



Oil & Gas Focus Group (Meeting 1 of 3)

April 24, 2019

Scope of Focus Group and Intentions

- A temporary focus group has been established for the sole purpose of providing non-binding input to City Staff regarding legislative efforts, both within the city and at the state level
- The focus group will not take formal positions
- City staff may report or summarize the input of the focus group as needed



Ground Rules

- Listen to all perspectives respectfully
- Seek understanding before responding
- Explain the reasons behind your statements
- Ask questions when you don't understand a topic
- Give new voices a chance and ensure no one dominates the discussion
- Listen and do not interrupt while one person speaks at a time
- Do not blame, accuse, or make generalizations
- Treat people as individuals, not as representatives of an entire group or organization
- Focus on the subject
- Treat members as equals despite position or rank.
- Silent cell phones or other personal electronic devices

Member Intro

- Name
- Where did you grow up?
- Icebreaker exercise





General Overview: Oil & Gas

April 24, 2019

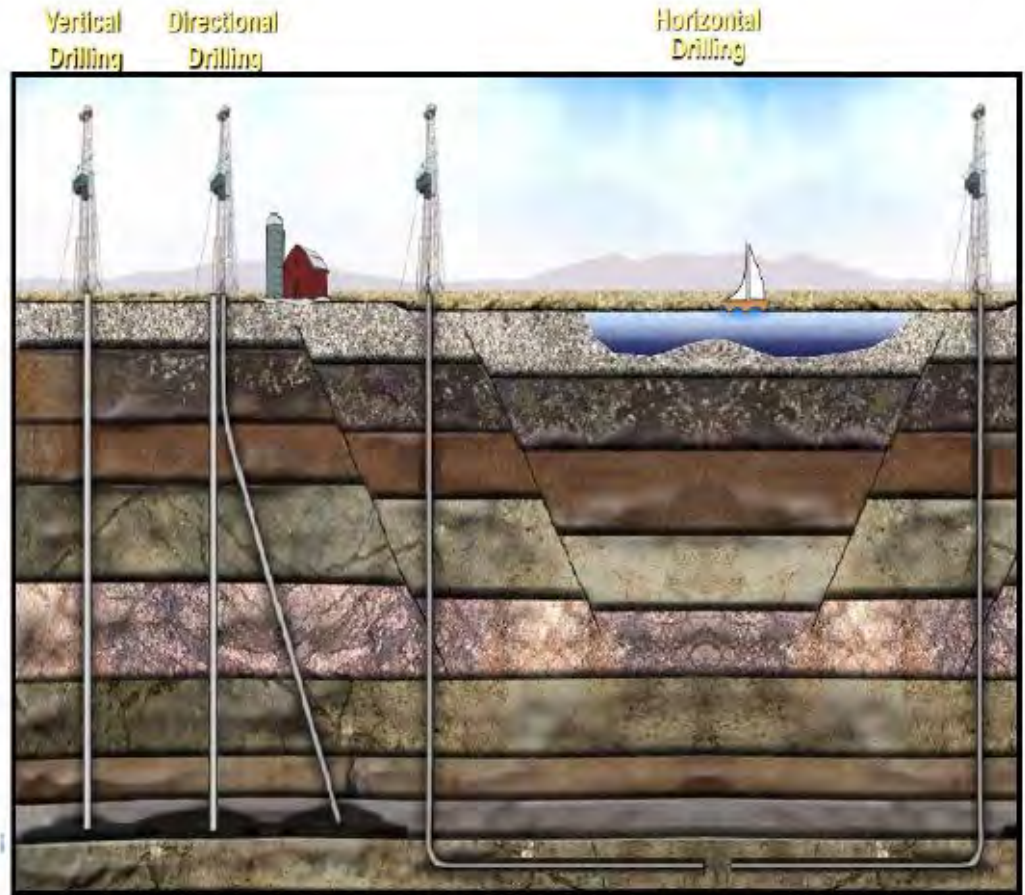
What is oil and natural gas?

