

**DEPARTMENT OF NATURAL RESOURCES**  
**(Division of Reclamation, Mining, & Safety; Oil & Gas Conservation Commission; and**  
**State Board of Land Commissioners)**

**FY 2014-15 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Tuesday, January 07, 2014**  
**1:30 pm – 3:00 pm**

**1:30-1:50      INTRODUCTIONS AND OPENING COMMENTS**

**1:50-2:00      QUESTIONS COMMON TO ALL DEPARTMENTS**

1. Please describe how the Department responds to inquiries that are made to the Department. How does the Department ensure that all inquiries receive a timely and accurate response?

*The Department of Natural Resources and its divisions interact with citizens/customers through a variety of avenues. Field offices and field staff are a primary source of contact with Department customers. Because the Department's "business" happens all across the State, there are dozens of DNR field offices located throughout the State. Customer interactions occur at the Department's 42 state parks, at multiple Colorado Parks and Wildlife offices located through the State (not including the state parks), at six State Land Board division offices, at 20 Division of Water Resources offices located in all seven major river basins in the state, at two Oil and Gas Conservation offices located in Denver and in Rifle, and at three Division of Reclamation, Mining, and Safety offices located in Denver, Grand Junction, and Durango. Maintaining a more local/regional presence is an important part of the Department's delivering customer service.*

*That stated, citizen inquiries and complaints are handled by each division and the Executive Directors Office in slightly different ways. Provided below are short narrative summaries of the processes and procedures in place within our agency to receive and respond to inquiries or complaints.*

**Division of Reclamation, Mining and Safety (DRMS)**

*Citizen complaints related to active or illegal mining operations are tracked in the DRMS Permit system. DRMS requires the complainant to provide a name and contact information. A field inspection is conducted and may result in enforcement or corrective actions. Copies of the inspection are made available to the citizen and operator. In addition, public participation is provided for in the permit application, amendment and revision processes. Complaints and objections to proposed operations or changes are tracked specifically through the various hearing processes. Requirements for participation vary with the different permit application procedures and are governed by statute and rule.*

*DRMS also receives citizen inquiries through the website on a daily basis. The DRMS Website Coordinator monitors the website inbox and routes the request to the proper authority. The Coordinator tracks the response back to the requestor so that the issue can be closed once resolved.*

### **Colorado Water Conservation Board (CWCB)**

*General inquiries or complaints are received through a variety of means, e.g. website feedback link, phone, and letters and are handled on a case-by-case basis. Inquiries and complaints are assigned to appropriate work unit/staff for response. Senior Managers review agency responses to ensure that a professional, timely response is provided.*

### **Oil and Gas Conservation Commission (OGCC)**

*The Oil and Gas Conservation Commission (OGCC) has a formal process for handling customer complaints and inquiries. General inquiries are assigned to the appropriate staff member for response. Complaints are received through various methods but frequently come in through the OGCC Statewide Complaint Telephone Number (888)-235-1100; customers can also submit a Complaint Form (Form 18) directly to staff. The OGCC complaint system includes an internal policy of responding to the complainant within 24 hours. All complaints are investigated and if non-compliance issues are noted, the operator is required to remedy the situation. Complaints are tracked through the OGCC database using the Form 18/18a and can be viewed by the public through the OGCC Database: Inspection/Incident Inquiry tool.*

### **State Land Board (SLB)**

*The State Land Board most commonly receives inquiries from lessees or potential lessees about pending leasing decisions. In these instances, the agency follows these steps: 1) the district manager works with the lessee to understand and address their concerns; 2) senior managers are engaged if the inquiry or complaint cannot be addressed at the local level; and 3) complainants are invited to attend the Board meeting at which the staff recommendation will be heard. Complainants are welcomed to present their issues and concerns directly to the Board for consideration as part of the Board's leasing decision. This last step is formally captured on the "Request for Review" form available on the SLB website.*

*Requests for information are received by phone and via the SLB website on a daily basis. The SLB External Affairs Coordinator monitors these requests and assigns them to appropriate staff for response. The SLB requires initial response to the inquiry/complaint within 24 hours (or next business day.)*

### **Division of Water Resources (DWR)**

*Most inquiries received by DWR relate to well permitting, records researches, general water*

*administration, or stream flows. Inquiries are typically received via telephone or email but sometimes citizens stop into the Denver office, the Division offices, or will meet with water commissioners in the field when making their field inspections.*

*In Denver, telephone inquiries are routed to Records Technicians or the 'groundwater information desk', depending upon the nature of the question. In the field offices, telephone inquiries are generally routed to the Well Commissioner or Water Commissioner in that office. The staffer will answer the inquiry if possible or forward the call to an employee who can respond with the correct information. The Denver groundwater information desk is manned during the hours of 9am-4pm Monday through Friday. When the groundwater information desk is not manned or is busy with another customer then inquiries will be routed to other available staff during all working hours.*

*The Denver and Field offices are open from 8am-5pm weekdays, during which time staff will meet with walk-in customers. If needed, DWR will arrange for extended hours for individuals who have difficulty with normal office hours. Senior staff and Division Engineers will often travel during the day and in the evenings to user group meetings to pass on information on water matters.*

*Email inquiries and/or complaints are directed to our AskDWR email address located on the DWR website. Those emails are scanned for content area and forwarded to a staffer in the Denver office or the field office who has expertise in the appropriate area for reply. Many inquiries are handled in the field by Water Commissioners in the course of their daily duties. Water Commissioners have mobile phones for ease of contact and, if they have a designated field office, will generally have early morning office hours for walk-ins before they begin their field work.*

*When complaints are received in any manner they are forwarded to the appropriate supervisor for resolution. The public may also fill out the customer satisfaction survey (via the DWR website) as another route to submit a compliment or complaint. These complaints are handled as described above.*

### **Colorado Parks and Wildlife**

*Colorado Parks and Wildlife receives inquiries and complaints by phone, letter and through the "contact us" link on the website. Informal inquiries and complaints are handled through assignment to appropriate staff and follow-up by agency supervisors.*

*Formal complaints are addressed through the agency's Citizen Complaint Process (CCP). Through the CCP, managers are immediately engaged in an evaluation of the complaint to determine its nature and severity in order to determine the appropriate avenue for investigation and resolution. Complaint forms are logged and the process is monitored to ensure thorough and timely response.*

### Executive Directors Office (EDO)

*Inquiries and complaints are received by phone, letter, and via a dedicated email address available through the Department's main webpage (dnr\_dnr.edoassist@state.co.us). One staff member is designated as liaison for the Governor's Advocate Office through which citizen inquiries and complaints are routed. Contacts are routed to appropriate staff within EDO or within divisions and are informally monitored to ensure timely response.*

### **2:00-2:10 STATE LAND BOARD**

2. Please explain how the State Land Board identifies opportunities for future revenue and quantifies the value of potential mineral leases on the lands in their holdings?

