

Email your legislator and governorpolis@state.co.us

jeff.robbs@state.co.us; bill.gonzalez@state.co.us; karin.mcgowan@state.co.us; john.messner@state.co.us; priya.nanjappa@state.co.us; scott.cuthbertson@state.co.us; julie.murphy@state.co.us

Colorado law, SB181 specifically requires that the wells be individually bonded before they are transferred. SB 181 instructs the commission that it... "shall require every operator to provide assurance that it is financially capable of fulfilling every obligation imposed by" SB 181. Chief among them in this instance is protection of the public from financial costs that could be imposed by this for-profit industry, its failures and harms. A key change made by SB181 and signed into law in 2019 was replacement of the term "any" in the previous O&G statute by "every" obligation.

Community, faith, and small business orgs' testimony on the COGCC Financial Assurances Rulemaking presented by Be The Change (see below this draft email you can use - model from Elizabeta Stachisin)

Subject: There Are 5.8 Million of Us, Coloradans

Dear Commissioners,

As we listened to the Commission's deliberations last week it became evident that the oil and gas industry (15 operators?) have a level of influence on the Commission that is simply denied to the public. We are deeply disturbed by the access given and the deference shown so far to the wants and needs of the oil and gas industry, at our expense.

Their privilege is made blatant by Mr. Gonzalez' fierce defense of the Industry's financial interests at every turn. He occasionally even refers to the oil and gas industry as "the stakeholders" and everyone else as the "Conservation Community"; a narrow characterization of the public that conveniently overlooks the great majority of stakeholders, taxpayers of Colorado who are at times entirely forgotten in your deliberations. But more to the point, Mr. Gonzalez claims that the Industry has better things to do with their money than to clean up after themselves or give the state a deposit to cover that work. His view fundamentally questions the concept of Financial Assurances itself, the primary tool for minimizing the damages that are inevitably coming our way. Mr. Gonzalez has demonstrated that he is far from unbiased and we urge him to recuse himself from voting.

The risk is high that the public will inherit significantly more damages if you don't act to fully bond now. And, therefore, it is entirely reasonable to give operators 3 years to post their bonds of \$150,000 per well and \$37,500 in the legacy fund or apply for bankruptcy and leave the state. Already, the existing 19,000 useless wells would cost an estimated \$2.85 billion to close at \$150,000 each — and the absurd amnesty provision makes it even more likely that most of that will be paid for by the public. Enough corporate welfare already.

Finally, watching your discussions we also see that most of you want to do the right thing but struggle with inflicting pain or aggravating the Industry. Still, that is your job. It is a difficult one, but it's what the law requires you to do, and what you are paid to do. You serve the state of Colorado and you're there to defend the interests of the people of Colorado, there are 5.8 million of us and we desperately need you to step up.

**** Be The Change testimony on behalf of a list of Colorado organizations covering the wide range of Coloradans**

We are presenting for a wide range of Coloradans representing the 99%, from students to retirees, people who are busy at jobs today, running businesses, working in their communities, keeping our state running. They ask that you serve all Coloradans and especially make sure the 99% are covered, in terms of the law, health, and protection of our pocketbooks. All proposals must be evaluated in terms of their ability to do this and feasibility for state staff to implement.

BE THE CHANGE – COLORADO Before the COGCC regarding Financial Assurance Rule Making

The Commission must base the need for increased bonding on the risk the industry creates – fiscal, health, to water, land and climate. It is these risks that SB 181 obligates the Commission to avoid.

Commissioners have said that full cost bonding is either not needed for new wells because of low risk or unaffordable for operators with low producing wells. Is this why has the Commission ignored our full cost bonding option? We citizens deserve an answer as required by the law.

As we demonstrated with our BE THE CHANGE alternate proposal, with cost/benefit analysis, full cost bonding **is necessary** to protect the public from inheriting industry debts. We have shown that our proposal with full cash bonding of all wells is beneficial to the state's economy because it includes the one time legacy fee of \$37,500 for each well which could provide jobs. The legacy orphan well fee in the Commission's draft rule is only \$20 per well per year, apparently because you are counting on federal orphan well funding.

The Commission staff reported there is a legacy of 19,000 wells in the state that produce little or next to nothing are at risk of becoming orphans. **If you do not get well closing costs fully funded while the price of oil is high, there is near certainty those closing costs will become public costs.** And imposing these public costs requires a vote of people under the state's Tabor Amendment and is beyond your authority as set forth in Article XI of the State constitution.

