

APPENDIX C
COMMENTS SUBMITTED ON THE DRAFT CIR

The comments included in this section were submitted to La Plata County staff on the Draft CIR. Thirteen letters and e-mails were submitted to the county by the CBM industry, citizens and the COGCC. The county reviewed the comments and, where appropriate, the Final CIR was revised. The letters are attached on the following pages and are presented in no specific order.

The logo for the La Plata County Energy Council is a black oval with a white border, containing the text "La Plata County Energy Council" in white. The oval is set against a background of two curved, overlapping shapes in shades of gray.

La Plata County **Energy Council**

August 30, 2002

Mr. Adam Keller
1060 E 2nd Avenue
Durango, CO 81301

RE: Comments on the Draft La Plata County Oil and Gas Impact Report

Dear Adam:

Enclosed are the La Plata County Energy Council's comments on the June 2002 Draft of the La Plata County Impact Report (CIR). The Energy Council is a non-profit trade organization that promotes safe and responsible natural gas development in La Plata County. Individual and company members work to build community relations, increase public understanding, and address public issues relative to the industry. This cover letter outlines our major concerns, Attachment A provides specific comments on individual portions of the assessment, and Attachment B provides our responses to the options for minimizing Coalbed Methane (CBM) development conflicts or impacts contained in Table 6-6 of the Draft CIR.

The Energy Council has several major concerns about the Draft CIR.

1. The Draft CIR suggests that La Plata County could regulate aspects of CBM development (setbacks, visual, noise, safety) that are statutorily reserved for state regulation. The state's responsibility for regulating these aspects has recently been reaffirmed by the courts.

Because of the recent Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, "the local imposition of technical conditions on well drilling where no such conditions are imposed under state regulations, as well as imposition of safety regulation or land restoration requirements contrary to those required by state law, gives rise to operational conflicts and requires that the local regulations yield to the state interests. Bowen/Edwards, supra, 803 P.2d at 1060, such is the case with the setback, noise abatement, and visual impact provisions invalidated by the trial court here. Thus, the ordinance sections that the trial court invalidated are preempted on the basis of operational conflict."

The recent Weld County District Court of Appeals Decision, *Town of Frederick v. North American Resources Company* clearly establishes that local governments are preempted

A non-profit trade organization promoting safe and responsible natural gas development in La Plata County.

PO Box 3833 Durango CO 81302 - Voice 970.382.6686 – www.EnergyCouncil.org

from regulating many of the aspects of CBM covered by the Draft CIR. Our overriding opinion is that La Plata County's attempts to regulate in these areas would be invalid. We are particularly concerned that such a large portion of this **\$350,000** Impact Report (funded by a **\$175,000** Department of Local Affairs Energy Impact Grant, **\$121,000** in La Plata County matching funds and **\$54,000** in kind services provided by the county) suggests options for regulating CBM development that are clearly not within the county's jurisdiction under Colorado law.

Moreover, current La Plata County land use regulations should be carefully reviewed for operational conflicts so that local regulations regarding oil and gas activities yield to the State's interest, including the areas of setback, visual impacts and any reference to noise, which are preempted from local regulation. We believe that the portions of the Draft La Plata County Impact Report, which include recommendations and options regarding setbacks, noise and visual impacts, should not be used for comprehensive planning purposes, nor for the development of future oil and gas regulations. Out of respect to the county taxpayers, it seems appropriate to limit areas of county regulation to those that are acceptable under state statutes and the recent Colorado Court of Appeals decision.

2. Our review of the Draft CIR has identified substantial flaws in the transportation analysis, the results of which are carried forward into the mitigation section of the report. We are concerned that the faulty transportation analysis will be used as a basis for air quality modeling, which would overstate air quality impacts of the Northern San Juan Basin (NSJB) CBM development. These errors should be corrected and an errata notice circulated to recipients of the draft and posted on the County's website. The errors in the transportation analysis are outlined in Attachment A.
3. The Draft CIR does not address the adequacy (or inadequacy) of existing regulations for avoiding or mitigating potential impacts. Many of the potential impacts identified in Section 5 of the report would be adequately avoided or mitigated through compliance with existing regulations. If the county or its contractor believes existing regulations are not adequate to address specific impacts or impacts in certain locations, those circumstances should be identified and discussed. But the linkage between potential impacts, existing regulations and the need for additional regulation is not established in the Draft CIR.
4. Many of the options for minimizing CBM development conflicts or impacts contained in Table 6-6 are not supported by the analyses in Section 5 of the Draft CIR. It ignores the relevant statutory and case law, and assumes that a myriad of state and federal regulation is non-existent. For example, one option to offset the eventual decline in CBM revenues is to "increase the mill levy for property taxes for oil and gas facilities." However, the Section 5.2 analysis concludes that "The most significant impact to revenues associated with CBM development is increased property tax revenues." and "In addition to net revenues gained over the 30-year period, the reduced portion from oil and gas revenues that result from the conclusion of the project may be offset by other sources." The final CIR should ensure that impact minimizing and mitigation options are supported by the assessment.

A non-profit trade organization promoting safe and responsible natural gas development in La Plata County.

PO Box 3833 Durango CO 81302 - Voice 970.382.6686 – www.EnergyCouncil.org

5. The Draft CIR identifies a wide range of potential impacts of CBM development, but it does not dedicate a corresponding effort to identifying the benefits of CBM development to La Plata County residents. This is particularly true for the contributions of the CBM industry to the La Plata County tax base; clearly, the CBM industry contributes far more in tax revenues than it receives in public services. Similarly, the measures that the CIR uses to portray the contribution of CBM to the La Plata County economy tend to minimize the important role that the industry plays. A balanced impact report should provide a realistic assessment of the contributions of the CBM industry to the La Plata County economy and tax base.
6. CBM industry impact monitoring and mitigation activities receive little attention in the Draft CIR. Examples of monitoring and mitigation programs include water well monitoring initiatives and operator repair or payments for access roads damaged by drilling and construction traffic. These efforts should be described and considered when determining the adequacy of existing mechanisms for avoiding and mitigating impacts of anticipated CBM development.
7. The role of landowners in the well and facility siting process similarly receives little attention in the Draft CIR. Operators enter into surface use agreements with landowners. In general, those agreements dictate how CBM development occurs on private surface. Moreover the damage payments that landowners receive is based in part on the value of land removed from other uses and offsets any effect on property values.

Our specific comments in Attachments A and B provide additional information about these major concerns. Because of some of these major concerns/errors we would like you to prepare a time line with procedures to address topics, for meetings and for corrections to this draft. If you do not plan to finish this CIR we need to know that, also.

Thank you for considering our comments. We have worked constructively with local elected officials and county departments on oil and gas matters and we look forward to continuing a cooperative effort to modify oil and gas regulations and this Draft CIR. We are committed to complying with the court decision law that affirms preemption in specific areas of visual mitigation, noise and setbacks. La Plata County taxpayers win with the court decision. The county budget and personnel have for too long been allocated to establishing regulations that have been legally shown to be unnecessary or duplicative. In light of this decision we remain committed to look for common ground with the many constituent groups in La Plata County. We are an important contributor to the local economy, striving to develop cleaner energy and assist in achieving our nation's goal of greater energy independence.

Sincerely,

Christi Zeller
Executive Director

A non-profit trade organization promoting safe and responsible natural gas development in La Plata County.

PO Box 3833 Durango CO 81302 - Voice 970.382.6686 – www.EnergyCouncil.org

**Attachment A-La Plata County Energy Council
Comments on Specific Portions of the June 2002 Draft La Plata County Impact Report**

Executive Summary

While there are a number of recommendations in this section, there are some that are objectionable and others we support. Through our comments in specific chapters, those positions will be made clear.

Page E-1, last paragraph. This paragraph contains recommendations for possible options by the county to mitigate impacts from oil and gas operations. While some of the recommendations are commendable, such as identifying methane seep hazard areas where residential development could be restricted, others are cumbersome. The recommendations to develop standards similar to federal wells or using performance based standards in certain defined zoning districts will be very difficult to employ.

Page E-3, 4th full paragraph. This paragraph relies on the conclusions of a flawed analysis. The analysis should be revised and the implications of the revised traffic results as the justification for additional mitigation should be revisited. An appropriate errata sheet or addendum should be distributed to recipients of the report and posted on the County's website.

1.0 Introduction

Section 1.1 (Page 1-1) and/or Section 4.0 (Page 4.1). The Draft County Impact Study (CIR) would benefit from a discussion and table describing the historic pace and location of coalbed methane (CBM) development in La Plata County, and the cumulative context in which the Northern San Juan Basin (NSJB) CBM project will occur. The discussion and table should include the following:

The annual number of CBM wells drilled within La Plata County since the mid 80's, and a breakdown of the number of wells drilled on private surface, public lands, state lands within La Plata County for each of these years.

Projections of the annual cumulative number of wells anticipated for the county, (including those in the project area and those elsewhere in the county) by private surface, public lands and state lands.

The relationship of future cumulative CBM development to past development, will it be greater? Less? By how much?

The relationship of the Northern San Juan Basin CBM development to total CBM development anticipated for La Plata County.

Although the focus of the CIR is the study area, having a sense of the historic and future cumulative pace and distribution of countywide CBM development would help determine if

county service demand (e.g., road maintenance, emergency management, planning services) would decrease or expand. The cumulative discussion would also provide an understanding of the portion of impact attributable to CBM development within the project area.

Oil and Gas Development Land Use Controls

Page 3-7, Section 3.1.3: This chapter is intended to discuss land use controls for oil and gas development. The CIR states, “The Colorado Supreme Court recently addressed the conflict between state and county authority over regulation of land use for oil and gas development.” Ten years ago, when this decision was rendered, is not recent.

Page 3-9, Section 3.1.3: To clarify that operational conflicts between county and state regulations “must be resolved on an ad-hoc basis under a fully developed evidentiary record.” the following sentence should be added at the end of this sentence and before starting Surface Rights vs. Mineral Rights: “The Colorado Court of Appeals recently affirmed such an analysis of operational conflict under a full evidentiary record. In *Town of Frederick v. North American Resources Company*, the court found operational conflicts were created by the local government’s regulations in the areas of visual impacts, sound mitigation and setbacks.”

Setbacks:

Page 3-9, the county setback of at least 400 feet is required under Chapter 90 of the Code of La Plata County, while a setback of at least 200 feet is required by the COGCC spacing regulations, under *Town of Frederick v. North American Resources Company* this is not permissible.

Surface Disturbance Compensation

Page 3-10, the word compensation should be deleted. The county does not have any authority to adjudicate civil disputes between private citizens and award compensation. Further, the content of this paragraph does not really relate to compensation.

Noise, Lighting and Visual Obstruction/Degradation

Page 3-10, because of the recent Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, “the local imposition of technical conditions on well drilling where no such conditions are imposed under state regulations, as well as imposition of safety regulation or land restoration requirements contrary to those required by state law, gives rise to operational conflicts and requires that the local regulations yield to the state interests.”

Bowen/Edwards, supra, 803 P.2d at 1060.

“Such is the case with the setback, noise abatement, and visual impact provisions invalidated by the trial court here. Thus, the ordinance sections that the trial court invalidated are preempted on the basis of operational conflict.”

Recent Legislative Activity

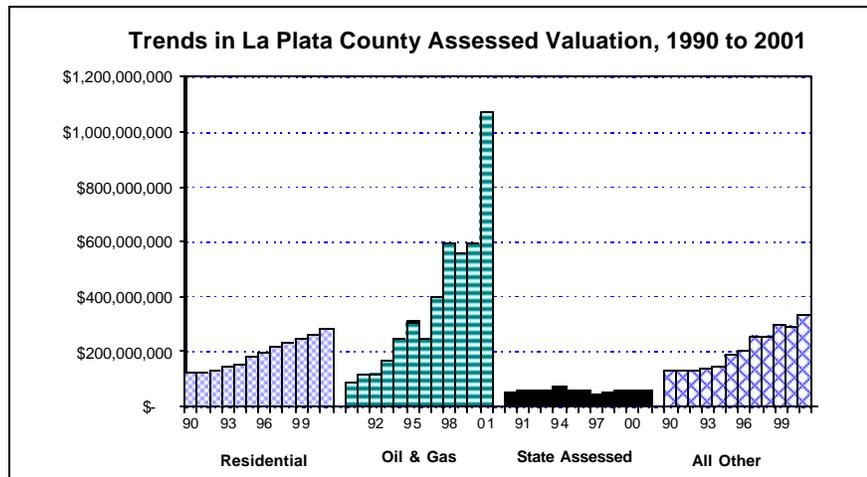
Page 3-12 to 3-13. This chapter is intended to discuss existing conditions in the county. The reference to two bills that were not enacted by legislature has no bearing on existing conditions in the county. Therefore, the last paragraph of this subsection should be eliminated.

Fiscal Conditions of Local Government

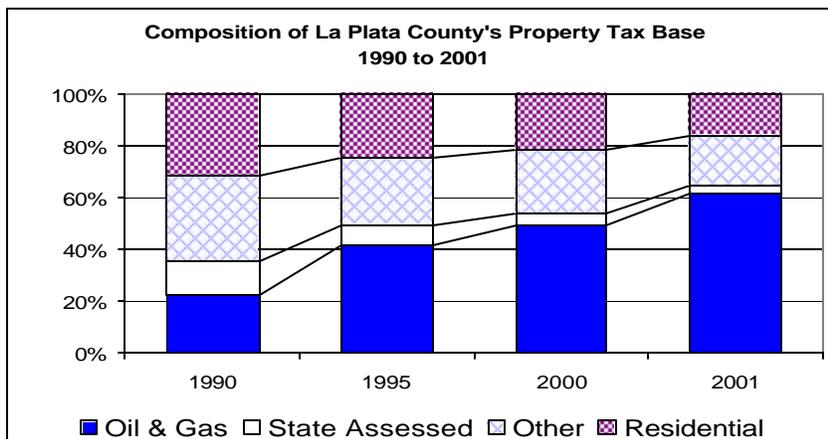
The CIR presents a substantial volume of data regarding local fiscal conditions, including descriptions of some of the linkages between those conditions and the oil and gas industry. However, it is the La Plata Energy Council’s position that the presentation falls short in its portrayal of the industry’s significant fiscal contributions in La Plata County and the extent to which all taxpayers in the county benefit from its activities.

Section 3.2.5 (Pages 3-41 through 3-49) discusses fiscal conditions of local government. That discussion describes the increasing share of the county’s revenues (and that of many other taxing entities) accounted for

by oil and gas. While the tabular information is factual, the report fails in informing the reader of how dramatically the composition of the tax base has changed. As recently as 1993, the residential assessed valuation in La Plata County exceeded that of the oil and gas industry. However, since then the industry’s valuation increased more than six-fold, while that from residential development has not even doubled despite significant new construction and strong appreciation in housing prices.



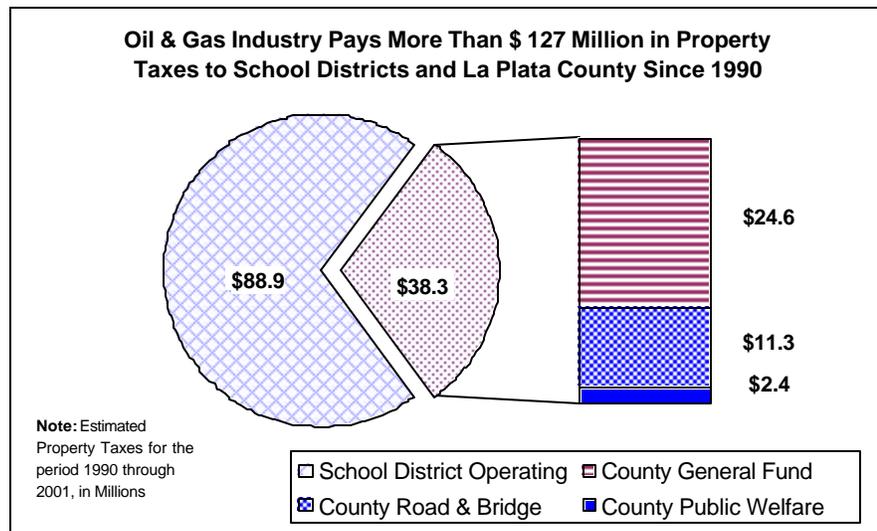
The result of these changes has been a dramatic shift in the property tax burden borne by the oil and gas industry. Over the period 1990 to 2001, the industry’s share of the total ad valorem tax



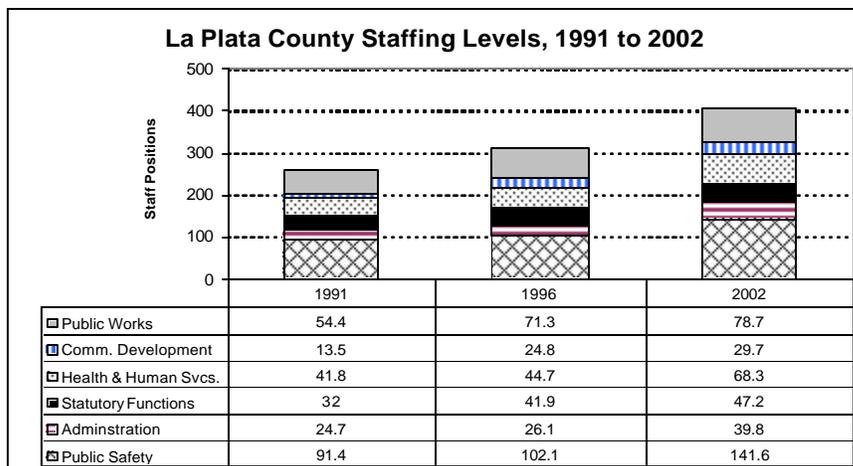
roll (including the associated industrial facilities) has increased from 21% to 62%, while that from residential development has fallen from 32% to 16%. If commercial, vacant, agricultural and state assessed property is included, the oil and gas industry accounts for nearly two-thirds of the entire base. Even if one discounts the 2001-year as unusual, the industry

accounts for half of the entire county's property tax base. When the industry's valuation is combined with the county's ad valorem tax rate, the industry paid over \$5 million in property taxes in 2000 and nearly \$9.1 million on the 2001 valuation. In addition, the industry paid more than \$9.0 million in taxes to support the local school district operating budgets in 2000, with more than \$12.2 million in estimated taxes paid on the 2001 valuation. The industry's support of local school districts, as well as many other local public service providers is not even acknowledged in the CIR.

