Second Regular Session Seventy-fourth General Assembly STATE OF COLORADO

PREAMENDED

This Unofficial Version Includes Committee Amendments Not Yet Adopted on Second Reading

LLS NO. 24-1188.01 Jennifer Berman x3286

SENATE BILL 24-229

SENATE SPONSORSHIP

Winter F. and Priola, Buckner, Coleman, Cutter, Exum, Fenberg, Hansen, Jaquez Lewis, Marchman, Michaelson Jenet

HOUSE SPONSORSHIP

Bacon and Willford, Amabile, Boesenecker, Brown, Clifford, deGruy Kennedy, Daugherty, English, Froelich, Garcia, Hernandez, Herod, Jodeh, Joseph, Kipp, Lindsay, Lindstedt, Marvin, McCluskie, McCormick, Ortiz, Ricks, Rutinel, Story, Titone, Valdez, Velasco, Vigil, Weissman, Woodrow

Senate Committees

House Committees

Finance Appropriations

A BILL FOR AN ACT

				,			
101	CONCERNING	MEASU	IRES	TO MITIGATE	OZONE POLL	UTION IN	THE
102	STATE,	AND,	IN	CONNECTION	THEREWITH,	MAKING	AN
103	<u>APPROF</u>	PRIATIO	<u>N.</u>				

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at http://leg.colorado.gov.)

Section 2 of the bill requires the division of administration (division) in the department of public health and environment (department) to propose rules to the air quality control commission (commission) to reduce certain emissions of oxides of nitrogen (NOx) generated by upstream oil and gas operations in certain areas of the state

by 50% by 2030 relative to 2017 NOx emission levels.

Section 3 requires the division to prepare an annual air quality enforcement benchmark report to summarize the division's statewide enforcement actions, including civil penalties assessed.

Under current law, the division or commission, in an enforcement action, cannot obtain a temporary restraining order or preliminary injunction if there is probable cause that the temporary restraining order or preliminary injunction would cause serious harm to the person affected by the temporary restraining order or preliminary injunction or another person or if the source to which the enforcement action pertains has obtained a renewable operating permit and continues operations in compliance with that permit. **Section 4** repeals those limitations on temporary restraining orders and preliminary injunctions. **Section 4** also authorizes a district attorney or the attorney general to seek injunctive relief to reduce the potential for a recurrence of a violation.

Sections 5 and 6 clarify that the division has authority to impose civil penalties for violations of requirements related to toxic air contaminants, fenceline and community-based monitoring, and, if enacted in House Bill 24-1338, petroleum refinery emissions monitoring.

Section 8 authorizes the director of the energy and carbon management commission (ECMC) to hire at least 2 community liaisons to serve as dedicated resources for disproportionately impacted communities, and **section 12** authorizes funding of the community liaison positions from the energy and carbon management cash fund.

Under current law, an oil and gas operator (operator) is required to obtain a permit from the ECMC to commence oil and gas drilling operations. Section 9 requires the operator to also obtain from the ECMC a license to conduct oil and gas operations. Section 9 also requires operators to take actions in accordance with ECMC rules to reduce certain emissions of NOx generated from oil and gas production and preproduction operations. The ECMC is also required, in consultation with the department, to adopt rules to require enhanced systems and practices to avoid, minimize, and mitigate emissions of ozone precursors from oil and gas operations at newly permitted oil and gas locations in certain parts of the state.

Section 10 limits a court's authority to postpone the effective date of an ECMC order suspending or revoking an operator's license to conduct oil and gas operations or a certificate of clearance, requiring the court to first consider various factors, including whether the moving party would face real, immediate, and irreparable injury if the effective date is not postponed and the effect that such postponement would have on the public interest.

Section 11 expands the ECMC's enforcement authority to include revoking an operator's license to conduct oil and gas operations and expands the types of violations that are subject to suspension of all of the

-2- 229

operator's permits and certificates of clearance and the operator's license to conduct oil and gas operations to include violations resulting in a penalty of \$1,000,000 or more, violations that cause a major adverse impact, as defined by the ECMC by rule, and violations that cause death or serious bodily injury.

Section 13 expands the scope of the orphaned wells mitigation enterprise to help finance the plugging, reclamation, and remediation of marginal wells that are at the highest risk of becoming orphaned.

1 Be it enacted by the General Assembly of the State of Colorado: 2 **SECTION 1. Legislative declaration.** (1) The general assembly 3 finds and determines that: 4 (a) Emissions of ozone precursors, such as oxides of nitrogen 5 (NOx) and volatile organic compounds, contribute to the formation of 6 ozone and to public health impacts for individuals exposed to higher 7 levels of air pollution; 8 (b) Oil and gas activities are among the largest anthropogenic 9 contributors to ozone precursor emissions in the ozone nonattainment 10 area: 11 (c) Sources of NOx from upstream oil and gas operations present 12 significant opportunities to reduce ozone precursors and improve public 13 health: 14 (d) Residents of disproportionately impacted communities in the 15 ozone nonattainment area may be exposed to higher levels of NOx than 16 other Coloradans: 17 (e) The air quality control commission adopted rules in December 18 2023 designed to achieve a thirty percent reduction in NOx emissions generated by upstream oil and gas operations, including preproduction 19 20 operations, by 2025; 21 (f) Despite efforts to reduce ozone precursor emissions in the

-3-

ozone nonattainment area, more work is necessary to protect public health;

- (g) State agencies cannot improve air quality through regulations alone and need more permitting and enforcement authority to ensure compliance with the state's environmental statutes and rules; and
- (h) Transparency for the public regarding the state's efforts is critical.
 - (2) Therefore, the general assembly declares that:
- (a) Both the Colorado department of public health and environment and the energy and carbon management commission need to do more, both together and individually, to address the state's ozone problems;
- (b) More accountability for sources of pollution and for the state will build public trust and improve air quality;
- (c) The Colorado department of public health and environment's air pollution control division should consider more stringent approaches in the process of conducting dispersion modeling of proposed sources of increased NOx to better protect residents of disproportionately impacted communities in the ozone nonattainment area;
- (d) Further action needs to be taken to require steady, measurable emission reductions from upstream oil and gas operations, including preproduction operations, to ensure the oil and gas industry adequately contributes to ozone precursor pollution reductions; and
- (e) The energy and carbon management commission should encourage and facilitate the plugging, abandonment, and remediation of marginal wells to address emissions of ozone precursors from production activities, especially in disproportionately impacted communities.