*State Land Board mineral leasing falls into two categories – oil and gas and solid mineral. While each of these categories have distinctly different market dynamics and future revenue opportunities in both areas, the State Land Board takes a careful and strategic approach to the development of mineral resources on state trust land while relying heavily on market demand and private industry to identify and develop these mineral resources.*

#### **OIL AND GAS**

*The State Land Board has a long established oil and gas leasing and development process that has led to extensive oil and gas development on state trust minerals in the Denver-Julesburg (DJ) Basin as well other parts of the Niobrara and other oil and gas geologic formations. Over 90 percent of the State Land Board's minerals located in the DJ Basin are leased and in production (the percentage is much lower in other parts of the state). Most of the new oil and gas production on state trust land over the past three years has come from new and existing leases in the DJ Basin.*

*The State Land Board attempts to project oil and gas revenues around 12 months to 18 months in advance. Future oil and gas development and revenue are exceedingly difficult to predict. Price volatility, geology, regulation, and technological change fundamentality alter oil and gas revenues and future development potential.*

*Due to the rapidly changing economic conditions of oil and gas, the State Land Board has focused its efforts on making sure that leasing is strategic and development is effective. When faced with a market rush in a specific, speculative area, the State Land Board may hold back acreage to attempt to realize greater bonus revenues later, if the existing leased acreage is successfully developed. The State Land Board institutes lessee drilling requirements when appropriate and forces lessees to relinquish the lease and/or acreage if not developed and producing within defined timelines, typically five years. Finally, based on the natural values of the specific site, the State Land Board may require lessees to follow strict stewardship*

*guidelines beyond OGCC rules in order to protect the surface during development and production.*

#### **SOLID MINERAL**

*Solid Mineral leasing and development has a long history on state trust land as well. However, solid mineral production on state trust land has steadily declined over the decades and now accounts for about 2.0 percent of total trust revenue. Solid mineral resource development potential is determined by price, quality and quantity, development costs, and regulation. Also, in many cases, transportation costs significantly impact the economic viability of a mineral resource.*

*The State Land Board believes that there are economically viable solid mineral resources on state trust land that could be developed. During the 2013 legislative session, the General Assembly appropriated additional funds and FTE to allow the State Land Board to be more proactive in identifying new solid mineral leasing opportunities and marketing these to industry. The State Land Board's goal is to double annual solid mineral lease revenue over the next five years.*

3. Please provide an update on the status of oil and gas production on the Lowry Bombing Range including whether production has started or when it is expected to begin.

*The Lowry Range property was leased to ConocoPhillips in May 2012. Conoco has spent the last year and a half assembling additional privately-owned oil and gas acreage (Conoco now has over 100,000 contiguous acres under lease), working with local governments, conducting seismic studies, drilling test wells and a few production wells, and identifying and building pipelines and other infrastructure. Conoco's oil and gas development activities are still very much in the preliminary stages*

*Conoco has not yet drilled production wells on the Lowry Range. However, the State Land Board and Conoco are working on locations for up to six wells, which would be drilled on the Lowry Range during 2014. The number, timing, and location of these wells are subject to change as the regulatory and drilling process commences. It could be a year before we know the production figures from the Lowry Range.*

**2:10-2:30 UPDATE ON OIL AND GAS ACTIVITY AND OGCC FTE**

4. Please provide an explanation of why oil production has gone up so rapidly while gas production has started to flatten out and fall off. Are production levels a selective decision by producers? How is production affected by price?

**Response:** *Recent trends in oil and gas production are due primarily to commodity prices. Producers have responded to low natural gas prices by drilling fewer natural gas wells and, in some instances, cutting back production levels on existing wells. As a result, total natural gas production, which reached an all time peak in 2012, declined slightly in 2013. On the other hand, oil prices have been high, making the oil-rich Niobrara Formation an extremely attractive drilling objective in the northern Front Range. With billions of dollars of investment, oil production has increased 20 to 25 percent annually since 2010.*

5. Please provide an update on wildlife map rulemaking pertaining to the sage grouse. When will sage grouse habitat maps be made available?

**Response:** *Pursuant to HB07-1298, the OGCC in 2008 adopted maps developed by the Colorado Division of Wildlife (now Colorado Parks and Wildlife, or CPW) that depicted Sensitive Wildlife Habitat and Restricted Surface Occupancy areas for Greater Sage-Grouse. Sensitive wildlife habitat areas for Greater Sage-Grouse consist of four mile lek buffers with some areas of non-habitat removed. In these areas, operators consult with OGCC and CPW on potential impacts from proposed energy development to determine whether CPW will recommend stipulations and Best Management Practices to minimize adverse impacts. Restricted surface occupancy areas for Greater Sage-Grouse are those within 0.6 mile buffer around active leks, and operators must avoid these areas "to the maximum extent technically and economically feasible."*

*In the five years since OGCC's adoption of these sensitive wildlife habitat and restricted surface occupancy maps in 2008, protection of Greater Sage-Grouse has taken on new importance. In response to a citizen group's petition to list the species under the federal Endangered Species Act and pursuant to a federal court order, the U.S. Fish and Wildlife Service must issue a proposed determination as to whether listing the species as threatened or endangered is warranted by Fall 2015.*

*CPW collected data on Greater Sage-Grouse using direct field observations, telemetry location data, and knowledge of local experts familiar with Greater Sage-Grouse habitat and developed predictive models to produce a NW Colorado priority sage-grouse habitat map. That map was provided to the Bureau of Land Management (BLM) for its Environmental Impact Statement land-use planning process for Greater Sage-Grouse. The maps provided to the BLM are more current than the maps used today by the OGCC.*

*CPW has conducted additional research on Greater Sage-Grouse habitat-use specifically in the Piceance basin. That research has provided CPW with improved knowledge of important sage-grouse habitat in the Piceance basin which in turn will enable CPW to update this portion of the NW Colorado map previously provided to the BLM.*

*CPW's Piceance research-based model and the data supporting it will soon be submitted for publication in a scientific journal. The CPW anticipates being able to make the model maps and underlying data available to the public once the article has been accepted for publication, which is anticipated in the first or second quarter of 2014 (but the timing is controlled by the publisher, not CPW).*

*Upon acceptance by a journal, CPW will be able to update the Piceance basin portion of the NW Colorado priority sage-grouse habitat map. At that point, the OGCC will be in a position to undertake rulemaking under the Colorado Administrative Procedures Act to adopt the entire NW Colorado Greater Sage-Grouse priority habitat map, including the revised Piceance basin portion.*

6. Please explain the stripper well exemption from severance tax and how inspections of stripper wells are prioritized by OGCC staff.

**Response:** *Colorado's severance tax is levied on the gross income from oil, natural gas, and carbon dioxide production. State statutes governing the severance tax (§39-29-105, C.R.S) provide for a tax exemption for all wells producing fifteen or fewer barrels of oil per day, or ninety thousand or fewer cubic feet of natural gas per day. Those production thresholds define a stripper well.*

*The Oil and Gas Conservation Commission (OGCC) inspects oil and gas locations independent of their reported production volumes. Because the OGCC inspection program is based on identifying risks to public health and safety, older facilities and aging infrastructure are given inspection priority, although age is just one of many factors that can elevate a site's priority at any point in time. Older oil and gas infrastructure was constructed at a time of less stringent environmental, health, and safety standards, and older wells with declining production often fall into the stripper well category. Hence, stripper wells in certain areas of the state receive elevated attention from inspectors because of their potential risk to public health and the environment.*

## Oil and Gas Inspections

7. Please provide an explanation of how the OGCC intends to utilize the 11 new inspectors authorized for FY 2013-14 in response to the practice of drilling multiple wells from the same surface location. How does the co-location of multiple wells at the same site affect the inspection process?

