



## Legislative Council Staff

*Nonpartisan Services for Colorado's Legislature*

# FISCAL NOTE

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<b>Drafting Number:</b>	LLS 18-1169	<b>Date:</b>	April 10, 2018
<b>Prime Sponsors:</b>	Sen. Marble Rep. Saine	<b>Bill Status:</b>	Senate Agriculture
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**Bill Topic:** MODIFY LAWS DRILLING UNITS POOLING ORDERS

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**Summary of Fiscal Impact:**

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure ( <i>workload</i> )	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill makes changes to the process for statutory or forced pooling of oil and gas resources by the Colorado Oil and Gas Conservation Commission (COGCC) in the Department of Natural Resources (DNR).

**Appropriation Summary:** No appropriation is required.

**Fiscal Note Status:** This fiscal note reflects the introduced bill.

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### Summary of Legislation

This bill permits the COGCC to authorize more than one drilling unit in a pooling order for oil and gas resources. Drilling units may cover any pool, or a portion of a pool. A statutory pooling order must specify that a nonconsenting owner is immune from liability for costs arising from spills, releases, damage, or injury resulting from oil and gas operations on the drilling unit.

Under current law, a nonconsenting owner in a forced pooling situation is required to pay consenting owners 200 percent of the nonconsenting owner's proportionate share of the cost if drilling and operating the well. This bill limits this required cost recovery to wells 5,000 feet or less in depth, and increases the required compensation to 300 percent for wells greater than 5,000 feet in depth, and for horizontal wells.

Currently, A pooling order may only be made after all mineral rights owners have been given a reasonable offer to lease their rights to an oil and gas developer. The bill specifies that the leasing offer must be given at least 60 days before the pooling hearing, and include a copy of or link to a brochure supplied by the COGCC that describes pooling procedures and the mineral owner's legal options.

### Background

Current law authorizes "forced" or "statutory" pooling, a process by which any interested person—typically an oil and gas operator—may apply to the COGCC for an order to pool and force the development of oil and gas resources located within a given drilling unit. After providing notice

to interested parties and holding a hearing, the COGCC can approve an order requiring an owner of oil and gas resources within the drilling unit who has not consented to the application (a nonconsenting owner) to allow an oil and gas operator to produce the oil and gas within the drilling unit notwithstanding the owners lack of consent.

### **State Expenditures**

The COGCC currently permits a single well per drilling unit and this bill allows the COGCC to authorize multiple wells per drilling unit. This is not expected to appreciably change the number of pooling orders considered and issued by the COGCC, or the associated workload of COGCC staff. Similarly, the provisions affecting mineral owners related to pooling orders, liability issues, and cost recoveries for nonconsenting owners are not anticipated to significantly impact COGCC staff workload. Finally, the COGCC is required to prepare an informational brochure describing the process for a pooling order and a mineral owner's legal rights. COGCC can prepare a web resource and printed product within the commission's existing appropriations.

### **Effective Date**

The bill takes effect August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed and applies to conduct occurring or after that date.

### **State and Local Government Contacts**

Law                      Natural Resources