-4- 229

1	SECTION 2. In Colorado Revised Statutes, 25-7-109, add
2	(10)(d) as follows:
3	25-7-109. Commission to promulgate emission control
4	regulations. (10) (d) On or before August 31, 2026, the division
5	SHALL PROPOSE RULES DESIGNED TO REDUCE EMISSIONS OF OXIDES OF
6	NITROGEN (NOX) GENERATED BY UPSTREAM OIL AND GAS OPERATIONS, AS
7	DEFINED BY THE COMMISSION BY RULE, INCLUDING PREPRODUCTION
8	OPERATIONS, BETWEEN MAY 1 AND SEPTEMBER 30 IN THE EIGHT-HOUR
9	OZONE CONTROL AREA AND NORTHERN WELD COUNTY, AS THOSE TERMS
10	ARE DEFINED BY THE COMMISSION BY RULE, BY FIFTY PERCENT BY 2030
11	RELATIVE TO 2017 NOX EMISSION LEVELS. NOX EMISSION LEVELS ARE
12	CHARACTERIZED BY THE MOST RECENT STATE INVENTORY OF NOX
13	EMISSIONS FOR 2017 THAT THE COMMISSION ADOPTED FOR THE PURPOSE
14	OF INCLUSION IN THE STATE IMPLEMENTATION PLAN FOR THE 2015
15	EIGHT-HOUR OZONE NATIONAL AMBIENT AIR QUALITY STANDARD, OR AS
16	PUBLISHED CONCURRENTLY WITH PROPOSED RULES CONSISTENT WITH THIS
17	SUBSECTION (10)(d) IN A NOTICE OF PROPOSED RULE-MAKING PUBLISHED
18	IN ACCORDANCE WITH SECTION $25-7-110(1)$.
19	SECTION 3. In Colorado Revised Statutes, 25-7-115, amend
20	(3)(b)(III) introductory portion and (3)(b)(III)(C); and add
21	(3)(b)(III)(C.5), (12), and (13) as follows:
22	25-7-115. Enforcement - civil actions - definitions - reporting
23	- repeal. (3) (b) (III) The order ISSUED IN ACCORDANCE WITH
24	SUBSECTION (3)(b)(I) OF THIS SECTION may:
25	(C) In addition to civil penalties, include a requirement to perform
26	one or more projects to mitigate violations related to excess emissions;
27	and

-5- 229

1	(C.5) IN ADDITION TO CIVIL PENALTIES, INCLUDE A REQUIREMENT
2	TO PERFORM ONE OR MORE PROJECTS TO REDUCE THE POTENTIAL FOR A
3	RECURRENCE OF A VIOLATION FOR WHICH THE DIVISION COMMENCED
4	ENFORCEMENT PURSUANT TO SUBSECTION $(2)(c)(I)$ OF THIS SECTION; AND
5	(12) (a) (I) On or before December 31, 2024, the division
6	SHALL PREPARE AN AIR QUALITY ENFORCEMENT BENCHMARK REPORT AND
7	POST THE REPORT ON THE DIVISION'S WEBSITE. THE REPORT MUST COVER
8	THE FEDERAL FISCAL YEARS FROM OCTOBER 1, 2019, THROUGH
9	SEPTEMBER 30, 2023, AND INCLUDE THE FOLLOWING STATEWIDE
10	INFORMATION:
11	(A) THE TOTAL NUMBER OF ENFORCEMENT ACTIONS THAT THE
12	DIVISION COMMENCED PURSUANT TO SUBSECTION (2)(c)(I) OF THIS
13	SECTION;
14	(B) THE TOTAL NUMBER OF DECISIONS NOT TO IMPOSE A PENALTY
15	FOR AN ENFORCEMENT ACTION THAT THE DIVISION COMMENCED
16	PURSUANT TO SUBSECTION $(2)(c)(I)$ OF THIS SECTION;
17	(C) THE TOTAL NUMBER OF ENFORCEMENT ACTIONS THAT THE
18	DIVISION RESOLVED PURSUANT TO SUBSECTION (3)(b) OF THIS SECTION;
19	AND
20	(D) WITH RESPECT TO CIVIL PENALTIES ASSESSED PURSUANT TO
21	SECTION 25-7-122 (1)(b), THE TOTAL AMOUNT OF CIVIL PENALTIES, THE
22	AVERAGE CIVIL PENALTY, THE MEDIAN CIVIL PENALTY, THE HIGHEST CIVIL
23	PENALTY, AND THE LOWEST CIVIL PENALTY.
24	(II) This subsection (12)(a) is repealed, effective July 1,
25	2025.
26	(b) On or before April 1, 2025, and on or before February
27	1 OF EACH YEAR THEREAFTER, THE DIVISION SHALL PREPARE AN AIR

