



July 21, 2022

Colorado Oil and Gas Conservation Commission, Oil and Gas Production Reporting– Status Report

Members of the Legislative Audit Committee:

Attached is the status report from the Department of Natural Resources (Department) on the implementation of recommendations contained in the Office of the State Auditor's (OSA) *Colorado Oil and Gas Conservation Commission (COGCC), Oil and Gas Production Reporting Performance Audit*.

OSA Review of Documentation

As part of the status report process, we requested and received supporting documentation for each recommendation that the Department reported as having been implemented or partially implemented. Specifically, we reviewed the following documentation:

- An example of an operator's delinquent report summary that showed the COGCC's system only lists missing reports or reports with errors within the 5-year retention period as delinquent.
- Screenshots of the COGCC's delinquent email index electronic system that indicates which reports were never submitted and which reports were submitted but with errors.
- An edited Form 7 that indicates which 14 fields will be deleted when the Form is updated by OIT on the new platform.

Based on our review, the supporting documentation substantiates the Department's reported implementation status.



COLORADO

**Department of
Natural Resources**

Executive Director's Office
1313 Sherman Street, Room 718
Denver, CO 80203

July 21, 2022

Kerri L. Hunter, CPA
State Auditor
Colorado Office of the State Auditor
1525 Sherman St., 7th Floor
Denver, CO 80203

Dear Auditor Hunter:

In response to your request, we have prepared the attached status report on the implementation status of audit recommendations contained in the August 2021 Colorado Oil and Gas Conservation Commission (COGCC), Oil and Gas Production Reporting performance audit. The report provides a brief explanation of the actions taken by the Department of Natural Resources to implement each recommendation.

COGCC has partially implemented Recommendation 1A and Recommendation 1B; the current implementation date for both is June 2023. COGCC has determined that Form 7 needs to migrate to a new platform to fully implement 1A and 1B. COGCC completed the implementation of Recommendations 2A and 2B by the original implementation date.

If you have any questions about this status report and the Department's efforts to implement the audit recommendations, please contact Scott Cuthbertson at scott.cuthbertson@state.co.us.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Dan Gibbs'.

Dan Gibbs
Executive Director

att: Status Report
ec: Scott Cuthbertson
Windi Padia
Jarrett Ellis



Audit Recommendation Status Report

Audit Name:	Colorado Oil and Gas Conservation Commission (COGCC), Oil and Gas Production Reporting
Audit Number:	2151P
Agency:	Department of Natural Resources, COGCC
Date of Status Report:	August 2022

Section I: Summary				
Rec. Number	Response from Audit Report	Original Implementation Date	Current Implementation Status	Current Implementation Date
1A	Agree	July 2022	Partially Implemented	June 2023
1B	Agree	September 2022	Partially Implemented	June 2023
2A	Agree	December 2021	Implemented	December 2021
2B	Agree	December 2021	Implemented	December 2021

Section II: Narrative Detail

Recommendation 1A: The COGCC, within the Department of Natural Resources, should improve its production reporting process to gain efficiencies and reduce the administrative burden on staff and operators by evaluating whether all fields on the Operator’s Monthly Report of Operations, Form 7, need to be re-reported every month or if any fields can be eliminated after an operator’s first submission, and revising the form based on the results of this evaluation, taking into account stakeholder input and needs.

Current Implementation Status	Partially Implemented
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Current Implementation Date	June 2023
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Status Update Narrative	<p>COGCC has implemented the first part of this recommendation by identifying 14 fields that can be eliminated. COGCC has taken steps to revise the Form to gain efficiencies and reduce the administrative burden for staff and operators. COGCC initiated a project with the Governor’s Office of Information Technology (OIT) to revise the Form 7. Concurrently with the initiation of that project, COGCC and OIT determined that the electronic forms COGCC uses to ingest information, which includes the Form 7, needed to migrate to a new platform. Based on the input provided by OIT, COGCC estimates migration to the new eForm platform will be complete, at the very latest, by June 2023. The Form 7 will be updated and modernized during this migration over the next year.</p> <p>Together, COGCC and OIT evaluated a stop-gap solution of simply hiding the unnecessary fields identified by the audit from the data intake stored procedures. OIT determined, however, that the fields cannot just be removed or hidden without updating the form code, process workflow, and database table manipulation. The only real solution would be to update the Form 7 as part of a form migration project.</p> <p>COGCC conducts monthly operator meetings in addition to numerous ad hoc conversations with operators to obtain input and share information. Operators also participate in Form development as beta testers to make sure new or modified Forms are working as designed. As the Form 7 development process moves forward, COGCC will engage operators to make sure the Form is sufficient to meet their needs.</p>
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Recommendation 1B: The COGCC, within the Department of Natural Resources, should improve its production reporting process to gain efficiencies and reduce the administrative burden on staff and operators by evaluating how COGCC can better utilize the automated functionality of the eForms system to collect production information more efficiently, such as only deleting data fields with errors, and maintaining all of the other data for a well and making it available for other uses.

Current Implementation Status	Partially Implemented
Current Implementation Date	June 2023
Status Update Narrative	<p>COGCC has initiated implementation of this recommendation by beginning the process of updating business rules to minimize errors and improve efficiency of the staff review process. Business rules tell the developer how to manipulate the data, so the creation of those rules is a prerequisite to developers updating the stored procedures that control the data.</p> <p>Fully implementing this recommendation cannot be accomplished until the Form 7 is updated to the eForm platform. The current form is just an Excel file with data in specific columns that is uploaded. Each row is checked for errant data and then stored, or rejected, by row. The current technology cannot parse the rows by individual data field. Once the form is converted to the eForm platform, each field can be evaluated independently allowing the system to save correct information and reject invalid information. As a result, this recommendation cannot be completed until the Form 7 is modified, as discussed in the update to Recommendation 1A, above.</p>

Recommendation 2A: The COGCC, within the Department of Natural Resources, should improve the effectiveness and efficiency of its processes for following up on delinquent production reports by prioritizing its enforcement and processing efforts on delinquent reports that are within the 5-year record retention period.

Current Implementation Status	Implemented
Current Implementation Date	December 2021
Status Update Narrative	<p>The electronic delinquent report inventory was modified to only return reports within the 5-year record retention period. Staff can filter and search within this more limited inventory report to more efficiently identify and address delinquencies for processing and enforcement.</p>

Recommendation 2B: The COGCC, within the Department of Natural Resources, should improve the effectiveness and efficiency of its processes for following up on delinquent production reports by implementing changes to the eForms system to distinguish delinquent reports that have never been submitted from those that were submitted, but needed to be resubmitted due to errors, and using this information to determine what type of enforcement actions would be appropriate for each type of delinquency.

Current Implementation Status	Implemented
Current Implementation Date	December 2021
Status Update Narrative	The electronic monthly delinquent report was modified to distinguish between reports that were never submitted versus those that were submitted, but had errors. COGCC production staff use this information to prioritize their efforts to obtain missing reports. Production staff have historically reconciled reports that are submitted with errors. As a result, only missing reports are included when production reporting is a component of enforcement actions. Using the modified report, Enforcement Officers include only missing reports (reports that have never been submitted) in the enforcement action that were due within the five year record retention period.