- Non-renewable natural resources composed of hydrocarbon molecules recovered by drilling wells into the subsurface (sedimentary basins)
- Created by deposition and burial of organic rich sediments, conversion over time to kerogen, then to oil and gas, if conditions are favorable
- Once extracted (via wells), must normally be transported, treated, and refined or manufactured (and transported again) to provide useable products



Well Types

- Vertical Drilling
- Directional Drilling
- Horizontal Drilling

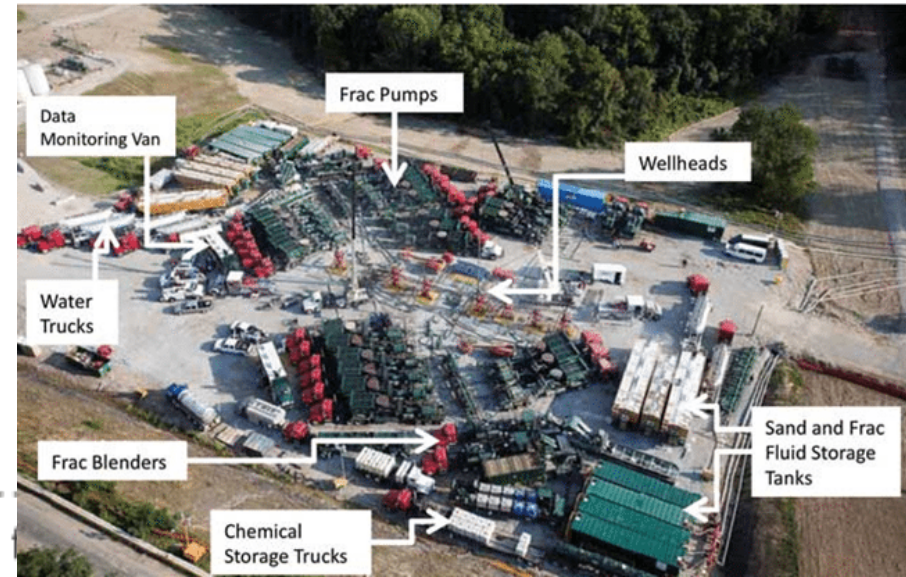


Well Types

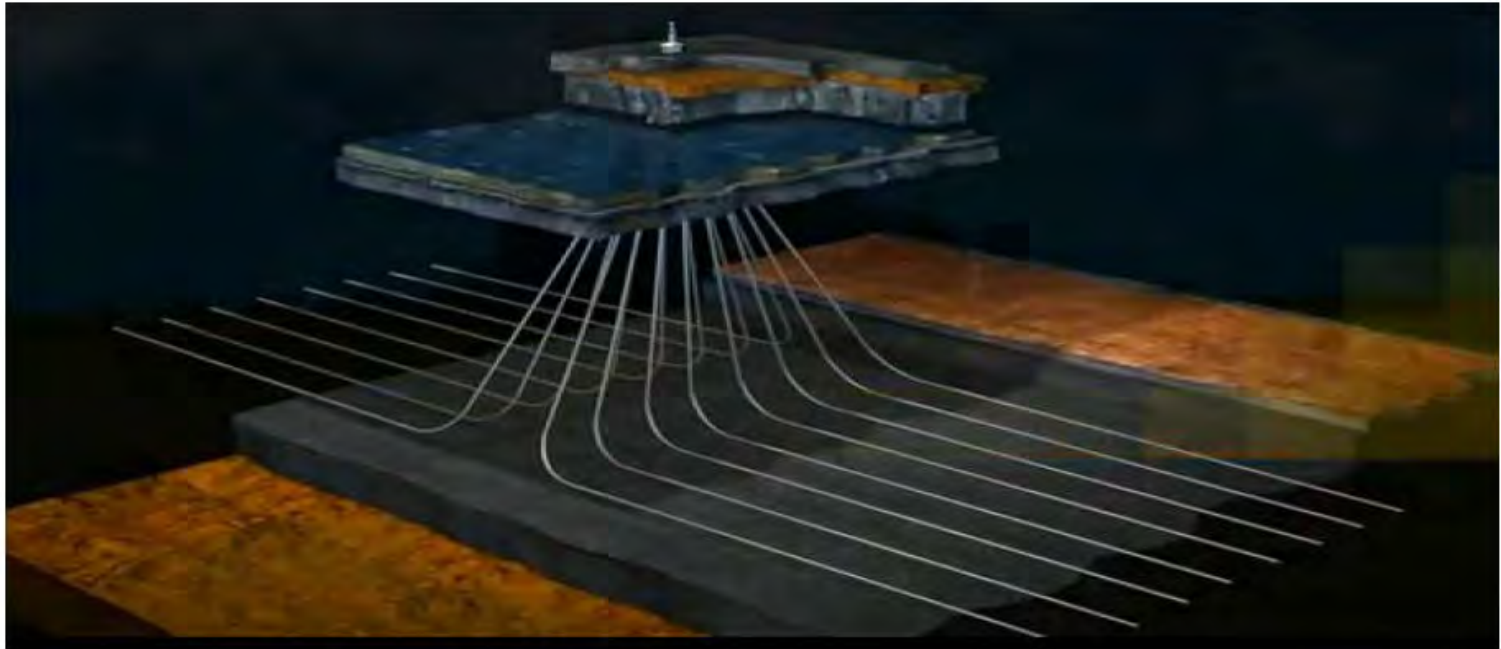
Vertical Well Pads



Horizontal Well Pad

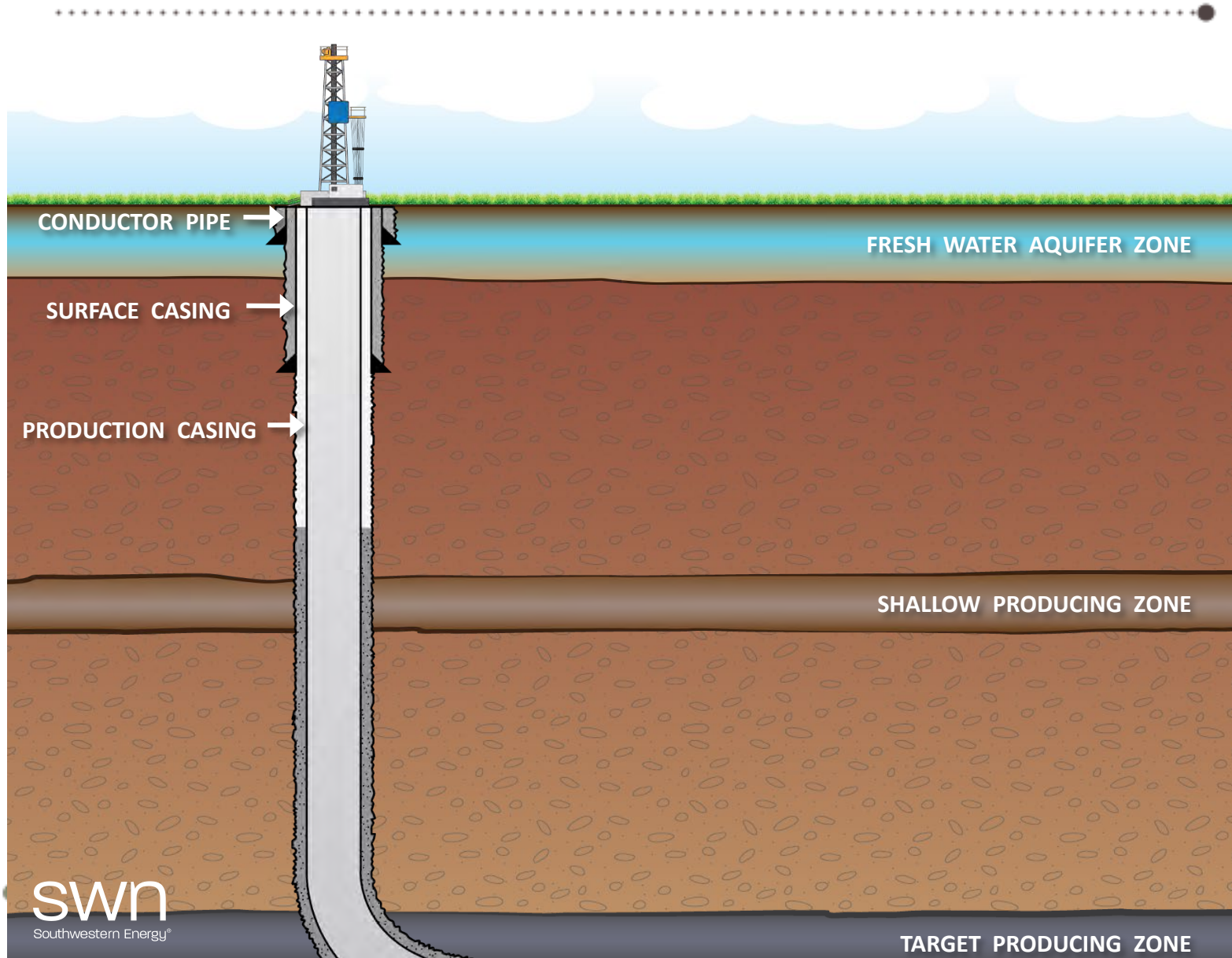


Multiple Horizontal Wells from a single pad



In Colorado in 2016 (as of October 1), over 70% of well permits issued were for horizontally-drilled wells.

Well Cross Section



Lifecycle of a well

- Pre-Development Phase