In the 12-years covering 1990 through 2001, the industry's aggregate property tax payments are estimated in excess of \$88.9 million to support local school operations (the total increases if debt service was included) and \$38.3 million to La Plata County. In addition to the property taxes paid, the industry, its subcontractors, suppliers and local households directly and indirectly supported by the oil and gas industry generate substantial sales and other tax revenues and fees to support local government and public service providers. Again, the CIR overlooks these contributions.

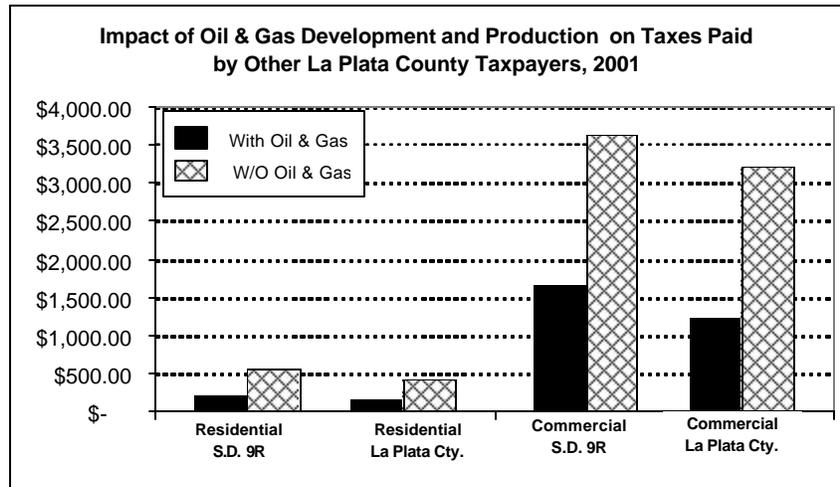


Those taxes have gone to support increasing demand for public facilities and services for a population that tops 44,000 residents and hosts more than 1,000,000 tourists per year. The growing demands for services from an expanding resident population and the continued promotion of tourism have fueled increases in public spending that are largely unrelated to the oil and gas industry, yet consume an increasing share of the available resources.



A summary of the county's staffing levels provides an indication of how the county's expenditures have risen to respond to population growth and increases in the levels of services provided. Between 1991 and 2002, total staffing for La Plata County increased by

nearly 60 percent from 257.8 to 405.3 positions. Increases in public safety and the health and human services program areas accounted for more than half of the total increase, nearly 77 positions. Increases in the public works program area, which includes the road and bridge department, numbered 24.3 positions, raising the total to 78.7 positions. That total includes 12.9 positions assigned to the La Plata County Airport, as well as the maintenance, snow and ice removal, engineering, traffic control management and fleet management on nearly 700 miles of county roads. While the industry contributes to the demands placed on that department, it is certainly not the sole contributor given the increased development in unincorporated portions of the county.



One result of the changing staffing levels and responses to resident demands has been an increase in expenditures in other program areas. Those expenditures are funded in large part by the proceeds of the county’s general fund property tax. Local voters have twice approved measures allowing the county to retain property tax revenues in excess of the limits imposed by the TABOR amendment. As a result of the oil and gas industry’s rising production and valuation, it picks up most of that burden. In effect, the result has been that the industry underwrites many of the local government and education services provided to residents, allowing them to enjoy a higher standard of service than they would otherwise have, or at a lower cost than if the oil and gas industry was not actively producing in La Plata County.

A simple proxy of the benefit local taxpayers receive due to the property taxes paid by the industry is gained by calculating the property tax bill under the existing conditions and assuming the oil and gas industry’s entire assessed valuation suddenly evaporated and taxpayers were required to generate a comparable amount of revenue to offset the losses. This approach was taken for the owner of a typical single-family residential property (market value of about \$193,000) and for a commercial building with a market value of \$500,000. For purposes of this illustration, taxes paid to support county government and local school district operations were both examined, the latter based on the tax rates for Durango School District 9R because they are the lowest in the county and also where a large portion of the production occurs. Results of the analysis are shown in the following figure and table.

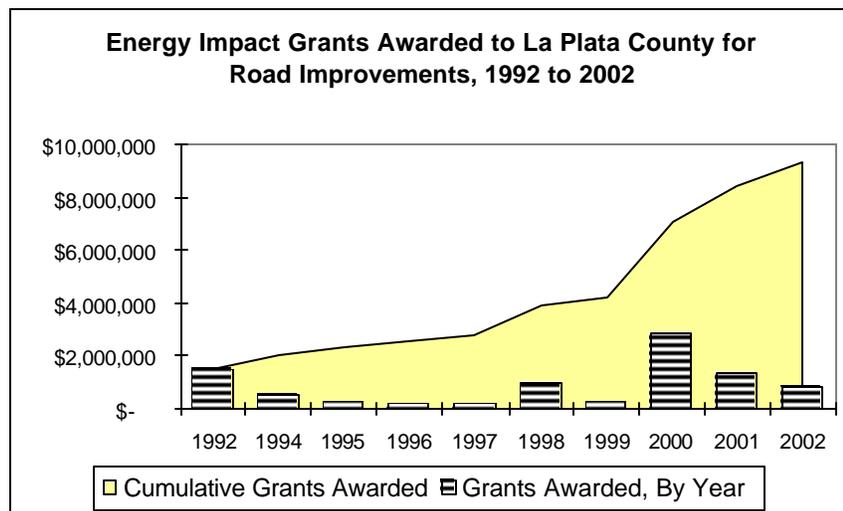
The analysis indicates that owners of each of the more than 12,000 single-family residences throughout La Plata County would have seen their 2001 property tax for the school operating and county portions increase from an average of \$374 to \$972 – a \$578 or 160% increase. For the commercial properties, the impact would still be a very large increase, as taxes for a \$500,000 property would increase from \$2,887 to \$6,834, or \$3,947 (over 136% increase). Although the

savings were not estimated, property owners of vacant land, farmers and ranchers, and other types of property benefit similarly.

Impact of Oil & Gas Development and Production on Taxes Paid by Other La Plata County Taxpayers, 2001				
	Single Family Residential @ \$193,000		Commercial Building @ \$500,000	
	SD 9R – Operating	La Plata County	SD 9R - Operating	La Plata County
2001 Taxes w/o Oil & Gas	\$ 557	\$ 415	\$ 3,631	\$ 3,203
2001 Taxes with Oil & Gas	\$ 214	\$ 160	\$ 1,654	\$ 1,233
Tax Savings due to Oil & Gas	\$ 343	\$ 255	\$ 1,977	\$ 1,970
Combined Annual Savings		\$ 598		\$ 3,947
Data sources: <i>Thirty-First Annual Report – 2001</i> , Colorado Department of Local Affairs, Division of Property Taxation, 2002				

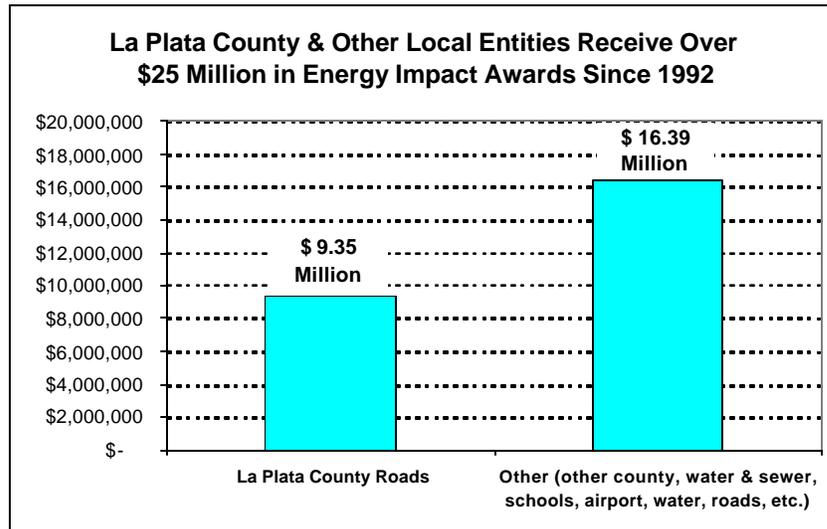
In the interest of time, the analysis is admittedly simplified and subject to some caveats. For instance, increases in state funding could offset some of the reduction in the local property tax revenues and it is unclear that voters would approve exemptions in TABOR revenues if they, collectively, had to bear the full tax burden of that approval. However, these limitations notwithstanding, the underlying conclusion is valid. The presence of the oil and gas industry underwrites the provision of governmental and educational services to the residents and visitors at levels higher than they would receive absent the industry’s tax base.

Yet another example of the incomplete picture of industry-related benefits portrayed in the CIR pertains to the discussion of energy impact grants funded through severance taxes. To date, La Plata County has been awarded nearly \$9.4 million in grants to address road impacts –see the figure to the right. It will continue to apply for and expects to receive significant additional grants in the future. To a large extent, that part of the story is acknowledged in the CIR. However, the CIR overlooks that the county, local school districts, fire protection districts and other governmental entities have received energy impact grants awards totaling nearly \$16.4



million – see the figure below. While impacts related to oil and gas has provided some of the justification for these grants, a bigger factor has been the population growth, particularly in unincorporated portions of the county that is unrelated to the industry. To some extent, the

improvements funded by those grants benefit industry, but to an equal or even much larger extent, they benefit the residents of and visitors to La Plata County.



We as an industry group are pleased when the taxes paid on oil and gas produced in the county returns to fund infrastructure and service needs in the county. We also think it appropriate that the CIR provide a balanced and comprehensive assessment of the industry’s role with respect to fiscal and other matters.

Employment and Income

Section 3.2.1.2 and 3.2.2 (pages 3-30 through 3-37) of the Draft CIR discuss basic employment and direct earnings associated with CBM, presumably derived from BEA data for the mining sector. Because basic employment and earnings associated with CBM (as defined by the CIR) represent a relatively small increment of La Plata County employment and earnings, the discussion creates the impression that the contribution of CBM to the La Plata County economy is insignificant. Although some of the labor and materials associated with CBM are drawn from outside the county, industry expenditures for certain types of materials and contractors within the county are substantial. For example, dirt work, certain types of specialty construction contractors, aggregate and concrete are typically purchased locally. Subcontract employees such as archaeologists, right of way agents, permitting agents, geologists, painters, snow removal, weed control, dust control, fencing and landscapers all live and work here in La Plata County and derive a substantial portion of their business from oil and gas activity. These jobs represent an important source of general economic stimulation as a result of employees buying goods and services. The flow of these capital and labor expenditures through other economic sectors, coupled with royalty payments to local residents account for a larger percentage of La Plata County economic activity than suggested in the Draft CIR.

Moreover, it is estimated that there are over 4,000 royalty owners receiving checks from production activities here in La Plata County. A survey by one operator indicates that over 27% of these royalty owners live here in La Plata County, approximately 1,080 local residents. The employment and personal income impacts of subsequent rounds of government spending,

investments supported by individual royalty payments, CBM-related ad valorem tax, and federal mineral royalty and impact assistance grant revenues also increase local economic activity.

In addition to the BEA data and basic employment and income estimates, the CIR should attempt to provide an estimate of the total number of employees (full time equivalents) supported by CBM. For example:

The Energy Council conducted a telephone survey to its 34-member organization and there are 471 employees and 781 contract employees living and working in La Plata County. As described earlier, contract employees can be landmen, attorneys, archaeologists, weed control contractors, welders, truckers, snow removal contractors, painters or landscapers, among others.

The table below (compiled from the county’s grant applications) shows recent examples of the county’s own estimates of the total number of employees supported by CBM development. Although we think the numbers shown may overstate the industry’s direct employment, they support our contention that the industry’s beneficial impact on employment and the economy in general is much larger than is conveyed in the CIR.

Oil and Gas Employment Numbers Contained in La Plata County Energy Impact Grant Applications :

YEAR	Energy Production Employees residing within the jurisdiction	GRANT APPLICATION
1988	901	Overlay grant/economic grant
1989	990	Overlay grant/economic grant
1990	1496	Overlay grant/economic grant
1991	1417	Overlay grant/economic grant
1992	1451	Overlay grant/economic grant
1993	1546	Overlay grant/economic grant
1994	1886	Grader Grant
1994	1630	Overlay grant/economic grant
1995	1724	Grader Grant
1995	1711	Overlay grant/economic grant
1996	1830	Overlay grant/economic grant
1997	1953	Grader Grant
1997	1850	Overlay grant/economic grant
1998	1927	Grader Grant
1998	1869	Overlay grant/economic grant
1999	2079	Overlay grant/economic grant
2000	1907	Grader Grant
2000	2130	Overlay grant

In addition to the direct and contract CBM employees, there are a substantial number of employees in non-basic industries supported by CBM-related spending. The CIR should include

realistic estimates of total employment and income resulting from CBM activity and the Section 3.2 narrative should describe the economic linkages and the multiplier effect. Without these estimates, the reader of the CIR receives an incomplete and misleading understanding of the relative importance of the CBM industry to the La Plata County economy.

Property Values

Section 3.2.7 (pages 3-50 through 3-54), the Draft CIR goes to some length to estimate the monetary *costs* to property owners associated with property value impacts of Coal Bed Methane. A balanced impact report should also include estimates of the *benefits* of CBM development to La Plata County property owners. The CIR says that La Plata County has the fourth lowest property tax mill levy of the 63 counties in Colorado (page 5-18). Revenues from CBM development account for a substantial portion of the reduced mill levy rate that La Plata County property owners enjoy. As discussed in our comments on the Local Government revenue section above, the average residential property owner would have had to pay an additional \$600 in property taxes to receive a similar level of services. While this amount may vary from year to year, the CBM-related reduction in property taxes for all La Plata County taxpayers is substantial.

Estimate Of Impacts Of Existing CBM Development To Residential Property

In Section 3.2.7.3 (pages 3-53 & 54), the Draft CIR concludes that properties with CBM wells near but not on the property experienced a net reduction in value of \$200, or less than one percent of total value. This estimated reduction in value is more than offset each year by the reduction in property taxes described above (\$600 in 2001 alone).

The Draft CIR also provides an estimate of the net effect of CBM wells on the value of properties on which a well is located. The CIR estimates the overall average effect as a reduction in value of about 22 percent or \$68,100. The CIR should acknowledge that owners of properties on which CBM wells are located receive compensation in the form of damage payments from the operators, which are based in part on the value of the land removed from other uses. Data obtained from the assessor's records provides additional information and is used in the negotiated process with surface owners. Many companies have a success rate of between 99% and 100% in addressing damages and use when negotiating Surface Use Agreements or other rights of way. Landowner damage payments offset any reduction in the value of a property where a CBM well is located.

The county's own right-of-way acquisition process provides a similar example of property value compensation. When the county widened Florida Road it compensated property owners for rights-of-way and subsequent effects on property values.

Further, in the property value analysis, (Section 3.2.7, pages 3-50 through 3-54) the construct of the distance to nearby wells for homes on adjacent properties seems questionable. First, according to Table 1, it seems there are only 5 or 6 home sales that have a well within 550 ft. but not on the property. This is a very small sample on which to base the conclusion regarding a potential positive impact that offsets the negative effects of wells located further away. Second, why was the distance of 550 feet selected? Given the 160-acre spacing requirement (about 1/4

mile), the use of 1,320 feet for the outer ring seems logical. But why not then use 1,000 feet or 650 feet, or 1,300 feet and conduct a sensitivity analysis?

3.4.5 Landscape Viewshed Sensitivity and Evaluation and Results Of the Evaluation Of Landscape Viewsheds, through Noise. Pages 3-75 through 3-85. (See note referencing Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, under Noise, Lighting and Visual Obstruction/Degradation at Page 2 of this Attachment A.)

No page number but found immediately after Page 3-75 with Photograph #6. The separator has been mislabeled as a wellhead.

Methane Seepage

3.6.2.1, pages 3-87 to 3-88. This section makes no reference to the water well sampling program required under the infill order issued by the COGCC in 2000 for the 160-acre infill wells. This order requires that the nearest two wells within a ½ mile be identified and sampled prior to and after completion of all new infill wells. At last count, hundreds of water wells have been sampled and the total grows daily. This program should be referenced in this subsection.