**Response:** *All 11 of the new inspection staff will conduct field inspections of oil and gas locations. To date, the OGCC has hired a field inspection supervisor and five new field inspectors. The supervisor works out of a home-based office near Durango. Three of the new inspectors are working in eastern or northeastern Colorado, one has been assigned to the Rangeley area, and one works in the Rifle area. The OGCC will be hiring one additional field inspector and a Quality Assurance Professional who will work throughout the state. The OGCC will also be hiring three new inspectors specializing in reclamation inspections. One of these will be a supervisor based in Denver, and the other two will be reclamation specialists. One of the reclamation specialists will be assigned to southwestern and the other to southeastern Colorado.*

*Co-location of multiple wells at the same site does not significantly change the field inspection process. Each well at the location is inspected on an individual basis, equipment is inventoried, and location issues such as spills, waste management, stormwater control, weeds, trash, and debris are all checked. Multi-well facilities can be complex operations that include wells in different phases of development. Large amounts of production and separation equipment may also be used for temporary activities such as water storage or water recycling. The complexity of these locations makes the inspection process complicated and time consuming. Multi-well locations can reduce the time required to travel from one well to the next, but the overall reductions in work load are not significant.*

8. Please provide a detailed description of the procedures and/or checklist an OGCC field inspector follows when conducting a site visit, including information on the following:
  - a. The estimated number of hours it takes to complete each inspection and whether inspectors have sufficient time to conduct full inspections if responsible for an average of 1,000 inspections per year.

**Response:** *The time it takes to complete an inspection is highly variable and dependent on the type of location (single well pad, multi-well location, production facility etc.), where the facility is located, and what activity is occurring. For example, a single producing gas well site may cover less than 100 square feet and contain only wellhead equipment. An inspector can rapidly scan the area for spills, trash, debris, weeds and reclamation status. Gauges, valves and fittings can also be checked fairly quickly. If no problems are indicated, then the inspection may be completed in 15-30 minutes.*

*However, a large production facility may cover 10 or more acres and include wells in different stages of operation, separation equipment, tanks, compressors, and emission control equipment. Each well is reviewed individually, production equipment is inventoried and the perimeter of the location is surveyed, and the site is inspected for weeds, trash, debris, reclamation, stormwater, and good housekeeping. An inspection at this kind of large, complex production facility could require a minimum of an hour or more if problems are identified.*

*In addition to time spent at oil and gas sites performing inspections, inspectors respond to citizen complaints, travel between sites, complete inspection reports and other paperwork, correspond with industry and interested parties, and coordinate follow-up activities with other OGCC staff such as environmental protection specialists. Though the OGCC sets ambitious benchmarks for the number of inspections each inspector will complete, conducting complete and detailed inspections at each facility is the highest priority. In addition to routine inspections of producing wells and production facilities, Commission inspectors also conduct more complex, activity-specific inspections. For example, witnessing cementing operations for surface or production casing requires a minimum of four hours, while witnessing a plugging operation requires between one and one and a half days, depending on the depth of the well. Inspectors also frequently witness activities such as Mechanical Integrity Tests (MITs) for shut-in, temporarily abandoned, and underground injection wells. Witnessing an MIT may take several hours.*

- b. Whether inspectors are required to complete a full checklist for every inspection and, if not, what factors influence the number of checklist items reviewed by inspectors.

***Response:*** *Staff complete a Field Inspection Form for each Location inspected. This Field Form is a custom piece of OGCC software that includes seven (7) main aspects or topics:*

- *Location;*
- *Summary;*
- *Conditions of Approval;*
- *Facility (the well or wells);*
- *Environmental;*
- *Reclamation (Interim or Final); and*
- *Stormwater Management/Pits.*

*Each of these main sections includes additional compliance checks and areas for data collection. The Field Inspection Form is designed to guide inspectors through the inspection process and to ensure that all applicable compliance points are checked. The form includes drop down and pick lists to improve efficiency and accuracy.*

Within a single producing well location there may be a minimum of 32 individual compliance check points. The form allows for three levels of recognition and rating (satisfactory, unsatisfactory, or violation) of the compliance points, as well as formal notification of corrective actions and corrective action dates. Comment boxes are provided to allow the inspector to communicate the issue. To allow for more efficient use of time, the inspection form can also record multiple types of inspections on multiple well locations on the same form. The form represents a significant change from the previous inspection form which was a simple checklist with a yes/no, pass/fail boxes and a few text boxes. The current form is detailed, organized and provides guidance to ensure inspectors conduct thorough inspections.

With few exceptions, inspectors are expected to conduct a full inspection at each facility. The details of each inspection may vary according to the activity that is occurring, however, all locations, no matter the inspection type, are inspected for housekeeping, signage (when applicable), spill/releases, and applicable aspects of reclamation and stormwater compliance. The revised form generates a PDF report that is emailed directly to the oil and gas operator to ensure rapid communication of site conditions and the potential need for corrective actions (Figure 1-1). Completed inspection forms are also available to the general public on the agency's website.

**Figure 1-1**

Inspector Name: QUINT, CRAIG

Idle Well		
Purpose:	<input type="checkbox"/> Shut In	<input checked="" type="checkbox"/> Temporarily Abandoned
SV:	Violation	CA Date: 04/07/2013
CA:	Well must be either: 1) Put on production or 2) Per COGCC Rule 326 b.(1) a successful mechanical integrity test shall be performed on each temporarily abandoned well within thirty (30) days of the date the well becomes incapable of production or 3) Be properly plugged and abandoned. 4) A sundry requesting continued temporarily abandoned status should be submitted to Bob Koehler at the COGCC within thirty (30) days of receipt of this report - the sundry should detail the plan for the future operation of the well and the way the well is closed to the atmosphere. Shut-in and temporarily abandoned wells must be properly reported on COGCC Form 7, Operator's Monthly Production Report.	
Comment:	WELL IS ICAPABLE OF PRODUCING IN PRESENT STATE, DOWN HOLE EQUIPMENT HAS BEEN PULLED, WELL IS SHUT IN WITH A 2" BALL VALVE, M.I.T. HAS NOT BEEN PERFORMED, OPERATOR HAS A PROBLEM DOWN HOLE. REPAIR WELL AND PERFORM A PASSING MECHANICAL INTEGRITY TEST OR PLUG.	

- c. How risk-based assessments affect inspection procedures, the prioritization or order of inspections, and the rate of inspections.