During last week's testimony, several commissioners took the position that new wells need not have full cost bonding because they are a low risk, and that operators with non producing or low producing wells cannot afford full cash bonding. This view is supported especially by Commissioner Gonzales who questions if 100 percent reduction of taxpayer risks is necessary. Commissioner Gonzalez even takes the position of his prior industry employer that the 'industry has better things to do with it's money.' This is why we already have hundreds of abandoned wells with more to come. Commissioner Gonzalez, your position demonstrates that you are not subject neutral and why you should recuse yourself from this rule vote. We demand the AG's office reconsider it's reasoning in this regard.

As for small operators, the requirements of our BE THE CHANGE proposal dictate that small operators would have 3 years to post \$150,000 per well and \$37,500 in the legacy fund or apply for bankruptcy and leave the state.

Under full cost bonding the public will be protected from the risk of inheriting the estimated \$7.7 billion in closing costs for all unplugged wells in the state. The 19,000 useless wells would cost \$2.85 billion to close at \$150,000 each — which the amnesty provision makes even more likely. **The risk is great that the public will inherit significant costs if you don't act now to fully bond. The window of opportunity is narrow,** for the industry's boom will end soon.

Now BE THE CHANGE representative Barbara Mills -Bria will present examples of small producers apparent ability to pay for full cost bonding.

Barbara Mills-Bria

I am going to address the ability of small companies to pay to PA their wells and not leave this to either amnesty, also known as voluntary relinquishment, or the OWP - orphaned well program. The following data is from the COGCC website and EIA website. I downloaded the operator production from the COGIS - Production Data Inquiry page on your website. Income from the sale of oil and/or gas was included. Both gross income and net income (60% of gross sales) were calculated. I used the average price of oil and gas/year according to EIA

Petroshare Corp. declared bankruptcy in 2020 and Colorado collected \$325,000 in surety bonds for 89 wells which CT Carbon Tracker estimates would cost \$16M to plug and abandon at \$189,000 per well, plus additional costs for reclamation. They turned over 55 wells to the state as a part of the bankruptcy settlement and are part of the OWP. Over 2018-2021 (apparently they are still producing following bankruptcy and take over by Wattenberg, an entity formed by PetroShare's key post-bankruptcy creditors) Petroshare made a net profit of over \$76M.

Impetro Operating LLC, over 2018-2021 made a net profit of \$9.5M from their 80 stripper wells. They also have 12 non-producing wells. (based on 2020 data)

Next, Magpie Operating over 2018-2021 made a net profit of \$21.5M. This company has 95 oil and/or gas wells, 54 of which are producing. That leaves 41 which are non-producing.

Renegade Resources. This is the company adversely affected by the Firestone house explosion and subsequent business decisions made by Anadarko and Occidental. Even given these business decisions, Renegade made a net profit of over \$6.6M over 2018-2021.

Mallard Exploration made \$290M over 2018-2021. They have 162 wells, 23 of which are producing.

As you can see, some small operators make more than others. Of the ones presented, their NET income over the 4 years between 2018-2021 ranged between \$6.6M and \$290M. Surely they can be required to put aside enough of this money to pay to plug and abandon wells and reclaim the area around these wells.

(Matt Lepore stated in one of his slides that there are 47,000 plugged wells in Colorado. Can you check this information? Your database shows a total of closer to 26,000. It is good to check the information you have been given)