Dying Vegetation

3.6.2.3, page 3-89. The comment is made in the 5th line that “areas of affected vegetation appear to be expanding over time and more plants are showing indications of stress” along the outcrop. This is not a true statement. Pedestrian surveys have been conducted over the last three years and no trend has been observed regarding stress on vegetation. This can be confirmed by reviewing the reports submitted by LT Environmental, the company conducting the pedestrian surveys, to the County, the COGCC and the BLM.

Chapter 5- Impact Analysis For the Anticipated CBM Development

Land Use Impacts

Page 5-2, second paragraph under this subsection. The statement that drilling would be limited to a 2-month period is incorrect. The drilling phase should take from 7-12 days. This paragraph also refers to “decommissioning/reclamation would occur over a 5 year period over the entire study area”. This statement is misleading. Most of the wells will be abandoned over a larger span that just 5 years. This could be spread over a period of 10-15 years and should be reflected in the final document.

Private Lands

Page 5-4, third paragraph. A total of 433 acres is presented as long-term disturbance on private lands from CBM development in the study area. The entire study area of private land holdings totals 60,492 acres as shown in Table 5-2. The long-term disturbance acreage represents less than 1% (0.716%) of the total private land in the study area. This percentage should be included in this paragraph to give a better perspective on how small long term CBM development will be when compared to the total private land in the study area. Additionally, this format is misleading

as to an Impact Survey on the total private lands in La Plata County. There are 444,075 private acres in La Plata County, the acres of private land in the CIR Study Area total 60,492, which is 13% of the total county lands. How many total private acres are in the entire coalbed methane outcrop? That acreage number should be calculated and divided by the 444,075 private acres total to determine the impact in relation to the **total** county.

Social and Economic Impact

Comments made in this Attachment A on pages 3-9 regarding Chapter 3 of the CIR reflect the need for the final CIR to show a more complete picture of the contribution of CBM to the La Plata County economy. One alternative for doing so would be to include the findings of the IMPLAN model, and to ensure that the IMPLAN model is used to estimate the baseline contribution of CBM to the county economy, as well as the economic effects of the NSJB CBM project. Unfortunately, the findings of the IMPLAN modeling process being conducted for the EIS were not available in time for inclusion in the draft. However, the final CIR should include these findings, to provide a more complete assessment of the effects of current and future CBM development on the local economy. Limiting the discussion of economic effects of the Northern San Juan Basin CBM project to basic employment and direct earnings does not allow consideration of the flow of capital and labor expenditures through other sectors of the economy and the local and regional economic activity that results from CBM development.

It should be noted that the IMPLAN model could be used to estimate the indirect and induced employment and income effects of the industry's annual property tax payments and other induced public sector revenues as they ripple through the local economy. This would be a useful exercise for both baseline and impact assessments.

Impacts From Eventual Decline in Gas Revenues

While the conclusion of Section 5.2.5.8 (page 5-24) appears reasonable given the net revenue projections shown in graph 5-7, its validity and the subsequent usefulness of the CIR to county officials may be undermined by questions regarding the underlying CBM production and net revenue projections. *The Northern San Juan Basin CBM Project County Goals and Objectives for the Impact Analysis Process (Appendix A)* identifies the following specific issue as a key impact topic: "What will the eventual decline in gas revenues mean for the maintenance of service levels?" (Appendix A, B.7.b.i.)

The CIR attempts to address this question using linear regression analysis (Graph 5-5 and Graph 5-7), which illustrates an apparent trend of increasing net revenues for the county. In fact, the relationship shown implicitly illustrates the increase in capital spending by the county because the graphs only portray the county's operating expenditures, not total expenditures. Furthermore, the CIR acknowledges that linear analysis "...does not reflect the anticipated spike, potential leveling off and gradual decline in well production associated with CBM-related activities. Likewise the projection does not reflect a gradual decline in production of existing wells."

While linear regression analysis is a useful tool, its utility for budgeting purposes is limited. This is particularly true when the regression equation specifies time, expressed in years, as the only

independent variable (by definition, a single variable linear equation can not portray a major change in direction). It seems critical for county officials, residents and the industry to understand the anticipated production curves for existing and planned CBM wells, and the strengths and eventual limitations of this important revenue source. Similarly, they need to know when local shares of federal mineral royalties and other CBM-related revenues may diminish. This is particularly important for the Northern San Juan Basin CBM project, because the change in well density from 320-acre spacing to 160-acre spacing will result in new and extended production curves for both planned and existing wells.

To be useful as an impact assessment tool, and to fully understand the eventual decline in gas revenues and the implication for maintenance of service levels, the CIR should provide estimates of production; property tax and other CBM-related revenues based on reasonable production decline curves. The CIR states that production decline curves are "difficult to quantify given the variables associated with CBM such as the extent of existing gas reserves and the rate at which wells extract gas." (Page 5-25) In fact, the information and methods for providing reasonable estimates of production from existing and planned CBM development are available. In 1990, La Plata County commissioned the development of a model to analyze future CBM production and the fiscal implications of what was even then recognized as an eventual decline in production. An update of that model was completed in 1997. The CIR contractor was provided copies of the report and model documentation but did not use it for this analysis or even convey the essence of its conclusions in the CIR.

As with any modeling exercise (including the models developed for the CIR), the parameters that drive the model are subject to change. The model could have been re-calibrated to reflect updated production decline curves for both existing and anticipated CBM development. However, even in its existing form, it would have provided a better basis for assessing the fiscal implications of an eventual decline than the unrealistic, upward trending linear regression presented in the CIR. Having an understanding of the general shape of the production curve and the factors that drive the curve would better inform and prepare county officials and residents regarding the need to their revenue projections as time passes. Thus, we recommend that the La Plata County CBM model should be re-calibrated and run to provide updated projections. Morris Bell with the COGCC has agreed to assist the county with this data to enable the county to arrive at a reasonable forecast of decline.

We believe it is important to provide alternatives and financial strategies to manage the future decline in production. The CIR should provide recommendations that the county invest the tax surpluses from this year and near future years proactively. Counties in New Mexico have taken proactive steps in mitigating future falls in gas revenues. Options such as that should be investigated and presented in the final CIR.

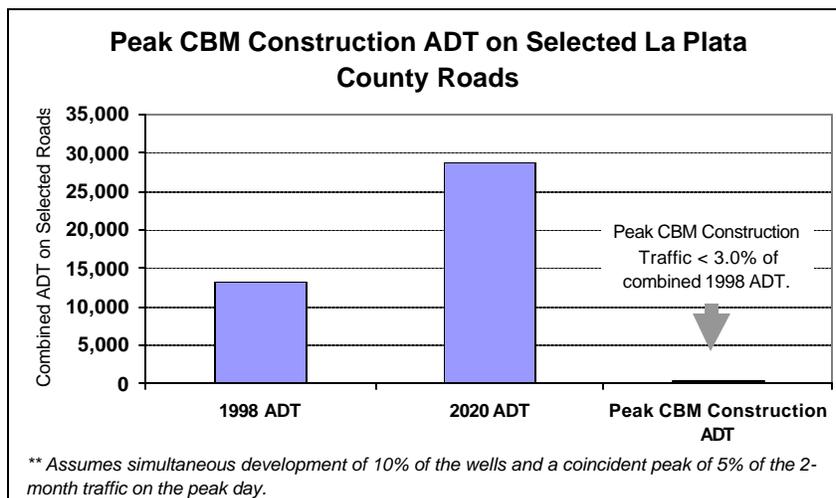
Traffic and Transportation

As in other topic areas, the characterization of the traffic impacts related to the CBM industry suffers from a combination of questionable assumptions, faulty analysis and careless presentation resulting in a dramatic overstatement of the CBM traffic impacts. For example, the annual workover is assumed to require 6 days, when in fact, most workovers are simple pump changes

or minor well stimulations that are normally completed in 1 or 2 days. Consequently, the number of maintenance trips is overstated.

An example of a more critical problem occurs with respect to the estimation and presentation of future construction traffic impacts of CBM well development in sections 5.3.2.2 and 5.3.2.3, pages 5-30 to 5-47. For example, Table 5-13 details the consultant’s estimates of construction traffic, by road segment. Two lines of that table on page 5-43 address traffic on CR 228, projecting total construction related traffic of 7,326 trips associated with the projected development of 22 new wells. That total appears in Table 5-11 on page 5-33 in a column labeled, **Daily Construction Trips for Anticipated CBM Facilities**, with a sub-heading, **Average Daily Trips**, which is then the basis for estimating a 1,960 percent increase over 1988 ADT. The discussion preceding the table and the Executive Summary refer to the traffic increases of 2,000 and 1,800 percent, respectively.

Note however, the discussion and Footnote 3 of Table 5-11 (Page 5-33) state that the trips for each well would occur over a 2-month period at some unspecified time during the 10-year construction period. Reporting the 7,326 trips as ADT, therefore, not only assumes all 22 wells are developed simultaneously, but also that they are completed in a single day. That logic is clearly flawed. Revising the analysis to reflect a more realistic development scenario, with traffic distributed over the development period, would dramatically lower the percentage increase in average daily traffic volumes compared to either the 1998 and 2020 projections. It is quite probable that a revised analysis would show that none of the identified roads would experience



an increase in excess of the 25 percent increase defined in the CIR as representing a significant impact and may in fact show that the roads would fall below the 10 percent threshold defined for being a perceivable impact. Furthermore, even in the event that this threshold was exceeded, it would occur for a very short period of time only once or twice over the 10-year period. When examined in a regional

context, using the roads highlighted in the draft CIR, the relative impact diminishes even further. The accompanying figure (above) illustrates the difference in anticipated impacts achieved with a corrected analysis for the selected La Plata County roads identified in Table 5-11. Furthermore, the problems involving the incorrect derivation of the ADT associated with construction traffic appears to have been carried forward into section 5.3.2.4 Road Maintenance and Table 5-14 (Page 5-49).

Given the problems with the draft CIR, the analysis clearly needs revision, with the text and Executive Summary revised accordingly. Because such impacts are at the crux of many of the

suggested mitigation measures, it is important that they be corrected. At a minimum, the analysis should be revised and an errata or addendum sheet prepared and distributed to all recipients and posted to the county website.

We also point to the lack of attention given to the implications of future residential growth and development in the area as a cause of traffic impacts. The fact that such growth will occur is acknowledged in Section 3, the implications of that growth on average daily traffic are apparent in Table 5-11, and the figure shown above, e.g., the combined average daily traffic on the selected roads increasing from about 13,200 ADT to almost 28,800 ADT. What the analysis fails to discuss in the same light, as the CBM traffic is the construction related traffic impacts. According to the U.S. Census Bureau, just over 6 months of time is required for construction of a new single family home. The number of laborers on-site varies over time from 1 to as many as 10 or 12. In addition, the movement of construction equipment, concrete and gravel deliveries for sidewalks, driveways and foundations, and building materials (wallboard, lumber, roofing, etc.) involved many medium and some heavy duty trucks, though admittedly these involve loads smaller than the largest gas drilling rigs. Nevertheless, even modest average daily and peak traffic levels associated with future residential construction would yield traffic impacts considerably higher and over a more extended duration than those associated with the future CBM development.

The table below shows permits issued by the county.

COUNTY PERMITS

Year	Residential, Two or More, Mobile Home and Commercial County Building Permits	Oil and Gas Well Permits
1994	744	40
1995	751	20
1996	666	71
1997	642	40
1998	585	82
1999	710	62
2000	613	73
2001	544	98

County Weed Management

Page 5-51. This subsection does not contain a reference to a “Weed Management Plan” that CBM operators must maintain with the county regarding weed control. This plan will contain specifics on how a company will control weeds; however, individual landowners control the efforts of the companies. Private individual landowners are notified before weeds are sprayed to determine their acceptance. In some cases, areas along roads will not be treated depending upon the preference of the landowner. This section should be modified to include the reference that operators are currently working with the county with weed management plans, but operators also must work within the limits imposed by landowner preferences for chemical weed control.

Visual Resources and Noise

5.4 through 5.5 (Pages 5-52 through top of page 5-69). (See note referencing Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, under Noise, Lighting and Visual Obstruction/Degradation at Page 2 of this Attachment A.)

La Plata County Oil and Gas Setbacks

Page 5-70, La Plata County Oil and Gas Setbacks should be removed. (See note referencing Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, under Noise, Lighting and Visual Obstruction/Degradation at Page 2 of this Attachment A.)

Public Health and Safety

Page 5-71, Section 5.6.3, first paragraph. The first paragraph, first sentence, of this subsection contains speculative statements and inaccurate conclusions. The first sentence states that CBM development would increase the potential for methane gas seepage to occur near residences. The only areas that seepage of methane has been identified are locations in close proximity to the Fruitland Outcrop. To imply that residences in the entire study area are subject to seepage is a gross overstatement of the situation. The second sentence concludes that development may cause environmental changes such as seeps and fires at the outcrop. Seeps, due to CBM development, have not been categorically proven. Even if you rely only on the COGCC 3M study, the only areas that model concludes is that methane seepage may increase at locations where the rivers intersect the outcrop. The reference to fires is also inappropriate. There has never been a fire, either surface or in the subsurface, in the study area due to CBM development. Even those fires that exist in the subsurface on the Southern Ute Indian Reservation have nothing to do with CBM development as concluded by the experts working for the Tribe. Further, the fourth sentence makes reference “to the increased risk of toxic gases and odors (that is, hydrogen sulfide gas).” There is no hydrogen sulfide gas produced from CBM wells in the study area. This misleading statement should be eliminated from the final document.

The last paragraph on page 5-71 discusses a 1.5-mile buffer. The report states that residential developments within this 1.5-mile buffer are anticipated to be at risk for public health and safety impacts related to CBM. The CIR should be revised to include the fact that there has been no documented cases of seepage anywhere except at the outcrop.

Minimizing Impacts From Anticipated CBM Development

COGCC Permit

Page 6-6. The chart (Table 6-2) summarizes the setbacks, comparing those of the County and those of the COGCC. It is very important that certain words be added to the COGCC requirements. The setback from the COGCC is based on a distance from the wellhead; thus the words “from the wellhead” should be added at the end of each category for the COGCC. Additionally, because of the recent Court of Appeals decision, this chart should be modified to identify operational conflicts and all mitigation recommendations/options can be deleted from the final CIR. (See note referencing Court of Appeals ruling, *Town of Frederick v. North*

American Resources Company, under Noise, Lighting and Visual Obstruction/Degradation at Page 2 of this Attachment A.) Table 6-2 in the CIR may be useful to the La Plata County Planning Department and county attorneys to identify setback regulations that should be deleted. We are committed to complying with the court decision law that affirms preemption in specific areas of visual mitigation, noise and setbacks.

Federal Permits and Surface Operating Standards

Page 6-7, first full paragraph. The statement that federal surface operating standards for oil and gas are generally considered routine industry practices is not entirely true. Operators are familiar with many of the standard federal conditions of approval, but many are only applicable to federal laws that do not always apply to private land. An example are archeological resources and some aspects of the Endangered Species Act. Further, some of the standards are specific to a certain BLM office, but not applicable to another. In essence these are site specific, not generic as this comment implies. This sentence should be removed from the final document.

Mechanisms For Surface Interests To Influence the Facility Siting Process

Section 6.1.3, page 6-7. La Plata County requires several types of notification, under COGCC rules; there are notification provisions, also. The statement in this paragraph that nearby property owners have minimal opportunities to participate in the facility siting is untrue. For minor facilities (i.e., wells), the surrounding homeowners are notified within a ¼ mile. They are free to call the operator or the county to obtain additional information and provide comment on the proposal. For major facilities the homeowners are notified within a ¼ mile of the facility and are advised when hearings with both the Planning Commission and County Commissioners will be held. It is normal for adjoining landowners to participate in this process with their comments receiving serious consideration by both the county and the company. This statement is not true and should be eliminated in the final document. (Because of the recent Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, this gives rise to operational conflicts and will require the local regulations to yield to state interests. See generally, Court of Appeals ruling, *Town of Frederick v. North American Resources Company*.)

Surface Owner Agreement and Federal On-site Inspections

Section 6.1.3.3, page 6-9. This paragraph is generally accurate to describe what occurs for federal actions involving oil and gas activities; however, it is written in a future tense seeming to imply this is something that will be done in the future. All the future tense verbs need to be changed to present tense. This process is currently being used for federal actions.

It should also be noted in the last paragraph that in cases where the private surface exists over federal minerals, BLM requires a surface owner agreement for damages be negotiated between the producer/operator and the surface owner. This provides input by the surface owner to the proposed new well.

Options to Minimize Impacts From CBM Development

Table 6-6 has been reformatted to include a column with our specific comments, information outside of that Table is presented below.

Prioritize County Issues

Section 6.3.2.3 – Pages 6-33 and 6-34. A list of eight priorities is presented in the draft document for consideration by the COGCC for a Rule 303k process. Provided below are responses to each of the priorities:

A-1: Mitigation of wildfire risks. Response: the mitigation of risks from wildfire was addressed by the COGCC with requirements issued to operators in June 2002 and also by County Resolution in July 2002.

A-2: Mitigation of methane contamination (residences and water wells). Response: the COGCC has a procedure in place to identify water wells contaminated with methane. Additionally, the COGCC requires additional test to determine the origin of the methane in water wells. To put this into perspective, one company has sampled hundreds of drinking water wells with many of those having levels of methane requiring the origin of the gas to be identified. Out of that population, there has not been a single case of a water well being contaminated from a coalbed methane well. In all cases, the water wells had elevated levels of methane from naturally occurring sources unrelated to coalbed methane development. What regulatory entity should assist homeowners with elevated gas in their wells is a very worthy endeavor, but automatically placing the responsibility of mitigating every single case of methane contamination with the COGCC may not be the best mechanism.

