

Updated Oil and Gas Protections Strike the Right Balance

The updated protections around oil and gas drilling finalized by the COGCC yesterday are critical measures that will better protect public health and wildlife habitat. *The unanimous, 8-0 vote demonstrates the consensus achieved on the Commission in support of these rules.* The COGCC is to be commended for the enormous amount of time they spent on this process and for ensuring the final protections achieve a fair balance.

Highlights of the new protections include:

- Establishing protection zones around streams that serve public drinking water supplies.
- Requiring companies to keep track of and disclose to state and emergency responders chemicals they use in drilling operations.
- Reduce odors where oil and gas development is occurring near homes and schools in northwestern Colorado.
- Managing erosion and reduce water pollution around oil and gas operators during storms and snow run-off seasons.
- Allowing the state health department and state wildlife agency to consult and offer recommendations on oil and gas development to protect public health, the environment and wildlife.
- Providing notice to nearby landowners and public comment periods for development proposals.

The attacks against these new protections are overwrought and misplaced.

Despite all of the overblown rhetoric from naysayers, these protections are responsible and balanced. They are the product of hundreds of hours of public meetings, COGCC hearings and debate, and an extensive technical working group process. Some oil and gas companies are already moving ahead with the rules; at least thirteen companies have started to develop comprehensive drilling plans, an important element of the new rules.

Industry data show Colorado is performing better than other energy rich states

According to recent industry data, other states with a high level of drilling activity have seen a steeper decline in the number of active drilling rigs than Colorado. Texas, New Mexico, Utah and Oklahoma all have lost a greater percentage of rigs since August. Furthermore, Colorado's percentage decline is slightly less than the national rate. (RMN, 12-16-08)

Will the rules cause Colorado to lose important jobs?

No.

First, economic factors play by largest role in determining the level of energy extraction. The primary reasons the natural gas industry is seeing a slow down is (1) the current recessionary economic climate, (2) prices falling for natural gas, and (3) a liquidity crisis. In short, tight sands natural gas is expensive to develop and not profitable at low prices—and prices have fallen by almost two-thirds this year (New York Mercantile Exchange). In addition, the industry is capital intensive and like many other sectors of the economy right now is having difficulty attracting capital.

Second, Colorado already has the lowest effective taxes on oil and natural gas (6.2%) when compared to other Intermountain West states: Wyoming (15.9%), New Mexico (15.0%), Montana (10.4%), and Utah (9.9%).

Third, the energy industry in Colorado should be seen in the context of the state's entire economy. By this measure, energy extraction (mining, oil, and natural gas) is modest in scale compared to Colorado's overall economy. In 2006, all jobs directly related to mining, including oil and natural gas development, amounted to one percent (or 23,115 jobs) of total state (3,175,268 jobs) employment (BEA REIS, 2008). These are important jobs, but not a top ten industry by any stretch of the imagination.

Will proposed new rules put an onerous burden on industry?

There is no indication this is the case. According to a Chevron spokesperson, quoted by the AP, “‘it would be false’ to pin the decision to slow down on the new regulations being considered.” (AP 11-20-08)

While Colorado has longer than average processing times (AP 12-11-08), the new rules cannot be responsible for this as they are not yet in effect. Hiring new staff to process permits will ease delays. It’s also important to note that, even with current timeline, Colorado this year set a record for issuing new drilling permits – 7,600 compared to 6,400 for all of 2007.

How will the rules benefit Colorado jobs and quality of life?

Importantly, rules that protect quality in the state benefit the larger economy where most Coloradans work and earn a living. Colorado’s success in recent years of attracting people and businesses is based on a compelling mix of natural and social amenities that have made it one of the top economic performers in the West.

Indeed, hunting, fishing, and wildlife viewing pumps \$3 billion into Colorado’s economy annually and supports 33,000 jobs.

Protecting our wildlife, water, air, local communities and the sustainable, natural-resource based economy that brought us out of our last financial crises following the bust of oil shale in 1982 makes short-term and long-term sense for Colorado.

These are common sense protections that:

- **Protect drinking water** by establishing protective zones around drinking water supplies;
- **Protect air quality** by requiring certain production equipment in northwest Colorado to utilize odor control devices when they are in close proximity to homes, schools, or other occupied buildings;
- **Protect our wildlife** by allowing the Division of Wildlife to consult and offer recommendations on oil and gas development.

What happens when protections for drinking water and public health do not exist?

In April, a Durango nurse suffered heart, liver and lung failure after being exposed to drilling chemicals while treating a gas field worker. Prior to the rules being updated, there were inadequate disclosure standards of these highly toxic chemicals. In fact, this July, Halliburton executives testified that requiring the company to reveal the types of chemicals used in oil and gas production "is much like asking Coca-Cola to disclose the formula of Coke" and therefore they are unwilling to disclose what toxic chemicals they are using in our communities.

In June, a hunting guide from Garfield County drank water from his well that had been contaminated with benzene from nearby gas drilling. When questioned about the incident a toxicologist working for the Colorado Oil and Gas Association testified that it should be considered acceptable so long as it didn’t cause a permanent illness such as cancer.

Coloradans overwhelmingly support safeguards on oil and gas drilling

A July 2008 poll conducted by RBI Strategies and Research shows that a majority of Coloradans believe that oil and gas drilling must be done, but only in a safe and responsible manner that does not cut corners and endanger public health. **Seventy percent of those polled favor responsible drilling over rapid oil and gas development.**