

Safe and Healthy Communities

Financial Considerations

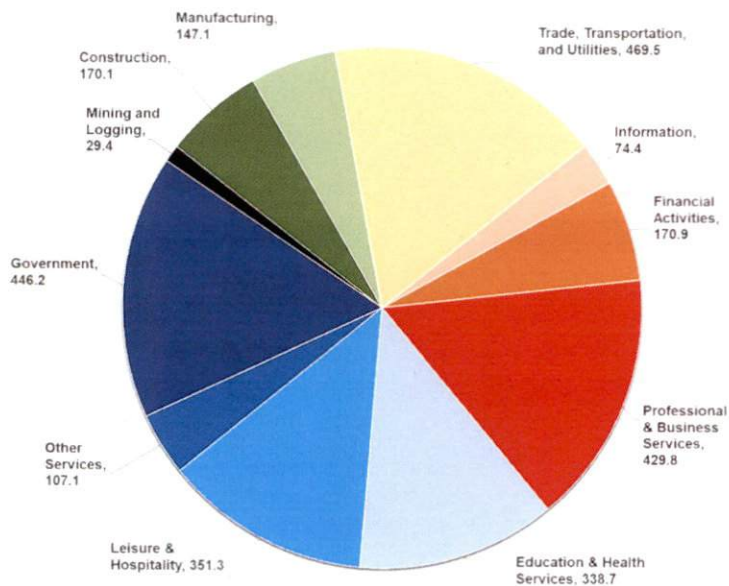
Prioritization of health and safety of communities will:

- Reduce harmful air pollutants
- Prevent unnecessary accidents
- Minimize health care costs and increases due to health-related impacts
- Reduce stress and anxiety

Jobs in the Oil and Gas Industry Will Continue

Active wells will continue to produce and permitted wells will continue to be developed.

- 54,000 active wells will continue to produce
- Current permitted development will continue
- Rural permits will continue to be issued as normal
- Wells will continue to be inspected
- Rigs currently operating will continue to operate



Comparison of Jobs by Sector

Colorado has a diverse economy with 2.6 million jobs throughout many sectors. The **direct jobs** in each sector are shown in this pie chart. This is a direct comparison for Colorado total nonfarm employment for June 2018 from the US Bureau of Labor Statistics. **Values shown are number of jobs, in thousands, seasonally adjusted.**

For example, Leisure & Hospitality accounted for 351,300 direct jobs in 2018.

Transition to Renewable Energy Sources

Colorado is currently 7th in the country in renewable energy jobs – solar and wind energy are included in this fast-growing industry. There are currently 53,000 jobs and growing:

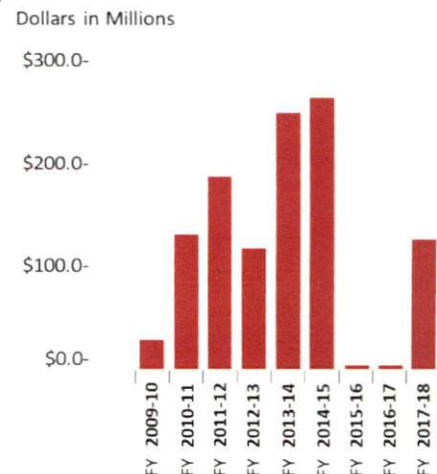
- 43,000 clean energy jobs in the metro area
- 10,000 in rural areas from the Environmental Entrepreneurs 2018 Clean Jobs report.

Financial Guarantees:

- Adequately cover actual cost burden
- Average cost to plug and abandon a vertical well: \$82,500.
- Permit application fees sufficient to cover Commission's actual costs

Oil and Gas Severance Tax Revenue

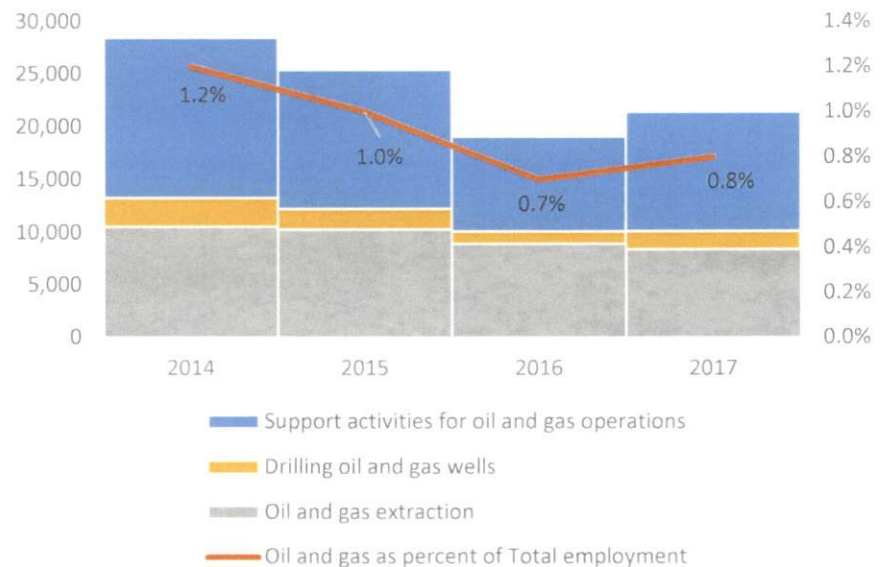
The severance tax in Colorado only requires operators to pay 5% or less. However, operators receive a property tax credit against the company's state severance tax liability of 87.5% which lowers the effective rate to 0.625% or less. Colorado is allowing its oil and gas resources to be taken with little profit in return:



Market Volatility

The oil and gas sector is subject to the fluctuations of the oil and gas market. These fluctuations in price and demand make this sector less predictable than other sectors. This volatility also results in substantial fluctuations in employment. Per the Bureau of Labor Statistics, *Quarterly Census of Employment and Wages, Total Employment in the Oil and Gas Sector* fluctuated from **28,466 jobs in 2014** down to **19,075 jobs in 2016**.

Total Employment in Oil and Gas Sector



Local Government Burden

The potential revenue stream from royalties and taxes for local municipalities is often dwarfed by the associated costs. Currently, local governments do not have the authority to site oil and gas away from populated communities. Therefore, when oil and gas operations are approved in close proximity to residential communities, the local government must bear the financial burden to ensure the health and safety of the community and protection of its water supply. Costs incurred can include, but are not limited to the following:

- Air quality monitoring
- Noise monitoring
- Water and soil monitoring
- Increased traffic and road improvements/repairs
- Loss of recreation on tax payer funded Open Space
- Additional inspectors
- Complaint resolution system
- Outside Counsel to advise local government
- City staff to review and draft regulations
- Property value decrease resulting in decreased local revenue
- Loss of minerals with no royalty, if given to operator in exchange for reduced well count near homes, schools, water resources, etc
- Proper alternative siting analysis and environmental impact analysis
- Risk assessment including analysis and mitigation of risks
- Tax payer liability for forced pooled minerals related to oil and gas site accidents and incidents
- Increased heavy industrial traffic on local roads and related infrastructure repairs

Colorado Style

A rational approach to monitoring air quality and enacting changes to subsequently decrease emissions can prevent the potentially devastating impact of Colorado being labelled a polluted state. The blue skies, pristine waterways, majestic mountains, and outdoor lifestyle are the Colorado brand - with the outdoor recreation industry employing 229,000 direct jobs. It would be fiscally irresponsible to not act to protect this valuable brand. Colorado has a thriving tourism and outdoor recreation industry with many being drawn to Colorado for this lifestyle.