 - Leasing, operator registration, seismic exploration, permitting (1-10 years)
- Development Phase
 - Site prep (a few days), drilling (weeks to months), hydraulic fracturing (days to months)
- Production Phase
 - Operation of the well (decades)
- Closure Phase
 - Plugging wells, reclamation



Drilling Rig



Sound Walls

- Used to mitigate A and C-Scale Noise (low, deep reverberations)
- Average of 30' in height
- Only in place during drilling and completion



Production Phase



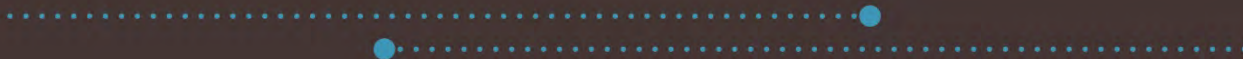
Truck Traffic / Dust



- Used to transport, water, sand, excess fill to/from sites
- Sites not utilizing pipelines have around 80% higher levels of truck traffic



Regulatory Challenges



Regulation

- Oil and gas development is a highly-industrialized activity that is primarily regulated by the state
- The impacts of oil and gas development is primarily regulated by three entities:
 1. Colorado Oil and Gas Conservation Commission
 2. Colorado Department of Public Health and Environment
 3. Local Government

COGCC Authority

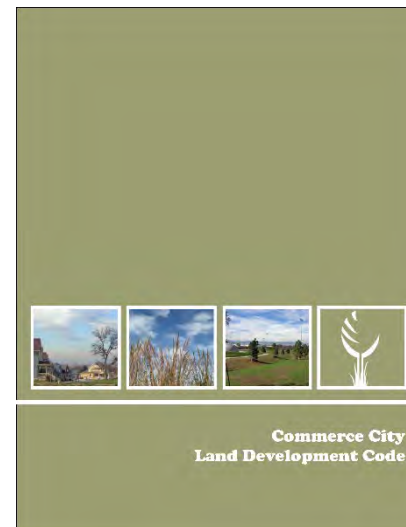
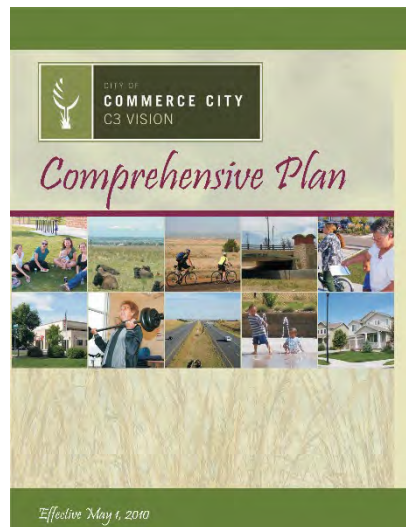
- Regulates (among other things) (C.R.S. § 34-60-106)
 - drilling, producing, plugging of wells
 - operations for production of oil and gas regulatory agency
 - well spacing
- State interests (C.R.S. § 34-60-102)
 - Protection of public health, safety and welfare
 - Prevention of waste
 - Protection of mineral owner's rights
 - Prevention/mitigation of adverse environmental impacts

Typical process for state approval

- Drilling and spacing unit approved
- Form 2A (Location Assessment) and Form 2 (Application for Permit to Drill)
 - 20 days for public comment
 - LGD can require 10 additional days public comment
 - LGD can require CDPHE consultation 20 days public comment
 - Local government or surface owner can request COGCC hearing on location

