.6% of COGCC-estimated costs. They 2,263 wells, 763 are low-producing wells including 152 that are inactive.

Additional operators who filed problematic plans are listed at the end of this document. All of these irresponsible operators must be held accountable to Colorado’s regulators and taxpayers.

## PROJECT METHODS

The purpose of this project is to create an interactive map that shows the location of oil and gas wells operated by companies that are submitting financial assurance plans to the Colorado Oil and Gas Conservation Commission (COGCC). The map focuses on operators with lower production and operators who are proposing a “blanket bond” to cover all of their wells. The COGCC rules define various options for financial assurance plans and the map shows wells operated by companies that chose Options 3 through 5, options for lower producing operators. In addition, the map includes wells for operators who chose Option 6, Blanket Bond operators.

The map was created by combining publically available data sources for oil and gas wells operated by companies that [submitted financial assurance plans](#) to the Colorado Oil and Gas Conservation Commission (COGCC) by February 3, 2023. Wells data for these operators associated with the plans was combined with data from COGCC’s Colorado Oil and Gas Information System (COGIS), COGCC geospatial (GIS) data, and production data from [Carbon Tracker](#).

Problem operators were identified based on the low dollar amount of financial assurances proposed and/or because of the likelihood that the company would fail without cleaning up their wells. The financial assurance amount per well was compared to the amount recommended by COGCC. The likelihood of an operator failing was determined based on the quantity and percentage of inactive and low producing wells.

## DATA SOURCES

### Data from Colorado Oil and Gas Conservation Commission

- Form 3 Well List from Financial Assurance Plans submitted by February 2, 2023. Retrieved from <https://cogcc.state.co.us/reg3.html> between 1/11/2023 and 2/2/2023.
- Out of Service and Inactive Wells report from <https://cogcc.state.co.us/data.html#/cogis> 1/11/2023.
- Well location and additional attributes retrieved from <https://cogcc.state.co.us/data2.html#/downloads> (GIS Data > Shapefiles > Well Surface Location Data > Well Spots (APIs) 1/9/2023

### Other data

- Production data for low producing wells (yearly data as of June 2022) provided by [Carbon Tracker](#) 12/8/2023
- County and incorporated city boundaries from Colorado Department of Transportation retrieved from <https://dtdapps.coloradodot.info/otis/catalog> 1/9/2023
- Colorado House and Senate Districts as approved in 2021 from Colorado Independent Redistricting Commission retrieved from <https://redistricting.colorado.gov/content/house-final-approved> and <https://redistricting.colorado.gov/content/senate-final-approved-errata> on 1/9/2023
- Cover photo North Park Development [WildEarth Guardians](#) via [Flickr](#) ([CC BY-NC-ND 2.0](#)) retrieved 10/6/2021

## FOR MORE INFORMATION

We would be happy to answer any questions you may have. Please feel free to contact us:

- Alison Gallensky, Conservation Geographer, [Rocky Mountain Wild](#), [alison@rockymountainwild.org](mailto:alison@rockymountainwild.org), (303) 619-0509 (cell)
- Matt Sura, J.D., Consultant, [Matt Sura LLC](#), [mattsura.law@gmail.com](mailto:mattsura.law@gmail.com), (720) 563-1866
- Matt Samelson, J.D., Consultant, [matthewsamelson@gmail.com](mailto:matthewsamelson@gmail.com), (303) 519-5769

## DEFINITIONS

### Financial Assurance Options

Financial Assurance Options were developed to give the operators with the highest amount of average production the lowest financial assurance. The idea was that operators with high production are at lowest risk of orphaning wells. Even if they go out of business, another operator will purchase a high-producing well.

Option 1 – Highest Production Operators: Have an average of 60 barrels of oil or 90 mcf natural gas or more across their portfolio of wells. Financial assurance is a fraction of the cost of plugging and abandoning but they are required to provide higher financial assurance as their wells decline.

Option 2 – High Production Operators: Have an average production of at least 15 barrels of oil or 22 MCF natural gas across their portfolio of wells. Financial assurance is less than half the actual cost of plugging and reclaiming well sites.

Option 3 – Low Producing Operators: Produce less than 15 barrels of oil or 22 MCF natural gas across their portfolio of wells. These operators must pay “single well financial assurance” for all their wells over a period of 20 years. Single Well Financial Assurance is \$100,000 for reclaiming each location and \$10,000-\$40,000 for plugging each well.

Option 4 – Lowest Producing Operators: Produce less than 2 barrels of oil or 10 MCF natural gas across their portfolio of wells. These operators must pay “single well financial assurance” for all their wells over a period of 10 years. Single Well Financial Assurance is \$100,000 for reclaiming each location and \$10,000-\$40,000 for plugging each well.

Option 5 – “Write your Own Plan” Operators: These Operators fall into either Option 3 or Option 4 but in a public COGCC hearing want to make the case that they can be trusted to pay far less than single well financial assurance for each of their wells.

Option 6 – “Blanket Bond” Operators: Operators have so many wells and a high enough average well production – more than 40 barrels of oil or 60 MFCE natural gas – that they are permitted to post a blanket financial assurance of \$40,000,000 regardless of the number of wells. Option 6 operators are also required to go to a COGCC hearing.

