

CHAPTER 472

GOVERNMENT - STATE

HOUSE BILL 22-1361

BY REPRESENTATIVE(S) Boesenecker, Amabile, Bacon, Benavidez, Bennett, Froelich, Gonzales-Gutierrez, Hooton, Kennedy, Kipp, Lindsay, McCormick, Ricks, Sirota, Titone, Valdez A., Weissman;
also SENATOR(S) Jaquez Lewis and Story, Danielson, Ginal, Lee, Winter, Zenzinger.

AN ACT**CONCERNING MEASURES TO ENHANCE OVERSIGHT OF OIL AND GAS OPERATIONS WITHIN THE STATE.**

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. Legislative declaration. (1) The general assembly hereby finds and declares that:

(a) The office of the state auditor found instances of noncompliance and areas for improvement for oil and gas reporting in its January 2020 severance tax performance audit and its September 2021 oil and gas production reporting;

(b) The oil and gas industry is an important source of revenue to fund operations of the department of natural resources and Colorado oil and gas conservation commission and to provide revenue to impacted local governments;

(c) The state and its citizens have a strong interest in ensuring that the information provided through oil and gas reporting is accurate and provided in a timely manner; and

(d) A performance audit of oil and gas reporting will identify opportunities to improve interagency communication, leading to increased transparency and public confidence in the reporting process.

(2) The general assembly declares that the purpose of this act is to ensure proper reporting related to oil and gas extraction through a performance audit conducted by the state auditor.

SECTION 2. In Colorado Revised Statutes, **add** 2-3-128 as follows:

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

2-3-128. Oil and gas - performance audit - report - definitions - repeal.

(1) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "COMMISSION" MEANS THE OIL AND GAS CONSERVATION COMMISSION CREATED IN SECTION 34-60-104.3 (1).

(b) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

(c) "DIVISION" MEANS THE DIVISION OF ADMINISTRATION IN THE DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT.

(d) "OPERATOR" HAS THE MEANING SET FORTH IN SECTION 34-60-103 (6.8).

(e) "RANDOM SAMPLE" MEANS THE GROUP OF OPERATORS THAT ARE RANDOMLY SELECTED BY THE STATE AUDITOR PURSUANT TO SUBSECTION (2)(a) OF THIS SECTION.

(2) NO LATER THAN FEBRUARY 1, 2025, THE STATE AUDITOR SHALL:

(a) SELECT A RANDOM SAMPLE OF OPERATORS IN THE STATE FOR WHICH THE SAMPLE SIZE MUST BE REPRESENTATIVE OF THE TOTAL POPULATION OF OPERATORS IN THE STATE IN THE 2023 CALENDAR YEAR; AND

(b) PROVIDE THE LIST OF OPERATORS SELECTED PURSUANT TO SUBSECTION (2)(a) OF THIS SECTION TO THE COMMISSION, THE DEPARTMENT, AND THE DIVISION.

(3) NO LATER THAN MAY 1, 2025, THE STATE AUDITOR SHALL COMMENCE CONDUCTING OR CAUSE TO BE CONDUCTED A PERFORMANCE AUDIT BASED ON THE REPORTS SUBMITTED BY THE COMMISSION UNDER SECTION 34-60-106 (21), BY THE EXECUTIVE DIRECTOR OF THE DEPARTMENT UNDER SECTION 39-29-112 (8), AND BY THE DIVISION UNDER SECTION 25-7-132 (2). ON OR BEFORE MARCH 1, 2026, THE STATE AUDITOR SHALL PREPARE A REPORT AND RECOMMENDATIONS BASED ON THE AUDIT THAT MUST:

(a) FOR THE RANDOM SAMPLE:

(I) COMPARE THE MONTHLY PRODUCTION REPORTS AND QUARTERLY CONSERVATION LEVIES SUBMITTED BY THE COMMISSION PURSUANT TO SECTION 34-60-106 (21)(b)(I), AS APPLICABLE, WITH THE SEVERANCE TAX MONTHLY WITHHOLDING STATEMENTS AND ANNUAL SEVERANCE TAX REPORTS SUBMITTED BY THE DEPARTMENT PURSUANT TO SECTION 39-29-112 (8)(b)(I), AS APPLICABLE;

(II) COMPARE THE EMISSIONS DATA SUBMITTED BY THE COMMISSION PURSUANT TO SECTION 34-60-106 (21)(b)(I) WITH THE OIL AND NATURAL GAS EMISSIONS INVENTORY REPORTS SUBMITTED BY THE DIVISION PURSUANT TO SECTION 25-7-132 (2); AND

(III) IDENTIFY ANY GAPS OR INCONSISTENCIES IN THE PAYMENTS AND REPORTING DESCRIBED UNDER SUBSECTIONS (3)(a)(I) AND (3)(a)(II) OF THIS SECTION.