Tools

- **Comprehensive Plan**
- **Land Development Code**

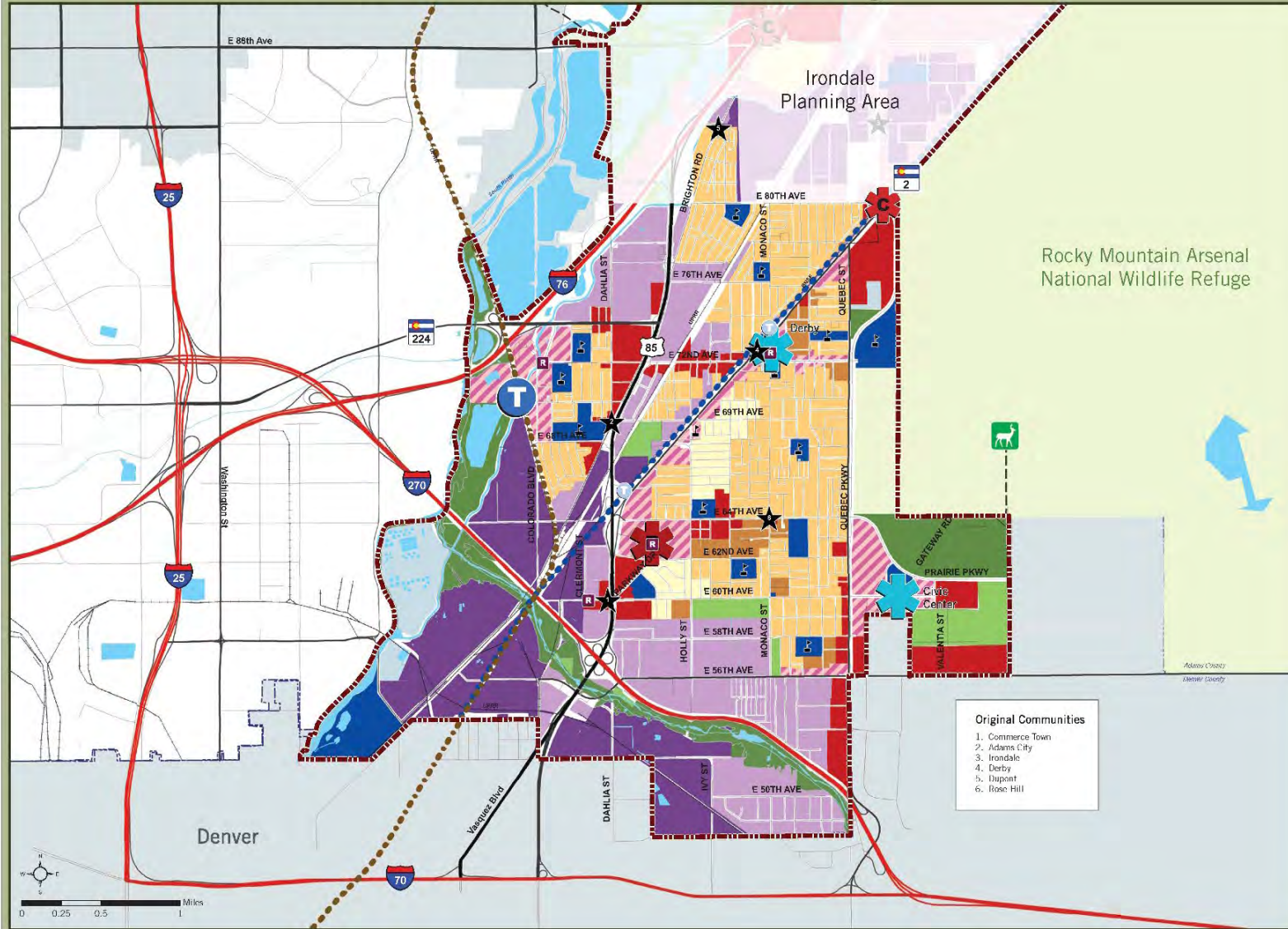


Comprehensive Planning

- Research the community
- Public outreach
- Balancing wants and needs



Future Land Use Plan - Historic City



Legend

- City Growth Boundary
- County Boundary
- National Wildlife Refuge, Iron Lake State Park
- Wildlife Refuge, Wetlands Center
- 100 Year Floodplain
- Future Roads
- Planned Transit Station
- Transit Transit Station
- Future Transit Line
- Future Light Rail Line
- Future School
- Future School Site
- Original Community
- Redevelopment Local on