A-3: Siting, fencing, and signage for public safety. Response: the COGCC already has requirements for siting, fencing, and signage. (Because of the recent Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, this gives rise to operational conflicts and will require the local regulations to yield to state interests. (See generally, Court of Appeals ruling, *Town of Frederick v. North American Resources Company*.)

A-4: Maximum setbacks from various types of existing improvements. Response: the COGCC already has requirements for maximum setbacks. (See note referencing Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, under Noise, Lighting and Visual Obstruction/Degradation at Page 2 of this Attachment A.)

B-1: Noise reduction. Response: the COGCC requires operators to meet the state's statutory requirements for noise control. (See note referencing Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, under Noise, Lighting and Visual Obstruction/Degradation at Page 2 of this Attachment A.)

B-2: Minimize visual or experience intrusion. Response: the COGCC has requirements regarding minimizing visual intrusion.

(See note referencing Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, under Noise, Lighting and Visual Obstruction/Degradation at Page 2 of this Attachment A.)

B-3: Maximize the quality of reclamation efforts. Response: the COGCC has regulations for reclamation, including bonding requirements.

(Because of the recent Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, this gives rise to operational conflicts and will require the local regulations to yield to state interests. (See generally, Court of Appeals ruling, *Town of Frederick v. North American Resources Company*.)

B-4: Control traffic to minimize effects in residential areas. Response: the COGCC does not regulate trips, road construction, or regulate what roads are built in what areas.

Land Use 6.3.5.2 – additional discussion outside of Table 6-6

Require land use permit with site plan review for all development. Response: We do not support a proposal that would require site plan review considering the similarity in equipment that is used on CBM wells. There would be very little value for this process for wellsites. CBM associated projects that require major facility application review utilize site plans because of their unique nature involving this type of equipment.

Socioeconomics 6.3.5.2 – additional discussion outside of Table 6-6.

Increase mill levy for property taxes on oil and gas facilities. In Table 6.6, CIR Section 6.3.5.2 (page 6-23), the first option for minimizing CBM development conflicts or impacts on socioeconomic resources is to...“Increase mill levy for property taxes for oil and gas facilities.” However, the executive summary states that...

“The primary socioeconomic impacts associated with the anticipated CBM development are increased revenues to the county during the 30-year production period, primarily from property tax revenues from CBM well production sales. This impact is positive, but the property tax revenues from the CBM wells would decline gradually over time at the end of the production period.”

The assessment in Section 5.2 concludes that impacts of the Northern San Juan Basin CBM development on county facilities and services, roads and bridges, and public services would be negligible (there may be a small incremental need for county planning staff). Although no estimates of the county’s costs of providing services to the CBM industry and its employees are provided in the CIR, it is likely that the revenues associated with CBM development far exceed CBM-related expenditures by the county. If that is the case, what is the justification for increasing the mill levy on oil and gas facilities? It may be worthwhile for the county to conduct a fiscal impact assessment for CBM, to provide a realistic picture of the both the expenditures and the revenues associated with CBM development. Only then can the costs and revenues

associated with future CBM development be contrasted, and the need for additional revenues to fund CBM-related expenditures calculated.

If, on the other hand, an increase in the mill levy on oil and gas facilities is being considered as a strategy for providing additional revenue to help fund *all* county expenditures, what is the justification for singling out CBM? Why aren't mill levy increases for facilities associated with other industries considered? Under Colorado's Constitution, the County cannot create an additional "class" of property for imposition of a mill levy. Thus any increased mill levy will have to apply uniformly across all property in a given "class" (residential, commercial, or industrial), and any proposed increase must be approved by a countywide vote.

Traffic and Transportation– additional discussion outside of Table 6-6.

La Plata County's road maintenance costs may have exceeded CBM-related revenues in the early years of CBM development, before significant production came on line. In those early years, substantial quantities of water were trucked to disposal sites. Currently, however, CBM-related revenues to the county are substantial and road maintenance costs are not entirely attributable to the oil and gas industry.

- There are 490.38 miles of county arterial roads, 238.61 miles in the coal outcrop
- 196.65 miles of county local roads, 77.72 miles in the coal outcrop
- 687.03 total miles of Highway Use Tax eligible roads
- 244.92 total miles of county non-Highway Use Tax eligible roads, 43.75 miles in the coal outcrop.
- 6.75 miles of non-maintained county roads.
- Cost to county to build varies, \$750,000.00 to 1.25 million per mile (Florida Road)

In 1999 the Road and Bridge Fund received \$10,166,962 dollars, and spent \$2,004,229 on personnel (20%), \$3,463,763.00 on Operating uses (34%) and \$3,772.664 in capital investments (37%). The county has been awarded nearly \$9.4 million in Energy Impact Grants from 1992 to 2002 to address road impacts. The county spent \$1,903,141.00 on all roads that overlay the coalbed methane reservoir from June 2000 to June 2001. In 1999, the county received \$10,166,962.00 for their Road and Bridge Fund. The final CIR should include a table of expenses for road repair by the county and funding sources on all roads identified in Table 3-3.

New County Requirement for NOS for CBM Wells

6.3.2.1, Page 6-33. This subsection presents the idea of the County accepting the BLM's Notice of Staking (NOS) option to better involve itself in the permitting process. It appears a belief exists that the NOS will serve as a good tool for advance notice. Using the NOS is a viable procedure necessary for federal actions, but it does not allow for any advantages to private undertakings and associated county permitting.

The reason is that BLM uses the NOS to prevent having to repeat certain field activities specific to federal requirements. Before the NOS was used, on sites would be held after archeological clearances had commenced, threatened and endangered species inventories were completed, and final survey coordinates for the site and road were finished. Invariably, during the

subsequent onsite inspection, the location would need to be moved for any number of federal surface use considerations, many of which do not apply for private undertakings. When the location was moved, these inventories had to be repeated. This delayed the APD and resulted in increased costs to the company and more time of BLM Specialists involved in the APD process. Consequently, the NOS were developed to avoid duplicative field inventory work by agreeing on a wellsite before completing all fieldwork. It also starts into motion statutorily environmental documentation under the National Environmental Policy Act (NEPA), a requirement neither the County or the COGCC must meet. Using the NOS had nothing to do with advance notice; it has to do with avoiding duplication of work. That is still the case. What would this process add to the current county permitting procedure? There is no need to adopt this procedure at the County level and we do support such as proposal.

Other comments with this proposal involve the definition of what constitutes “surface ownership interests” that would be invited to an onsite inspection. This is a very broad term and could be just about anyone in the county. It is our belief that the business of siting a well and associated roads must first remain with the company and the landowner where these facilities will be located. While we are not opposed to hearing input from adjacent landowners, ultimately the final decision rests with the landowner unless there is a clear conflict with an established county code for which the county has authority.

If the county needs to be notified early, it should be using the information submitted by the companies annually to the COGCC that indicates the locations of proposed wells. This list could be evaluated to determine if any locations are in areas of “sensitivity”. The county staff then could notify the operator and advise that special situations will require more time to deal with at a specific site. Those locations could receive the requisite attention and be accounted for in scheduling activities by both industry and county staff.

Burdening the entire population of proposed wells with such a proposal will not be any more effective than the current procedure.

Land Use

6.3.5.1, Page 6-41, Bullet #3 and #4. We emphasize that directional or horizontal drilling has limited applicability in the study area due to the depth of the Fruitland coals and the ability to produce the wells with artificial lift. Care should be taken with these kinds of recommendations not to increase traffic on roads. Directional drilling can require more time to drill and can also require more frequent maintenance visits, thus disrupting the surface owners more often. The COGCC made a specific finding in the infill well order that directional drilling is no “technically feasible” for Fruitland formation recover. (See note referencing Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, under Noise, Lighting and Visual Obstruction/Degradation at Page 2 of this Attachment A.)

Post Construction/Operation

Section 6.3.5.4, Page 6-48. The requirement for self-sustaining vegetation as a reclamation measure that must be re-established within 3 years is acceptable in terms of full reclamation for the portion of the well pad not needed for long-term production. We are assuming this does not

apply to the portion of the location needed for production operations since to re-establish vegetation here would present a fire danger and conflict with mitigation measures on page 6-58 that recommend “keeping well sites free of flammable materials, vegetation and debris to limit the risk of wildfires.”

The fourth bullet of this subsection makes reference to “using the cavitation method, instead of conventional completion to avoid the use of a pump jack.” It should be noted that just because a well was cavitated does not necessarily mean that a pump jack will not be needed. This bullet item goes on to state “this measure is most effective near high density residential land uses where utilities to run the compressor that would provide power are available”. This sentence is confusing relative to CBM operations. Compressors are not typically placed on well sites when wells are cavitated. We are curious if this reference is to the gas fired engines/prime movers that are used to actuate pump jacks, not compressor engines. Could this be referring to progressive cavity pumps instead? At a minimum, this bullet item requires clarification as to intent. (See note referencing Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, under Noise, Lighting and Visual Obstruction/Degradation at Page 2 of this Attachment A.)

Implementation and Monitoring of Visual Mitigation

Section 6.3.5.4, Page 6-50. The mitigation checklist for CBM related development is of concern. This type of program would prevent operators from choosing equipment that is most optimum for a given well based upon reservoir characteristics. Further, there may be cases where a certain technology is more suited for a given well than another. As such, the selected approach may not be consistent with visual mitigation. This must be a consideration if this type of process is used.

Secondly, why is “cavitation” used as a +1 technique? Isn’t progressive cavity pumps intended here since it is a low profile artificial lift type of equipment? Also, what about pneumatic lift equipment? Where does it fall on the point system? What about lower profile pump jacks? What criteria are used to select a positive or negative number for this evaluation? Keep in mind that while progressive cavity pumps are low profile, they can be inherently noisy when compared to a normal pump jack engine depending on the speed they are run. It is very important to acknowledge that trade-offs are routine when dealing with mitigation efforts. (See note referencing Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, under Noise, Lighting and Visual Obstruction/Degradation at Page 2 of this Attachment A.)

Noise

6.3.5.5, page 6-51. This entire section on noise should be eliminated. The COGCC has jurisdiction for noise associated with CBM equipment. The County does not have authority to impose more restrictive noise standards. With that being the case, operators are required to meet sound thresholds as stipulated in COGCC Rule #803. It is up to the operator to determine how to meet these thresholds. There is any number of mitigation options available to accomplish this task, but these are the responsibility of the company to implement with follow-up by the COGCC. (See note referencing Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, under Noise, Lighting and Visual Obstruction/Degradation at Page 2 of this Attachment A.)

Health and Safety

6.3.5.4, page 6-58. This entire section on setbacks should be eliminated. (See note referencing Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, under Noise, Lighting and Visual Obstruction/Degradation at Page 2 of this Attachment A.)

Page 6-59 of this subsection discusses underground pipelines. The area of gas pipeline excavation incidents is of high importance. All of the recommendations in the document on page 6-59 are important. It has also been suggested in the community that an education effort be pursued regarding the importance of better understanding a program. This should also be included as an alternative in this section. Industry strongly supports enforcement and educational information regarding one-call.

Town of Frederick v. North American Resources Company, Page 10, language from Bowen/Edwards recognizing that the efficient and equitable development and production of oil and gas resources within the state requires uniform regulation of the technical aspects of drilling, pumping, plugging, waste prevention, safety precautions, and environmental restoration. These areas discussed in pages 6-45 through 6-59 that contain comments about technical activities, visual mitigations, well siting, post-construction/operation, noise, health and safety. “The local imposition of technical conditions on well drilling where no such conditions are imposed under state regulations, as well as imposition of safety regulation or land restoration requirements contrary to those required by state law, gives rise to operational conflicts and requires that the local regulations yield to the state inters. Bowen/Edwards, supra, 803 P.2d at 1060, such is the case with the setback, noise abatement, and visual impact provisions invalidated by the trial court here. Thus, the ordinance sections that the trial court invalidated are preempted on the bases of operational conflict.” There is also state statute that the COGCC is responsible for technical items.

References:

7.0, page 7-1 through 7-9. We cannot reiterate enough the importance of balancing this report. Coldwell Banker has 46 realtors in their office, The Wells Group has 33 and Prudential has 34 realtors and are the largest real estate offices in La Plata County. Campbell Realty has 2 realtors, R. W. Jefferies & Associates, R. E., has 1 realtor, Zartner Realty has 1 realtor and are the smallest real estate offices. Personal interviews with the larger population of realtors are mandatory in understanding the real situation of property values.

Appendix B

Additionally, on August 25th, there was a two-page advertisement paid for by the San Juan Citizen’s Alliance. Further, in The Durango Herald, Thursday, August 29, 2002 Thinking Green written by Mark Pearson, provides similar damaging and misleading “facts” as a result of this incomplete CIR. This paid advertisement and columnist article are just two examples of how flaws/concerns/errors in this report can harm the natural gas industry and the county population.

The San Juan Citizen's Alliance ad incorrectly quotes the Draft La Plata County Impact Report.

The ad says...

"A new La Plata County study shows that nearby gas wells reduce property values \$70,000 to \$100,000." The smaller prints says... ***"Economic Impact. A new La Plata County study shows that nearby gas wells reduce property values by 22%. That's \$70,000 to \$100,000 that property owners lose."*** (Underlining added)

Here is what La Plata County's study says...

"The results from the modeling effort prepared by BBC Research and Consulting indicated that in general, the proximity of 1 or more CBM wells to a residential property had a small effect on property sales values; on average, properties near wells may have a sales value less than 1 percent lower than properties that are not near wells. Although the overall property values in the study area have not been significantly (less than 1 percent) affected by CBM wells, the model indicates that properties with a CBM well located on them (12 of 754 properties studied) have a net reduction in sales value of 22 percent." (Underlining added)

Source: Executive Summary, Draft La Plata County Impact Report June 2002, Page E-2.

The inconsistencies in the ad vs. what is actually in the CIR:

1. The La Plata County study concludes that overall property values in La Plata County have not been significantly affected by CBM development.
2. The study concludes that properties with a CBM well on them have a net reduction in sales value of 22 percent.
3. Properties with wells on them were less than two percent of all properties studied or a total of 12 properties, a very small sample on which to base this conclusion.
4. Owners of properties on which CBM wells are located receive compensation in the form of damage payments from the operators, which are based in part on the value of the land removed from other uses.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/ Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
6.3.1 Identify Oil and Gas Development Areas Impact/Conflict To Be Mitigated: Uninformed property owners, resulting in conflicts with existing and future land uses on both properties with wells and nearby properties.						
6.3.1.1	Require Full Disclosure of Mineral Estate Upon Transfer of Land	Require Full Disclosure of Mineral Estate Upon Transfer of Land.	County	The new property owner would have full knowledge on ownership of the mineral estate and the opportunity to make an informed decision regarding pending or future mineral development before the land is acquired. This process would ensure that property owners understand ownership of the mineral estate.	The surface owner would incur a significant cost (probably on the order of \$3,000.00 to \$6,000.00 for smaller tracts of land) to obtain a title opinion from an attorney or a title company. The mineral ownership of the land would need to be examined beginning with a patent to the land, unless a title opinion had already been rendered for the property in question. It might take considerable time to obtain the necessary title opinion.	<u>Support</u> requirements that require full disclosure of mineral ownership on real estate transactions, including mineral ownership, reservations, conveyances and notification that the surface is located where natural gas development is occurring or is likely to occur. Additionally, mineral title and other oil and gas research could be completed by a qualified landman with experience in mineral titles at the stated cost of \$3,000 to \$6,000.00. A title opinion by an oil and gas attorney with an abstract would be \$6,000 plus.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
6.3.1 Identify Oil and Gas Development Areas Impact/Conflict To Be Mitigated: Uninformed property owners, resulting in conflicts with existing and future land uses on both properties with wells and nearby properties.						
6.3.1.2	Identify Lands Subject to Existing Oil and Gas Leases	Identify Lands Subject to Existing Oil and Gas Leases.	County, Colorado Department of State Lands, and BLM	The surface owners could use the information to determine if an existing oil and gas lease covers the property they are considering purchasing or that they already own. The potential buyer could use the data to determine if existing oil and gas wells or facilities are located on the property.	Significant start-up costs would be associated with gathering the data and preparing ownership maps. Certain fixed costs would be associated with administering and maintaining the data on ownership and wells.	<u>Strongly Oppose:</u> We see no value in providing a map of mineral leases within the county. This would be a monumental effort that could change frequently as successors enter the title chain over time. This needs to be reserved for the disclosure process that a prospective purchaser would initiate. The need to know whether the lease is severed or not is irrelevant to the county process in dealing with surface issues. We also caution that public records searches for oil and gas leases is cumbersome and requires experienced and expensive research. One of the earliest Oil and Gas Leases was before the 1930's did it expire, was it topped, is there a pugh clause, pooling/unitization and therefore Held By Production?