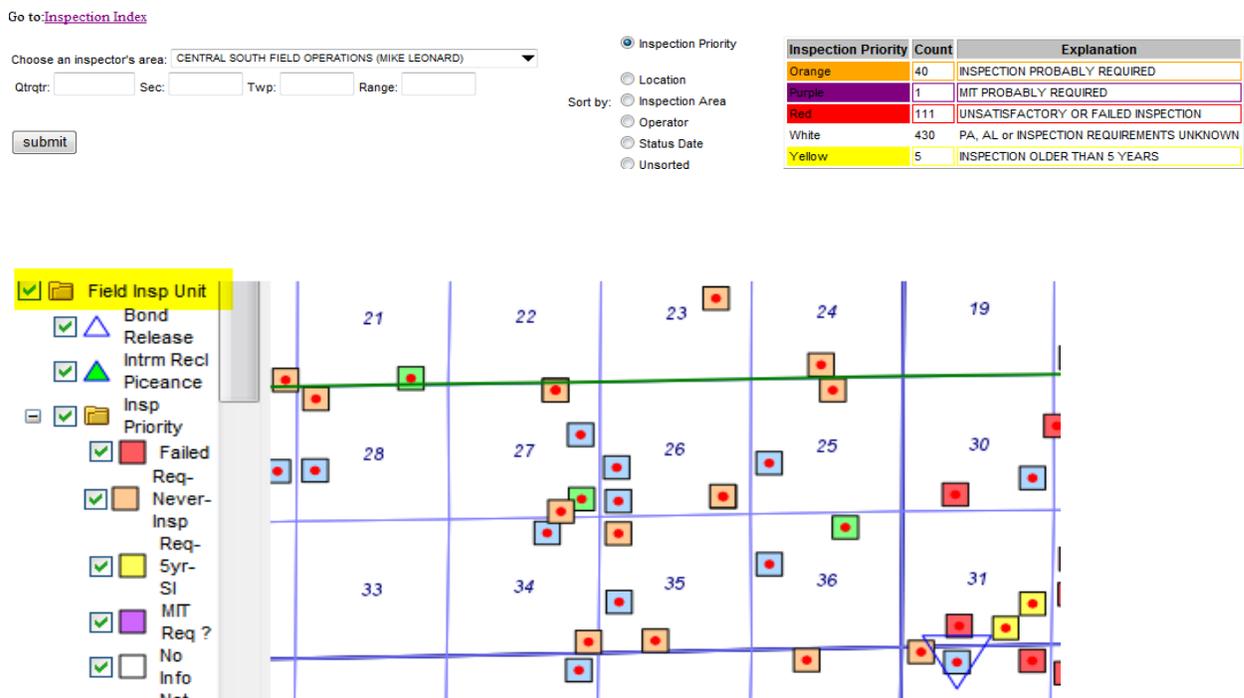
**Response:** Senate Bill 13-202 directs the OGCC to report on options for incorporating greater management of risks into its inspection program to the Joint Budget Committee and two other legislative committees in early 2014. While the evaluation of these options and subsequent legislative and administrative decisions on these matters are pending, information on the Commission's current inspection programs is provided.

The Commission's current approach to inspection follows a risk-based program that includes a number of IT and Geographic Information Systems (GIS) tools to assist in planning inspections and ensuring efficiency. The IT tools use data from permitting, operator reporting, and field inspections to generate lists of inspections and to assign a preliminary priority (Figure 1-2).

To illustrate the digitized information tools the OGCC provides to each inspector, wells that have never been inspected have a higher priority than recently inspected wells. Wells that may have failed a recent inspection are listed along with wells that may require an integrity test. Each inspector uses a laptop computer to access the agency's GIS program and its multitude of layers providing information on wells and inspection status.

**Figure 1-2: Example Inspection Database Tool**

**"Required Inspections" by Inspector's Area**



The first priority for field inspectors is to respond to citizen and stakeholder complaints concerning potential environmental or safety issues. The internal policy of the OGCC is to respond to a complaint within 48 hours, but the response time goal for field inspection staff is to respond within 24 hours. The response time is often less than 12 hours and is frequently the same day.

*The second priority for inspections is the Underground Injection Control (UIC) program. Field staff routinely inspects 900 UIC wells on an annual basis and witnesses Mechanical Integrity Tests (MIT) for 25 percent of these wells. The OGCC implements the UIC program under the Safe Drinking Water Act (SDWA) through an agreement with the United States Environmental Protection Agency (EPA). Data from the inspection program is used to generate biannual reports that are submitted to the EPA. UIC wells, per design, receive exploration and production (E&P) waste for underground disposal, and oversight is considered a high priority. Additional inspection priorities include shut-in or temporarily abandoned wells, and witnessing mechanical integrity test on these wells. Older wells, which are considered to be a higher risk for problems than newer wells, are also a priority.*

*The risk-based approach permits an allocation of resources to higher risk areas. Inspections of these higher risk activities, such as older wells or UIC wells, are more complex and more time consuming than a standard production well inspection and, therefore, can reduce the total number of inspections.*

- d. Whether inspections include tasks like reviewing operator paperwork.

***Response:*** *Documents and available data are reviewed during a typical field inspection, and the documentation reviewed is based on the oil and gas development phase. On a drilling inspection, for example, the inspector would review the permit to drill and the daily drilling logs to review casing depths, cement records and pressure tests.*

*Commission inspectors work from the field, but they do not visit operator regional or corporate offices to audit operator records. The Commission rules and policies require substantial reporting from industry, and this data is reviewed by appropriate staff; drilling and completion reports are reviewed by professional engineers, production reporting by OGCC data analysts, and spill and remediation data by environmental protection staff.*

9. Please indicate whether the Department intends to request additional inspection staff this year. If so, how many and why? If not, why not?

***Response:*** *The Governor's November 1, 2013 budget request does not include additional inspection staff. The OGCC determined it would be premature to request more inspectors prior to the completion of the risk-based inspection study. If additional inspectors are needed to fully implement the recommendations of the study, the OGCC will use its first opportunity to request the inspectors, as well as other staff, such as enforcement officers, environmental specialists, and engineers, to provide the necessary support for the inspection staff.*

10. Please provide an update on whether the approval to hire new staff at a higher starting salary range has helped to fill positions. Include data on OGCC staff turnover and retention rates in the past year. Are state employees still going to the private sector after they gain experience as inspectors?

