April 29, 2026

Via Email Only to:

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Re: Environmental Defense Fund Comments on Proposed Performance Bonds Rule 649-13-1 and Related Rules

The Division of Oil, Gas, and Mining ("Division") has worked nearly five years on the current proposed revisions to Performance Bond Rule 649-13. EDF commends the Division for its continued commitment to modernizing Utah's bonding framework. Importantly, the proposed rule contains language aimed at tying required bond amounts to the operator's risk to the state, while avoiding an unnecessary financial burden on responsible operators.

EDF submits that several features of the Proposed Rule — which may appear modest in isolation — combine to undermine the effectiveness of Blanket Well Performance Bond tiers and At-Risk Well supplemental bonding. As currently drafted, no operator currently operating in Utah would owe an At-Risk Well supplemental bond under the Proposed Rule, with many operators artificially slotted into higher tiers than their fleet risk profile would indicate.

In addition to systematically underestimating portfolio risk (and thus transferring that risk from the operators to Utah taxpayers), the current draft undermines the regulatory goal of incentivizing operators to either increase production at their uneconomic wells or timely plug them.

We address each of the contributing problems in turn and propose targeted solutions that would preserve the rule's structure while restoring meaningful financial assurance.

No Current Operator Would Pay At-Risk Well Supplemental Bonding

Before addressing each problem individually, the Board and Division should confront the cumulative bottom line: not one operator in Utah would owe an At Risk Well supplemental bond under the Proposed Rule. EDF has analyzed the current universe of Utah operators against the Proposed Rule's thresholds, carve-outs, and rounding provisions, and the result is a clean sweep of zero supplemental obligations across the board.

This outcome is problematic. The tiered supplemental bonding structure was designed to price orphan well risk into financial assurance obligations to ensure that operators whose wells are most likely to become orphans post bond amounts commensurate with that risk. It was also designed to incentivize all operators to increase production at, or plug, their uneconomic wells. If no operator ever pays a supplemental bond, that structure is not functioning.

The three sections that follow describe how this result comes about, working through specific examples using actual Utah operator data. The problems are: (1) the At-Risk Ratio calculation, which artificially depresses operators' apparent risk profiles; (2) the size of the At-Risk Well carve-out, which exempts too many wells from supplemental bonding; and (3) the rounding-down provision, which eliminates any remaining supplemental bonding obligation. Each is a problem in isolation. Together they produce the result we have identified.

1) The Numerator/Denominator Problem: The At-Risk Ratio Artificially Understates Operator Risk

An operator's blanket well performance bond tier — and therefore its financial assurance obligation — is determined in large part by its "At-Risk Well Ratio." The Proposed Rule defines this ratio as:

At-Risk Well Ratio = At Risk State/Private Wells ÷ Total Wells

The numerator counts only **state/private** wells producing less than 1 BOE per day, by virtue of the fact that an "At-Risk Well" is defined to mean a state or private well producing less than 1 BOE/day. The denominator counts **all** wells — state, private, federal, and tribal, including federal wells that produce less than 1 BOE per day and are effectively at-risk wells. The result is a ratio that mixes apples and oranges in a way that systematically understates operator risk, especially since State/Private wells only account for 27% of the wells in Utah.

Based on the name "At-Risk Well Ratio", you might reasonably expect the formula to be one of the following:

- **At Risk State/Private Wells ÷ All State/Private Wells** — the operator's at-risk proportion of its state portfolio; or
- **All Wells < 1 BOE/day ÷ All Wells ≥ 1 BOE/day** — the operator's overall ratio of low-producing to productive wells.

Either of those would capture what the At-Risk ratio should capture: how much of a risk an operator's portfolio is to the state. The current formula captures neither. Instead, it allows an operator with a large federal portfolio — where wells are subject to federal bonding requirements, not state ones — to dilute its apparent at-risk ratio by including all federal wells – even those producing less than 1 BOE – in the denominator, while excluding them from the numerator.

This creates a perverse outcome: an operator can have a high proportion of genuinely at-risk wells across its total portfolio and still qualify for Tier 1 because most of those wells happen to be on federal land. The state's potential liability for orphaned state wells is increased if an operator's portfolio is ladened with low- or non-producing wells, regardless of whether those wells are state/private, federal, or tribal. But the operator's calculated (if not actual) At-Risk Ratio can be significantly reduced by the numerator denominator problem.

