

# Energy Pipeline: Industry Insights — More People, More Conflict

*Dan Larson* For Energy Pipeline January 4, 2018 Share (1) Tweet Comments (0)

When the lights come up this month on the 2018 session of the state's Legislature, development of oil and natural gas in Colorado will once again top the list of contentious issues facing elected officials.

Public safety will be in the forefront just eight months after two people died in a tragic home explosion in Firestone. And among bones of contention, the biggest, meatiest is the question of whether local governments should be given primacy over where well sites can be located. Next up are the property rights of mineral owners, well setbacks from homes, and the amount of tax dollars paid on every barrel and where that money goes.

The reason these issues continue to occupy center stage in the Capitol is the unprecedented growth spurt Colorado is experiencing. It has been shown that opposition to oil and gas development gathers steam when organizers can point at a proposed well location just down the block rather than on a ranch miles away.

Granting the town council the ability to force relocation of a planned site has become the touchstone for any effort opposed to oil and gas. That authority is now held solely by the state through the Colorado Oil and Gas Conservation Commission.

For the oil and gas industry, the coming legislative session and the ensuing political campaigns leading up to the November elections could be a watershed for operations here.

"We hope to avoid having oil and gas become the defining issue in the election," said Dan Haley, chief executive at the Colorado Oil & Gas Association. Speaking at a local business event at Aims Community College in Ft. Lupton, Dec. 4, Haley noted that opposition voices have grown louder and that he expects the protests and disruptions of the past few years will continue, only intensified.

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"Make no mistake," Haley warned. "Our industry is under attack."

Sen. Matt Jones, D-Louisville, fired the opening salvo when he announced in

December he plans to introduce a bill that would allow local governments to regulate and prohibit new oil and gas development within their jurisdictions.

Since they were first drawn up, Colorado's oil and gas rules leave ultimate authority for placement of well sites and other facilities with the COGCC. In a 2016 rulemaking, the regulations were revised to oblige companies to work with local communities on well plans, but over the years the state's primacy in oil and gas development has been challenged, litigated and upheld by the state Supreme Court.

Tragic events such as the explosion in Firestone last spring provide a new rallying cry for opponents to return to the Capitol seeking legislative relief. A second run at legislation to make public maps for all flowlines and gathering lines is expected while the results of a task force reviewing the state's 811 underground pipe location rules is also expected.

### Growth Conflict

The most contentious oil and gas issues to face state legislators in January can be traced to Colorado's phenomenal growth. Tens of thousands of people moved to Colorado over the past decade and the great majority of them have settled along the Front Range, according to state and federal demographers.

Although energy development on the farms and ranches to the east has been ongoing since the early 1970s, the Shale Revolution of the past decade transformed the DJ Basin from a natural gas and gas liquids resource play into the seventh largest crude oil production basin in the country.

At the same time, driven by tech, tourism, agriculture and manufacturing, Colorado's economy recovered strongly from the Great Recession of 2008 and was recently ranked as the second strongest of the 50 states and D.C., according to Business Insider magazine.

As the economy grew, so did Colorado's population and at a pace not seen before.

In the nearly half century since Richard Nixon was in the White House, Colorado's population has grown by nearly 150 percent. According to the US Census Bureau, Colorado's population grew from 2.2 million in 1970 to 5.5 million residents in 2016.

More recently, government estimates conclude Colorado's population increased by 511,221 people from 2010 to 2016, adding up to the eighth largest gain among states adding population.

A report in October by Colorado's Department of Local Affairs shows that as of July

2016, the most recent estimate available, there were 5,538,180 people living in Colorado. Of those, 4,373,507, or 79 percent, live in the nine counties along the Front Range.

Although the latest figures show the sizzling rate of population growth has cooled somewhat over the past year, state demographers forecast another 54 percent increase, to 8.5 million Colorado residents within 25 years.

At that rate of growth, conflicts over anything and everything are sure to intensify.

Topping the list of things that come along with a rapidly growing population are more cars and trucks on the roads, a growing demand for finite water supplies, a widening gap between old and young, examples of rural neglect and urban indifference, and significantly, escalating housing prices that drive a building boom with developers racing to catch up with the influx of new residents.

Unfortunately, many of those new housing developments are being built right on top of one of the most prolific crude oil basins in the nation. This sets the stage for the growing conflicts between those who see local control as the means for reining in oil and gas development and an industry increasingly concerned it will be denied access to a valuable resource.