### Well Designations

Well designations are COGCC well classification.

*Low Producing* wells generate less than 2 barrels of oil or 10 MCFE (10,000 cubic feet or equivalent) of natural gas per day over the past year.

*Inactive* wells have produced nothing over a period of six months to a year, however they are also classified as “Low Producing” by the COGCC.

*Out of Service* are wells that operators have slated to plug and reclaim by 2030. These operators are meeting their legal obligations to plug and reclaim low-producing and inactive wells. Since the financial assurance rules were passed, operators have placed more than 4,000 wells on the “out of service well” list. Not all out of service wells are shown on the map.

*All Others* are active wells that generate more than 2 barrels of oil or 10 MCFE (10,000 cubic feet or equivalent) of natural gas per day over the past year.

## **Map Menu Advanced Filter Options**

**City Name:** Cities with wells within their jurisdiction where an operator has submitted a financial assurance plan that should require a public hearing before the COGCC.

**County Name:** Counties with wells within their jurisdiction where an operator has submitted a financial assurance plan that should require a public hearing before the COGCC.

**House District:** Colorado House Districts with wells within their jurisdiction where an operator has submitted a financial assurance plan that should require a public hearing before the COGCC.

**Senate District:** Colorado Senate Districts with wells within their jurisdiction where an operator has submitted a financial assurance plan that should require a public hearing before the COGCC.

## **Operator Summary**

**Cleanup Costs:** State's estimated cleanup costs for this operator's portfolio of wells and pads versus how much the operator has proposed to set aside.

**Financial Assurance Summary:** This section shows which of the six financial assurance options that operator chose and how many of the wells the operator owns are shown on the map.

**Well Designation:** COGCC Well Classification. See definitions above.

**Also Known As:** Some operators oversee many individual, smaller operators

## OTHER PROBLEM OPERATORS

In addition to the twelve most problematic operators presented above, the following operators have also filed problematic plans. The financial assurance plans submitted by these operators should be denied or require a public hearing:

Brown Oil & Gas LLC	Low producing operator proposing to post only 35% of COGCC-estimated costs
Chaco Energy Company	Low producing operator proposing to post only 38% of COGCC-estimated costs
Coral Production Corp	Low producing operator proposing to post only 45% of COGCC-estimated costs
D90 Energy LLC	Operator did not properly respond to financial assurance plan
Desert Eagle Operating LLC	Low producing operator proposing to post only 12.9% of COGCC-estimated costs
Diversified Energy LLC	Low producing operator proposing to post only 15% of COGCC-estimated costs
Gilbert-Stewart Operating LLC	Low producing operator proposing to post only 46% of COGCC-estimated costs
Helena Resources Inc	Low producing operator proposing to post only 19.3% of COGCC-estimated costs
Hubbs III, LLC	Low producing operator proposing to post only 27.3% of COGCC-estimated costs
Industrial Gas Services Inc	Low producing operator proposing to post only 50% of COGCC-estimated costs
Investment Equipment LLC	Low producing operator proposing to post only 14.7% of COGCC-estimated costs
Loeb LLC	Low producing operator proposing to post only 47.6% of COGCC-estimated costs
Maralex Resources Inc	Higher producing operator who has refused to bond at minimal \$12,000 / well
Murfin Drilling Company Inc	Very low producing operator proposing to post only 45.8% of COGCC-estimated costs
O'brien Energy Resources Corp	Low producing operator proposing to post only 18.7% of COGCC-estimated costs
P O & G Operating LLC	Low producing operator proposing to post only 27.6% of COGCC-estimated costs
Peterson Energy Operating Inc	Low producing operator proposing to post only 30.5% of COGCC-estimated costs
Plug Nickel Oil Company Inc	Low producing operator proposing to post only 18.2% of COGCC-estimated costs
Prairie Resources LLC	Low producing operator proposing to post only 43% of COGCC-estimated costs

Prospect Energy LLC	Low producing operator proposing to post only 50% of COGCC-estimated costs
Red Hawk Petroleum LLC	Low producing operator proposing to post only 11% of COGCC-estimated costs
Robert L Bayless Producer LLC	Low producing operator proposing to post only 40% of COGCC-estimated costs
Shawnee Oil Development Co Inc	Very low producing operator proposing to post only 8.3% of COGCC-estimated costs
Src Energy Inc	Low producing operator claims to have sold well to K.P. Kauffman
St Croix Operating Inc	Low producing operator proposing to post only 32.2% of COGCC-estimated costs
Stoneham Production LLC	Low producing operator proposing to post only 34% of COGCC-estimated costs
Strachan Exploration Inc	Low producing operator proposing to post only 16.5% of COGCC-estimated costs
Sunburst Inc	Low producing operator proposing to post only 25.7% of COGCC-estimated costs
Wiepking-Fullerton Energy LLC	Low producing operator proposing to post only 31.2% of COGCC-estimated costs
Wise* Wayne L	Very low producing operator proposing to post only 18% of COGCC-estimated costs