Centers

- Activity Center
- Regional Commercial Center
- Community Commercial Center
- Local Commercial Center

Future Land Use

- Residential - Low
- Residential - Medium
- Residential - High
- Mixed Use (Residential and Commercial)
- Commercial
- Industrial/Distribution
- General Industrial
- Utility
- Public/State
- Park
- Open Space

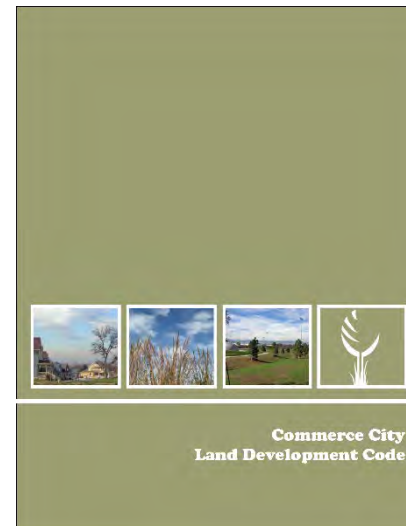
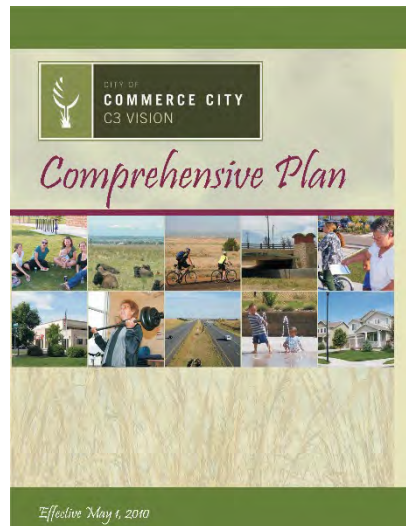
Original Communities

1. Commerce Town
2. Adams City
3. Irondale
4. Derby
5. Dupont
6. Rose Hill

Figure 4.4
 Sources: Adams County Tax Assessor, Adams County GIS, Commerce City GIS, U.S. Census TIGER files, Clarion Associates, 2008
 03/31/10 CLARION, BBC, PHU

Tools

- Comprehensive Plan
- **Land Development Code**



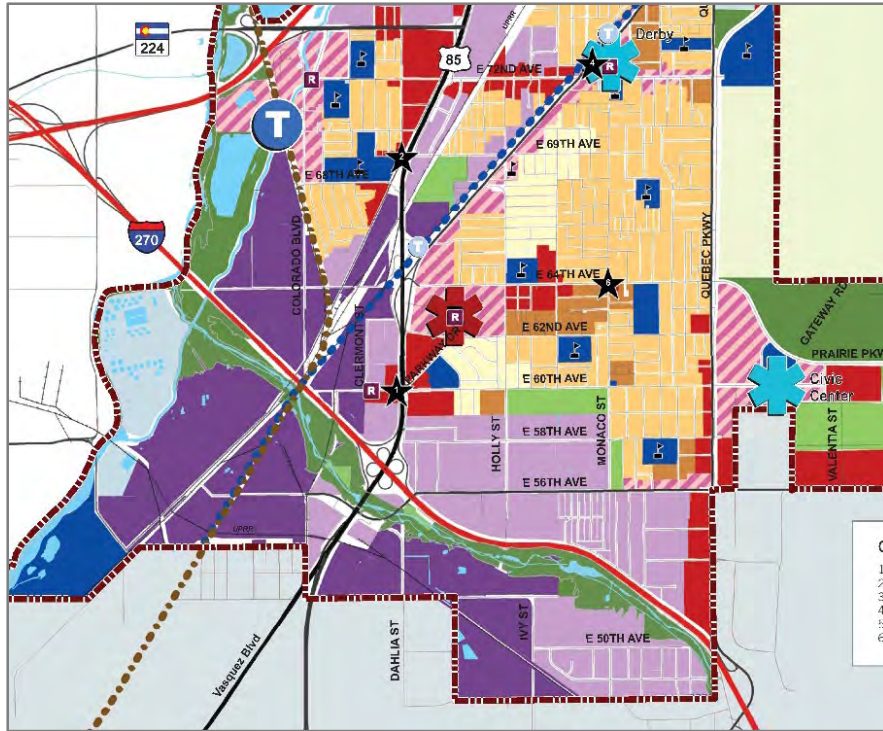
Zoning

- Implementation of the Future Land Use Plan
- Groups properties into “zone districts” with key similar characteristics
 - Single-family detached residential district (R-1)
 - Regional commercial district (C-3)