-6- 229

1	QUALITY ENFORCEMENT REPORT AND POST THE REPORT ON THE DIVISION S
2	WEBSITE. THE FIRST REPORT MUST COVER THE FEDERAL FISCAL YEAR
3	STARTING OCTOBER 1, 2023, THROUGH SEPTEMBER 30, 2024, AND EACH
4	SUBSEQUENT REPORT MUST COVER THE FEDERAL FISCAL YEAR PERIOD OF
5	OCTOBER 1 THROUGH SEPTEMBER 30 PRECEDING THE ISSUANCE OF THE
6	REPORT. THE REPORTS PREPARED PURSUANT TO THIS SUBSECTION (12)(b)
7	MUST INCLUDE THE FOLLOWING STATEWIDE INFORMATION:
8	(I) THE TOTAL NUMBER OF ENFORCEMENT ACTIONS THAT THE
9	DIVISION COMMENCED PURSUANT TO SUBSECTION (2)(c)(I) OF THIS
10	SECTION;
11	(II) THE NUMBER OF COMPLAINTS RECEIVED PURSUANT TO
12	SUBSECTION (2)(a) OF THIS SECTION THAT RESULTED IN AN ENFORCEMENT
13	ACTION THAT THE DIVISION COMMENCED UNDER SUBSECTION $(2)(c)(I)$ of
14	THIS SECTION AND THE IDENTIFYING CASE NUMBER;
15	(III) THE TOTAL NUMBER OF DECISIONS NOT TO IMPOSE A PENALTY
16	FOR AN ENFORCEMENT ACTION THAT THE DIVISION COMMENCED
17	PURSUANT TO SUBSECTION $(2)(c)(I)$ OF THIS SECTION;
18	(IV) THE TOTAL NUMBER OF FORMAL ENFORCEMENT ACTIONS
19	THAT THE DIVISION RESOLVED PURSUANT TO SUBSECTION (3)(b) OF THIS
20	SECTION AND THE TOTAL NUMBER OF ACTIONS THAT INCLUDED
21	VIOLATIONS WITHIN AREAS OF CONCERN, SUCH AS:
22	(A) THE AREA THAT THE UNITED STATES ENVIRONMENTAL
23	PROTECTION AGENCY HAS DESIGNATED AN OZONE NONATTAINMENT AREA;
24	AND
25	(B) AN AREA THAT IS IN A DISPROPORTIONATELY IMPACTED
26	COMMUNITY; AND
2.7	(V) WITH RESPECT TO CIVIL PENALTIES ASSESSED PURSUANT TO

-7- 229

1	SECTION 25-7-122 (1)(b), THE TOTAL AMOUNT OF CIVIL PENALTIES, THE
2	AVERAGE CIVIL PENALTY, THE MEDIAN CIVIL PENALTY, THE HIGHEST CIVIL
3	PENALTY, THE LOWEST CIVIL PENALTY, AND THE TOTAL AMOUNT OF CIVIL
4	PENALTIES ASSESSED FOR EACH ACTION THAT INCLUDES VIOLATIONS IN
5	AREAS OF CONCERN, SUCH AS:
6	(A) THE AREA THAT THE UNITED STATES ENVIRONMENTAL
7	PROTECTION AGENCY HAS DESIGNATED AN OZONE NONATTAINMENT AREA;
8	AND
9	(B) AN AREA THAT IS IN A DISPROPORTIONATELY IMPACTED
10	COMMUNITY.
11	(13) The division shall implement an air quality
12	ENFORCEMENT E-MAIL MAILING GROUP OR A SIMILAR COMMUNICATION
13	FUNCTION TO SHARE ENFORCEMENT-RELATED UPDATES WITH INTERESTED
14	PARTIES THAT OPT IN TO THE E-MAIL MAILING GROUP OR SIMILAR
15	COMMUNICATION FUNCTION. THE DIVISION MAY SHARE INFORMATION
16	THROUGH THE E-MAIL MAILING GROUP OR SIMILAR COMMUNICATION
17	FUNCTION THAT INCLUDES:
18	(a) A NOTICE OF VIOLATION OR NONCOMPLIANCE SENT PURSUANT
19	TO SUBSECTION $(2)(c)(I)$ OF THIS SECTION;
20	(b) A SETTLEMENT OR OTHER ORDER ISSUED PURSUANT TO
21	SUBSECTION (3)(b) OF THIS SECTION TO RESOLVE A CASE; AND
22	(c) A LINK TO THE ANNUAL AIR QUALITY ENFORCEMENT
23	BENCHMARK REPORT THAT THE DIVISION PREPARES PURSUANT TO
24	SUBSECTION (12) OF THIS SECTION.
25	SECTION 4. In Colorado Revised Statutes, amend 25-7-121 as
26	follows:
27	25-7-121. Injunctions. (1) In the event any person fails to

-8-

comply with a final order of the division or the commission that is not subject to stay pending administrative or judicial review or in the event any person violates any emission control regulation of the commission, the requirements of the state implementation plan, or any provision of OR COMMISSION RULE ADOPTED PURSUANT TO parts 1 to 4 of this article ARTICLE 7, including any term or condition contained in any permit required under this article ARTICLE 7, the division or the commission, as the case may be, may request the district attorney for the district in which the alleged violation occurs or the attorney general to bring, and if so requested it is his or her THE DISTRICT ATTORNEY'S OR THE ATTORNEY GENERAL'S duty to bring, a suit for an injunction to:

(a) Prevent any further or continued violation;

- (b) REDUCE THE POTENTIAL FOR A RECURRENCE OF A VIOLATION FOR WHICH THE DIVISION HAS PREVIOUSLY COMMENCED ENFORCEMENT PURSUANT TO SECTION 25-7-115 (2)(c)(I); OR
 - (c) OBTAIN ANY PERMIT REQUIRED TO CONSTRUCT OR OPERATE.
- (2) In any proceedings brought pursuant to this section to enforce an order of the division or the commission, a temporary restraining order or preliminary injunction, if sought, shall not issue if there is probable cause to believe that granting such temporary restraining order or preliminary injunction will cause serious harm to the affected person or any other person and:
- (a) That the alleged violation or activity to which the order pertains will not continue or be repeated; or
- (b) That granting such temporary restraining order or preliminary injunction would be without sufficient corresponding public benefit.
 - (3) Notwithstanding any other provision in this section, no action

-9- 229

- for injunction may be taken where the source has obtained a renewable operating permit and conducts its operations in compliance with the permit terms, as provided in section 25-7-114.4 (3).