Some stakeholders have argued that including low-producing federal wells in the numerator would effectively force operators to "bond wells that are already covered by federal bonds."[1] This argument confuses the criteria for determining which wells require

[1] It is worth noting that states can choose to impose their financial assurance and other requirements on federal wells. Most, to date, have not, though Colorado does – federal well operators must top up their federal bonds to meet Colorado state standards, on grounds that even if clean-up responsibility falls to the federal government, the mess is in Colorado, and the state will likely have to intervene to clean up orphaned federal wells in any case, which has historical precedent. It is also worth noting that the Trump

bonding and the amount of bonding necessary for state-regulated wells. The At-Risk Ratio does not determine which wells must be bonded – it determines which tier an operator qualifies for, and the tier determines the amount of bonding for the operator's state/private wells. Including federal wells in the numerator of the ratio, or eliminating them in the denominator, would ensure that an operator with a large and predominantly low-/non-producing federal portfolio is not rewarded with a more favorable state bonding tier than its true risk profile warrants.

The question the ratio is supposed to answer is: how financially risky is this operator to Utah taxpayers? A preponderance of federal wells that produce less than one BOE per day is directly relevant to that question, but such wells are currently absent from risk calculations.

According to EDF analysis, four operators directly benefit from the change in how at-risk ratio is determined, which was changed in the November 2025 draft proposed rules. The prior draft, issued in September 2025, defined "At-Risk Well" as all wells in Utah producing less than 1 BOE per day, regardless of surface or mineral ownership. The At-Risk Well Ratio definition was, "an operator's total number of At Risk Wells divided by the Total Well Count." The November 2025 draft inexplicably changed the definition of "At Risk Well to mean, exclusively, a **State** Well that produces less than 1 BOE per day. The At Risk Well Ratio still reads "total number of At Risk Wells divided by Total Well Count," but federal and tribal wells producing less than 1 BOE per day are now excluded from the numerator. One of these operators originally did not qualify for a tier at all but now is eligible for blanket bonds, while the other three go from the bottom tier to the top tier. All four of these operators are headquartered out of state – the upshot is that Utah taxpayers are taking on nearly $1.7 million in additional risk to the benefit of these Colorado- and Texas-based corporations.[2]

Administration has announced plans to roll back 2024 BLM bonding increases, meaning that, in the near future, federal wells are likely to have less bonding than currently.

[2] Of the 61 operators in the state, 48 have active production, and of those, 24 qualify for blanket bonding – thus, the change in risk determination impacts approximately 10% of active operators in Utah.

#	Operator	Pct At Risk (9/25 draft)	Pct At Risk (11/25 draft)	Tier (9/25 draft)	Tier (11/25 draft)	Bond (9/25 draft)	Bond (11/25 draft)
1	Anschutz Exploration Corporation	69%	10%	4	2	$470,000	$300,000
2	Scout Energy Management, LLC	27%	1%	3	1	$1,925,000	$800,000
3	WEM	62%	15%	3	1	$400,000	$200,000
4	Wesco Operating, Inc	29%	5%	3	1	$400,000	$200,000

Proposed fix: revert to September 2025 definition of At-Risk Wells to include all Utah wells producing less than one BOE per day on average. Alternatively, the At-Risk Well Ratio should be changed to be all state/private at-risk wells ÷ total state/private wells.

2) The At-Risk well carve-out is too large

Operators classified into tiers face a second off-ramp before any supplemental bond obligation attaches: a carve-out that allows a specified percentage of wells to be covered by the blanket bond rather than subject to a supplemental bond. The Proposed Rule states:

For each tier, the allowable number of at-risk wells exempt from inclusion in the at-risk well supplemental amount calculation is as follows:

- *Tier 1:* ***20% of state/private wells***
- *Tier 2:* ***13% of state/private wells***
- *Tier 3:* ***8% of state/private wells***

The plain language of the rule applies these percentages to the operator's total **state/private well count**. Thus, a Tier 1 operator with 200 state wells can have 40 At-Risk wells covered by its blanket bond – which is to say, all of its at-risk wells, given the 20% cap on at-risk wells to qualify as Tier 1.