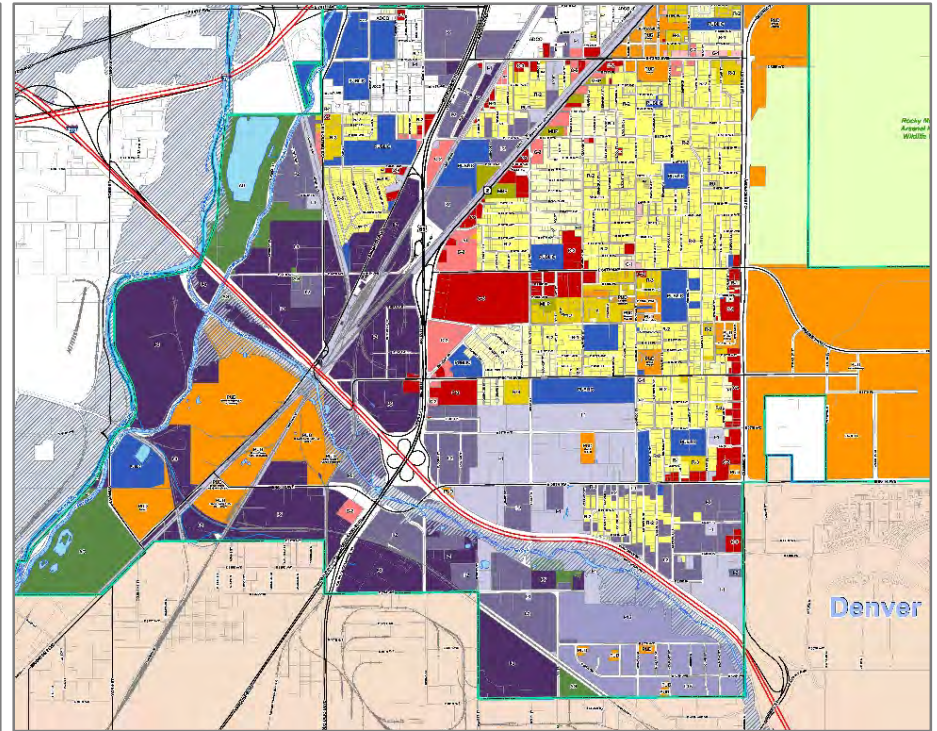
Zoning

- Zone district = common set of regulations
 - Allowed uses
 - Bulk standards
 - Design standards
- Regulations are guided by Comprehensive Plan goals and policies

Future Land Use vs. Zoning



Future Land Use (Comprehensive Plan)



Zoning (Land Development Code)

Commerce City Authority

- Land use control through zoning authority and police powers to protect health, safety, and welfare
 - Colo. Const. Art. XX, § 6 (home rule)
 - Home Rule Charter (Sec. 2.2 (police power);10.8 (zoning))
 - C.R.S. § 31-15-401 (general police powers/nuisances)
 - **C.R.S. §§ 29-20-104 (land use control)** *** *Changed through SB181*
- Land Development Code (21-3216; 21-5266) (2012)
 - Health, safety, and general welfare concerns
 - Protect residential development from immediate proximity
 - Avoiding conflict with state regulations

Current Code Overview

- Current process is an administrative review with appeals going directly to state court
- Current land use regulations
 - Allowed in all standard zone districts with an Oil & Gas Permit
 - Must meet all use requirements contained within LDC Section 21-5266
 - Regulations focus on surface impacts
- All operators required to sign an extraction agreement
- Regional Operator Agreement may be executed to establish broad operations standards