 SECTION 5. In Colorado Revised Statutes, 25-7-122, amend
- 5 (1)(b) introductory portion, (1)(c), (2)(a)(I), (2)(a)(II), (2)(a)(III), (2)(a)(VIII), (2)(a)(IX), (2)(b) introductory portion, and (2)(b)(IV); repeal (2)(b)(V) and (3); and add (2)(a)(X) as follows:

- **25-7-122.** Civil penalties rules definitions. (1) Upon application of the division, the division may collect penalties as determined under this article 7 by instituting an action in the district court for the district in which the air pollution source affected is located, in accordance with the following provisions:
- (b) Any person who violates any requirement or prohibition of A FINAL ORDER OF THE DIVISION OR COMMISSION, an applicable emission control regulation of the commission, the state implementation plan, a construction permit, any provision for the prevention of significant deterioration under part 2 of this article 7, any provision related to attainment under part 3 of this article 7, or ANY PROVISION OF OR COMMISSION RULE ADOPTED PURSUANT TO section 25-7-105, 25-7-106, 25-7-106.3, 25-7-108, 25-7-109, **25-7-109.5**, 25-7-111, 25-7-112, 25-7-113, 25-7-114.2, 25-7-114.5, 25-7-118, **25-7-141**, 25-7-206, 25-7-403, 25-7-404, 25-7-405, 25-7-407, 42-4-403, 42-4-404, 42-4-405, 42-4-406, 42-4-407, 42-4-409, 42-4-410, or 42-4-414 is subject to a civil penalty of not more than forty-seven thousand three hundred fifty-seven dollars per day for each day of the violation; except that:
 - (c) Any person failing to comply with the provisions of section 25-7-114.1 shall be subject to a civil penalty of not more than five

-10-

1	hundred one thousand dollars per day per violation.
2	(2) (a) In determining the amount of any civil penalty, the division
3	shall consider the following factors:
4	(I) The violator's compliance history, INCLUDING THE COMPLIANCE
5	HISTORY OF THE VIOLATOR'S CORPORATE AFFILIATES, SUBSIDIARIES, AND
6	PARENT ORGANIZATIONS;
7	(II) LACK OF good faith efforts on behalf of the violator to
8	comply;
9	(III) Payment by the violator of penalties previously assessed for
10	the same violation Whether the violator previously committed the
11	SAME OR A SIMILAR VIOLATION, REGARDLESS OF WHETHER THE DIVISION
12	OR COMMISSION COMMENCED AN ENFORCEMENT ACTION PURSUANT TO
13	SECTION 25-7-115 FOR ANY SUCH VIOLATION;
14	(VIII) Whether legal and factual theories were advanced for
15	purposes of delay; and
16	(IX) The severity of the violation or noncompliance; AND
17	(X) WHETHER THE VIOLATION OCCURRED WITHIN OR IMPACTED A
18	DISPROPORTIONATELY IMPACTED COMMUNITY.
19	(b) In addition to the factors set forth in paragraph (a) of this
20	subsection (2)(a) of this section, the division shall
21	CONSIDER the following circumstances shall be considered as grounds for
22	reducing or eliminating civil penalties:
23	(IV) Substantial economic impact of a penalty on the violator;
24	AND
25	(V) Nonfeasance; and
26	(3) Notwithstanding any other provision in this section, no action
27	for civil enforcement of this article may be taken where the source has

-11- 229

1 obtained a renewable operating permit and conducts its operations in 2 compliance with the permit terms, as provided in section 25-7-114.4 (3). 3 **SECTION 6.** In Colorado Revised Statutes, 25-7-122, amend 4 (1)(b) introductory portion, (1)(c), (2)(a)(I), (2)(a)(II), (2)(a)(III), 5 (2)(a)(VIII), (2)(a)(IX), (2)(b) introductory portion, and (2)(b)(IV); 6 **repeal** (2)(b)(V) and (3); and **add** (2)(a)(X) as follows: 7 25-7-122. Civil penalties - rules - definitions. (1) Upon 8 application of the division, the division may collect penalties as 9 determined under this article 7 by instituting an action in the district court 10 for the district in which the air pollution source affected is located, in 11 accordance with the following provisions: 12 (b) Any person who violates any requirement or prohibition of A 13 FINAL ORDER OF THE DIVISION OR COMMISSION, an applicable emission 14 control regulation of the commission, the state implementation plan, a 15 construction permit, any provision for the prevention of significant 16 deterioration under part 2 of this article 7, any provision related to 17 attainment under part 3 of this article 7, or ANY PROVISION OF OR 18 COMMISSION RULE ADOPTED PURSUANT TO section 25-7-105, 25-7-106, 19 25-7-106.3, 25-7-108, 25-7-109, **25-7-109.5,** 25-7-111, 25-7-112, 25-7-113, 25-7-114.2, 25-7-114.5, 25-7-118, **25-7-141, 25-7-146**, 20 21 25-7-206, 25-7-403, 25-7-404, 25-7-405, 25-7-407, 42-4-403, 42-4-404, 22 42-4-405, 42-4-406, 42-4-407, 42-4-409, 42-4-410, or 42-4-414 is subject 23 to a civil penalty of not more than forty-seven thousand three hundred 24 fifty-seven dollars per day for each day of the violation; except that: 25 (c) Any person failing to comply with the provisions of section 26 25-7-114.1 shall be subject to a civil penalty of not more than five

hundred ONE THOUSAND dollars PER DAY PER VIOLATION.

27

-12- 229

1	(2) (a) In determining the amount of any civil penalty, the division
2	shall consider the following factors:
3	(I) The violator's compliance history, INCLUDING THE COMPLIANCE
4	HISTORY OF THE VIOLATOR'S CORPORATE AFFILIATES, SUBSIDIARIES, AND
5	PARENT ORGANIZATIONS;
6	(II) LACK OF good faith efforts on behalf of the violator to
7	comply;
8	(III) Payment by the violator of penalties previously assessed for
9	the same violation Whether the violator previously committed the
10	SAME OR A SIMILAR VIOLATION, REGARDLESS OF WHETHER THE DIVISION
11	OR COMMISSION COMMENCED AN ENFORCEMENT ACTION PURSUANT TO
12	SECTION 25-7-115 FOR ANY SUCH VIOLATION;
13	(VIII) Whether legal and factual theories were advanced for
14	purposes of delay; and
15	(IX) The severity of the violation or noncompliance; AND
16	(X) WHETHER THE VIOLATION OCCURRED WITHIN OR IMPACTED A
17	DISPROPORTIONATELY IMPACTED COMMUNITY.
18	(b) In addition to the factors set forth in paragraph (a) of this
19	subsection (2)(a) of this section, the division shall
20	CONSIDER the following circumstances shall be considered as grounds for
21	reducing or eliminating civil penalties:
22	(IV) Substantial economic impact of a penalty on the violator;
23	AND
24	(V) Nonfeasance; and
25	(3) Notwithstanding any other provision in this section, no action
26	for civil enforcement of this article may be taken where the source has
27	obtained a renewable operating permit and conducts its operations in

