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“For The Future of Northeastern Colorado”

May 28, 2008

Dear Oil & Gas Conservation Commission Members:

Progressive 15 has reviewed the draft changes in the Oil & Gas Regulations that you will soon be having hearings on. Progressive 15 is a membership advocacy group representing business, government, education, health care, agriculture and non profits in a 15 county region in Northeast Colorado. We work to make sure that laws passed or rules introduced do not adversely affect the economic viability of our area.

While we are greatly disappointed that our requests for hearings in each basin and for an extended process to receive testimony have met with resistance, we now realize that neither action is probable.

We do however, have some specific issues we would like you to consider as you work your way through the hearing process. Foremost is policies put in place where one size fits all. Vast differences between oil and gas production on the Western Slope and the Eastern Plains exist and we hope you will consider our concerns as we try to protect the economic future of our region.

First, we would like to address some unique issues in our area. Most of the drilling is done on private property rather than government leases. Some of the new rule changes circumvent private property rights and county government regulations. Additionally, most of our operators are residents of the very areas they work in and have been very diligent about polic-

ing themselves as their actions affect their families. Because they are smaller operators, minimal changes in costs and /or time can have a great effect on their operating costs. Lastly, we border two states that are welcoming to this particular industry. Kansas and Nebraska both have relatively easy permit processes, with consideration in a very short period of time.

Second, we would like you to consider some alternate bonding costs based on the actual costs of plugging a well. The cost is approximately \$30,000 in the Northwest part of the state while it can be done for about \$9000 in the Northeast part of the state. With the new rules now requiring a cash bond this is tying up operating cash that is above the true need.

Third, with regard to the pit lining requirement for earthen water disposal pits, we would strongly encourage you to grandfather in existing pits. Most of these pits have been used for several decades and to our knowledge there has not been an adverse impact to aquifers or ground water. Simply put, local operators we have talked with have indicated that lined water pits will not work. They will quickly fill up and then the wells they serve will have to be shut down. Also, we feel that for wells producing from the same zone or producing water of similar quality, adjacent operators should be allowed to share non-commercial water disposal facilities and underground disposal wells. Requiring a water pit for each well or each lease will only cause more land to be put out of agricultural production. Allowing operators to share these facilities will help spread out the cost of initial construction and of daily operations.

Fourth, please look closely at the wildlife issue in Yuma County. Wildlife in the Northeast Corner of the state has grown and thrived right next to drilling operations. In fact we have a more diverse and greater population of most wildlife than existed 50 years ago when the first oil boom came into the region. Shutting down operations for a period of time costs money and for wells producing 4 to 5 barrels a day is not cost effective. Make sure your decisions are based on reality and science rather than a perceived threat.

Lastly, we hope you will be continually cognizant of the length of time in the permitting process and the amount of documentation required. The Northeastern part of the state has already taken a major hit with irrigation water wells be-

ing shut down requiring 2 or 3 years of court proceedings to get augmentation plans in place. We do not want that to happen to the oil and gas industry. It takes 24 hours on line in Nebraska and 2 days in Kansas to process an oil or gas drilling permit.

As you go through the hearings and listen to testimony remember you will be hearing the most from those either adamantly opposed or supportive of the changes. We hope you will consider Progressive 15 somewhere in the middle, where we believe most of the state stands. We understand the need for rules and regulations and support those that are based on sound reasoning and data.

We however, strongly believe that you must weigh the economic impact this industry has, not only to the private citizen in leasing rights, but to jobs and ancillary services. Additionally, many government agencies at both a state and local level rely on severance taxes for funding of local projects, higher education, roads, open space, wildlife, etc. Any erosion of this fund affects us all.

Thank you for consideration of our concerns and we are happy to provide any further input.

Sincerely,



Catherine J. Shull
Executive Director
On Behalf of the Board of Directors

cc:
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