Operator	Year	Total Gross Sales	Total Net Sales
IMPETRO RESOURCES LLC	2018	\$1,785,088	\$1,071,053
IMPETRO RESOURCES LLC	2019	\$3,275,106	\$1,965,064
IMPETRO RESOURCES LLC	2020	\$3,700,242	\$2,220,145
IMPETRO RESOURCES LLC	2021	\$7,069,960	\$4,241,976
IMPETRO RESOURCES LLC		\$15,830,396	\$9,498,238
Operator	Year	Total Gross Sales	Total Net Sales
MAGPIE OPERATING INC	2018	\$5,188,972	\$3,113,383
MAGPIE OPERATING INC	2019	\$7,759,794	\$4,655,877
MAGPIE OPERATING INC	2020	\$9,086,438	\$5,451,863
MAGPIE OPERATING INC	2021	\$13,818,174	\$8,290,904
MAGPIE OPERATING INC		\$35,853,378	\$21,512,027
Operator	Year	Total Gross Sales	Total Net Sales
RENEGADE OIL & GAS COMPANY LLC	2018	\$4,485,962	\$2,691,577
RENEGADE OIL & GAS COMPANY LLC	2019	\$2,413,288	\$1,447,973
RENEGADE OIL & GAS COMPANY LLC	2020	\$1,553,934	\$932,360
RENEGADE OIL & GAS COMPANY LLC	2021	\$2,608,408	\$1,565,045
RENEGADE OIL & GAS COMPANY LLC		\$11,061,592	\$6,636,955
Operator	Year	Total Gross Sales	Total Net Sales
MALLARD EXPLORATION LLC	2018	\$23,221,265	\$13,932,759
MALLARD EXPLORATION LLC	2019	\$35,206,902	\$21,124,141
MALLARD EXPLORATION LLC	2020	\$88,277,036	\$52,966,222
MALLARD EXPLORATION LLC	2021	\$336,607,703	\$201,964,622
MALLARD EXPLORATION LLC		\$483,312,908	\$289,987,745
Operator	Year	Total Gross Sales	Total Net Sales
CONOCO PHILLIPS COMPANY	2018	\$31,661,048	\$18,996,629
CONOCO PHILLIPS COMPANY	2019	\$48,812,854	\$29,287,713
CONOCO PHILLIPS COMPANY	2020	\$30,104,242	\$18,062,545
CONOCO PHILLIPS COMPANY	2021	\$5,928,230	\$3,556,938
CONOCO PHILLIPS COMPANY		\$116,506,374	\$69,903,825

The information contained in this table reinforces our contention that, from a social justice standpoint, operators, many of whom are making millions of dollars annually, should be required to cover the risks of closing their own wells.

It is morally repugnant to contemplate that through your oil-friendly rule making process the citizens of Colorado will likely be handed a bill at some future date to clean up somebody else's massively expensive mess.

This injustice becomes even more ethically offensive when we consider that most of the Colorado people who will be getting this bill at some future date will never even come close to making a million dollars, not

even in several lifetimes of labor. (The COGCC continues to aim to serve a small tip-top fraction of the 1% rather than over 99% of Coloradans)

And as to the oil industry's repeated claim that we are simply hollering wolf as to the risks the public faces we say:

- That the new \$4.7 billion federal program to close abandoned wells gives the lie to this self-serving nonsense.
- That the state last year doubled its number of abandoned wells indicates the problem is real.
- That the COGCC wants to get its hands on as much of the public's \$4.7 billion as it can underscores this reality.
- That last week this commission spent considerable time discussing the 19,000 wells you've suddenly discovered may be at risk of becoming orphaned seals the deal.
- That EPA says there are approximately 3 million abandoned wells in the U.S. gives the lie to the idea that the problem isn't critical and enduring.

Finally, I offer this observation. Most of what we've heard over the past month concerning bonding and financial solvency is an industry complaint over what the law demands. **The industry doesn't like the fact that they've finally been called to account to cover their financial risks—that the public is to be protected against inheriting those risks.** They've enlisted this agency to help them rewrite the law, and you all have eagerly hopped to. You do not have that authority. **Your job is to enforce the law, not rewrite it.**

For example, the law specifically requires that the wells be individually bonded before they are transferred. You've revoked that requirement. Mr Robbins has stated the requirement is unenforceable because it interferes with the operators' business decisions and has, as a result, effectively repealed it by rule. Mr. Robbins, the operator has recourse if he thinks the law unconstitutional. He can go to court. Your job is to tell them that if they don't bond before transfer the well permits will not be renewed. That's simple enough and enforceable.

The law requires that all new wells be individually bonded. Here again you've largely revoked that requirement of law.

The law asks that an operator's ability to satisfy every financial requirement of the law be reviewed annually. You all have taken it upon yourselves to make that requirement a nullity for publicly traded operators. The big guys like Chevron and Occidental get a pass. It is undoubtedly an accident that Mr Gonzalzes, a longtime former employee of Occidental, argued so strongly for this revocation.

In summary, the law's declared purpose, to protect the public, including its purse, as been sacrificed in these proceedings, destroyed actually. One of the concerns that caused this law to be written, the awareness that climate collapse is an ever-growing possibility, never once informed any discussion conducted by you all over the past month.