-13-

1	compliance with the permit terms, as provided in section 25-7-114.4 (3).
2	SECTION 7. In Colorado Revised Statutes, 34-60-103, add (4.2)
3	as follows:
4	34-60-103. Definitions. As used in this article 60, unless the
5	context otherwise requires:
6	(4.2) "DISPROPORTIONATELY IMPACTED COMMUNITY" HAS THE
7	MEANING SET FORTH IN SECTION 24-4-109 (2)(b)(II).
8	SECTION 8. In Colorado Revised Statutes, 34-60-104.5, amend
9	(2)(d)(I); and add (2)(d)(III) as follows:
10	34-60-104.5. Director of commission - duties. (2) The director
11	of the commission shall:
12	(d) (I) Appoint, pursuant to section 13 of article XII of the state
13	constitution, such clerical and professional staff and consultants as may
14	be necessary for the efficient and effective operation of the commission,
15	including at least one and up to OR two deputy directors; and
16	(III) APPOINT AT LEAST TWO COMMUNITY LIAISONS TO SERVE AS
17	DEDICATED RESOURCES FOR DISPROPORTIONATELY IMPACTED
18	COMMUNITIES REGARDING COMMISSION REGULATION. THE COMMUNITY
19	LIAISONS SHALL PERFORM DUTIES INCLUDING:
20	(A) SERVING AS AN ADVOCATE FOR DISPROPORTIONATELY
21	IMPACTED COMMUNITIES IN A NONLEGAL CAPACITY AND, WHILE TAKING
22	INTO CONSIDERATION THE ENGAGEMENT PRACTICES DESCRIBED IN
23	SECTION 24-4-109 (3)(b), ACTING AS A LIAISON BETWEEN
24	DISPROPORTIONATELY IMPACTED COMMUNITY MEMBERS AND THE
25	COMMISSION, INCLUDING WITH RESPECT TO COMMUNICATIONS REGARDING
26	THE PERMITTING PROCESS;
27	(B) PROVIDING COMMUNITY MEMBERS WITH RELEVANT

-14- 229

1	INFORMATION REGARDING THIRD-PARTY RESOURCES SUCH AS LEGAL
2	ASSISTANCE TO ASSIST COMMUNITY MEMBERS IN PRESENTING THEIR VIEWS
3	TO THE COMMISSION;
4	(C) WORKING TO IMPROVE THE RELATIONSHIPS AND INTERACTIONS
5	BETWEEN DISPROPORTIONATELY IMPACTED COMMUNITIES AND THE
6	COMMISSION;
7	(D) ACTING AS A RESOURCE FOR SHARING INFORMATION BETWEEN
8	THE COMMISSION AND DISPROPORTIONATELY IMPACTED COMMUNITIES;
9	(E) ENGAGING IN OUTREACH TO DISPROPORTIONATELY IMPACTED
10	COMMUNITIES; AND
11	(F) ORGANIZING AND ATTENDING IN-PERSON MEETINGS WITHIN
12	DISPROPORTIONATELY IMPACTED COMMUNITIES.
13	SECTION 9. In Colorado Revised Statutes, 34-60-106, amend
14	(1)(f)(I)(B), (3), and (11)(c)(I); and add (1)(f)(I.5), (11)(c)(III), and (20.5)
15	as follows:
16	34-60-106. Additional powers of commission - rules -
17	definitions - repeal. (1) The commission also shall require:
18	(f) (I) That no operations for the drilling of a well for oil and gas
19	shall be commenced without first:
20	(B) Obtaining a permit from the commission, under rules
21	prescribed by the commission; and
22	(I.5) THAT OIL AND GAS OPERATIONS SHALL NOT OCCUR WITHOUT
23	THE OPERATOR OBTAINING AND MAINTAINING ANY NECESSARY PERMITS
24	AND A LICENSE TO CONDUCT OIL AND GAS OPERATIONS FROM THE
25	COMMISSION, IN ACCORDANCE WITH RULES PROMULGATED BY THE
26	COMMISSION; AND
27	(3) The commission also has the authority to:

-15- 229

(a) Limit the production of oil or gas, or both, from any pool or
field for the prevention of waste, and to limit and to allocate the
production from such pool or field among or between tracts of land
having separate ownerships therein IN THE TRACTS OF LAND, on a fair and
equitable basis so that each such tract will be permitted to produce no
more than its just and equitable share from the pool and so as to prevent,
insofar as is practicable, reasonably avoidable drainage from each such
tract which THAT is not equalized by counter-drainage; and
(b) Classify wells as oil or gas wells for purposes material to the

- interpretation or enforcement of this article ARTICLE 60;
- (c) AFTER CONSULTATION WITH THE DIVISION OF ADMINISTRATION IN THE DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT, REQUIRE OPERATORS TO TAKE SUCH ACTIONS BETWEEN MAY 1 AND SEPTEMBER 30 OF EACH YEAR TO REDUCE EMISSIONS OF OXIDES OF NITROGEN (NOX) GENERATED FROM PRODUCTION AND PREPRODUCTION OPERATIONS AS THE COMMISSION DEEMS APPROPRIATE TO ASSURE COMPLIANCE WITH:
 - (I) NOX INTENSITY TARGETS; AND

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

- (II) OTHER NOX RULES THAT THE AIR QUALITY CONTROL COMMISSION ADOPTS BY RULE TO ACHIEVE SECTOR-WIDE COMPLIANCE WITH THE STATE'S 2030 GOALS FOR NOX EMISSION REDUCTIONS; AND
- (d) WHEN REQUIRING OPERATORS TO TAKE ACTION PURSUANT TO SUBSECTION (3)(c) OF THIS SECTION, PRIORITIZE ACTIONS BY THOSE OPERATORS THAT DO NOT DEMONSTRATE COMPLIANCE WITH ANY APPLICABLE NOX INTENSITY TARGETS OR OTHER NOX RULES THAT THE AIR QUALITY CONTROL COMMISSION ADOPTS TO ACHIEVE SECTOR-WIDE COMPLIANCE WITH THE STATE'S 2030 GOALS FOR NOX EMISSION REDUCTIONS.