**Response:** *The ability to offer salaries above range-minimum has helped the OGCC attract and retain new staff, but several recent top candidates for environmental and engineering technician positions rejected employment offers due to low salary. Furthermore, the OGCC continues to have difficulty in attracting qualified applicants for its Professional Engineering positions. OGCC believes that the salary range is often insufficient to attract candidates with oil and gas related experience. Consequently, the agency hires engineers from disciplines other than petroleum and provides them with in-house and external training in petroleum engineering. One of these OGCC-trained petroleum engineers recently accepted a higher paying position in the industry.*

*The Department does not calculate retention and staff turnover rates. In CY 2013, however, a total of six OGCC employees, with an average tenure of 3.8 years, resigned. Half of these employees resigned for higher paying private sector positions.*

*The inspection staff has experienced three resignations over the last two and one half fiscal years. All three started at above-range minimum salaries. Two of the employees resigned for better paying industry positions, while one resigned for personal reasons.*

**2:30-2:50 OIL AND GAS LITIGATION & DEPARTMENT REQUEST FOR ADDITIONAL LEGAL SERVICES FOR OGCC ENFORCEMENT (R2)**

Oil and Gas Litigation

11. Please review the Attorney General's position on the four new bans on hydraulic fracturing that passed in local communities during the recent elections. Does the Attorney General plan to file lawsuits in the two communities that are not presently involved in litigation related to the new hydraulic fracturing bans? If a lawsuit has already been filed by the Colorado Oil and Gas Association, will the Attorney General or the OGCC intervene in these cases?

**Response:** *The Attorney General's office has indicated it has no present intent of filing lawsuits against the municipalities that passed initiatives imposing moratoria or bans on hydraulic fracturing in the November 2013 elections. At this time, the Department is not considering joining any litigation.*

12. Does the OGCC expect to incur any additional legal costs related to ongoing litigation regarding restrictions on the oil and gas industry beyond the Department request (R2) to increase legal services hours?

**Response:** *Due to the three week OGCC vs. Longmont trial set for August 2014, it is possible the agency will exceed its FY 2014-15 legal services allocation beyond the request for an increase in legal services hours. In this event, the Department will explore all options to ensure appropriate levels of legal support are available to the OGCC for the full fiscal year.*

Additional Legal Services for OGCC Enforcement (R2)

13. Please provide an estimate of the number of Notices of Alleged Violation that could be developed into formal enforcement actions but are not pursued due to lack of staff time or legal resources, and discuss whether the requested increase in legal services hours is sufficient to reduce the backlog of cases that require disciplinary proceedings.

**Response:** *Between January 1, 2013 and November 30, 2013, the Oil and Gas Conservation Commission (OGCC) issued 167 Notices of Alleged Violation (NOAVs) subject to possible enforcement action. During that time period, the OGCC resolved 99 of the newly issued NOAVs, and nearly half of these resolved cases included a Commission order and penalty.*

*During the same time period the OGCC enforcement staff presented 35 proposed Administrative Orders by Consent (“AOC”) to the Commission for final approval, and prosecuted one contested Order Finding Violation (“OFV”) hearing. These AOCs and the OFV hearing resolved a total of 52 NOAVs, some of which were issued in prior years.*

*The requested additional 3,600 hours of legal services would increase the capacity of enforcement staff to resolve NOAVs with a Commission order (approving an AOC or deciding an OFV hearing) imposing a monetary penalty on the operator, or with a corrective action taken by the operator without payment of a penalty. However, at this time it is difficult to predict the level of potential enforcement action backlog that may arise from additional enforcement. Furthermore, resolving a more significant share of future NOAVs with an order and penalty is likely to result in a greater number of operators who contest enforcement actions. Contested cases consume six times more staff hours than cases that are uncontested. Any future shortfall in staff resources will, necessarily, be addressed by hiring contract staff until a more permanent solution can be found.*

14. Please provide an overview of the Department’s plan to strengthen the enforcement program, as outlined in the report prepared in response to Executive Order D 2013-004. Include an account of anticipated workload impacts for the OGCC and any changes in staffing that would be required to successfully implement the proposed changes.

**Response:** *The Executive Order instructs the OGCC to “reevaluate its enforcement philosophy and approach and strive to structure fines and penalties to ensure that operators comply with rules and respond promptly and effectively to any impacts from such violations.” The result of this evaluation is a set of recommendations for statutory and rule changes to the OGCC’s enforcement and penalty rules. A detailed report containing these recommendations has been provided to the Governor’s Office where the recommendations are now under final review.*

*Concurrent with the OGCC’s work on the Executive Order, the agency has begun a process improvement review (known as LEAN) of NOAV-enforcement procedures and the recommendations resulting from this process are being implemented. By implementing the recommendations and enacting key statutory amendments, the Commission’s enforcement program can be both streamlined and strengthened.*

*Staffing requirements to implement the Executive Order are best discussed in the context of the Executive Order recommendations that will be available in early January. Naturally, the implementation timeline for each change to OGCC’s enforcement process will play an important role in determining the agency’s staffing needs.*

15. Please describe how the OGCC handles Colorado Open Records Act requests including an estimate of the average amount of time and effort required to respond to these requests. Are the requests generally repetitious or do they vary in the kind of information requested?

**Response:** *The Colorado Open Records Act (CORA) guarantees that “all public records shall be open for inspection by any person at reasonable times, except as provided in this part 2 or as otherwise specifically provided by law” (§ 24-72-201, C.R.S.). The OGCC is committed to transparency and open government. The OGCC has a “Colorado Open Records Act Policy for the Colorado Oil and Gas Conservation Commission” which specifies how the Colorado Open Records Act (§ 24-72-201 to 206, C.R.S.) will be applied in a uniform and reliable manner. A copy of this policy is available online at the OGCC’s website ([www.cogcc.state.co.us](http://www.cogcc.state.co.us)).*

*When responding to CORA requests, the OGCC makes every effort to respond within three working days as required by § 24-72-203(3)(b), C.R.S. The OGCC can add up to a seven-working-day extension if extenuating circumstances apply, as defined in § 24-72-203(3)(b),*

*C.R.S. The three-day response time starts when a records request is in the OGCC's possession. When a substantial request is made — requiring the production of more than 25 pages of documents or the use of more than two hours of staff time to locate or produce records — the OGCC may charge the requestor for all copying expenses and reasonable, actual costs associated with staff time pursuant to § 24-72-205(5)(a), C.R.S.*

*In calendar year 2013, the OGCC received 44 CORA requests. For comparison, in 2011 and 2012 the OGCC received eight and two CORA requests, respectively. The OGCC Hearings Unit facilitates these requests in coordination with the Colorado Attorney General's Office. The significant increase in requests has required substantial staff time for both the OGCC's and Attorney General's staff. CORA requests are generally unique and not duplicative. Each request requires thorough processing and FTE resources. Depending on the nature of a request, it may be a limited inquiry to a few staff members or may involve the entire agency. These requests are often very disruptive to normal obligations to perform public service responsibilities, as they are time sensitive and may be quite expansive. Some CORA requests can be satisfied with minimal staff time, as little as two hours. Several recent requests in 2013 required total staff time of more than 400 hours each.*

**2:50-3:00 DRMS COAL REGULATORY PROGRAM REFINANCING & SEVERANCE TAX**

16. Please discuss the following:

- a. Expectations for the long-term availability of federal funding for the Coal Regulatory Program.

*Recent federal budgets have reduced federal grant funds to states while encouraging the implementation of fees at the state level; however, in response to this policy, the U.S. Congress has restored federal funding within the sequester limits. Future efforts to reduce the federal government are likely to directly impact state grants due to the significant cuts already incurred within the U.S. Office of Surface Mining agency itself, and the depletion of unspent funds across the overall pool of state grant funds.*

*Due to the allowance of severance tax revenue to fund mining regulation in Colorado, severance tax revenue has been the preferred option for covering state appropriations to the Coal Program versus the added workload on the industry and the state program to implement a fee collection process.*

- b. How the Department intends to handle adjustments to severance tax appropriations to refinance any future cuts in grant funds from the Office of Surface Mining.