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
6.3.1 Identify Oil and Gas Development Areas Impact/Conflict To Be Mitigated: Uninformed property owners, resulting in conflicts with existing and future land uses on both properties with wells and nearby properties.						
6.3.1.3	La Plata County CBM Land Development Map	Prepare a “La Plata county CBM/Land Development Map.”	County, COGCC, and BLM/FS	The availability of accurate information would support the process of developing informed consent among diverse interests. Land use conflicts likely would be reduced through use of this information by CBM operators and real estate developers.	May increase expenditures by county to implement.	<u>Oppose:</u> Providing a map where existing oil and gas facilities are located would be of value and industry is not opposed to the county building a database or creating a CBM/Land Development Map utilizing instruments submitted by industry. Industry has compiled and provided existing facility location information to the county through the county permitting process. Industry does oppose any additional requirements to provide information that has already previously been provided to the county.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
<p>6.3.2 Early/Streamlined County Involvement Changes Impact/Conflict To Be Mitigated: Uninformed property owners, resulting in conflicts with existing and future land uses on both properties with wells and nearby properties.</p>						
6.3.2.1	Involve County at Pre-APD Stage	Add county involvement at the “Pre-APD” stage of the process for non-federal wells to provide for early involvement of the county and all potentially affected surface ownership interests. An NOS would be submitted to the county.	County or COGCC	Likely that land use conflicts would be reduced.	May increase permitting time and costs to industry and expenditures by county to implement.	<p><u>Strongly Oppose</u>: The recommendations proposed in this section seem to imply that the system of permitting facilities is deficient and in need to change. Apparently the change is motivated by the need for earlier involvement by the county and “potentially affected surface owner interests”. It incorporates the federal procedure of a Notice of Staking (NOS). This proposal would mandate onsite inspections for all proposed wellsites. Our experience has shown that the vast majority of new well and facility applications are worked constructively within the current system. Changing the process needs to be justified on the basis of widespread and frequent problems. Specific problems have not been identified in this document. Adopting the federal NOS process and requiring on sites for every well and will require more resources, both by the county and the State. Using the NOS and on sites is not the answer if early notification is a goal. There are other ways this can be accomplished.</p>

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
<p>6.3.2 Early/Streamlined County Involvement Changes Impact/Conflict To Be Mitigated: Uninformed property owners, resulting in conflicts with existing and future land uses on both properties with wells and nearby properties.</p>						
6.3.2.2	Streamline County Regulatory Process	Streamline La Plata County’s oil and gas/CBM regulatory process by providing several standard options for site plans.	County	May abbreviate permitting time. May decrease costs to industry to implement standard site plans.	May increase expenditures by county to implement.	<u>Support:</u> A proposal to streamline a regulatory process is supported. The proposal suggests that several standard options for site plans would be available. We caution that individual landowner preferences, the site itself, and proposed equipment will dictate the site plan for a given well. To use standard plans could eliminate flexibility and stifles innovation. Industry should be fully engaged in developing standard options for site plans.
6.3.2.3	Prioritize County Issues	Prioritize CBM development issues addressed by the county in its regulatory process.	County	Allows county to focus on timeliness of responses to issues of greatest significance to county, and issues that were not addressed by any other authority.	May increase expenditures by county to implement.	<u>Oppose:</u> We believe this has already taken place with the existing oil and gas land use regulations. Because of the recent Court of Appeals ruling, Town of Frederick v. North American Resources Company, current La Plata County land use regulations need to be carefully reviewed for operational conflicts so that these local regulations yield to the state interest.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
6.3.2 Early/Streamlined County Involvement Changes Impact/Conflict To Be Mitigated: Uninformed property owners, resulting in conflicts with existing and future land uses on both properties with wells and nearby properties.						
6.3.2.4	County Screening for On-site Inspections	Use a screening procedure to evaluate the need for county planning staff to attend site visits or on-site inspections for proposed CBM facilities.	County	May reduce permitting time. May decrease county staffing needs and expenditures.	May increase expenditures by county to implement.	<u>Oppose:</u> We do not support a screening process, because we do not support the need to onsite every type of coalbed operation from wells to gathering lines to compressors. The criteria used in this subsection appear arbitrary and contain no justification. For example, conducting on-sites on wells within 3 miles of the Fruitland Outcrop far exceed the setback issued by the COGCC which was based on expert testimony of witnesses familiar with outcrop effects. In addition, compressors over 200 horsepower require a major facility application which virtually always involves an onsite by county staff. The current county rules were devised to use onsite inspections where they are truly needed, not in cases where the activity is routine and non-controversial. This will not optimize the personnel of either the companies or the county and does nothing to improve the timeframes for permitting review. Because of the recent Court of Appeals ruling, <i>Town of Frederick v. North American Resources Company</i> , current La Plata County land use regulations need to be carefully reviewed for operational conflicts so that these local regulations yield to the state interest, including setback, visual or noise.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
6.3.3 Land Development Controls Impact/Conflict To Be Mitigated: Uninformed property owners, resulting in conflicts with existing and future land uses on both properties with wells and nearby properties.						
6.3.3.1	Future Land Use	Develop future land use categories with specific goals, objectives, and policies through the Comprehensive Plan.	County	Likely that land use conflicts would be reduced.	Increased expenditures by county to implement.	<u>Oppose:</u> We are unsure if this approach would attempt to preclude the rights of mineral owners. It is difficult with this abbreviated description to fully understand how this would affect mineral development. Additional information is needed to fully understand this proposal. The county must be diligent to not conflict with COGCC rules and Colorado State Statutes.
6.3.3.2	Zoning	Establish zoning districts for major land use categories with specific performance standards for developments within each zone. Zone districts to include High Density Residential and Subdivisions, and Agricultural Preservation Areas.	County	Likely that land use conflicts would be reduced.	Restricts rights of landowner and mineral owners. May increase permitting time and costs to industry and developers. Increased expenditures by county to implement. May decrease some property values. May increase cost of residences.	<u>Oppose:</u> La Plata County should not restrict the rights of mineral owners, or conflict with COGCC rules and Colorado State Statutes. These recommendations should be removed from consideration.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
6.3.3 Land Development Controls Impact/Conflict To Be Mitigated: Uninformed property owners, resulting in conflicts with existing and future land uses on both properties with wells and nearby properties.						
6.3.3.3	CBM or Oil and Gas Development Overlay Districts	Establish Overlay Zoning District for CBM windows and define specific performance standards and setbacks for development within this zone.	County	Likely that land use conflicts would be reduced.	Restricts rights of landowner and mineral owners. May increase permitting time and costs to industry. Increased expenditures by county to implement.	<u>Strongly Oppose:</u> Regardless of the planning tool used, in this case Overlay Zoning Districts for CBM and developing performance standards by district have the potential to be inflexible and not recognize the inherent variability in CBM projects. Because of the recent Court of Appeals ruling, Town of Frederick v. North American Resources Company, care should be given to any instance where the county's regulatory scheme conflicts in operation with the state statutory or regulatory scheme. La Plata County should not restrict the rights of mineral owners, or conflict with COGCC rules regarding setbacks and Colorado State Statutes. These recommendations should be removed from consideration