The carve-out percentages warrant scrutiny. EDF does not object to some carve-out in principle: a small buffer recognizes that well production fluctuates, and not every well that dips below 1 BOE/day for a year is permanently uneconomic. But 20% is not a small buffer: it eliminates supplemental bonds entirely for Tier 1 operators.

EDF has consistently maintained that financial assurance should be tied to risk. An operator who knows its first tranche of At-Risk Wells will never generate a supplemental obligation has a weaker incentive to plug those wells or restore their production than one who faces a material financial cost for holding inactive and <1 BOE/day wells indefinitely. The carve-out's size directly affects the incentive structure the rule creates.

> **<u>Proposed fix</u>**: reduce carveout to 15% for Tier 1, 10% for Tier 2 and 5% for Tier 3.

3) Rounding down to the nearest 10 eliminates the residual supplemental obligation after the carve-out

Whatever At-Risk Wells survive the carve-out enjoy yet another off-ramp: the Proposed Rule rounds the number of wells subject to supplemental bonding down to the nearest 10. Consider a hypothetical Tier 1 operator with 145 total wells, 45 federal and 100 state, and 29 At-Risk wells (by definition, all At-Risk Wells are State wells). Under the current draft, the first 20 At-Risk Wells would be exempt from supplemental bonding and the next nine would be rounded down to zero.

EDF understands the administrative appeal of rounding: it reduces compliance disputes at the margins and provides operators with predictability. But predictability can be achieved in less costly ways. EDF proposes as an alternative that bond amounts be **fixed for one year** based on the annual At-Risk Well determination, with operators permitted to **petition for an interim adjustment** if their risk profile changes materially during the year. This approach gives operators the certainty they need without simply rounding away the supplemental obligation that the rest of the rule worked to establish.

Proposed fix: eliminate round-down; set financial assurance amount annually; allow operators to petition at any time for financial assurance reductions when circumstances allow (e.g., at-risk wells have increased production or are plugged).

How These Three Issues Stack

The hypotheticals above illustrate each problem in isolation. The following examples show that they compound in practice. In each case, the operator's true risk profile is substantially higher than its regulatory classification implies, and in each case, the carve-out and rounding ***produce zero supplemental bonding owed***.

Example 1: Scout Energy Management, LLC

	TOTAL WELLS	TOTAL <1 BOE WELLS	STATE WELLS	AT-RISK STATE WELLS	PRODUCTION (BOE/DAY)
SCOUT	2,825	752	285	38	9,680

True risk profile: 752 of 2,825 total wells (27%) produce less than 1 BOE per day.

Calculated At-Risk Ratio: 38 ÷ 2,825 = **1.3%** → qualifies for Tier 1.

Under earlier drafts of the rule which didn't suffer from the numerator/denominator issue, Scout would have qualified for Tier 3.

Carve-out: 20% × 285 state wells = **57 wells exempt**. The operator has 38 at-risk state wells — fewer than the carve-out allows. All 38 are covered.

Result: $0 supplemental bond

Example 2: Anschutz Exploration Corporation

	TOTAL WELLS	TOTAL <1 BOE WELLS	STATE WELLS	AT-RISK STATE WELLS	PRODUCTION (BOE/DAY)
ANSCHUTZ	49	34	6	5	951

True risk profile: 34 of 49 total wells — **69%** — produce less than 1 BOE per day.

Calculated At Risk Ratio: 5 ÷ 49 = **10.2%** → qualifies for Tier 2.

Under earlier drafts of the rule which didn't suffer from the numerator/denominator issue, Anschutz would not have qualified for a Blanket Well Performance Bond and would have been required to provide Individual Well Depth Performance Bonds.

Rounding: Since this operator has fewer than 10 At-Risk wells, they are down to **0 regardless of the carveout**.

Result: $0 supplemental bond

Example 3: Utah Gas Op

	TOTAL WELLS	TOTAL <1 BOE WELLS	STATE WELLS	AT-RISK STATE WELLS	PRODUCTION (BOE/DAY)
UTAH GAS OP	608	112	87	19	3,129

True risk profile: 112 of 608 total wells — **18%** — produce less than 1 BOE per day.

Calculated At Risk Ratio: 19 ÷ 608 = **3.1%** → qualifies for Tier 1.

Carve-out: 20% × 87 state wells = **17.4 → 17 wells exempt**. With 19 at-risk state wells, 2 remain.

Rounding: 2 wells round down to **0**.