229 -16-

1	(11) (c) The commission shall adopt rules that:
2	(I) Adopt an alternative location analysis process and specify
3	criteria used to identify oil and gas locations and facilities proposed to be
4	located near populated areas that will be subject to the alternative location
5	analysis process; and
6	(III) IN CONSULTATION WITH THE DEPARTMENT OF PUBLIC HEALTH
7	AND ENVIRONMENT, REQUIRE ENHANCED SYSTEMS AND PRACTICES TO
8	AVOID, MINIMIZE, AND MITIGATE EMISSIONS OF OZONE PRECURSORS FROM
9	OPERATIONS AT NEWLY PERMITTED OIL AND GAS LOCATIONS IN THE
10	EIGHT-HOUR OZONE CONTROL AREA AND NORTHERN WELD COUNTY, AS
11	THOSE TERMS ARE DEFINED BY THE AIR QUALITY CONTROL COMMISSION BY
12	RULE. IN ADOPTING THE RULES PURSUANT TO THIS SUBSECTION
13	(11)(c)(III), THE COMMISSION SHALL:
14	(A) By September 30, 2024, Adopt an initial list of enhanced
15	SYSTEMS AND PRACTICES CONSIDERING THE BEST MANAGEMENT
16	PRACTICES THAT HAVE BEEN RECOMMENDED BY THE DEPARTMENT OF
17	PUBLIC HEALTH AND ENVIRONMENT IN CONSULTATION WITH OPERATORS;
18	(B) CONSIDER A PROPOSED OIL AND GAS LOCATION'S POTENTIAL
19	TO CONTRIBUTE TO ADVERSE IMPACTS THROUGH EMISSIONS OF OZONE
20	PRECURSORS;
21	(C) CONSIDER ANY AVAILABLE PHOTOCHEMICAL SENSITIVITY
22	MODELING ANALYSES CONDUCTED BY THE DEPARTMENT OF PUBLIC
23	HEALTH AND ENVIRONMENT; AND
24	(D) EVALUATE THE POTENTIAL FOR UPDATES TO THE REQUIRED
25	ENHANCED SYSTEMS AND PRACTICES PERIODICALLY TO ACCOUNT FOR
26	EVOLVING DESIGN, OPERATIONAL PROCEDURES, AND TECHNOLOGIES TO
27	REDUCE OZONE PRECURSORS.

-17- 229

1	(20.5) The commission shall administer this article $60\mathrm{ln}$ a
2	MANNER TO MINIMIZE ADVERSE IMPACTS TO DISPROPORTIONATELY
3	IMPACTED COMMUNITIES THAT ARE NEGATIVELY AFFECTED BY OIL AND
4	GAS OPERATIONS.
5	SECTION 10. In Colorado Revised Statutes, amend 34-60-111
6	as follows:
7	34-60-111. Judicial review. (1) EXCEPT AS PROVIDED IN
8	SUBSECTION (2) OF THIS SECTION, any rule, regulation, or final order of the
9	commission shall be IS subject to judicial review in accordance with the
10	provisions of section 24-4-106. C.R.S. The commission shall IS not be
11	required to post bond in any proceeding for judicial review.
12	(2) Notwithstanding section 24-4-106 (5), a court of
13	COMPETENT JURISDICTION MAY POSTPONE THE EFFECTIVE DATE OF A
14	COMMISSION ORDER SUSPENDING OR REVOKING AN OPERATOR'S LICENSE
15	TO CONDUCT OIL AND GAS OPERATIONS OR A CERTIFICATE OF CLEARANCE
16	AND SUBJECT TO REVIEW AS A FINAL AGENCY ACTION PURSUANT TO
17	SECTION 24-4-106 ONLY UPON A DEMONSTRATION BY THE MOVING PARTY
18	THAT:
19	(a) The moving party has a reasonable probability of
20	SUCCESS ON THE MERITS IN THE UNDERLYING JUDICIAL PROCEEDING;
21	(b) REAL, IMMEDIATE, AND IRREPARABLE INJURY TO THE MOVING
22	PARTY WOULD OTHERWISE RESULT;
23	(c) POSTPONING THE EFFECTIVE DATE OF THE COMMISSION ORDER
24	WILL NOT DISSERVE THE PUBLIC INTEREST; AND
25	(d) IN CONSIDERATION OF THE BALANCE OF EQUITIES, INCLUDING
26	CONSIDERATION OF POTENTIAL ADVERSE IMPACTS ON PUBLIC HEALTH,
27	SAFETY, AND WELFARE AND THE PROTECTION OF THE ENVIRONMENT AND

-18-

WILDLIFE RESOURCES, THE BALANCE FAVORS THE POSTPONEMENT.

1

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

SECTION 11. In Colorado Revised Statutes, 34-60-121, amend (5)(a), (6), and (7) as follows:

34-60-121. Violations - investigations - penalties - rules **definition - legislative declaration.** (5) (a) If an operator fails to take corrective action required pursuant to subsection (4) of this section, or whenever the commission or the director has evidence that a violation of any provision of this article ARTICLE 60, or of any rule, regulation, or order of the commission, or of any permit has occurred, under circumstances deemed to constitute an emergency situation OR UNDER CIRCUMSTANCES THAT CAUSE OR THREATEN TO CAUSE A SIGNIFICANT ADVERSE IMPACT TO PUBLIC HEALTH, SAFETY, WELFARE, THE ENVIRONMENT, OR WILDLIFE RESOURCES THAT REQUIRE IMMEDIATE ACTION, the commission or the director may issue a cease-and-desist order to the operator whose act or omission allegedly resulted in such THE violation. Such THE cease-and-desist order shall MUST require such action by the operator as the commission or director deems appropriate. The order shall be served personally or by certified mail, return receipt requested, to the operator or the operator's agent for service of process and shall MUST state the provision alleged to have been violated, the facts alleged to constitute the violation, the time by which the acts or practices cited are required to cease, and any corrective action the commission or the director elects to require of the operator.

