

**TESTIMONY IN SUPPORT OF SB-181**

My name is Andrew J. O'Connor and I live in Lafayette. I speak today in support of Senate Bill 181 and ask this committee to vote **YES** on Senate Bill 181.

Fracking poses an existential threat to the people of Colorado. We cannot allow property rights, corporate greed and profiteering by the oil and gas industry to supersede the right of the people of Colorado to a clean and healthy environment and good health. Every day, Anadarko, Crestone and the oil and gas industry put profits ahead of the health, safety and welfare of the people of Colorado. Make no mistake about it, fracking equals murder. Two innocent people were incinerated in Firestone because of fracking. In Weld County, oil and gas wells are right next to homes and schools. There are numerous peer reviewed, credible, medical studies that show the casual link between fracking and cancer, miscarriages, asthma and a whole host of other diseases as well as global warming. Make no mistake about it, Anadarko, Crestone and the oil and gas industry are corporate terrorists and they do not care about the people or communities of Colorado.

Malcolm X said: "I don't call it violence when it's in self-defense; I call it intelligence." The people of Colorado must be intelligent and act in self- defense in order to protect their lives, their children's lives and their communities from the existential threat of fracking. I believe that Senate Bill 181 is a common sense bill

that ensures that this inherently lethal and dishonest industry operates in an accountable manner to the people of Colorado. I call your attention to the Denver Business Journal article which I included with my testimony. Currently, in Colorado, the oil and gas industry pays the lowest severance tax in the United States. My wife and I are co-sponsors of a severance tax ballot initiative that will raise over \$704 million dollars the first year. In fact, the original fiscal analysis estimated raising over \$1.7 billion dollars the first year. I like the fiscal analysis. I ask you to support our severance tax ballot initiative. ☺

Anadarko and Crestone and the oil and gas industry have been poisoning and exploiting the people and environment of Colorado and getting a free ride for far too long. Senate Bill 181 is a great first step in reigning in this inherently lethal, dishonest and out of control industry in order to save ourselves, our children, our health, our environment and our communities. The people of Colorado cannot afford to wait any longer and this committee must act to protect their health, safety and welfare from the existential threat of fracking. Based upon the foregoing, I respectfully request that this committee vote **YES** on Senate Bill 181. Thank you.

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ENERGY

## Activist aims to increase Colorado tax on oil production by \$704M



[Enlarge](#)

An anti-fracking activist wants Colorado voters to okay a several fold increase in the state's main tax on oil and gas production

THINKSTOCK



By **Greg Avery**  
– Reporter, **Denver Business Journal**  
Feb 12, 2019, 10:57am MST

An anti-fracking activist wants Colorado voters to okay a several fold increase in the state's main tax on oil and gas production, raising an estimated \$703.9 million in annual state revenue.

Lafayette resident Andrew O'Connor aims to qualify the initiative for the November ballot statewide. It's his third attempt in recent years to get a vote on hiking Colorado's severance tax rate on oil and gas well income, and to earmark much of the money to fund full-day kindergarten statewide and pay for treating health impacts of nearby oil and gas operations.

O'Connor, who unabashedly says he wants to bankrupt oil and gas in the state, predicts the statutory tax-law change will have a shot at passing.

"This is not a tax on the people of Colorado," he said.

The first hurdle will be getting it on the ballot.

Two previous years' attempts by O'Connor to get severance tax increases in front of voters failed to gather enough petition signatures to qualify for the ballot. This latest attempt requires at least 124,632 signatures of registered voters to qualify.

Already Wall Street analysts are watching for the measure because of the large impact on companies operating in Colorado, the country's fifth-largest oil and gas producing state.

The Colorado Secretary of State's title board on Feb. 5 approved language for O'Connor's initiative. If no appeal of the title-board decision is filed by Thursday, O'Connor plans to organize signature-gathering to qualify the measure for the ballot, he said.

O'Connor argues Colorado's effective severance tax rate is far too low, and voters will want to make oil and gas pay more.

"They've been getting a free ride in Colorado for too long," he said. "If you're going to poison the people of Colorado, you ought to pay for the privilege."

There have been rumors of possible proposals in the Colorado Legislature to change the state's severance tax. O'Connor said he wants voters to have a say regardless of what the Legislature does.

It would be the second consecutive year a major oil-and-gas ballot question appears before Colorado voters if O'Connor's initiative effort succeeds.

Last year, Proposition 112 sought to increase well setbacks to 2,500 feet from homes, school and "vulnerable" areas but was defeated by voters.

Colorado has the lowest effective severance tax rate among major energy producing states in the region, including Texas, Oklahoma, North Dakota and New Mexico,

according to research by the Colorado Legislative Council Staff. In Colorado, low-producing wells are officially taxed at 2 percent of income and high-producing wells that generate more than \$300,000 per year are taxed at a 5 percent rate.

O'Connor's initiative would increase the rates by 5 percentage points and eliminate major deductions oil companies can claim. Colorado well owners today can deduct the costs of processing and transporting the oil and gas to market, and deduct the local property taxes paid on the well.

The lowest-producing wells — known as “stripper wells” — producing less than 15 barrels daily are exempt entirely severance taxes under current law.

Factor in the exemptions and deductions, and the effective severance tax rate on production in Colorado falls to 0.6 percent, the legislative council staff concluded.

Colorado's overall tax rate on oil and gas pumped from the ground in the state hits 6.4 percent when local sales, property and other kinds of taxes paid on wells is included.

That makes an oil-well owners overall tax bill slightly lower than average compared to states around the region, and far lower than North Dakota, Texas, Wyoming and Montana that tax oil production at between 10 percent and 11.2 percent of its market value. Only Oklahoma taxes oil and gas production at a lower overall rate than Colorado in the region, the legislative council staff found.

A 2016 Colorado Supreme Court ruling, in a lawsuit against the state brought by energy giant BP (NYSE: BP), gutted the severance tax haul in Colorado by broadening the deductions companies could claim.

State collections, which peaked in 2014 at \$263 million, dropped to \$24.3 million for 2015 after the top court's ruling was applied. Colorado collected \$28.6 million in 2016 severance taxes on an annual production value of \$8.9 billion.

The state predicts that newly-eligible deductions on oil and gas infrastructure being claimed under the 2016 court ruling will begin to expire, and the severance taxes collected will bounce back some.