# Colorado Struggles with $3 Billion Shortfall for Oil and Gas Well Decommissioning



**Colorado Faces $3 Billion Shortfall for Oil and Gas Well Decommissioning**

Colorado's efforts to ensure fossil fuel companies adequately fund the cleanup of aging oil and gas wells may fall short, risking a $3 billion shortfall, according to a report by the Carbon Tracker Initiative. Despite the state’s regulatory overhaul intended to hold producers accountable, more than half of Colorado’s 27,000 oil and gas wells are in areas with declining production and cannot generate sufficient revenue to cover their decommissioning costs. The report indicates that these wells will collectively generate only $1 billion in revenue, far below the $4-$5 billion estimated cleanup cost.

To address these costs, Colorado's Energy and Carbon Management Commission (ECMC) requires operators to plug wells with concrete, remove equipment, and restore land, with an average cost exceeding $110,000 per well. However, existing financial assurance structures, including revised bonding requirements implemented in 2022, have failed to secure adequate funds. As of now, the state has only $203 million in financial assurances, significantly below the forecasted need.

Historically, Colorado utilized "blanket bonds" that allowed companies to meet financial assurance requirements for as little as $600 per site. This resulted in numerous "orphan" wells, with nearly 1,000 currently the state's responsibility. Nationwide, over 120,000 orphan wells highlight a widespread issue.

To solve the shortfall, the Carbon Tracker Initiative urges stronger policy actions. A fee on producers currently generating $10 million annually might need to be increased to $20-$25 million to be effective. Environmental analysts advocate for holding back profits now to cover future costs. Colorado's new rules are intended to prevent companies from evading their financial responsibilities, but unless augmented, taxpayers may still face a substantial financial burden.

As of June 2024, while remaining production could generate $21 billion in profits, these funds are concentrated in a few companies operating within the Denver-Julesburg Basin. Consequently, the majority of low-producing wells, particularly those owned by smaller companies, lack the revenue to cover their decommissioning liabilities.

Colorado’s ECMC and environmental groups like the Sierra Club continue to push for rapid and decisive action to address these concerns and prevent the taxpayer burden from escalating.