Result: $0 supplemental bond.

These proposed rules would have partially, but not completely, protected Utah from the Weststar orphaning event

The worst orphaning event in Utah's history was the bankruptcy of Texas-based Weststar Exploration Company. EDF analysis of historical production data shows that the current draft would have partially protected Utah from Weststar, which went on to orphan 100 wells in the state – fixing the numerator/denominator issue would have afforded even greater risk protection.

	TOTAL WELLS	TOTAL <1 BOE WELLS	STATE WELLS	AT-RISK STATE WELLS	PRODUCTION (BOE/DAY)
WESTSTAR CIRCA 2019	98	50	54	19	298

True risk profile: 50% of total wells produced less than 1 BOE per day in 2019

Calculated At-Risk Ratio: 19% → Qualifies for Tier 3

Under earlier drafts of the rule which didn't suffer from the numerator/denominator issue, Weststar would not have qualified for a tier.

Carve-out: 8% x 54 state wells = 4 wells exempt**.** With 4 wells exempt, 15 would remain.

Rounding: 15 wells round down to 10

Result: $1,000,000 blanket bond + $325,000 supplemental bond

Temporarily Abandoned and Shut-In Wells Should Continue to Count as At-Risk Wells

Lastly, we would like to address the repeated request from some stakeholders to exclude TA and SI wells approved under R649-3-36 from the At-Risk count. To date, the Division has not acceded to this request, to its credit. EDF strongly opposes introducing this exclusion.

The Division's approval of TA or SI status evaluates wellbore integrity only — it is not an economic assessment of whether the well can profitably return to production. A well producing zero BOE per day is, by any measure, a greater orphan well risk than a well producing one BOE per day.[3] If the latter is classified as At-Risk under the Proposed Rule's one-BOE-per-day threshold, there is no coherent policy rationale for excluding the former simply because the Division has authorized its continued inactivity on operational grounds. It would defy logic to consider a well producing some amount — however small — as "at risk" while treating a well producing nothing as not at risk. The economic reality is the opposite.

Moreover, the existing look-back already provides a generous grace period. Operators don't need to seek TA or SI approval until a well has been inactive for 12 months. This

[3] We note that a possible exception to this statement is if a well is held inactive for several years as part of a large enhanced oil recovery project. Well-capitalized operators pursuing such projects should not be overly burdened by a requirement to bond such wells, which continue to pose a taxpayer risk should the EOR project fall apart for any number of reasons.

means that any well that enters the TA/SI approval process has already been inactive for at least a year.

Proposed fix: none needed – maintain current proposed rule language.

Conclusion

The Division has crafted a strong regulatory framework for Performance Blanket Bonds. Unfortunately, it has undercut that foundation by incorporating more and more favorable exceptions and exclusions for operators over successive drafts. The net effect is that many operators' taxpayer risk is systemically undercalculated, and no current operator will pay any At-Risk supplemental bonding, undermining incentives to increase production or plug uneconomic wells before they become public wards.

In order to faithfully fulfill the charge of the Office of the Utah Legislative Auditor General's 2019 report on DOGM's financial assurance program, [4] EDF's proposes the following:

1. The At-Risk Well ratio should be based on all At-Risk Wells, federal and state, over Total Well Count. Alternatively, it could be State At-Risk Well over Total State Wells. As currently written, it systematically and undeniably understates operator orphan well risk.
2. The number of At-Risk Wells covered by a blanket bond should be reduced to 15% for Tier 1, 10% for Tier 2 and 5% for Tier 3, respectively, to allow for retention of some incentive to increase production at, or plug, uneconomic wells.
3. The rounding-down rule means eliminating At-Risk Supplemental bonding for too many operators. Stability in an operator's financial assurance obligation can be achieved by setting the amount one time per year, and allowing operators to petition during the year for warranted bonding reductions.
4. The inclusion of TA and SI wells in the at-risk well calculation should be retained.

EDF again expresses its appreciation to the Division, the Board, and participating stakeholders for deeply and thoughtfully exploring pragmatic, risk-based policy solutions to prevent Utah taxpayers from suffering from the large orphan well burdens of neighboring oil and gas states. Utah's financial assurance system is set to improve as a result of these efforts – the question is, by how much?