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
<p>6.3.4 Other General Options Impact/Conflict To Be Mitigated: Uninformed property owners, resulting in conflicts with existing and future land uses on both properties with wells and nearby properties.</p>						
6.3.4.1	County CBM Report	Require a “CBM Report” prepared by a qualified professional for all proposed oil and gas or land development projects.	County	Likely that land use conflicts would be reduced.	May increase permitting time and costs to industry and expenditures by county to implement.	<u>Oppose:</u> A proposal that requires with every proposed project to submit activities planned for the entire county for oil and gas companies is not supported because this specific option is duplicative and unnecessary. This information would have already been provided in the annual proposed activities report required to be submitted to the COGCC. The information is then forwarded to the county for their use.
6.3.4.2	Develop Pipeline Corridors	Develop pipeline corridors along section and quarter-section lines.	County	Likely that land use conflicts would be reduced.	If the developer must convey additional land to the county for right-of-way corridors, it would increase the purchase prices of properties. The county would incur administrative costs and would no longer receive property taxes on the land conveyed.	<u>Strongly Oppose:</u> We believe developing pipeline corridors violates Sec. 29-20-108, which makes location of pipelines a matter of statewide concern. The county cannot interfere with an operator’s ability to safely and economically produce the mineral. This suggestion is contrary to state statutes, which require pipelines to be installed in the “most direct route practicable” and “to consider existing utility rights of way before any new routes are taken”. See e.g. CRS 38-1-101.5(1)(a) and (c). These recommendations should be removed from consideration.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
<p>6.3.4 Other General Options Impact/Conflict To Be Mitigated: Uninformed property owners, resulting in conflicts with existing and future land uses on both properties with wells and nearby properties.</p>						
6.3.4.3	Surface Use Program	Require a Surface Use Program (SUP) for CBM wells.	County or COGCC	Improved process design would be likely based on cooperative effort to identify Best Management Practices, and would minimize land use conflicts.	May increase permitting time and costs to industry and expenditures by county to implement.	<u>Oppose.</u> Because of the recent Court of Appeals ruling, Town of Frederick v. North American Resources Company, care should be given to any instance where the county’s regulatory scheme conflicts in operation with the state statutory or regulatory scheme. We believe the State has statutory right to regulate location of wells. This area is absolutely preempted. These recommendations should be removed from consideration.
6.3.4.4	MOU/MOA	Develop Memorandum of Understanding or a Memorandum of Agreement (MOU/MOA) between La Plata County, COGCC, and the Colorado Geological Survey (CGS). The MOU/MOA would document the county’s needs and provide a foundation for sound working relationships.	COGCC, CGS, and County	Improve working relationships among state agencies and La Plata County. Additional expertise from state agencies may become available to La Plata County. May decrease expenditure by county to address technical issues.	May increase costs to industry and expenditures by state and county to implement.	<u>Oppose:</u> The need to have a formal MOU or MOA with the COGCC is not necessary. The COGCC already has informal arrangements with the County to provide input to County Commissioners and Planning Staff on a regular basis. There is also the Gas and Oil Regulatory Team (GORT) that meets at regular intervals to discuss issues of concern. We cannot speak for the COGCC, but we believe this type of arrangement already exists. In the fall of 1999 through May of 2000, the county discussed a MOU with operators, because of extensive criticism from the San Juan Citizens Alliance and Homeflower Conservancy; the county tabled the decision on the MOU. Industry supports the State’s authority.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
<p>6.3.5 Options for Affected Resources Impact/Conflict to Be Mitigated: Conflicts with existing and future land uses on both properties with wells and nearby properties. Direct loss of some acres of agricultural lands. Introduction of weeds.</p>						
6.3.5.1	Land Use	Require building inspection approval of locations, type and appearance of equipment.	County oil and gas permit process	Likely that land use conflicts and visual and noise impacts reduced.	Additional costs to industry and may delay permitting process. May increase expenditures by county to implement.	<u>Oppose</u> . Because of the recent Court of Appeals ruling, Town of Frederick v. North American Resources Company, the local imposition of approval of locations, type and appearance of equipment gives rise to operational conflicts and will require the local regulations to yield to state interests. “Such is the case with the setback, noise abatement, and visual impact provisions” page 16 in Court of Appeals decision. This area is preempted. These recommendations should be removed from consideration.
6.3.5.1	Land Use	Require operators to provide county with annual drilling plans and to post public notices on properties.	COGCC enforcement of existing requirements	Early notification of potentially affected interests with accurate information. Likely that land use conflicts would be reduced.	Additional costs to industry.	<u>Strongly Oppose</u> : This is already required by the COGCC and shared with the county by the COGCC Director in the form of a synopsis with the estimated number of wells. County oil and gas regulations that are exactly the same as existing COGCC rules are not enforceable by the county. Counties do not have the authority to enforce COGCC rules. These recommendations should be removed from consideration.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
<p>6.3.5 Options for Affected Resources Impact/Conflict to Be Mitigated: Conflicts with existing and future land uses on both properties with wells and nearby properties. Direct loss of some acres of agricultural lands. Introduction of weeds.</p>						
6.3.5.1	Land Use	Increase required setbacks to between 1,000 feet and ¼ mile from existing or platted subdivisions.	County	Likely that land use conflicts would be reduced.	May decrease some property values. May increase cost of residences.	<u>Strongly Oppose:</u> Because of the recent Court of Appeals ruling, Town of Frederick v. North American Resources Company, care should be given to any instance where the county’s regulatory scheme conflicts in operation with the state statutory or regulatory scheme. We believe the State has statutory right to regulate location of wells. This area is absolutely preempted. These recommendations should be removed from consideration.
6.3.5.1	Land Use	Define enforceable and specific subdivision design standards and performance standards.	County	Likely that land use conflicts would be reduced.	Restricts rights of landowner and may increase cost of residences.	<u>Neutral.</u> We are unclear how this recommendation applies to CBM development since it is directed at subdivisions. Design standards and performance standards cannot restrict oil and gas development or violate state law to produce the minerals.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
6.3.5 Options for Affected Resources Impact/Conflict to Be Mitigated: Conflicts with existing and future land uses on both properties with wells and nearby properties. Direct loss of some acres of agricultural lands. Introduction of weeds.						
6.3.5.1	Land Use	Define zoning districts in land use code, including high-density residential areas, methane seepage hazard areas, and oil and gas development overlay districts.	County	Likely that land use conflicts and health and safety risks would be reduced.	May decrease some property values. Restricts rights of landowner. May increase cost of residences. May decrease some property values. May increase cost of residences.	<u>Oppose:</u> A proposal that provides information to different sectors of the economy involved in land use and that does not restrict oil and gas development or violate state law to produce the minerals is supported. Any identification of methane seepage or hazards areas should be based on sound scientific evidence. However, overlay districts are not supported.
6.3.5.1	Land Use	Change encouraged standards into required performance standards.	County	Likely that land use conflicts would be reduced.	Restricts rights of landowner. May increase cost of residences.	<u>Neutral:</u> We are unclear how this would affect CBM development.
6.3.5.1	Land Use	Require land use permit with site plan review for all development, including single-family residential.	County	Likely that land use conflicts would be reduced.	Restricts rights of landowner and may increase cost of residences.	<u>We do not support.</u> Because of the recent Court of Appeals ruling, Town of Frederick v. North American Resources Company, care should be given to any instance where the county's regulatory scheme conflicts in operation with the state statutory or regulatory scheme. We believe the State has statutory right to regulate location of wells. This area is absolutely preempted. These recommendations, which appear to encompass "all development", assuming this is oil and gas, should be removed from consideration.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
<p>6.3.5 Options for Affected Resources Impact/Conflict to Be Mitigated: Conflicts with existing and future land uses on both properties with wells and nearby properties. Direct loss of some acres of agricultural lands. Introduction of weeds.</p>						
6.3.5.1	Land Use	Make performance-based standards more detailed and specific.	County	Likely that land use conflicts would be reduced.	Restricts rights of landowner and may increase cost of residences.	<u>Neutral.</u> We are unclear how this recommendation applies to CBM development since it is directed at subdivisions.
6.3.5.1	Land Use	Require notification of owners of residences within 1,000 feet of well locations.	County oil and gas permit	Early notification of potentially affected interests with accurate information.	Additional costs to industry.	<u>We do not support.</u> Because of the recent Court of Appeals ruling, Town of Frederick v. North American Resources Company, this gives rise to operational conflicts and will require the local regulations to yield to state interests. Rule 305 and 306 of COGCC Rules and Regulations deal with notice to surface owners. This option would place the burden on the operators to conduct title searches on lands outside drilling and spacing units. HB 01-1088 changed the statutory notice parties to the surface owner on whose land the oil and gas operations are being conducted.
6.3.5.1	Land Use	Expand flood hazard overlay district to include riparian protection and visual corridor areas within overlay district and show on plat maps.	County	Likely that land use conflicts would be reduced	May decrease some property values. May increase cost of residences.	<u>Oppose:</u> We support efforts to disperse information regarding sensitive areas of the county to interested parties as long as this visual protection does not restrict oil and gas development or violate state law to produce the minerals. However, overlay districts are not supported.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
<p>6.3.5 Options for Affected Resources Impact/Conflict to Be Mitigated: Conflicts with existing and future land uses on both properties with wells and nearby properties. Direct loss of some acres of agricultural lands. Introduction of weeds.</p>						
6.3.5.1	Land Use	Provide mechanisms for participation of nearby landowners in facilities siting through permitting or on-site inspection processes before the APD is approved.	County	All surface interests could participate in the well siting process.	May delay and permit process. May increase expenditures by county to implement.	<u>Strongly Oppose.</u> Because of the recent Court of Appeals ruling, Town of Frederick v. North American Resources Company, care should be given to any instance where the county’s regulatory scheme conflicts in operation with the state statutory or regulatory scheme. We believe the State has statutory right to regulate location of wells. This area is absolutely preempted. These recommendations should be removed from consideration. Operators work closely with surface owners where development occurs on their private surface.
6.3.5.1	Land Use	Require minimum setback for new residences from existing oil and gas facilities and require setbacks to be shown on plat maps.	County	Likely that land use conflicts and risks to health and safety would be minimized.	Restricts rights of landowner and may increase cost of residences.	<u>Support:</u> This option is supported for reasons of public safety and because this does not restrict oil and gas development or violate state law to produce the minerals.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
<p>6.3.5 Options for Affected Resources Impact/Conflict to Be Mitigated: Conflicts with existing and future land uses on both properties with wells and nearby properties. Direct loss of some acres of agricultural lands. Introduction of weeds.</p>						
6.3.5.1	Land Use	Require well windows for existing leases to be shown on plat maps, provide disclosure at time of property sale, or provide as CBM development overlay district.	County	Notifies property owners of potential oil and gas facility sites.	May decrease some property values. May increase cost of residences. May increase expenditures by county to implement.	<u>Support:</u> The well windows are available from the COGCC, so this recommendation is viable. We support efforts to require disclosure at time of property sale by realtors that a tract of land contains a mineral lease and a potential well window. We also caution that public records searches for oil and gas leases is cumbersome and requires experienced and expensive research.
6.3.5.1	Land Use	Define methane seepage or geologic hazard overlay district 2 miles from outcrop and do not allow residential development in this area.	County	Notifies property owners of potential oil and gas facility sites.	May decrease some property values. Restricts rights of landowner. May increase cost of residences. May increase expenditures by county to implement.	<u>Support:</u> This effort to enhance public safety is supported.
6.3.5.1	Land Use	Require setbacks for development from gas flowline easements.	County	Likely that land use conflicts and health and safety risks would be reduced.	Restricts rights of landowner and may increase cost of residences. May increase expenditures by county to implement.	<u>Support:</u> The industry supports this public safety effort for private developers. However, industry should be fully engaged in developing setback options for private development from gas flowline easements.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
6.3.5 Options for Affected Resources Impact/Conflict to Be Mitigated: Reduced proportion of property tax revenues from oil and gas at conclusion of production for CBM wells..						
6.3.5.2	Socioeconomics	Increase mill levy for property taxes for oil and gas facilities.	County	Provides additional revenues to the county.	Additional costs to industry.	<u>Strongly Oppose:</u> Under Colorado's Constitution, the County cannot create an additional "class" of property for imposition of a mill levy. Thus any increased mill levy will have to apply uniformly across all property in a given "class" (residential, commercial, or industrial), and although the assessment ratios may vary between classes, any proposed increase must be approved by a countywide vote.
6.3.5.2	Socioeconomics	Increase land use permit application fees for oil and gas facilities.	County	Provides additional revenues to the county.	Additional costs to industry. May increase expenditures by county to implement.	<u>Oppose.</u> There is no information provided on the need to increase these fees. Any new fees must bear a reasonable relationship to a legitimate government purpose and must reasonably approximate the government service involved. <i>Bainbridge v. Bd of County Commissioners</i> , 964P.2d575 (1998). There was litigation on this issue once before in La Plata County. These recommendations should be removed from consideration.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
Impact/Conflict to Be Mitigated: Reduced proportion of property tax revenues from oil and gas at conclusion of production for CBM wells.						
6.3.5.2	Socioeconomics	Require bond for successful establishment of vegetation.	County oil and gas permit	Provides financial compensation to the county in the event reclamation is inadequate.	Additional costs to industry. A bond for the same purpose may already be held by another regulatory authority.	Strongly Oppose: The COGCC already has a reclamation bond program in place. Because of the recent Court of Appeals ruling, Town of Frederick v. North American Resources Company, care should be given to any instance where the county’s regulatory scheme conflicts in operation with the state statutory or regulatory scheme. This area is preempted. Any new fees must bear a reasonable relationship to a legitimate government purpose and must reasonably approximate the government service involved. Bainbridge v. Bd of County Commissioners, 964P.2d575 (1998). These recommendations should be removed from consideration.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
Impact/Conflict to Be Mitigated: Reduced proportion of property tax revenues from oil and gas at conclusion of production for CBM wells.						
6.3.5.2	Socioeconomics	Provide tax incentives to encourage new industry for diversification of economy.	County	Long-term increase in revenues and jobs from new employment sectors	Slight, short-term decrease in revenues available to county.	<u>Support:</u> The economic impact of CBM production in the county is substantial. Not only does it provide jobs, but also it provides diversity to our local composition of the economy. It also generates large amounts of tax revenue (60% of all property taxes are paid by the oil and gas industry, considerably reducing the tax burden to other entities). The Energy Council conducted a telephone survey to its 34- member organization and there are 471 employees and 781 contract employees living and working in La Plata County. Contract employees can be landmen, attorneys, archaeologists, weed control contract people or snowplow removal people, painters or landscapers. Embrace this industry that is clearly providing this needed employment diversity and is not impacted by tourism. Decrease oil and gas regulations, which in turn will decrease costs associated to the county. Over the period of 1990 to 2001, the industry’s share of the total ad valorem tax roll has increased from 21% to 62%, extend this proposed tax incentive to our industry.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
Impact/Conflict to Be Mitigated: Reduced proportion of property tax revenues from oil and gas at conclusion of production for CBM wells.						
6.3.5.2	Socioeconomics	Increase fees (annual, per trip, or both) for overweight and oversize vehicles (drilling rigs) using county roads.	County vehicle permit	Provides additional revenues to the county.	Additional costs to industry.	<u>Oppose.</u> Every government fee must be reasonably related to government services provided. This fee seems to violate that principal.
6.3.5.2	Property Values.	Disclosure of potential CBM development at time of property transfers.	County	Likely that land use conflicts with increased well density would be reduced.	May decrease some property values.	<u>Support:</u> Disclosure of information by realtors/title insurance companies to prospective purchasers of CBM development potential is supported. This disclosure is important for realtors at the time of listing by looking at county proposed CBM Maps and at the time a contract is written and again at closing.
6.3.5.2	Property Values.	Provide tax relief for properties devalued by proximity to a well.	County	Provides tax relief for owners of private property affected by CBM wells.	Slight, short-term decrease in revenues available to county.	<u>We do not support</u> the conclusion that properties are devalued which are located near a well. This impact survey is incomplete. Oil and Gas operators and transporters make payments to surface owners that have not been addressed by this conclusion. Data is obtained from the assessor's records and a negotiated process with a surface owner provides additional information. Many companies have a success rate of between 99% and 100% negotiating a Surface Use Agreement or other right of way addressing damages and use based on the value of land removed and these payments offset any effect on property values. Additionally, property owners are already given opportunities to protest valuation of property with the County Assessor.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
Impact/Conflict to Be Mitigated: Increased vehicular traffic, and associated air quality impacts, additional wear and tear on roads, increased road maintenance costs, increased risk of traffic accidents.						
6.3.5.3	Traffic and Transportation	Increase fees (annual and/or per trip fees) for overweight and oversize vehicles (drilling rigs) using county roads.	County vehicle permit	Provides additional revenues to the county.	Additional costs to industry.	<u>Oppose.</u> Given the problems involving the analysis with construction traffic, this suggested mitigation measure couldn't be justified. The anticipated yearly damage from oil and gas traffic is offset by the property tax, specific ownership tax and license fees that the industry pays. CBM operators construct and maintain roads on CBM leases and La Plata County residents use these roads for access to county roads in some cases. Many operators, if not all, repair or reimburse the county for repairs to specific roads when they are clearly damaged by heavy equipment, developing or servicing CBM wells and ancillary facilities. Every government fee must be reasonably related to government services provided. This fee seems to violate that principal.
6.3.5.3	Traffic and Transportation	Require permit fee (fine) if vehicles uses roads without permit.	County vehicle permit	Provides additional revenues to the county.	Additional costs to industry. May increase expenditures by county to implement.	<u>Support:</u> We assume this refers to overweight and oversize vehicles. If a permit fee is required and not obtained, a fine is appropriate.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
Impact/Conflict to Be Mitigated: Increased vehicular traffic, and associated air quality impacts, additional wear and tear on roads, increased road maintenance costs, increased risk of traffic accidents.						
6.3.5.3	Traffic and Transportation	Require proof of liability insurance coverage to guarantee payment for damages to roads and bridges.	County oil and gas permit	Provides financial compensation to the county in the event of damage to road or bridge.	Additional costs to industry.	<u>Oppose:</u> “Liability insurance” could mean many things. Are roads and bridges being impacted by oil and gas to the point that quantifiable costs for repair are known? We believe the property taxes industry pays, combined with federal, state funds and grants far outweigh the damages to roads and bridges and should be allocated appropriately to address this issue. It has been questioned whether the county has legal authority to require such insurance. Public roads, after all, are public roads (not toll roads), and the county does not have authority to impose additional requirements beyond state law. State law already governs motorized vehicles needing to be covered by liability insurance. The county has no legal authority to require insurance above what is required for automobiles by state statute. Seems to be singling out one industry inappropriately.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
Impact/Conflict to Be Mitigated: Increased vehicular traffic, and associated air quality impacts, additional wear and tear on roads, increased road maintenance costs, increased risk of traffic accidents.						
6.3.5.3	Traffic and Transportation	Require permits for all new access roads using design specifications and performance standards, including criteria for road alignment, dust control (gravel, watering), weed control, traffic control, revegetation, landscaping, and buffering, depending on distance from closest residence, recreational use area, or other sensitive receptors.	County oil and gas permit	Limit air quality, visual, and noise impacts from CBM -related vehicles.	Additional regulations and costs for industry. May increase expenditures by county to implement.	<u>Oppose:</u> Standard road designs are used for private roads constructed by the industry. If a new road is very close to a sensitive receptor, it is likely that a right of way must be obtained and paid for to this individual. Nature of access is subject to private negotiations between the surface owner and the oil and gas lessee. The oil and gas lease gives right to ingress and egress. The right to reasonable access to the lease is part of the mineral estate. The county cannot require or deny permits for access on roads located on private property providing ingress/egress to state permitted wells and facilities.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
Impact/Conflict to Be Mitigated: Increased vehicular traffic, and associated air quality impacts, additional wear and tear on roads, increased road maintenance costs, increased risk of traffic accidents.						
6.3.5.3	Traffic and Transportation	Require operators to construct improvements directly related to operations, such as paving gravel roads, improving intersections, improving sight distances, posting hazard warning signs, and installing traffic control devices.	County	Long-term decrease in county expenditures as a result of the decreased road maintenance costs related to CBM development. Reduced risks of traffic accidents.	Additional regulations and costs for industry.	<u>Oppose:</u> This recommendation must be assessed for what types of roads this would be required. Typically lease roads do not see the level of traffic where this would need to be applied. Instead, this would fall into the category of state or county roads. We believe these types of traffic improvements are the responsibility of the County or CDOT to determine and install the necessary equipment. La Plata County has received \$9.36 million in Energy Impact Money since 1992, and the impacts related to oil and gas have provided some justification for these grant monies, but to an equal or even much larger extent they benefit the residents and visitors to La Plata County. We also caution that paving roads may not be in the best interest of road safety in every case. Paving of roads typically results in increased road speed on those segments. Depending upon the road route, this could compromise road safety and the health and safety of the traveling public.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
Impact/Conflict to Be Mitigated: Increased vehicular traffic, and associated air quality impacts, additional wear and tear on roads, increased road maintenance costs, increased risk of traffic accidents.						
6.3.5.3	Traffic and Transportation	Agreements for preventative and corrective road and bridge maintenance of county roads used by CBM vehicles.	County	Long-term decrease in county expenditures related to CBM development as a result of decreased road maintenance costs.	Additional regulations and costs for industry.	<u>Oppose:</u> We do not believe it is fair to isolate one industrial entity especially when other uses may be involved with a road segment or bridge, particularly building construction. Therefore, this type of an approach must use a methodology of assessing axle loads and from whom in order to equitably apply this recommendation. Further, we have been recently assessed road impact fees for certain major facility applications. These fees are assessed to any user, regardless of who uses the roads. This lends credibility to an approach that does not single-out one entity. An example of other uses to roads and bridges is apparent when reviewing county building permits. In 1994 there were 744 residential and commercial county building permits and only 40 oil and gas well permits. In 1995 there were 751 residential and commercial county building permits and only 20 oil and gas well permits. Growth in La Plata county and construction of new homes and commercial buildings impact roads. It takes 6 months to build a new single- family home with numerous traffic impacts over a more extended duration than those associated with the future of CBM development.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
Impact/Conflict to Be Mitigated: Increased vehicular traffic, and associated air quality impacts, additional wear and tear on roads, increased road maintenance costs, increased risk of traffic accidents.						
6.3.5.3	Traffic and Transportation	Require permit for road use for all CBM-related vehicles.	County	Increased county revenues.	May increase expenditures by county to implement.	<u>Oppose:</u> This is unnecessary. Most CBM traffic is light duty trucks, which do little damage to roads. This use is similar to many other trucks conducting other industrial/agricultural activities. Would those other entities be subject to permits and fees for road use? In 2000 there were 1201 total building permits issued, only 73 were for oil and gas well permits, in 2001 there were 1185 total county building permits and only 98 of those were for oil and gas well permits. Will other industrial/agricultural trucks be permitted?
6.3.5.3	Traffic and Transportation	More intensively enforce speed limits.	County	Increased county revenues.	May increase expenditures by county to implement.	<u>Support:</u> This is a matter for the county to address; however, our employees are reminded to obey all posted speed limits in the county and educational safety meetings are held as a matter of our business practices.
6.3.5.3	Traffic and Transportation	Provide specific performance standards for traffic control, signage, and other traffic-related impacts associated with oil and gas facilities.	County	Lessened traffic impacts and reduced potential for traffic accidents.	Additional regulations and costs for industry. May increase expenditures by county to implement.	<u>Oppose:</u> As stated previously, we do not believe singling out oil and gas for this purpose is appropriate. This type of effort should be coordinated by the county or CDOT, depending upon jurisdiction of the road, intersection, etc.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
Impact/Conflict to Be Mitigated: Visual intrusion during construction and operation of CBM facilities.						
6.3.5.4	Visual Resources	Provide specifications and performance standards for well siting, type and appearance of facilities, landscaping and buffering, weed control, signage, and other standards to minimize the visual impacts of oil and gas facilities, depending on distance from residences and viewpoints.	County	Likely that land use conflicts would be reduced.	Additional regulations for industry. May increase expenditures by county to implement.	<u>Strongly Oppose:</u> Because of the recent Court of Appeals ruling, Town of Frederick v. North American Resources Company, the local imposition of standards to minimize the visual impacts of oil and gas facilities gives rise to operational conflicts and will require the local regulations to yield to state interests. “Such is the case with the setback, noise abatement, and visual impact provisions” page 16 in Court of Appeals decision. This area is preempted. These recommendations should be removed from consideration.
6.3.5.4	Visual Resources	Define and implement well siting performance standards.	County	Likely that land use conflicts would be reduced.	Additional regulations and costs for industry. May increase expenditures by county to implement.	<u>Strongly Oppose:</u> Because of the recent Court of Appeals ruling, Town of Frederick v. North American Resources Company, the local imposition of well siting and visual impacts of oil and gas facilities gives rise to operational conflicts and will require the local regulations to yield to state interests. “Such is the case with the setback, noise abatement, and visual impact provisions” page 16 in Court of Appeals decision. This area is preempted. These visual recommendations should be removed from consideration.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
Impact/Conflict to Be Mitigated: Visual intrusion during construction and operation of CBM facilities.						
6.3.5.4	Visual Resources	Define and implement performance standards for appearance of operational facilities and landscaping.	County	Likely that land use conflicts would be reduced.	Additional regulations and costs for industry. May increase expenditures by county to implement.	<u>Strongly Oppose:</u> Because of the recent Court of Appeals ruling, Town of Frederick v. North American Resources Company, the local imposition of well siting and visual impacts of oil and gas facilities gives rise to operational conflicts and will require the local regulations to yield to state interests. “Such is the case with the setback, noise abatement, and visual impact provisions” page 16 in Court of Appeals decision. This area is preempted. These visual recommendations should be removed from consideration.
6.3.5.4	Visual Resources	Use a combination of well siting and performance standards for appearance of operational facilities and landscaping.	County	Likely that land use conflicts would be reduced.	Additional regulations and costs for industry. May increase expenditures by county to implement.	<u>Strongly Oppose:</u> Because of the recent Court of Appeals ruling, Town of Frederick v. North American Resources Company, the local imposition of well siting and appearance of operational facilities and landscaping are visual categories and give rise to operational conflicts and will require the local regulations to yield to state interests. “Such is the case with the setback, noise abatement, and visual impact provisions” page 16 in Court of Appeals decision. This area is preempted. These visual recommendations and all current oil and gas regulations regarding visual impacts provisions should be removed from county consideration and current county regulations.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
Impact/Conflict to Be Mitigated: Visual intrusion during construction and operation of CBM facilities.						
6.3.5.5	Noise	Provide specifications and performance standards for type of equipment, when building enclosures are required for compressors, conditions that require mufflers, landscaping, sound obstacles, and buffering, and other standards for minimizing the noise impacts of oil and gas facilities.	County	Likely that noise impacts would be reduced.	Additional regulations for industry. May increase expenditures by county to implement.	<u>Strongly Oppose:</u> The County does not have authority of noise and visual mitigation, therefore, these recommendations should be removed from consideration because of the Town of Frederick Court of Appeals decision and prior decisions in La Plata County.
6.3.5.5	Noise	Define minimum setbacks (distance) for new development from existing oil and gas facilities.	County oil and gas permit	Likely that risks to health and safety would be reduced.	May increase cost of residences.	<u>Strongly Oppose:</u> The County does not have authority for setbacks; therefore this noise recommendation should be removed from consideration because of the Town of Frederick Court of Appeals decision and prior decisions in La Plata County, if this option is intended to involve siting of oil and gas facilities.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
Impact/Conflict to Be Mitigated: Visual intrusion during construction and operation of CBM facilities.						
6.3.5.5	Noise	Increase minimum setbacks (distance) for new wells from existing residences.	County oil and gas permit or new COGCC rule	Likely that risks to health and safety would be reduced.	Additional costs to industry	<u>Strongly Oppose:</u> Because of the recent Court of Appeals ruling, Town of Frederick v. North American Resources Company and other decisions in La Plata County, the local imposition of setbacks give rise to operational conflicts and will require the local regulations to yield to state interests. “Such is the case with the setback, noise abatement, and visual impact provisions” page 16 in Court of Appeals decision. This area is preempted. These noise recommendations should be removed from consideration.
Impacts/Conflicts to Be Mitigated: Methane or hydrogen sulfide gas seeps, water well contamination, or draw down, or risks of fire and explosion. Increased number of incidents requiring emergency response and fire fighting services.						
6.3.5.6	Health and Safety	Require proof of liability insurance coverage.	County and COGCC	Provides additional revenues to the County.	Additional costs to industry.	<u>Strongly Oppose:</u> The COGCC already has bonding requirements. This is duplicative. Because of the recent Court of Appeals ruling, Town of Frederick v. North American Resources Company the county does not have the authority to enforce COGCC rules, so there would be no reason to create a rule that is exactly the same as an existing COGCC rule. This area is preempted. This duplicative recommendation should be removed from consideration.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
Impacts/Conflicts to Be Mitigated: Methane or hydrogen sulfide gas seeps, water well contamination, or draw down, or risks of fire and explosion. Increased number of incidents requiring emergency response and fire fighting services.						
6.3.5.6	Health and Safety	Require dust control, traffic control, and spill and drainage control plans.	County oil and gas permit, CDPHE, and BLM or FS (where applicable)	Likely that risks to health and safety would be reduced.	Additional costs to industry.	<u>Strongly Oppose:</u> The County typically exercises dust control on their roads. If intensive activity were occurring on a lease road, then, depending upon the proximity of receptors, water would be applied by the company. Traffic control plans are the responsibility of the county and CDOT. Spill plans are preempted by COGCC regulation on point. Drainage control plans are part of storm water requirements of the State of Colorado. This is duplicative. We do not support submitting all this information separately, particularly those parts that are specific to a particular operation. Because of the recent Court of Appeals ruling, Town of Frederick v. North American Resources Company, the county does not have the authority to enforce COGCC rules, so there would be not reason to create a rule that is exactly the same as an existing COGCC rule. This area is preempted. This duplicative recommendation should be removed from consideration.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
Impacts/Conflicts to Be Mitigated: Methane or hydrogen sulfide gas seeps, water well contamination, or draw down, or risks of fire and explosion. Increased number of incidents requiring emergency response and fire fighting services.						
6.3.5.6	Health and Safety	Increase the setbacks required from property lines to minimize risks related to releases of flammable gases from wells.	County or new COGCC rule	Likely that risks to health and safety would be reduced.	Additional costs to industry.	<u>Strongly Oppose:</u> Because of the recent Court of Appeals ruling, Town of Frederick v. North American Resources Company and other decisions in La Plata County, the local imposition of setbacks give rise to operational conflicts and will require the local regulations to yield to state interests. “Such is the case with the setback, noise abatement, and visual impact provisions” page 16 in Court of Appeals decision. This area is preempted and clearly shows that the county should remove the 400-foot setbacks from their regulations. These recommendations and all current oil and gas regulations regarding setbacks should be removed from county considerations/and current county regulations.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
Impacts/Conflicts to Be Mitigated: Methane or hydrogen sulfide gas seeps, water well contamination, or draw down, or risks of fire and explosion. Increased number of incidents requiring emergency response and fire fighting services.						
6.3.5.6	Health and Safety	Charge response fees for EMS, Fire Fighting, and Hazmat for oil and gas incidents	County	Increased revenues for EMS and fires fighting services	Additional costs to industry.	<u>Oppose:</u> Based upon the very low frequency in responding to these incidents, a response fee is not justified, and would probably decrease voluntary contributions to these entities. These departments receive community contributions from many Energy Council members each year. The Energy Council is currently promoting a special fund raising effort for fire districts, Search and Rescue and Colorado Mounted Rangers totaling to date \$41,800.00.
6.3.5.6	Health and Safety	Hire professional, staffed employees in addition to volunteers.	County	Reduced response times	Additional county expenditures.	<u>Neutral.</u> This is a matter for the County Emergency Response to address.
6.3.5.6	Health and Safety	Require annual updates to electronic Emergency Preparedness Plan.	County oil and gas permit	Reduced response times.	Additional costs to industry.	<u>Oppose:</u> Based on some of the attachments that are inherent to these plans, providing an electronic version of the entire contents may not be possible.