*Funding of the Coal Regulatory Program is a Tier 1 expenditure that remains a high priority for the Department of Natural Resources. Funding the regulation of*

*oil, gas, coal, and other minerals is not only one of the oldest uses of the Operational Account, it is also one of the most appropriate because it involves the users (industry) paying for the cost of the program. As such, the Department's plan in the short to medium term would be to use severance tax to backfill any reductions in federal funding from U.S. Office of Surface Mining.*

- c. How an ongoing appropriation of severance tax will be impacted by future fluctuations in severance tax revenue.

*According to the current Legislative Council Staff forecast of severance tax revenue, sufficient revenues should exist to fund this decision item through at least FY 2015-16. To the extent that actual revenues come in below the forecast and there is an unanticipated shortfall, the Department of Natural Resources would advocate either:*

- (1) Allowing proportional reductions to Tier 2 to happen, as was done in FY 2012-13. In some ways, this option works best when the size of the projected shortfall is either very small (in which case it is not worth the effort of implementing an alternative reduction strategy) or very large (developing an alternative balancing plan would require a lot of political capital to implement).*
- (2) Making targeted, strategic reductions, as was done several times prior to the proportional reductions implemented in FY 2012-13.*

*Regardless of which strategy above is taken, the reality is that the brunt of balancing will occur across the five largest Tier 2 programs, which account for almost 94 percent of all Tier 2 spending. These programs include: (1) the three Low Income Energy Assistance Programs (total of \$13.0 million in annual spending); (2) the Water Supply Reserve Account (total of \$10.0 million in annual spending); (3) the Species Conservation Trust Fund Program (total annual spending is projected at about \$5.0 million going forward); (4) the Aquatic Nuisance Species program (total spending of \$4.0 million per year), and; (5) the Forestry Grants program (total spending of \$2.5 million per year across several sub-programs). Not all of these programs are within the Department of Natural Resource. However, if targeted, strategic reductions are implemented, the Department probably has the most flexibility to take one-time reductions to the Water Supply Reserve Account program. Smaller one-time reductions to the Species Conservation Trust Fund program could also be made. Given that the Aquatic Nuisance Species program already does not cover the total cost of protecting Colorado's waterways from zebra mussels, quagga mussels, and other aquatic invasive species, this would be a program that the Department would try to protect if targeted, strategic cuts were implemented.*

17. Please provide an update on severance tax revenue projections and explain the potential effects of the Department request (R3) for the refinancing of the Coal Regulatory Program on funding for Tier 2 programs.

*The Department of Natural Resources has updated its Operational Account model, incorporating the December 20, 2013 Legislative Council Staff Economic Forecast for severance tax revenues. The model has also been updated to fully and accurately reflect the November 1, 2013 budget request and, more specifically, the R-3 decision item request to backfill the reduction in federal Coal Regulatory Program funding. Under current law, the model shows that there is more than sufficient funding available in the Operational Account to fund this decision item request. In fact, this model would project that the Operational Account will finish with \$9.3 million above reserve requirements. However, this “current law” scenario is not overly realistic because it excludes funding for the Species Conservation Trust Fund because no transfers to this Fund exist past FY 2013-14 in statute. The Department is intending to seek continued funding for this important program and is planning on seeking a \$5.0 million funding level for FY 2014-15. When this assumption is added to the model, the Operational Account will finish \$3.6 million above its reserve requirement in FY 2014-15 after funding the R-3 decision item request.*

18. Please provide future projections for coal production in the state and describe how trends in production compare with projected workload for the Coal Regulatory Program going forward. Also, please include an explanation of severance tax exemptions on coal production and an estimate of the amount of that exemption over time.

*Although coal production is slowing across the county, the industry remains a very significant component of Colorado's physical and economic landscape by providing employment for approximately 1,800 miners and covering permitted acres of over 185,000. Production for 2013 is projected to be about 16 percent less than 2012 production statewide. One industry event that will impact production numbers for 2013 was the closing of a portion of the Oxbow Mine this year due to operational conditions—around 150 miners were laid off as a result. However, even if a mine ceases production, regulatory oversight continues for 10 years following reclamation, thus requiring regular site inspections, ongoing permitting actions and environmental data collection. The permitting actions and inspections have continued at a regular pace over the past several years and that same pace is expected going forward regardless of fluctuations in production rates.*

*Colorado's severance tax structure is detailed in Section 39-29-106, C.R.S. [2013]. Two important provisions are that: (1) underground coal mines pay 50 percent of the severance tax rate paid by surface mines, and; (2) all mines are exempt from paying severance tax on the first 300,000 tons produced per quarter. Also, the current severance tax rate for CY 2013 is about \$0.85 per ton (Section 39-29-106 cites the rate of thirty-six cents per ton, but this is adjusted for inflation by the Department of Revenue per subsection 5 of this statute). While*

*the Department of Natural Resources does not actually collect severance taxes, it does keep data on coal production (and it has a budget director who is moderately handy with spreadsheets). Using these assets, here is what the Department found:*

*In calendar year 2013, an estimated 24.0 million tons of coal will be produced. This number is consistent with the 24.3 million ton figure is from the Page 23 of the Colorado Business Economic Outlook, published by the Leeds School of Business at the University of Colorado - Boulder. DNR's projection of 24.0 million tons is based on monthly coal summary reports through November 2013 and assumes 2.0 million tons of production in December of 2013. Looking at the monthly coal production reports by mine, DNR has estimated that roughly 8.6 million tons (or about 35 percent of the total) will be exempted as a result of the first 300,000 tons per quarter exemption. Roughly three quarters of this production is from underground coal mines, meaning this production would receive a credit of 50 percent on all severance tax liability even without the tonnage exemption. In other words, the tonnage exemption only costs \$0.425 per ton for underground coal mines (as opposed to the full \$0.85 for surface coal production). After accounting for this underground production, the Department estimates that the 300,000 tons per quarter exemption costs the state about \$4.8 million per year.*

**ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED**

1. Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implement or has partially implemented the legislation on this list.