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[4] "A Performance Audit of Utah's Oil and Gas Program," Office of the Legislative Auditor General, State of Utah, November 2019, available at https://le.utah.gov/audit/19_11rpt.pdf.

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Respectfully,

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Appendix

A: Comparison to Colorado Bonding Amounts

Directly comparing what Utah operators would owe under current Colorado amounts is complicated by the fact that Colorado includes a "Location" bond in addition to a well-bond. However, we can do the calculations at an upper (every well is its own location) and lower bound (ignoring the location bond).

Under the current DOGM draft, Scout would be required to have a Tier 1 $800,000 blanket bond, and no supplemental bonds. If their wells were hypothetically under Colorado's jurisdiction, they would only be eligible for Option 3 since their state-wide average daily per-Well BOE is 3.4 BOE/day. Option 3 operators are required to submit single well financial assurance (Option 3 definition and bond amounts below), which they can pay in over twenty years. Scout has 2,825 total wells. For the ease of calculation, we can assume that each is between 4,000 and 8,000 ft (which corresponds to a $30,000 per-well bond):

- **Maximum bonding amount (assuming each well is a single location):** 2,825 * ($100,000 + $30,000) = $367,250,000
- **Minimum bonding amount (ignoring location bonds completely):** 2,825 * $30,000 = $84,750,000

EDF is not advocating that these would be reasonable amounts in Utah. Rather, we include these illustrative numbers to show that: 1) industry's narrative about new bonding requirements creating orphan wells is difficult to take seriously when Utah's proposed $800,000 blanket bond — with zero supplemental obligation — sits between 106 and 459 times below what Colorado requires of a comparable operator; and 2) Colorado's framework correctly identifies an operator with an average production of 3.4 BOE per day per well as a high-risk operator ineligible for blanket bonding, while Utah's Proposed Rule

— distorted by the numerator/denominator mismatch in the At Risk Ratio — classifies that same operator as Tier 1.

Relevant Text from Colorado 700 Series:

(3) Option 3. An Operator may file a Financial Assurance Plan that meets the criteria of Rule 702.d.(3) if:

A. The Operator's average daily per-Well production exceeds 2 BOE and is less than or equal to 15 BOE over the previous 12 months; or

B. The Operator's average daily per-Well production exceeds 6 MCFE and is less than or equal to 22 MCFE over the previous 12 months.

(3) Option 3 Plans.

A. Information Requirements. An Operator requesting Commission approval pursuant to Rule 702.c.(3) will file a Financial Assurance Plan that includes the following information to demonstrate it satisfies the criteria for Option 3:

i. Production Data. The total MCF and BBLs reported during the previous 12 months and the Operator's calculated GOR.

ii. Well Status and Designation Data. A summary table accounting for all Wells, including the number of Wells that falls within each operational status and designation, as of the date the Financial Assurance Plan is submitted.

iii. Well Plugging Data. The number of Wells Plugged and Abandoned by the Operator during each of the previous three years.

iv. Inactive Well List. A list of all the Operator's Inactive Wells that includes the name, number, API number, status, reason for no or low production, and planned date for return to production or plug each Well.

v. Asset Retirement Planning. A demonstration of how the Operator is planning for the retirement of its Oil and Gas Operations based on the projected life of the field, age of the infrastructure, Out of Service, Inactive, and Low Producing Wells, and related information. For each Inactive Well, the Operator will identify the reason for no or low production and the planned date to return to production or plug the Well.

B. Financial Assurance Amount. The total amount of Financial Assurance the Operator will provide to the Commission over time, which will be:

i. Wells. Single Well Financial Assurance for every Well, unless the Commission approves an alternative amount for a transferred Low Producing Well pursuant to Rule 218.g, or the Director approves an alternative amount pursuant to Rule 434.d.

ii. Other Financial Assurance. The amount of Financial Assurance required for:

aa. Other Oil and Gas Facilities pursuant to Rule 703;

bb. Surface Owner protection pursuant to Rule 704; and

cc. Remediation pursuant to Rule 703.b.

Relevant Text from Colorado 100 Series:

SINGLE WELL FINANCIAL ASSURANCE means either:

a. The sum of an Operator's demonstrated costs of Plugging and Abandonment of the Well and the associated and apportioned Reclamation cost for the Well, which is calculated by dividing the demonstrated Reclamation costs by the number of Wells on the Oil and Gas Location or at the Oil and Gas Facility; or

b. The sum of the Single Well Plugging and Abandonment Cost and the Single Well Location Reclamation Cost.

c. For purposes of this definition, costs are calculated as follows:

(1) LOCATION RECLAMATION COST means the Commission's estimated costs of Reclamation at an Oil and Gas Location or an Oil and Gas Facility, which is set at $100,000 per Location or Facility.