La Plata County Energy Council- Attachment B: Table 6-6 La Plata County Impact Report Options for Minimizing CBM Development Conflicts or Impacts

CIR Section	Resource/Topic Impacts	Options	Implementing Method/Agency	Advantages	Disadvantages	Support/Oppose/Reason
Impacts/Conflicts to Be Mitigated: Methane or hydrogen sulfide gas seeps, water well contamination, or draw down, or risks of fire and explosion. Increased number of incidents requiring emergency response and fire fighting services.						
6.3.5.6	Health and Safety	Require geo-referenced (GIS) data for roads, wells, pipelines as part of annual updates to Emergency Preparedness Plan.	County oil and gas permit	Reduced response times. Minimized risks to health and safety for accidental excavations into gas lines.	Additional costs to industry.	<u>Oppose:</u> Getting the information from all operators may not be possible. Some companies may not have the financial resources, computers or software. Additionally, the county has a GIS department and unlimited access to all recorded instruments in the Clerk and Recorder's vault where, plats and surveys for roads and pipeline easement are filed. If this is necessary, the county would be the most suited to perform this option. Industry strongly supports enforcement and educational information regarding one-call.

Notes:

APD = Application for permit to drill

CBM= Coalbed methane and Environment

COGCC = Colorado Oil and Gas Conservation Commission

EMS = Emergency medical service

FS = U.S. Forest Service

MOA = Memorandum of agreement

NOS = Notice of staking

BLM = Bureau of Land Management

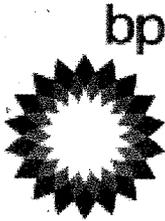
CDPHE = Colorado Department of Public Health

CGS = Colorado Geological Survey

GIS = Geographic information system

MOU = Memorandum of understanding

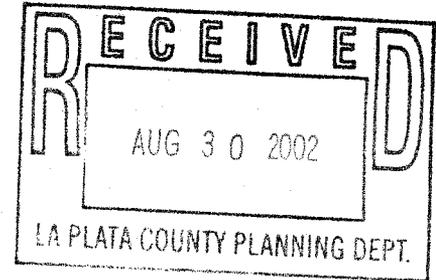
SUP = Surface use program



BP America Production Company
Durango Operations Center
380 Airport Road
Durango, CO 81303-8854

August 29, 2002

Mr. Adam Keller
1060 E 2nd Avenue
Durango, CO 81301



RE: Comments on the Draft La Plata County Oil and Gas Impact Report

Dear Adam:

Please find enclosed BP America's comments on the June 2002 Draft of the La Plata County Impact Report (CIR). This cover letter outlines our major concerns and Attachment A provides specific comments on individual portions of the assessment.

BP has several major concerns with the Draft CIR.

1. The Draft CIR suggests that La Plata County could regulate aspects of CBM development (setbacks, visual, noise, safety) that are statutorily reserved for state regulation. The state's responsibility for regulating these aspects has recently been reaffirmed by the courts. The recent Weld County District Court of Appeals Decision, *Town of Frederick v. North American Resources Company* clearly establishes that local governments are preempted from regulating many of the aspects of CBM covered by the Draft CIR. Our overriding opinion is that La Plata County's attempts to regulate in these areas would be inconsistent with these recent court rulings.

Moreover, current La Plata County land use regulations should be carefully reviewed for operational conflicts so that local regulations regarding oil and gas activities yield to the state interest, including the areas of setback, visual impacts and any reference to noise, which are preempted from local regulation. We believe that the portions of the Draft La Plata County Impact Report, which include recommendations and options regarding setbacks, noise and visual impacts, should not be used for comprehensive planning purposes, nor for the development of future oil and gas regulations. It seems appropriate to limit areas of county regulation to those that are acceptable under state statutes and the recent Colorado Court of Appeals decision.

2. Our review of the Draft CIR has identified substantial flaws in the transportation analysis, the results of which are carried forward into the mitigation section of the report. We are concerned that the faulty transportation analysis will be used as a basis for assessing additional road impact fees and possibly air quality modeling, which would overstate air quality impacts of the NSJB CBM development. These errors should be corrected and an errata notice circulated to recipients of the draft and posted on the County's website. The errors in the transportation analysis are outlined in Attachment A.
3. The Draft CIR does not address the adequacy (or inadequacy) of existing regulations for avoiding or mitigating potential impacts. Many of the potential impacts identified in Section 5 of the report would be adequately avoided or mitigated through compliance with existing regulations. If the county or its contractor believes existing regulations are not adequate to address specific impacts or impacts in certain locations, those circumstances should be identified and discussed. However,

the linkage between potential impacts, existing regulations and the need for additional regulation is not established in the draft.

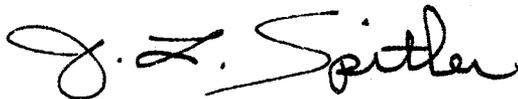
4. Many of the options for minimizing CBM development conflicts or impacts contained in Table 6-6 are not supported by the analyses in Section 5 of the Draft CIR. For example, one option to offset the eventual decline in CBM revenues is to "increase the mill levy for property taxes for oil and gas facilities." However, the Section 5.2 analysis concludes that "The most significant impact to revenues associated with CBM development is increased property tax revenues." and "In addition to net revenues gained over the 30-year period, the reduced portion from oil and gas revenues that result from the conclusion of the project may be offset by other sources." The final CIR should ensure that impact minimizing and mitigation options are supported by the assessment.
5. The Draft CIR identifies a wide range of potential impacts of CBM development, but it does not dedicate a corresponding effort to identifying the benefits of CBM development to La Plata County residents. This is particularly true for the contributions of the CBM industry to the La Plata County tax base; clearly, the CBM industry contributes far more in tax revenues than it receives in public services. Similarly, the measures that the CIR uses to portray the contribution of CBM to the La Plata County economy tends to minimize the important role that the industry plays. A balanced impact report should also provide a realistic assessment of the contributions of the CBM industry to the La Plata County economy and tax base.
6. CBM industry impact monitoring and mitigation activities receive little attention in the Draft CIR. Examples of monitoring and mitigation programs include water well monitoring initiatives and operator repair or payments for access roads damaged by drilling and construction traffic. These efforts should be described and considered when determining the adequacy of existing mechanisms for avoiding and mitigating impacts of anticipated CBM development.
7. The role of landowners in the well and facility siting process similarly receives little attention in the Draft CIR. Operators enter into surface use agreements with landowners. In general, those agreements dictate how CBM development occurs on private surface. Moreover the damage payments that landowners receive is based in part on the value of land removed from other uses and offsets any effect on property values.

Our specific comments in Attachments A provide additional information about these major concerns.

We also fully endorse the comments being submitted by the La Plata County Energy Council regarding the CIR.

Thank you for considering our comments. We have worked constructively with local elected officials and county departments on oil and gas matters in the past and we look forward to continuing this cooperative effort into the future.

Sincerely,



Jeffrey L. Spitler
Operations Manager
Northern San Juan PU Delivery Team

ATTACHMENT A

Attachment to BP America Production Company letter dated August 29th; "Comments To The La Plata County Oil and Gas Impact Report"

Executive Summary.

While there are a number of recommendations in this section, there are some that are objectionable and others we support. Through our comments in specific chapters, those positions will be made clear.

Page E-1, last paragraph. This paragraph contains recommendations for possible options by the County to mitigate impacts from oil and gas operations. While some of the recommendations are commendable, such as identifying methane seep hazard areas where residential development could be restricted, others are cumbersome. The recommendations to develop standards similar to federal wells or using performance based standards in certain defined zoning districts will be very difficult to employ.

Page E-3, 4th full paragraph. This paragraph relies on the conclusions of a flawed analysis. The analysis should be revised and the implications of these changes as the justification for additional mitigation should be revisited. An appropriate errata sheet or addendum should be distributed to recipients of the report and posted on the County's website.

1.0 Introduction

Section 1.1 (Page 1-1) and/or Section 4.0 (Page 4.1). The County Impact Report (CIR) would benefit from a discussion and table describing the historic pace and location of CBM development in La Plata County, and the cumulative context in which the Northern San Juan Basin CBM project will occur. The discussion and table should include the following:

- The annual number of CBM wells drilled within La Plata County since the mid-80's, and a breakdown of the number of wells drilled on private surface, public lands, and State lands within La Plata County for each of these years.
- Projections of the annual cumulative number of wells anticipated for the County, (including those in the project area and those elsewhere in the County) by private surface, public lands and State lands.
- The relationship of future cumulative CBM development to past development. Will it be greater? Less? By how much?
- The relationship of the Northern San Juan Basin CBM development to total CBM development anticipated for La Plata County.

Although the focus of the CIR is the study area, having a sense of the historic and future cumulative pace and distribution of countywide CBM development would help determine if County service demand (e.g., road maintenance, emergency management, planning services) would decrease or expand. The cumulative discussion would also provide an understanding of the portion of impact attributable to development within the project area.

3.0 Current Policies And Environmental Conditions

Oil and Gas Development Land Use Controls

Page 3-7, Section 3.1.3: This chapter is intended to discuss land use controls for oil and gas development. The CIR states “The Colorado Supreme Court recently addressed the conflict between state and county authority over regulation of land use for oil and gas development.” Ten years ago, when this decision was rendered, is not recent.

Page 3-9: To clarify that operational conflict between county and state regulations “must be resolved on an ad-hoc basis under a fully developed evidentiary record”, the following sentence should be added at the end of the paragraph before Surface Rights vs. Mineral Rights: “The Colorado Court of Appeals recently affirmed such an analysis of operational conflict under a full evidentiary record. In *Town of Frederick v. North American Resources Company*, the court found operational conflicts were created by the local government’s regulations in the areas of visual impacts, sound mitigation and setbacks.

Setbacks

Page 3-9: The County setback of at least 400 feet is required under Chapter 90 of the Code of La Plata County, while a setback of at least 200 feet is required by the COGCC spacing regulations. Under *Town of Frederick v. North American Resources Company*, the County setback is not permissible.

Surface Disturbance Compensation

Page 3-10, the word “Compensation” should be deleted. The County does not have any authority to adjudicate civil disputes between private citizens and award compensation. Further, the content of this paragraph does not really relate to compensation.

Noise, Lighting, Visual Obstruction/Degradation

Page 3-10, because of the recent Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, “the local imposition of technical conditions on well drilling where no such conditions are imposed under state regulations, as well as imposition of safety regulation or land restoration requirements contrary to those required by state law, gives rise to operational conflicts and requires that the local regulations yield to the state interests.”

Bowen/Edwards, supra, 803 P.2d at 1060.

“Such is the case with the setback, noise abatement, and visual impact provisions invalidated by the trial court here. Thus, the ordinance sections that the trial court invalidated are preempted on the basis of operational conflict.”

Page 3-12. The word “electronic” in the second paragraph of this subsection should be changed to “electric”.

Recent Legislative Activity

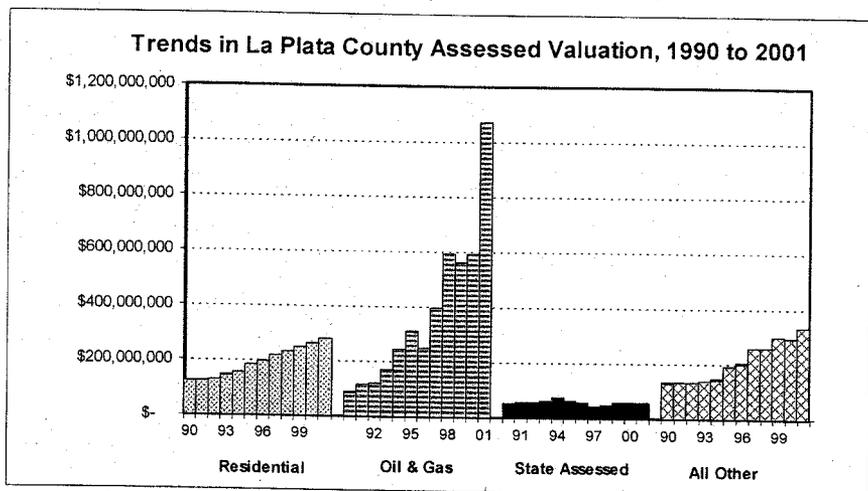
Pages 3-12 to 3-13. This chapter is intended to discuss existing conditions in the County. The reference to two bills that were not enacted by legislature has no bearing on existing conditions in the County. Therefore, the last paragraph of this subsection should be eliminated.