### Regulatory Shift

The Governor's Oil and Gas Task Force was formed in August 2014. It was comprised of 21 people from different backgrounds and parts of the state and it held a series of public hearings over 15 months. From that effort, the COGCC produced half-dozen drafts and finally, a new set of rules that were issued in January 2016.

These new rules marked a significant shift from previous rule-making efforts that focused on rural areas west of the Continental Divide. Before 2016, state regulations generally encouraged operators to develop new wells and facilities away from towns and residential areas; operators, for the most part, were able to comply.

Meanwhile, new developments in horizontal drilling and multi-stage fracturing and a market that shifted away from over-supplied natural gas to light sweet crude, meant the oil resource found in the DJ Basin was now the focus of mineral leasing, drilling and infrastructure development.

This renewed interest in energy development soon found itself confronted with new subdivisions, schools and commercial districts that were not even on the drawing board a decade ago.

As a result and despite a price-driven slowdown across the DJ in 2015 and 2016, ballot initiatives aimed at slowing oil and gas development along the Front Range were proposed, money was raised and signatures gathered.

Of the five oil and gas initiatives proposed last spring, none made it to the November ballot. The intent of three of the five was clear: local government would gain the authority to regulate oil and gas development that could not be pre-empted by the state.

A fourth initiative would have pushed well location setbacks to nearly a half-mile from any occupied structure, a move industry insiders say would all but shut down drilling throughout the state.

A fifth initiative was proposed as a counterweight by the industry and business interests and would have prohibited local governments from enacting any rules more restrictive than those of the state.

All five were disqualified or withdrawn weeks before the election.

"With 2018 being an election year, we expect to see several anti-oil and gas bills and ballot initiatives that use local control for leverage," Haley said.

### Local Efforts

In the decade since the landmark rulemaking session of 2008, Front Range cities, towns and counties from Ft. Collins to Broomfield and from Adams County to Lafayette have approved measures and moratoria of one form or another.

Within the past year, five local governments took action to assert their control over oil and gas development, in some cases even if there was no drilling planned.

In Longmont, a ban on well completions was approved by voters but subsequently overturned by the state Supreme Court. In the same ruling, a five-year moratorium in Fort Collins was likewise overturned. The city of Boulder recently extended its moratorium through June while the latest in a series of moratoria in Boulder County was allowed to expire in May. The county implemented a series of strict requirements for permit applications and lately, was reviewing an application for a site in eastern part of the county.

In Lafayette, a well completion ban four years ago was overturned by a district court but the city enacted a six-month moratorium in November.

Industry trade associations filed a lawsuit in October against rule revisions in Thornton that industry claims overstep state regulations.

In Broomfield, voters approved an initiative in the last election, endorsed in a newspaper editorial as "in the public interest for densely-populated metropolitan areas" to force the council to consider health, safety and the environment when considering development applications. The measure aligns with a vision statement approved by the city/county council in September.

In Weld County, a working group is considering revisions to its flowline rules and the town of Erie was sued by an operator over the town's rules on odor control.

Most recently, tiny Dacono passed a six-month moratorium on new wells to allow it to review existing oil and gas regulations for possible updating. The city's manager advised that the action taken Nov. 28 was akin to pressing the pause button and that city staff would work with and sidestep the moratorium for any company that agrees to enter a Memorandum of Understanding on its planned development.

The industry encourages local councils to include industry participation when restrictive measures are up for discussion. "We support a big tent approach that includes industry and follows Colorado law," noted COGA's Haley. "Operator agreements can address community concerns from the outset."

Looking ahead at the coming session in the Capitol, Haley observed that he expected introduction of several "statement bills" at the Legislature intended to bolster support from the base. With House and Senate split between the two parties, any legislation seen as too extreme will find tough sledding, he noted.

What is clear is that any recovery in the oil patch must contend with rapidly growing and increasingly provincial communities.

Dan Larson is a Colorado journalist and PR pro. He has three decades experience in the oil and gas industry as a communications specialist. Working industry segments upstream and down, Dan led marketing programs, neighbor discussions, community development and contribution programs, and crisis response efforts. Lately, he is writing for Energy Pipeline, online news services and trade magazines serving the energy and automotive industries. Visit Dan's website at <http://www.larson-comms.com>