

Charting its course: Ongoing dialogue key to Crestone Peak success in community issues

BY DAN LARSON • FOR ENERGY PIPELINE

Less than two years after it was formed from a carve-out of assets held by Encana, Crestone Peak Resources is charting its own course in developing oil and natural gas in northern Colorado.

Crestone Peak is a privately held company with a majority stake owned by the Canada Pension Plan Investment Board and the remainder owned by The Broe Group. The two purchased Encana's 51,000-acre DJ Basin position for \$900 million in July 2016.

Jason Oates is director of external affairs at Crestone Peak and a former Encana employee. In an interview in March, Oates said any company operating on the western flanks of the DJ Basin faces difficulties companies do not encounter in other parts of the state.

"Our approach is to first confirm we have the legal authority to be there," Oates observed. "Once we establish that, we do everything we can to be the environmentally responsible operator. Our approach to community relations is to have a dialogue that is ongoing."

What the company often encounters, however, is a continuous challenge to the company's property right to produce something that opponents believe is inherently dangerous to the planet and hazardous to public health of the community.

In response, Crestone Peak has "completely changed how we operate," Oates said. "New locations are all connected by buried pipelines so there are no tanks on location and less truck traffic. We operate electric drilling rigs to reduce noise, we put up sound walls and employ hydraulic fracturing equipment designed for quiet operation."

"If we were taking these steps elsewhere in Colorado, it would be touted as the most advanced project ever," Oates observed. "But because it's Boulder County, you would think we were back in the days of open production pits and Ajax pumps."

DRILLING PLAN

Since January 2017 when Boulder County lifted its moratorium on drilling permits, Crestone Peak has engaged in continuous discussions to reach an agreement on what the county calls a Comprehensive Drilling Plan.

That plan includes an extensive program of documentation, filings, consultations and public hearings before a drilling permit is approved. Industry representatives call the process one of the most arduous in the country.

According to a pledge issued last year by the Boulder County Board of Commissioners, the county will take a multi-pronged approach to asserting greater control over oil and gas.

The county is increasing site inspections for possible public health violations; lobbying in the Capitol for local government primacy and expanded regard for climate change issues; further reductions in greenhouse gas emissions from residential and commercial buildings; and an aggressive legal strategy in opposing oil and gas development.

"We have some authority" to write strong regulations of oil and gas, said County Commissioner Elise Jones, "but it is not all the authority we want for us to ensure full protection of our world-class environment."

In late March in apparent response to public opposition, Crestone Peak filed revisions to that part of its plan

to develop a 10-square-mile tract near U.S. 287 in eastern Boulder County. The revision was included in an updated version of the company's drilling plan released by COGCC on March 30.

The company's filing indicates it will reduce the number of wells it planned to drill by consolidating parcels that were scattered between Longmont and Lafayette into a contiguous 10-square-mile development.

Oates indicated the development could involve up to 140 new wells, none of which will be within 1,500 feet of a residence. It also calls for the company to plug and abandon as many as 90 existing vertical wells.

ODOR COMPLAINTS

Crestone Peak's approach to community relations is likewise seen as its approach to development in the town of Erie, a rapidly growing community that straddles the Boulder and Weld County line.

As elsewhere, the primary issues that drive neighbor complaints are noise, odor, light, truck traffic and footprint, Oates said.

"Our new facilities are designed to minimize those concerns," he said. "We continue to respond to odor complaints from existing facilities."

Oates observed that complaints generally come via a dial-in line operated by the Colorado Department of Public Health and Environment. In addition to odor complaints for livestock operations and marijuana grow warehouses, the department responds to numerous complaints from oil and gas sites, Oates said.

For its part, Crestone Peak takes "a scientific approach to all odor complaints," Oates said. The company contracts with an expert



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 www.larson-comms.com.

odor consulting firm that measures odor-causing emissions over time. Crestone Peak then installs combustors to consume odor-causing materials where needed and uses retention walls on drilling sites.

"Odor can be an issue of perception that the opposition will use against us," Oates said. "Our scientific approach proves if the issue is real; if it is, we find the source and address it."

ENCROACHING ACTION

The town of Erie has become something of a poster child for the rising conflict between companies looking to develop long-held leases and the rapidly growing suburban communities along the Front Range. In late March, the Erie city council

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took the step of approving a rule change regarding setbacks without a second reading.

The ordinance is aimed at reducing encroachment of new housing and public-use buildings on existing oil and gas facilities by requiring they be at least 350 feet from the facility.

The council vote came just days before a hotly contested election for Erie's municipal leadership. Erie has seen its population triple since 2000 and its real estate industry has worked to keep up with increased demand. The April election was seen by many as a referendum on new oil and gas development within town limits.

In the past, Erie has taken an aggressive role in facilitating real estate development.

An economic development report issued by Erie in 2016 declared: "If you build the housing, businesses will come."

"We see the encroachment issue going hand-in-hand with our development" of new oil and gas wells, Oates said.

Encroachment on existing oil and gas wells from new houses, schools and public buildings continue to raise concerns for Crestone Peak, Oates said. "We hear from some residents upset that our facilities are too close to a school or a house; in fact, it's the exact opposite. Our sites were there before the other buildings."

COGCC rules require new oil and gas wells and production facilities be set back at least 1,000 feet from public buildings and at least 500 feet from any occupied structures.

"We have had an operator agreement in place with Erie since 2015 that we agreed to voluntarily," Oates said. Some Crestone locations are covered under the agreement, others are not, he added.

"The agreement applies to all new development and (Erie) may feel they didn't get everything they wanted. That's true for all negotiations. They did get more than what the state regulates and that's something they seem to forget now and then."

Regulatory certainty remains difficult to achieve in towns like Erie, Oates said. "You think you have a solid agreement in place and then find it changed as soon as the meeting ends. The constant renegotiations are often driven by a vocal minority and the issues can change with the wind."

Oates states that the company will keep its focus on developments in the DJ Basin where it feels it has a competitive advantage.

However, given what the company regards as the "growing political risks" in developing oil and gas in burgeoning suburban communities along the Front Range, Oates noted that Crestone Peak is also considering opportunities in rural areas further east. ♦