Overview – Current LDC Regulations

- Current section details the following:
 - Minimum 2500' public notification radius prior to administrative approval.
 - Nuisance control – Noise, Dust, Odor, Storm Water pollution prevention
 - Visual mitigation plan, emergency evacuation plan requirements



Overview – LDC Regulations (cont'd)

- Landscaping, lighting, environmental regulations.
- Revegetation & reclamation plan
- Financial assurances, impact fees & enforcement
- Applicant required to bear costs for necessary 3rd party reviews



Senate Bill 181: Overview

1. Reforms the COGCC mission to protect public health and environment
2. Gives local governments clear regulatory authority over oil and gas and end state preemption.
3. Reforms forced pooling laws

Senate Bill 181 impacts on COGCC

COGCC v. Martinez, found that the COGCC's mandate was to

- (1) *foster* the development of oil and gas resources, and
- (2) protect public health, safety, and welfare, **but only after taking into consideration cost-effectiveness and technical feasibility.**

Senate Bill 181 impacts on COGCC

- ✓ Requires protection of public health, safety, welfare and the environment
- ✓ Changes make-up of COGCC Commission
- ✓ July 1, 2020 - new professional COGCC Commission
- ✓ Requires new COGCC rulemaking on:
 - ✓ Change in COGCC mission to protect public health, safety, and welfare
 - ✓ alternative location analysis process for wells near populated areas;
 - ✓ cumulative impacts of oil and gas development;
 - ✓ orphaned wells –adequate finances to properly plug and abandon wells;
 - ✓ wellhead integrity;
 - ✓ flowline locations will be publicly disclosed.



Senate Bill 181 impacts on Local Governments

- Expressly **authorizing local regulation of well pad locations** through land use regulations including the siting of oil and gas locations and facilities
- Expressly **modifies state pre-emption** by explicitly authorizing local government regulation that is more stringent than state standards
 - *i.e. State standards become minimum requirements*
- Expressly **authorizes local governments to impose fees** for cost of monitoring & penalties for violations of local land use regulations
- Requires Operators to obtain a **local permit prior** to receiving a state permit

Senate Bill 181 impacts on Local Governments

- **Local government authority expressly expanded** to include the regulation of the surface use of oil and gas operations in a reasonable manner:
 - Location and siting of O&G facilities and locations
 - Impacts on government facilities and services
 - Water quality and source, noise, vibration, odor, light dust, emergency preparedness, security, traffic, transportation impacts
 - Financial securities, indemnification and insurance
 - All other nuisance-type effects of O&G development
 - Inspect all O&G facilities
 - Impose fees for both the direct and indirect costs of monitoring and inspections programs to address impacts and enforce local regs
 - Receive technical assistance from the COGCC

Impacts on Commerce City

- Will allow most BMPs (negotiated with Extraction and other operators) to be made law in the municipal code rather than only part of a negotiated extraction agreement or regional operating agreement
 - Violations of the Code may be enforced quicker and easier than contract violations
 - Operators who do not voluntarily negotiate will be required to comply
- Allows for the city to further regulate surface locations through police powers: zoning and impacts
- Gives the city express authority for monitoring and enforcement and the ability to assess fees for violations of local land use regulations

Potential LDC Changes

BMPs

- Codify the BMPs as standards in the LDC or as mandatory provisions in an extraction agreement
- Replace current sections that are less stringent than negotiated BMPs

Zoning

- Classify Oil & Gas Operations as an industrial use
- Disallow well pads from certain zone districts, e.g. residential, commercial
- Enhance land use regs to fully account for impacts

Potential LDC Changes

Enforcement

- Add fines and other enforcement tools related to operational and BMP infractions
- Restate inspection authority

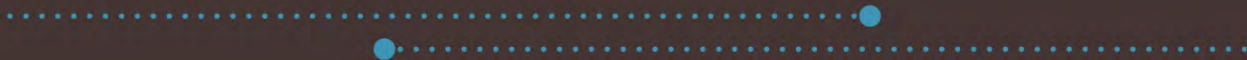
Process

- Require pre-application meetings
- Require pre-application community or neighborhood meetings





Discussion



Focus Group Next Steps

- May 22, Session #2: Possible Zoning Code changes resulting from SB-181
- June 26, Session #3: Follow-up on Zoning, and future rulemaking topics with COGCC
- Reading Materials