*The Department is not aware of any legislation that it has not implemented or partially implemented. However, in reviewing information for this question, the Department has flagged two areas that could either be considered obsolete and/or not implemented.*

- *Powers of the Executive Director: The enabling statutes of the Department include a section that defines the powers and duties of the Executive Director, and 24-33-102 (5) states that "The executive director has the power and duty to develop, encourage, promote, and implement programs for the prevention, abatement, and control of litter within the state of Colorado. The executive director may enter into such contracts as may be appropriate for the implementation of any such program." Though the Department does take steps to control litter on the properties it owns or controls, it has not undertaken a statewide program of litter abatement. There are numerous litter control programs in the State, including those run by local governments and the Colorado Department of Transportation, but the DNR Executive Director has not consulted on those programs.*
- *Requirements of the Division of Reclamation, Mining, and Safety: Additionally, the Department has identified three sections of law related to the regulation of mining that could be considered "not implemented."*

Statutory Citation	Description	Partially or Not Implemented	Why not Fully Implemented <b>OBSOLETE STATUTES</b>
34-21-101 (1)(j)	Office of active and inactive mines – reporting on annual mining industry activity	Not implemented	Operators are not required to submit the required mining information to the Division of Reclamation, Mining and Safety to enable the division to produce the report described in this statute; therefore the Division Director (Commissioner of Mines) has not produced the report since the 1980’s. Currently, the University of Colorado’s Leeds School of Business discusses the mining economy in their annual “Colorado Business Economic Outlook” report.
Statutory Citation	Description	Partially or Not Implemented	Why not Fully Implemented <b>OBSOLETE STATUTES</b>
34-22-102(1)(e)	Certification of belt examiners, cable splicers or lamp and gas attendants.	Not implemented	The certification of these specific job positions has been consolidated under the mine foreman, fireboss or other coal mine employees, which continue to be certified through the state’s Coal Mine Board of Examiners.
34-24-103 (5) (a-b)	Diesel permits	Not implemented	Federal permit regulations supersede state statutes on diesel equipment permits. The U.S. Department of Labor, Mine Safety and Health Administration issued regulatory requirements on manufacturers of the equipment to comply with exhaust emission standards and instituted a federal permitting process. The state permits are no longer required.

2. Does Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office on June 30, 2013? What is the department doing to resolve the outstanding high priority recommendations?

*The Department of Natural Resources has three outstanding recommendations identified in the "Annual Report of Audit Recommendations Not Fully Implemented." Of these recommendations, two are considered a significant deficiency related to financial statements and one is in regard to a cash fund that is in not compliance with its target reserve.*

*The State Land Board (SLB) had two audit findings that are not fully implemented. The SLB put implementation plans in place after the original findings were reported to the division. The implementation plans are on schedule to be completed by the end of the calendar year. The parts that are still in process are as follows.*

*FY 2011-12 State Audit Recommendation No. 13 (a) & (c). The State Land Board committed to developing a plan for building and reconciling asset information in COFRS by December 31st, 2013. The SLB is on track to develop a plan by December 31st. Fully implementing the plan may take a year given the sheer complexity and length of time of the State Land Board's ownership. The SLB has over 15,000 current assets but does not know the value of these assets when they were received or the specific date when the SLB received each property. Detailed land transaction records only go back about 20 years. In order to estimate land values for the 120 years before the detailed records, the SLB needs to know when it received each asset and from whom it was received. The SLB is developing a database (GIS data layer) using BLM, State Land Board records, and county records to gather the date of donation/acquisition and originator. Ultimately, value at donation or acquisition will need to be based on an estimation process.*

*FY 12 State Audit Recommendation No. 14 (c). The State Land Board and the Department of Natural Resources are working on a number of commercial property contracts and contract processing and approvals issues. Final steps to resolve these issues will be taken within the next month.*

*The recommendation related to cash fund reserves is in regard to the Oil and Gas Conservation Commission's Oil and Gas Conservation and Emergency Response Fund. This fund has a requirement that "the two-year average of the unobligated portion of the fund does not exceed four million dollars." This fund has exceeded its target for the last three years. The Oil and Gas Conservation Commission periodically evaluates future spending requirements and revenue projections, which can fluctuate considerably depending on oil and gas commodity prices and production estimates. Given extensive commitments by the Fund to air quality studies performed by the Colorado Department of Public Health and Environment, and added inspection staffing with significant one-time field equipment and operating costs, the Oil and Gas Conservation Commission anticipates a decreasing uncommitted fee reserve balance under current commodity prices that impact levy revenues. Furthermore, the OGCC*

*is considering 2014 legislation that would increase the cap on the Uncommitted Fee Reserve Balance from \$4 million to \$6 million.*

3. Does the department pay annual licensing fees for its state professional employees? If so, what professional employees does the department have and from what funding source(s) does the department pay the licensing fees? If the department has professions that are required to pay licensing fees and the department does not pay the fees, are the individual professional employees responsible for paying the associated licensing fees?

*The Department of Natural Resources does not have a department-wide policy on paying annual licensing fees for its employees. Generally speaking, the Department has identified two major job classes that require periodic licensing or certification.*

- *The first job class is that of Professional Engineer. The Department has many positions that require applicants to be licensed engineers. Though the positions often don't have a formal requirement to maintain their license, anyone who represents themselves as a professional engineer is legally obligated to maintain their license. The license fee is \$62 every two years and generally the Department does not pay this fee though there are a couple of exceptions. In order to maintain their license, which is the common practice among these employees, the individual employee must pay this fee.*
- *The second major job class that requires certification is that of peace officer, including both game wardens and parks' officers. The Department will pay for new employees to get POST certified, if they are not currently. Further, the Department will pay to maintain the certification of its peace officers. The Parks Cash Fund and the Wildlife Cash Fund pay for these certifications.*

*Lastly, admission to the Colorado Bar is preferred but not required for positions in Oil and Gas Conservation Commission's hearings and enforcement unit. These positions are not required to maintain their status with the Bar, and the Department does not pay any fees associated with these positions.*

4. Does the department provide continuing education, or funds for continuing education, for professionals within the department? If so, which professions does the department provide continuing education for and how much does the department spend on that? If the department has professions that require continuing education and the department does not pay for continuing education, does the employee have to pay the associated costs?

*The Department of Natural Resources does not have a department-wide policy on paying for continuing education for its employees. Generally speaking, the Department does pay for employees to attend conferences that may qualify as continuing education. Decisions about paying to send employees to these conferences are determined on a case-by-case basis, and the deciding factor is what the benefit to the State would be of the employee attending. The Department does not usually consider whether continuing education credits will be earned,*

*and does not track those instances where a conference may coincidentally qualify as continuing education. Additionally, the Department does offer some limited tuition reimbursement to employees and this reimbursement is also determined on a case-by-case basis*

5. During the hiring process, how often does the number one choice pick candidate turn down a job offer from the department because the starting salary that is offered is not high enough?

