

STATE OF COLORADO

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John W. Hickenlooper
Governor

D 2018-012

EXECUTIVE ORDER

Directing the Colorado Oil and Gas Conservation Commission to Act to Plug, Remediate, and Reclaim Orphaned Oil and Gas Wells and Sites

Pursuant to the authority vested in the Governor of the State of Colorado and, in particular, Article IV, Section 2 of the Colorado Constitution, I, John W. Hickenlooper, Governor of the State of Colorado, hereby issue this Executive Order to expand existing efforts to plug, remediate, and reclaim existing orphaned oil and gas wells and sites, and to prevent additional wells and sites from being orphaned in the future.

I. Background, Need, and Purpose

The State of Colorado oversees numerous orphaned oil and gas wells and sites for which no owner, operator, or responsible party presently exists or can be identified, or where such owner, operator, or responsible party is unwilling or unable to conduct plugging, remediation, or reclamation. The Colorado Oil and Gas Conservation Commission ("Commission") is currently tracking 262 orphaned wells that require plugging and 373 associated orphaned sites that require remediation and/or reclamation. The Commission estimates that the total cost to plug, remediate, and reclaim these orphaned wells and sites is over \$25 million.

The number of oil and gas operators that have filed for bankruptcy or do not have the funds to operate in compliance with the law continues to increase. These and other operators have and will continue to add new orphaned wells and sites to the existing orphaned wells and sites. In addition, hundreds of undiscovered orphaned wells are located in historic oil and gas fields around the State, such as the Florence and Rangely fields.

On a per-well basis, Commission data show the average cost to plug an orphaned well is six times greater than the amount of financial assurance held by the State. If costs to remediate environmental impacts and reclaim an orphaned site are included, the average actual costs exceed available financial assurance by a factor of fourteen. The Commission currently lacks the resources necessary to cover this deficit in financial assurance and to plug, remediate, and reclaim known orphaned wells and sites and orphaned wells and sites that will be identified in the future. As a result, the State's number of orphaned wells and sites is steadily increasing, and will continue to do so under the current system of financial assurance.

A more coordinated effort, in collaboration and cooperation with industry and advocacy partners, to plug, remediate, and reclaim orphaned wells and sites, and prevent future orphaned wells and sites, will improve the environment, public health, and safety of Coloradans.

II. Definitions

“Orphaned Well” means a well for which no Owner or Operator can be found, or where such Owner or Operator is unwilling or unable to plug and abandon such well.

“Orphaned Site” means a site, where a significant adverse environmental impact may be or has been caused by oil and gas operations for which no responsible party can be found, or where such responsible party is unwilling or unable to mitigate such impact.

“Operator” means any person who exercises the right to control the conduct of oil and gas operations.

“Owner” means the person who has the right to drill into and produce from a pool and to appropriate the oil or gas produced therefrom either for such owner or others or for such owner and others, including owners of a well capable of producing oil or gas, or both.

III. Declaration and Directives

- A. I hereby declare that it shall be the goal of the State of Colorado to achieve the following:
1. A reduction in the number of medium- and high-priority Orphaned Wells and Orphaned Sites in the State to zero;
 2. Engagement of the oil and gas industry in the plugging, remediation, and reclamation of Orphaned Wells and Orphaned Sites; and
 3. A system of financial assurance that prevents future Orphaned Wells and Orphaned Sites by providing sufficient funding for plugging, remediation, and reclamation activities.
- B. The Commission shall update its comprehensive list of all Orphaned Wells and Orphaned Sites known to exist on August 1, 2018 and shall update the list on July 1 in each subsequent year. The Commission shall prioritize the list of Orphaned Wells and Orphaned Sites into low-, medium-, and high-priority categories based on risk factors, including but not limited to population density, environmental impacts, history of spills or releases, and testing history.
- C. The Commission shall use its best efforts to plug, remediate, and reclaim Orphaned Wells and Orphaned Sites, including the removal of equipment, and to reduce the number of medium - and high-priority Orphaned Wells and Orphaned Sites, as developed pursuant to Section III.B., to zero by July 1, 2023.
- D. The Commission shall endeavor to plug, remediate, and reclaim any new medium- or high-priority Orphaned Well or Orphaned Site added to the

comprehensive list of Orphaned Wells and Orphaned Sites developed pursuant to Section III.B. within two years of its addition to the list.

- E. The Commission shall annually report progress on plugging, remediation, and reclamation of Orphaned Wells and Orphaned Sites, including the existing list by September 1 of each year. The report shall be made available to the public, and presented to the Governor and General Assembly committees of reference with oversight authority over the Commission.
- F. In accordance with increased spending authority of \$5 million as enacted by the General Assembly in Senate Bill 18-1322, the Commission shall adjust the charge authorized under C.R.S. § 34-60-122(1)(a), as necessary, in an amount determined by the Commission to fully conduct plugging, remediation, and reclamation of all medium- and high-priority Orphaned Wells and Orphaned Sites by July 1, 2023.
- G. By September 1, 2019, the Commission shall promulgate rules to ensure the sufficiency of financial assurance, including funding plugging, remediation, and reclamation activities for future Orphaned Wells and Orphaned Sites. The Commission shall establish a technical working group to review existing financial assurance requirements and report to the Governor on recommended changes by December 1, 2018.
- H. By January 1, 2019, the Commission shall issue guidance regarding the process for Operators to access Orphaned Wells and Orphaned Sites to conduct voluntary plugging, remediation, and/or reclamation activities. This guidance shall include a process for the reimbursement of costs incurred by operators conducting such activities approved by the Commission, including earning a credit against the mill levy as provided for in C.R.S. § 34-60-124(1)(c).

IV. Duration

This Executive Order shall remain in effect until modified or rescinded by a future Executive Order of the Governor.



GIVEN under my hand and the
Executive Seal of the State of
Colorado, this 18th day of
July, 2018.


John W. Hickenlooper
Governor