(2) SINGLEWELL LOCATION RECLAMATIONCOST means the cost of Reclamation attributable to a single Well on an Oil and Gas Location or at an Oil and Gas Facility, which is calculated by dividing the Location Reclamation Cost by the number of Wells on the Oil and Gas Location or at an Oil and Gas Facility.

(3) SINGLE WELL PLUGGING AND ABANDONMENT COST means the Commission's estimated costs of Plugging and Abandonment of the Well as follows:

A. For a Well drilled to a total vertical depth of 4,000 feet or less: $10,000 of Financial Assurance.

B. For a Well drilled to a total vertical depth of more than 4,000 feet and less than or equal to 8,000 feet: $30,000 of Financial Assurance.

C. For a Well drilled to a total vertical depth of more than 8,000 feet: $40,000 of Financial Assurance.

Utah Division of Oil, Gas, and Mining March Meeting

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Environmental Defense Fund

March 25, 2025

Utah Financial Assurance Regulation: Great in Theory

Good regulation should:

1. shield Utah's taxpayers from the financial burden of plugging orphan wells.
2. make bonding amounts reflect the operator's true risk to the state.
3. provide incentives for operators to plug wells in a timely manner once they have reached the end of their productive life.

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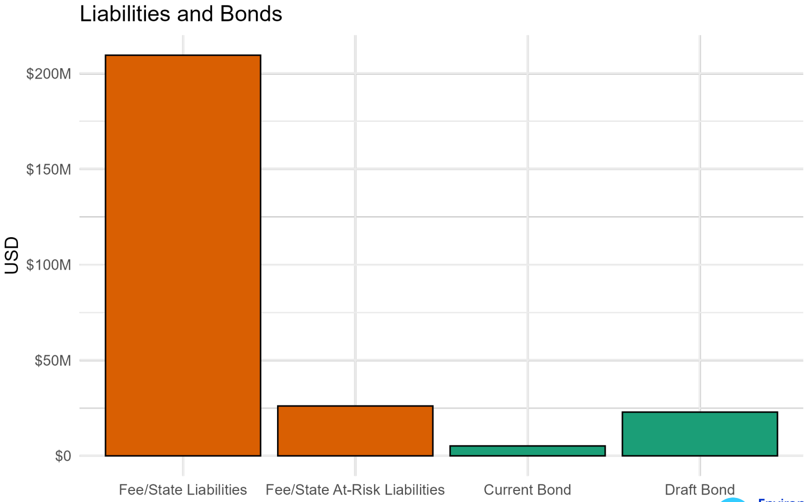
The current draft is a major improvement over current regulations.



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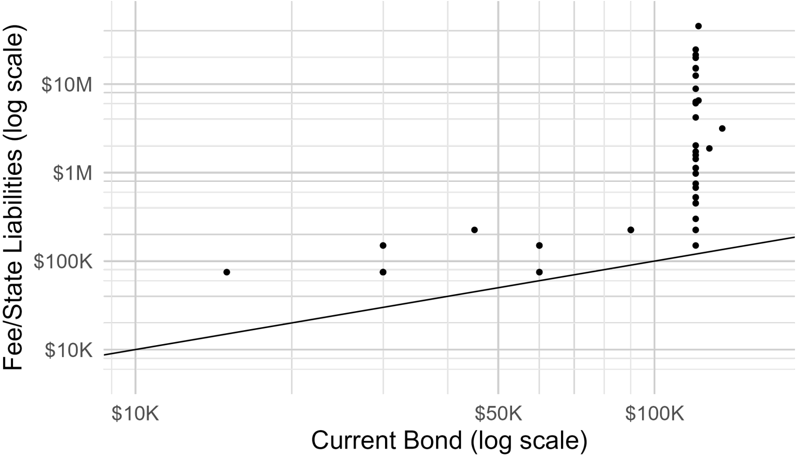