*Though the Department does have anecdotal evidence of this being an issue, the Department does not track reasons for a job being turned down. However, in an effort to quantify this issue, the Department looked at all people hired between July 1<sup>st</sup> 2012 and November 1<sup>st</sup> 2013. During this time frame 106 positions were filled. Of those 106 positions, hiring managers indicated that approximately ten people turned down job offers while citing “pay rates” as part of the reason.*

*In addition, when trying to advertise jobs in the engineering and science classifications the Department has approached some candidates with the experience necessary for the position. These experienced personnel have indicated that even the top of the range for the position is too low to consider applying.*

6. What is the turnover rate for staff in the department?

*The Department of Personnel will be responding with a statewide look at turnover rates. Based on data provided by the Department of Personnel, the Department of Natural Resources had a turnover rate of 6.4% in FY 2012-13. The six job classes with the highest number of separations are shown below.*

<b>Class &amp; Separations</b>				
<b>Class</b>	<b>Class Title</b>	<b>Separations</b>	<b>Employees in Class</b>	<b>Turnover Rate</b>
H6U3	WILDLIFE MANAGER III	12	195	6.2%
I3B4	PHY SCI RES/SCIENTIST III	8	26	30.8%
H6G8	MANAGEMENT	7	30	23.3%
G3A4	ADMIN ASSISTANT III	6	78	7.7%
H6G3	GENERAL PROFESSIONAL III	6	56	10.7%
I2C5	PROFESSIONAL ENGINEER II	6	41	14.6%
	<b>Top Classes Total</b>	<b>45</b>	<b>426</b>	<b>10.6%</b>
	<b>Department Total</b>	<b>97</b>	<b>1,511</b>	<b>6.4%</b>



**DEPARTMENT OF NATURAL RESOURCES**  
**(Division of Reclamation, Mining, & Safety; Oil & Gas Conservation Commission; and**  
**State Board of Land Commissioners)**

**FY 2014-15 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Tuesday, January 07, 2014**  
**1:30 pm – 3:00 pm**

**1:30-1:50      INTRODUCTIONS AND OPENING COMMENTS**

**1:50-2:00      QUESTIONS COMMON TO ALL DEPARTMENTS**

1. Please describe how the Department responds to inquiries that are made to the Department. How does the Department ensure that all inquiries receive a timely and accurate response?

**2:00-2:10      STATE LAND BOARD**

2. Please explain how the State Land Board identifies opportunities for future revenue and quantifies the value of potential mineral leases on the lands in their holdings?
3. Please provide an update on the status of oil and gas production on the Lowry Bombing Range including whether production has started or when it is expected to begin.

**2:10-2:30      UPDATE ON OIL AND GAS ACTIVITY AND OGCC FTE**

4. Please provide an explanation of why oil production has gone up so rapidly while gas production has started to flatten out and fall off. Are production levels a selective decision by producers? How is production affected by price?
5. Please provide an update on wildlife map rulemaking pertaining to the sage grouse. When will sage grouse habitat maps be made available?
6. Please explain the stripper well exemption from severance tax and how inspections of stripper wells are prioritized by OGCC staff.

Oil and Gas Inspections

7. Please provide an explanation of how the OGCC intends to utilize the 11 new inspectors authorized for FY 2013-14 in response to the practice of drilling multiple wells from the same surface location. How does the co-location of multiple wells at the same site affect the inspection process?

8. Please provide a detailed description of the procedures and/or checklist an OGCC field inspector follows when conducting a site visit, including information on the following:
  - a. The estimated number of hours it takes to complete each inspection and whether inspectors have sufficient time to conduct full inspections if responsible for an average of 1,000 inspections per year.
  - b. Whether inspectors are required to complete a full checklist for every inspection and, if not, what factors influence the number of checklist items reviewed by inspectors.
  - c. How risk-based assessments affect inspection procedures, the prioritization or order of inspections, and the rate of inspections.
  - d. Whether inspections include tasks like reviewing operator paperwork.
9. Please indicate whether the Department intends to request additional inspection staff this year. If so, how many and why? If not, why not?
10. Please provide an update on whether the approval to hire new staff at a higher starting salary range has helped to fill positions. Include data on OGCC staff turnover and retention rates in the past year. Are state employees still going to the private sector after they gain experience as inspectors?

**2:30-2:50 OIL AND GAS LITIGATION & DEPARTMENT REQUEST FOR ADDITIONAL LEGAL SERVICES FOR OGCC ENFORCEMENT (R2)**

Oil and Gas Litigation

11. Please review the Attorney General's position on the four new bans on hydraulic fracturing that passed in local communities during the recent elections. Does the Attorney General plan to file lawsuits in the two communities that are not presently involved in litigation related to the new hydraulic fracturing bans? If a lawsuit has already been filed by the Colorado Oil and Gas Association, will the Attorney General or the OGCC intervene in these cases?
12. Does the OGCC expect to incur any additional legal costs related to ongoing litigation regarding restrictions on the oil and gas industry beyond the Department request (R2) to increase legal services hours?

Additional Legal Services for OGCC Enforcement (R2)

13. Please provide an estimate of the number of Notices of Alleged Violation that could be developed into formal enforcement actions but are not pursued due to lack of staff time or legal resources, and discuss whether the requested increase in legal services hours is sufficient to reduce the backlog of cases that require disciplinary proceedings.
14. Please provide an overview of the Department's plan to strengthen the enforcement program, as outlined in the report prepared in response to Executive Order D 2013-004. Include an

account of anticipated workload impacts for the OGCC and any changes in staffing that would be required to successfully implement the proposed changes.

15. Please describe how the OGCC handles Colorado Open Records Act requests including an estimate of the average amount of time and effort required to respond to these requests. Are the requests generally repetitious or do they vary in the kind of information requested?

**2:50-3:00 DRMS COAL REGULATORY PROGRAM REFINANCING & SEVERANCE TAX**

16. Please discuss the following:

- a. Expectations for the long-term availability of federal funding for the Coal Regulatory Program.
- b. How the Department intends to handle adjustments to severance tax appropriations to refinance any future cuts in grant funds from the Office of Surface Mining.
- c. How an ongoing appropriation of severance tax will be impacted by future fluctuations in severance tax revenue.

17. Please provide an update on severance tax revenue projections and explain the potential effects of the Department request (R3) for the refinancing of the Coal Regulatory Program on funding for Tier 2 programs.

18. Please provide future projections for coal production in the state and describe how trends in production compare with projected workload for the Coal Regulatory Program going forward. Also, please include an explanation of severance tax exemptions on coal production and an estimate of the amount of that exemption over time.

**ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED**

1. Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implement or has partially implemented the legislation on this list.
2. Does Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office on June 30, 2013? What is the department doing to resolve the outstanding high priority recommendations?  
[http://www.leg.state.co.us/OSA/coauditor1.nsf/All/D36AE0269626A00B87257BF30051FF84/\\$FILE/1337S%20Annual%20Rec%20Database%20as%20of%2006302013.pdf](http://www.leg.state.co.us/OSA/coauditor1.nsf/All/D36AE0269626A00B87257BF30051FF84/$FILE/1337S%20Annual%20Rec%20Database%20as%20of%2006302013.pdf)
3. Does the department pay annual licensing fees for its state professional employees? If so, what professional employees does the department have and from what funding source(s) does the department pay the licensing fees? If the department has professions that are required to pay licensing fees and the department does not pay the fees, are the individual professional employees responsible for paying the associated licensing fees?
4. Does the department provide continuing education, or funds for continuing education, for professionals within the department? If so, which professions does the department provide

continuing education for and how much does the department spend on that? If the department has professions that require continuing education and the department does not pay for continuing education, does the employee have to pay the associated costs?

5. During the hiring process, how often does the number one choice pick candidate turn down a job offer from the department because the starting salary that is offered is not high enough?
6. What is the turnover rate for staff in the department?