Fiscal Conditions of Local Government

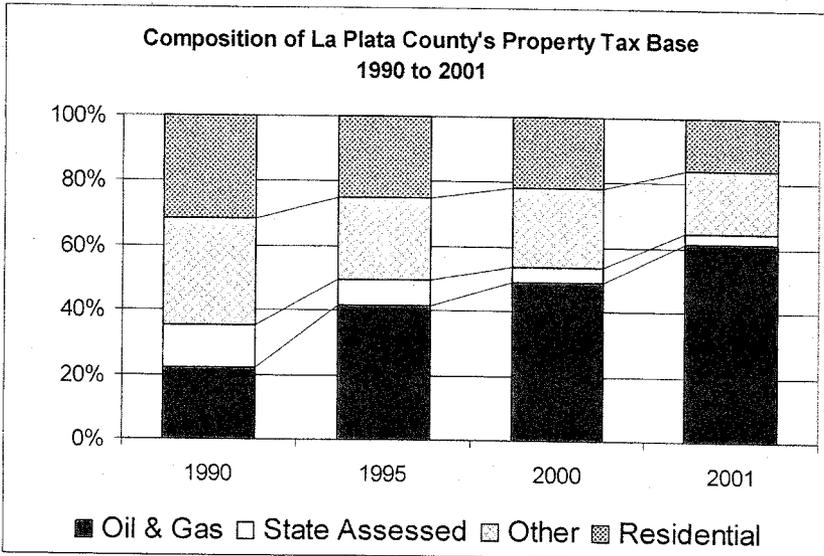
The CIR presents a substantial volume of data regarding local fiscal conditions, including descriptions of some of the linkages between those conditions and the oil and gas industry. However, it is the LPEC’s position that the presentation falls short in its portrayal of the industry’s significant fiscal contributions in La Plata County and the extent to which all taxpayers in the County benefit from its activities.

Section 3.2.5 discusses fiscal conditions of local government. That discussion describes the increasing share of the County’s (and that of many other taxing entities) accounted for by oil and gas. While the tabular information is factual, the report fails in informing the reader of how dramatically the composition of the tax base has changed. As recently as 1993, the residential assessed valuation in La Plata County exceeded that of the oil and gas industry. However, since then the industry’s valuation

increased more than six-fold, while that from residential development has not even doubled despite significant new construction and strong appreciation in housing prices.



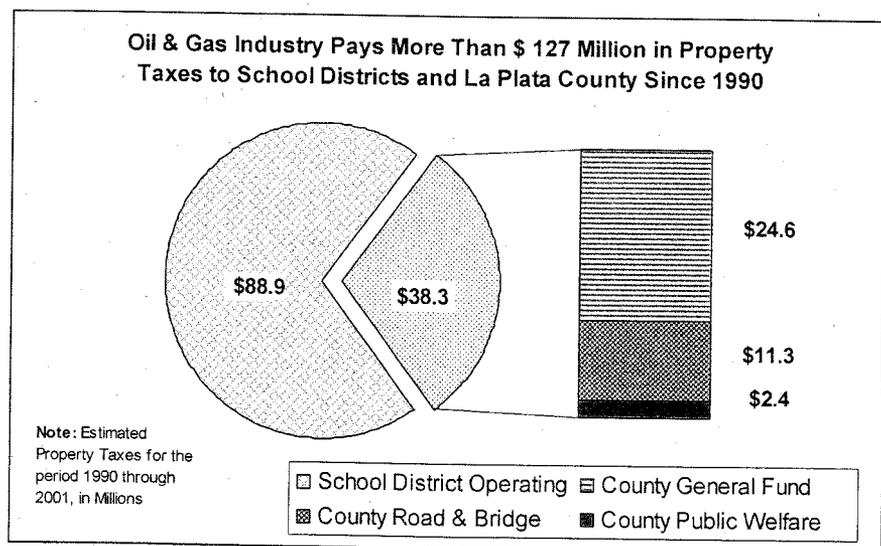
The result of these changes has been a dramatic shift in the property tax burden borne by the oil and gas industry. Over the period 1990 to 2001, the industry's share of the total ad valorem tax roll (including the associated industrial facilities) has increased from 21% to 62%, while that from residential development has fallen from 32% to 16%. If commercial, vacant, agricultural and state assessed property is included, the oil and gas industry accounts for nearly two-thirds of the entire base. Even if one discounts the 2001 year as unusual, the industry accounts for half of the entire County's property tax base.



Even if one discounts the 2001 year as unusual, the industry accounts for half of the entire County's property tax base.

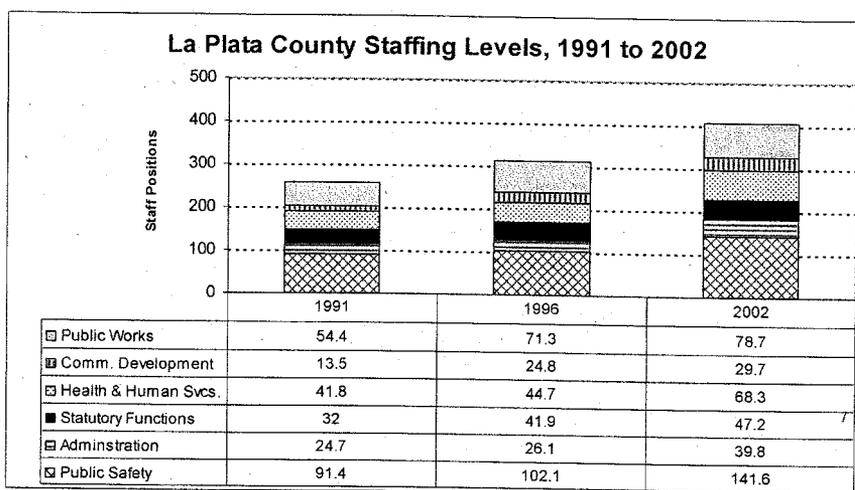
When the industry's valuation is combined with the County's ad valorem tax rate, the industry paid over \$5 million in property taxes in 2000 and nearly \$9.1 million on the 2001 valuation. In addition, the industry paid more than \$9.0 million in taxes to support the local school district operating budgets in 2000, with more than \$12.2 million in estimated taxes paid on the 2001 valuation. The industry's support of local school districts, as well as many other local public service providers, is not even acknowledged in the CIR.

In the 12 years covering 1990 through 2001, the industry's aggregate property tax payments are estimated in excess of \$88.9 million to support local school operations (the total increases if debt service is included) and \$38.3 million to La Plata County. In addition to the property taxes paid, the industry, its subcontractors, suppliers and local households directly and indirectly supported by the oil and gas industry generate substantial sales and other tax revenues and fees to support local government and public service providers. Again,



the CIR overlooks these contributions.

Those taxes have gone to support increasing demand for public facilities and services for a population that tops 44,000 residents and hosts more than 1,000,000 tourists per year. The growing demands for services from an expanding resident population and the continued promotion of tourism have fueled increases in public spending that are largely unrelated to the oil and gas industry, yet consume an increasing share of the available resources.

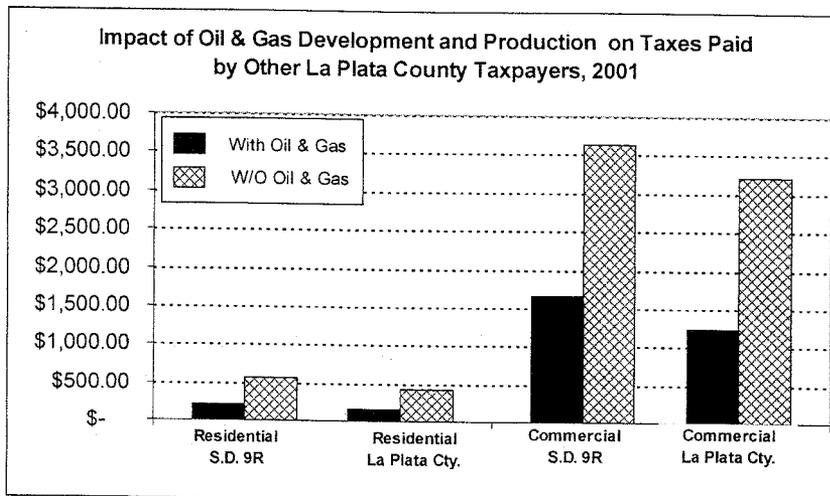


A summary of the County's staffing levels provides an indication of how the County's expenditures have risen to respond to population growth and increases in the levels of services

provided. Between 1991 and 2002, total staffing for La Plata County increased by nearly 60 percent from 257.8 to 405.3 positions. Increases in public safety and the health and human services program areas accounted for more than half of the total increase, nearly 77 positions. Increases in the public works program area, which includes the road and bridge department, numbered 24.3 positions, raising the total to 78.7 positions. That total includes 12.9 positions assigned to the La Plata County Airport, as well as maintenance, snow and ice removal, engineering, traffic control management and fleet management on nearly 700 miles of county roads. While the industry contributes to the demands placed on that department, it is certainly not the sole contributor given the increased development in unincorporated portions of the County.

One result of the changing staffing levels and responses to resident demands has been an increase in expenditures in other program areas. Those expenditures are funded in large part by the proceeds of the County's general fund property tax. Local voters have twice approved measures allowing the County to retain property tax revenues in excess of the limits imposed by the TABOR amendment. As a result of the oil and gas industry's rising production and valuation, it picks up most of that burden. In effect, the result has been that the industry underwrites many of the local government and education services provided to residents, allowing them to enjoy a higher standard of service than they would otherwise have, or at a lower cost than if the oil and gas industry was not actively producing in La Plata County.

A simple proxy of the benefit local taxpayers receive due to the property taxes paid by the industry is gained by calculating the property tax bill under the existing conditions and assuming the oil and gas industry's entire assessed valuation suddenly evaporated and taxpayers were required to generate a comparable amount of revenue to offset the losses. This approach was taken for the owner of a typical single-family residential property (market value of about \$193,000) and for a commercial building with a market value of \$500,000. For purposes of this illustration, taxes paid to support County government and local school district operations were both examined, the latter based on the tax rates for Durango School District 9R because they are the lowest in the County and also where a large portion of the production occurs. Results of the analysis are shown in the following figure and table.



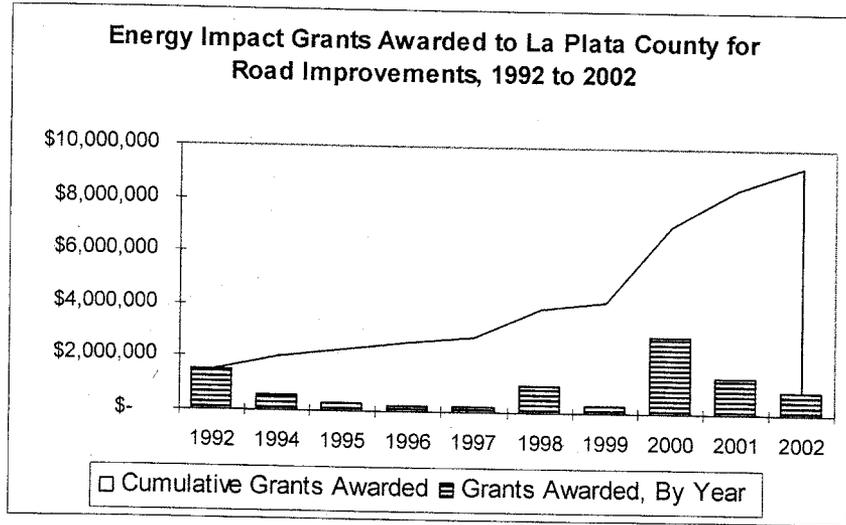
The analysis indicates that owners of each of the more than 12,000 single-family residences throughout La Plata County would have seen their 2001 property tax for the school operating and County portions increase from an average of \$374 to \$972 – a \$578 or 160% increase. For the commercial properties, the impact would be high, as taxes for a \$500,000 property would increase from \$2,887 to \$6,834, or \$3,947 or a 137% increase. Although the savings were not estimated, property owners of vacant land, farmers and ranchers, and other types of property benefit similarly.

Impact of Oil & Gas Development and Production on Taxes Paid by Other La Plata County Taxpayers, 2001				
	Single Family Residential @ \$193,000		Commercial Building @ \$500,000	
	SD 9R – Operating	La Plata County	SD 9R - Operating	La Plata County
2001 Taxes w/o Oil & Gas	\$ 557	\$ 415	\$ 3,631	\$ 3,203
2001 Taxes with Oil & Gas	\$ 214	\$ 160	\$ 1,654	\$ 1,233
Tax Savings due to Oil & Gas	\$ 343	\$ 255	\$ 1,977	\$ 1,970
Combined Annual Savings	\$ 598		\$ 3,947	
Data sources: <i>Thirty-First Annual Report – 2001</i> , Colorado Department of Local Affairs, Division of Property Taxation, 2002				

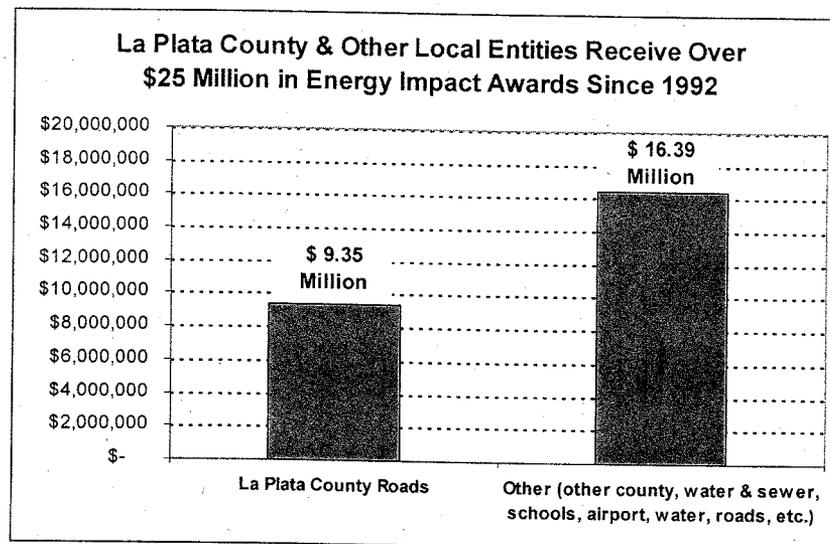
In the interest of time, the analysis is admittedly simplified and subject to some caveats. For instance, increases in State funding could offset some of the reduction in the local property tax revenues and it is unclear that voters would approve exemptions in TABOR revenues if they, collectively, had to bear the full tax burden of that approval. However, these limitations notwithstanding, the underlying conclusion is valid. The presence of

the oil and gas industry underwrites the provision of governmental and educational services to the residents and visitors at levels higher than they would receive absent the industry's tax base.

Yet another example of the incomplete picture of industry-related benefits portrayed in the CIR pertains to the discussion of energy impact grants funded through severance taxes. To date, La Plata County has been awarded nearly \$9.4 million in grants to address road impacts – see the figure to the right. It will continue to apply for and expects to receive significant additional grants in the future. To a large extent, that part of the story is acknowledged in the CIR. However, the CIR overlooks that the County, local school districts, fire protection districts and other governmental entities have received energy impact grant awards



totaling nearly \$16.4 million – see the figure below. While impacts related to oil and gas have provided some of the justification for these grants, a bigger factor has been the population growth, particularly in unincorporated portions of the County that is unrelated to the industry. To some extent, the improvements funded by those grants benefit industry, but to an equal or even much larger extent, they benefit the residents of and visitors to La Plata County.



We, as an industry group, are pleased when the taxes paid on oil and gas produced in the County returns to fund infrastructure and service needs in the County. We also think it appropriate that the CIR provide a balanced and comprehensive assessment of the industry's role with respect to fiscal and other matters.

Employment and Income

Sections 3.2.1.2 and 3.2.2 (Pages 3-30 through 3-37) of the Draft CIR discuss basic employment and direct earnings associated with CBM, presumably derived from BEA data for the mining sector. Because basic employment and earnings associated with CBM (as defined by the CIR) represent a relatively small increment of La Plata County employment and earnings, the discussion creates the impression that the contribution of CBM to the La Plata County economy is insignificant. Although some of the labor and materials associated with CBM are drawn from outside the County, industry expenditures for certain types of materials and contractors within the County are substantial. For example, dirt work, certain types of specialty construction contractors, aggregate and concrete are typically purchased locally. Subcontract employees such as archaeologists, right-of-way agents, permitting agents, geologists, painters, snow removers, weed removers, dust controllers, fencers, and landscapers all live and work here in La Plata County and derive a substantial portion of their business from oil and gas activity. These jobs represent an important source of general economic stimulation as a result of employees buying goods and services. The flow of these capital and labor expenditures through other economic sectors, coupled with royalty payments to local residents, account for a larger percentage of La Plata County economic activity than suggested in the Draft CIR.

Moreover, it is estimated that approximately 4,000 royalty owners are receiving checks from production activities here in La Plata County. Further, as part of the Northern San Juan Basin EIS, it was determined by our records that over 27% of these royalty owners live in La Plata County. The employment and personal income impacts of subsequent rounds of government spending and investments supported by individual royalty payments, CBM-related ad valorem tax, and federal mineral royalty and impact assistance grant revenues also increase local economic activity.

In addition to the BEA data and basic employment and income estimates, the CIR should attempt to provide an estimate of the total number of employees (full time equivalents) supported by CBM. For example:

- The La Plata County Energy Council conducted a telephone survey to its 34-member organization and there are 471 employees and 781 contract employees living and working in La Plata County. BP alone has 120 employees and 700 contractors living in La Plata County. As described earlier, contract employees can be landmen, attorneys, archaeologists, weed control contractors, welders, truckers, snow removal contractors, painters or landscapers, among others.