Black line drawn at y = x

Environmental Defense Fund

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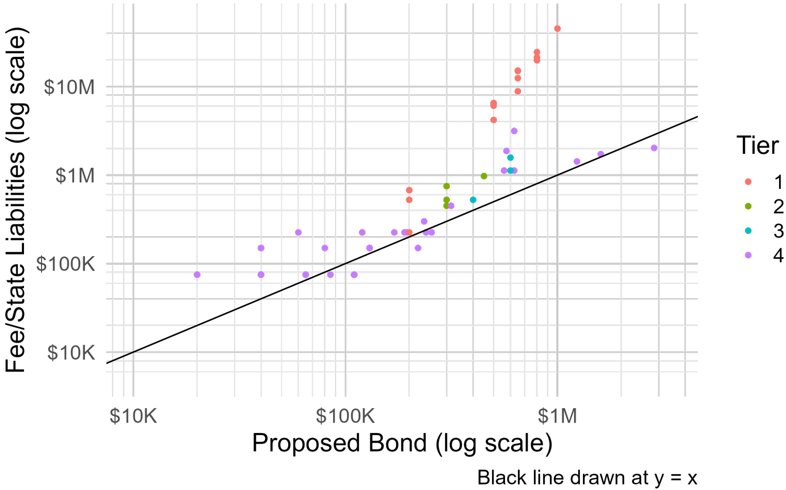

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The At-Risk Ratio Determines the Operator's Tier

Goal: Ensure that operators that pose a higher risk to the state post higher amounts of financial assurance.

The At-Risk Ratio is defined as:

$$\text{At-Risk Ratio} = \frac{\text{At-Risk } \textbf{State} \text{ Wells}}{\text{All Wells}}$$

You might expect it to be one of:

- $\frac{\text{At-Risk State Wells}}{\text{All State Wells}}$ (operator's state at-risk proportion)
- $\frac{\text{At-Risk Wells}}{\text{All Wells}}$ (operator's overall at-risk proportion)

An operator with 1 at-risk state well and 999 at-risk federal wells has an "At-Risk Ratio" of just 0.1%.

Environmental Defense Fund

Supplemental Bonds

Goal: Ensure that operators that pose a higher risk to the state post higher amounts of financial assurance.

Two Issues undermine the effectiveness of supplemental bonds:

1. The structure of the exemption
2. Rounding down to the nearest 10

The Exemption:For each tier, the allowable number of at-risk wells exempt from inclusion in the at-risk well supplemental amount calculation is as follows:

- Tier 1: 20% of state wells;
- Tier 2: 13% of state wells;
- Tier 3: 8% of state wells.

The Round Down: State at-risk wells exceeding the exemption are rounded down to the nearest 10 for the purposes of calculating the supplemental bond amount.

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An Actual Example

Total Wells	At-Risk Wells	State Wells	At-Risk State Wells	BOE/day
2,825	752	285	38	9,680

- Qualifies for Tier 1, even though 27% of wells produce less than 1 BOE per day
- Carve out allows for up to 66 at-risk state wells to be covered by the blanket bond
  - Carve out covers 20% – $285 \times 0.2 = 57$
  - The next 9 wells are "free" because of round-down to nearest 10
- Operator would owe **zero** supplemental bond

Environmental Defense Fund

Another Actual Example

Total Wells	At-Risk Wells	State Wells	At-Risk State Wells	BOE/day
49	34	6	5	951

- Qualifies for Tier 2 even though 69% of wells produce less than 1 BOE per day.
- Carve out doesn't matter because there are less than 10 state wells!
- Operator would owe **zero** supplemental bond

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Another Actual Example

Total Wells	At-Risk Wells	State Wells	At-Risk State Wells	BOE/day
608	112	87	19	3,129

- Qualifies for Tier 1
- Carve out allows for up to $87 \times 0.2 = 17$ at-risk state wells to be covered by the blanket bond
- The next 2 wells are "free" because of round-down to nearest 10
- Operator would owe **zero** supplemental bond

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At-Risk Ratio, Carve-Out, and Rounding Down

- The calculation of the at-risk ratio undermines the relationship between risk and tier assignment.
- The calculation of the supplemental bond exemption and rounding down undermine the incentives and protection that supplemental bonds were designed to provide.
- By my calculations, **no operator would owe a supplemental bond under the current draft**.

Thank You!

Questions? E-mail me at lbeatty@edf.org

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