(6) If the commission determines, after a hearing conducted in accordance with section 34-60-108, that an operator has failed to perform any corrective action imposed under subsection (4) of this section or failed to comply with a cease-and-desist order issued under subsection (5)

-19-

of this section, with regard to a violation of a permit provision, the
commission may issue an order suspending, modifying, or revoking such
THE OPERATOR'S permit OR PERMITS OR SUSPENDING OR REVOKING THE
OPERATOR'S LICENSE TO CONDUCT OIL AND GAS OPERATIONS or may take
other appropriate action. An operator subject to an order that suspends,
modifies, or revokes a permit OR THAT SUSPENDS OR REVOKES THE
OPERATOR'S LICENSE TO CONDUCT OIL AND GAS OPERATIONS shall
continue the affected operations only for the purpose of bringing them
into compliance with the permit or modified permit and shall do so under
the supervision of the commission. Once the affected operations are in
compliance to the satisfaction of the commission and any penalty not
subject to judicial review or appeal has been paid, the commission shall
MAY reinstate the permit OR THE LICENSE TO CONDUCT OIL AND GAS
OPERATIONS.

- (7) (a) The commission or the director shall issue an order to an operator to appear for a hearing before the commission in accordance with section 34-60-108 whenever the commission or the director has evidence that an operator is responsible for:
- (I) Gross negligence or knowing and willful misconduct that results in an egregious violation; or
- (II) A pattern of violation of this article ARTICLE 60, any rule or order of the commission, or any permit;
- (III) A VIOLATION OF THIS ARTICLE 60, ANY RULE OR ORDER OF THE COMMISSION, OR ANY PERMIT, IF SUCH VIOLATION RESULTS IN A COMMISSION ORDER IMPOSING A PENALTY OF ONE MILLION DOLLARS OR MORE;
- 27 (IV) A VIOLATION THAT CAUSED A MAJOR ADVERSE IMPACT, AS

-20-

DEFINED IN THE COMMISSION'S RULES, TO PUBLIC HEALTH, SAFETY,
WELFARE, THE ENVIRONMENT, OR WILDLIFE RESOURCES AND THE
VIOLATION IS THE THIRD VIOLATION IN THE STATE IN ONE YEAR THAT

4 CAUSED A MAJOR ADVERSE IMPACT, AS DEFINED IN THE COMMISSION'S

5 RULES, TO PUBLIC HEALTH, SAFETY, WELFARE, THE ENVIRONMENT, OR

6 WILDLIFE RESOURCES; OR

- $\label{eq:caused-death-or-serious-bodily-injury} (V) \ A \ \ \ VIOLATION THAT CAUSED DEATH OR SERIOUS BODILY INJURY$ TO AN INDIVIDUAL.
- (b) If the commission finds, after such THE hearing CONDUCTED PURSUANT TO SUBSECTION (7)(a) OF THIS SECTION, that the operator is responsible under the legal standards specified in paragraph (a) of this subsection (7), it SUBSECTION (7)(a) OF THIS SECTION, THE COMMISSION may issue an order that prohibits the issuance of any new permits to the operator, suspends any or all of the operator's certificates of clearance, SUSPENDS THE OPERATOR'S LICENSE TO CONDUCT OIL AND GAS OPERATIONS, or both. When ANY COMBINATION OF THE THREE. If the operator demonstrates to the satisfaction of the commission that it THE OPERATOR has brought each of the violations into compliance and that any penalty not subject to judicial review or appeal has been paid, the commission may vacate the order.
- (c) In a hearing conducted pursuant to this subsection (7), the commission may consider as evidence violations for which enforcement was commenced prior to the effective date of this subsection (7), as amended, in determining whether to prohibit the issuance of any new permits to the operator, suspend any or all of the operator's certificates of clearance, suspend the operator's license to conduct oil and gas operations, or any

-21- 229

1	COMBINATION OF THE THREE.
2	SECTION 12. In Colorado Revised Statutes, 34-60-124, amend
3	(4)(e)(II) and (4)(f); and add (4)(g) as follows:
4	34-60-124. Energy and carbon management cash fund -
5	definitions - repeal. (4) The fund may be expended:
6	(e) (II) This subsection (4)(e) is repealed, effective July 1, 2025.
7	and
8	(f) To create and maintain the website described in section
9	34-60-106 (22); AND
10	(g) BY THE COMMISSION TO FUND THE COMMUNITY LIAISON
11	POSITIONS APPOINTED PURSUANT TO SECTION 34-60-104.5 (2)(d)(III).
12	SECTION 13. In Colorado Revised Statutes, 34-60-133, amend
13	(1)(a)(II) and (1)(a)(III); and add (1.5), (2)(e.5), (6)(d)(I.5), and (8)(d.5)
14	as follows:
15	34-60-133. Orphaned wells mitigation enterprise - creation -
16	powers and duties - enterprise board created - mitigation fees - cash
17	fund created - rules - definitions - legislative declaration.
18	(1) Enterprise created. (a) The orphaned wells mitigation enterprise is
19	created in the department for the purpose of:
20	(II) Funding the plugging, reclaiming, and remediating of
21	orphaned wells AND MARGINAL WELLS in the state;
22	(III) Ensuring that the costs associated with plugging, reclaiming,
23	and remediating orphaned wells AND MARGINAL WELLS are borne by
24	operators in the form of mitigation fees; and
25	(1.5) Legislative declaration. The General assembly finds
26	AND DECLARES THAT:
27	(a) Orphaned wells and marginal wells present risks to