(b) FOR THE RANDOM SAMPLE AND THE TOTAL POPULATION OF OPERATORS IN THE

STATE:

(I) DESCRIBE THE TOTAL AMOUNT OF MISSING, INCOMPLETE, OR INCORRECT REPORTS DUE OR SUBMITTED FOR THE 2023 CALENDAR YEAR, AS IDENTIFIED BY THE COMMISSION PURSUANT TO SECTION 34-60-106 (21)(b)(II) AND THE DEPARTMENT PURSUANT TO SECTION 39-29-112 (8)(b)(II); AND

(II) DESCRIBE THE TOTAL AMOUNT OF PENALTIES ASSESSED FOR CALENDAR YEAR 2023, AS IDENTIFIED BY THE COMMISSION PURSUANT TO SECTION 34-60-106 (21)(b)(IV) AND THE DEPARTMENT PURSUANT TO SECTION 39-29-112 (8)(b)(III), WITH THE DATA BROKEN DOWN BY:

(A) TYPE OF VIOLATION;

(B) PENALTY AMOUNT ASSESSED AGAINST A PERSON FOR THE VIOLATION; AND

(C) STATE AGENCY THAT ASSESSED THE VIOLATION.

(4) NO LATER THAN MARCH 1, 2026, THE STATE AUDITOR SHALL PRESENT THE REPORT AND RECOMMENDATIONS DESCRIBED IN SUBSECTION (3) OF THIS SECTION TO THE COMMITTEE.

(5) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2026.

SECTION 3. In Colorado Revised Statutes, **amend** 25-7-132 as follows:

25-7-132. Emission data - public availability - submission of 2023 reports to state auditor - definitions - repeal. (1) Notwithstanding any other provisions of this ~~article~~ ARTICLE 7 or any other law to the contrary, all emission data received or obtained by the commission or the division shall be available to the public to the extent required by the federal act.

(2) (a) AS USED IN THIS SUBSECTION (2), UNLESS THE CONTEXT OTHERWISE REQUIRES:

(I) "OPERATOR" HAS THE MEANING SET FORTH IN SECTION 34-60-103 (6.8).

(II) "RANDOM SAMPLE" HAS THE MEANING SET FORTH IN SECTION 2-3-128 (1)(e).

(b) ON OR BEFORE APRIL 15, 2025, THE DIVISION SHALL SUBMIT TO THE STATE AUDITOR THE OIL AND NATURAL GAS EMISSIONS INVENTORY REPORTS, AS REQUIRED TO BE SUBMITTED BY RULE OF THE COMMISSION, FILED FOR CALENDAR YEAR 2023 BY THE OPERATORS INCLUDED IN THE RANDOM SAMPLE.

(c) THIS SUBSECTION (2) IS REPEALED, EFFECTIVE JULY 1, 2026.

SECTION 4. In Colorado Revised Statutes, 34-60-106, **add** (21) as follows:

34-60-106. Additional powers of commission - rules - definitions - repeal. (21) (a) AS USED IN THIS SUBSECTION (21), UNLESS THE CONTEXT OTHERWISE REQUIRES:

(I) "OIL AND GAS REPORTS" MEANS THE TYPES OF REPORTS DESCRIBED IN SUBSECTION (21)(b)(I) OF THIS SECTION.

(II) "RANDOM SAMPLE" HAS THE MEANING SET FORTH IN SECTION 2-3-128 (1)(e).

(b) ON OR BEFORE APRIL 15, 2025, THE COMMISSION SHALL SUBMIT A REPORT TO THE STATE AUDITOR THAT INCLUDES:

(I) THE FOLLOWING REPORTS FILED FOR THE 2023 CALENDAR YEAR BY THE OPERATORS INCLUDED IN THE RANDOM SAMPLE:

(A) MONTHLY PRODUCTION REPORTS;

(B) QUARTERLY CONSERVATION LEVIES;

(C) MECHANICAL INTEGRITY TESTS; AND

(D) ANY REPORTING OF EMISSIONS DATA, INCLUDING OIL AND GAS LOCATION ASSESSMENTS AND CUMULATIVE IMPACT DATA IDENTIFICATIONS;

(II) FOR THE RANDOM SAMPLE AND THE TOTAL POPULATION OF OPERATORS IN THE STATE, A DESCRIPTION OF ANY MISSING OIL AND GAS REPORTS DUE FOR THE 2023 CALENDAR YEAR OR INCOMPLETE OR INCORRECT OIL AND GAS REPORTS THAT WERE ACCEPTED FOR THE 2023 CALENDAR YEAR WITHOUT A REQUEST FOR COMPLETION OR CORRECTION;

(III) FOR THE RANDOM SAMPLE AND THE TOTAL POPULATION OF OPERATORS IN THE STATE, A COPY OF ANY NOTICES GIVEN BY THE COMMISSION TO AN OPERATOR PURSUANT TO SECTION 34-60-121 (4) FOR THE 2023 CALENDAR YEAR; AND

(IV) FOR THE RANDOM SAMPLE AND THE TOTAL POPULATION OF OPERATORS IN THE STATE, A DESCRIPTION OF ANY PENALTIES ASSESSED FOR THE 2023 CALENDAR YEAR, WITH THE DATA BROKEN DOWN BY:

(A) TYPE OF VIOLATION; AND

(B) PENALTY AMOUNT ASSESSED AGAINST A PERSON FOR THE VIOLATION.