-22- 229

2	ENVIRONMENT AND WILDLIFE RESOURCES;
3	(b) Environmental justice is a priority for the state, and
4	THE ENTERPRISE BOARD SHOULD ADMINISTER THIS SECTION IN A MANNER
5	THAT REDUCES BURDENS ON OVERBURDENED COMMUNITIES;
6	(c) The enterprise helps mitigate risks by plugging,
7	RECLAIMING, AND REMEDIATING ORPHANED WELLS AND THOSE MARGINAL
8	WELLS THAT ARE AT THE HIGHEST RISK OF BECOMING ORPHANED;
9	(d) ALL OIL AND GAS WELLS WILL REQUIRE PLUGGING AND
10	RECLAIMING AT THE END OF THEIR USEFUL LIFE;
11	(e) Many oil and gas wells will require remediation at the
12	END OF THEIR USEFUL LIFE;
13	(f) Pursuant to Section 34-60-106, all operators are
14	REQUIRED TO PROVIDE FINANCIAL ASSURANCE DEMONSTRATING THAT THE
15	OPERATORS ARE FINANCIALLY CAPABLE OF FULFILLING EVERY OBLIGATION
16	IMPOSED ON THE OPERATOR PURSUANT TO THIS ARTICLE 60, INCLUDING AN
17	OPERATOR'S PLUGGING, RECLAMATION, AND REMEDIATION OBLIGATIONS;
18	AND
19	(g) THE SERVICES THAT THE ENTERPRISE PROVIDES BENEFIT ALL
20	OPERATORS IN THE STATE BY:
21	(I) MITIGATING THE RISKS OF AN OPERATOR'S OIL AND GAS WELL
22	BECOMING AN ORPHANED WELL; AND
23	(II) PLUGGING, RECLAIMING, AND REMEDIATING QUALIFYING
24	MARGINAL WELLS AND ELIMINATING THE RISK OF SUCH QUALIFYING
25	MARGINAL WELLS BECOMING ORPHANED WELLS.
26	(2) Powers and duties. In addition to any other powers and duties
27	specified in this section, the enterprise board has the following general

PUBLIC HEALTH, SAFETY, AND WELFARE, INCLUDING RISKS TO THE

-23- 229

1	powers and duties on behalf of the enterprise:
2	(e.5) TO ISSUE GUIDANCE ESTABLISHING STANDARDS FOR
3	MARGINAL WELLS TO QUALIFY FOR FUNDING PURSUANT TO SUBSECTION
4	(1)(a)(II) OF THIS SECTION. IN ESTABLISHING THESE STANDARDS, THE
5	ENTERPRISE BOARD SHALL CONSIDER:
6	(I) AN OIL AND GAS WELL'S LOCATION IN OR NEAR A
7	DISPROPORTIONATELY IMPACTED COMMUNITY OR A HIGHLY POPULATED
8	AREA; AND
9	(II) AN OIL AND GAS WELL'S RISK OF ADVERSE IMPACTS ON PUBLIC
10	HEALTH, SAFETY, WELFARE, THE ENVIRONMENT, AND WILDLIFE
11	RESOURCES; AND
12	(6) Cash fund. (d) Money credited to the fund is continuously
13	appropriated to the fund for use by the enterprise and shall be expended
14	to:
15	(I.5) Plug, reclaim, and remediate qualifying marginal
16	WELLS, AS DETERMINED BASED ON FACTORS THAT INCLUDE:
17	(A) THE OIL AND GAS WELL'S LOCATION IN OR NEAR A
18	DISPROPORTIONATELY IMPACTED COMMUNITY OR A HIGHLY POPULATED
19	AREA; AND
20	(B) THE OIL AND GAS WELL'S RISK OF ADVERSE IMPACTS ON PUBLIC
21	HEALTH, SAFETY, WELFARE, THE ENVIRONMENT, AND WILDLIFE
22	RESOURCES;
23	(8) Definitions. As used in this section, unless the context
24	otherwise requires:
25	(d.5) "Marginal well" means an oil and gas well that
26	PRESENTS A HIGH RISK OF BECOMING ORPHANED.
27	SECTION 14. Appropriation. (1) For the 2024-25 state fiscal

-24- 229

1	year, \$492,928 is appropriated to the department of public health and
2	environment. This appropriation is from the general fund. To implement
3	this act, the department may use this appropriation as follows:
4	(a) \$75,846 for use by the air pollution control division for
5	personal services related to stationary sources, which amount is based on
6	an assumption that the division will require an additional 0.8 FTE;
7	(b) \$301,864 for use by the air pollution control division for
8	operating expenses related to stationary sources; and
9	(c) \$115,218 for the purchase of legal services.
10	(2) For the 2024-25 state fiscal year, \$115,218 is appropriated to
11	the department of law. This appropriation is from reappropriated funds
12	received from the department of public health and environment under
13	subsection (1)(c) of this section and is based on an assumption that the
14	department of law will require an additional 0.5 FTE. To implement this
15	act, the department of law may use this appropriation to provide legal
16	services for the department of public health and environment.
17	(3) For the 2024-25 state fiscal year, \$179,127 is appropriated to
18	the department of natural resources for use by the energy and carbon
19	management commission. This appropriation is from the energy and
20	carbon management cash fund created in section 34-60-122 (5)(a),
21	C.R.S., and is based on an assumption that the commission will require
22	an additional 2.0 FTE. To implement this act, the commission may use
23	this appropriation for program costs.
24	SECTION <u>15.</u> Effective date - applicability. (1) (a) Except as
25	otherwise provided in this subsection (1), this act takes effect upon
26	passage.
2.7	(b) Section 6 of this act takes effect only if House Bill 24-1338

-25- 229

1 becomes law, in which case section 6 of this act takes effect upon 2 passage. 3 (c) Section 5 of this act takes effect only if House Bill 24-1338 4 does not become law, in which case section 5 of this act takes effect upon 5 passage. 6 (2) This act applies to enforcement actions commenced by the 7 division of administration in the department of public health and 8 environment and the energy and carbon management commission on or 9 after the effective date of this act.

10

11

12

13

14

SECTION <u>16.</u> **Safety clause.** The general assembly finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, or safety or for appropriations for the support and maintenance of the departments of the state and state institutions.

-26- 229