(c) THE COMMISSION SHALL PUBLISH THE REPORT SUBMITTED TO THE STATE AUDITOR PURSUANT TO SUBSECTION (21)(b) OF THIS SECTION ON ITS WEBSITE.

(d) THE COMMISSION SHALL PROVIDE ANY ADDITIONAL INFORMATION THAT THE STATE AUDITOR REQUESTS PURSUANT TO SECTION 2-3-128.

(e) THIS SUBSECTION (21) IS REPEALED, EFFECTIVE JULY 1, 2026.

SECTION 5. In Colorado Revised Statutes, 39-29-112, **add** (8) as follows:

39-29-112. Procedures and reports - definitions - repeal. (8) (a) AS USED IN THIS SUBSECTION (8), UNLESS THE CONTEXT OTHERWISE REQUIRES:

(I) "OPERATOR" HAS THE MEANING SET FORTH IN SECTION 34-60-103 (6.8).

(II) "RANDOM SAMPLE" HAS THE MEANING SET FORTH IN SECTION 2-3-128 (1)(e).

(b) ON OR BEFORE APRIL 15, 2025, THE EXECUTIVE DIRECTOR SHALL SUBMIT A REPORT TO THE STATE AUDITOR THAT INCLUDES:

(I) THE SEVERANCE TAX MONTHLY WITHHOLDING STATEMENTS AND ANNUAL SEVERANCE TAX REPORTS FILED FOR THE 2023 CALENDAR YEAR BY THE OPERATORS INCLUDED IN THE RANDOM SAMPLE;

(II) FOR THE RANDOM SAMPLE AND THE TOTAL POPULATION OF OPERATORS IN THE STATE, A DESCRIPTION OF ANY MISSING SEVERANCE TAX MONTHLY WITHHOLDING STATEMENTS AND ANNUAL SEVERANCE TAX REPORTS DUE FOR THE 2023 CALENDAR YEAR OR INCOMPLETE OR INCORRECT SEVERANCE TAX MONTHLY WITHHOLDING STATEMENTS AND ANNUAL SEVERANCE TAX REPORTS THAT WERE ACCEPTED FOR THE 2023 CALENDAR YEAR WITHOUT A REQUEST FOR COMPLETION OR CORRECTION; AND

(III) FOR THE RANDOM SAMPLE AND THE TOTAL POPULATION OF OPERATORS IN THE STATE, A DESCRIPTION OF ANY PENALTIES ASSESSED FOR THE 2023 CALENDAR YEAR FOR MISSING, INCOMPLETE, OR INCORRECT SEVERANCE TAX MONTHLY WITHHOLDING STATEMENTS AND ANNUAL SEVERANCE TAX REPORTS, WITH THE DATA BROKEN DOWN BY:

(A) TYPE OF VIOLATION; AND

(B) PENALTY AMOUNT ASSESSED AGAINST A PERSON FOR THE VIOLATION.

(c) THE EXECUTIVE DIRECTOR SHALL PUBLISH THE REPORT SUBMITTED TO THE STATE AUDITOR PURSUANT TO SUBSECTION (8)(b) OF THIS SECTION ON THE DEPARTMENT OF REVENUE'S WEBSITE.

(d) THE EXECUTIVE DIRECTOR SHALL PROVIDE THE STATE AUDITOR WITH ANY ADDITIONAL INFORMATION THAT THE STATE AUDITOR REQUESTS UNDER SECTION 2-3-128.

(e) THIS SUBSECTION (8) IS REPEALED, EFFECTIVE JULY 1, 2026.

SECTION 6. In Colorado Revised Statutes, 39-21-113, **add** (32) as follows:

39-21-113. Reports and returns - rule. (32) NOTWITHSTANDING THE CONFIDENTIALITY REQUIREMENTS IN THIS SECTION, THE EXECUTIVE DIRECTOR SHALL PROVIDE THE STATE AUDITOR WITH THE INFORMATION DESCRIBED IN SECTION 39-29-112 (8)(b).

SECTION 7. Effective date - applicability. This act takes effect July 1, 2022, and applies to conduct occurring on or after the effective date of this act.

SECTION 8. Safety clause. The general assembly hereby finds, determines, and

declares that this act is necessary for the immediate preservation of the public peace, health, or safety.

Approved: June 8, 2022