

# Department of Natural Resources - Oil and Gas Conservation Commission SMART Act Hearing

Joint Energy and Environment Committee  
January 20, 2022

# Department of Natural Resources Mission & Vision

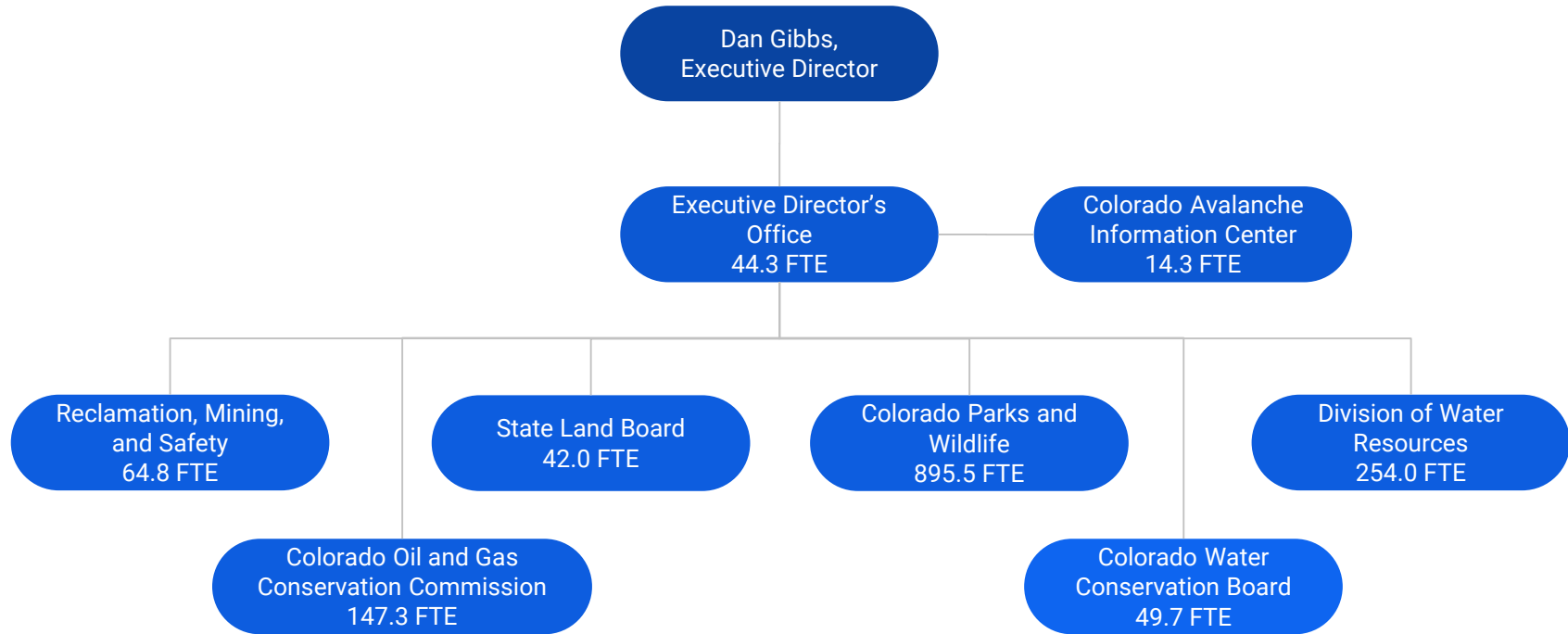
The mission of the Department of Natural Resources is:

**To manage and conserve Colorado's natural resources for the benefit and enjoyment of people today and tomorrow.**

DNR's vision:

**Colorado will be a national leader in promoting the responsible use and conservation of natural resources for this and future generations.**

# DNR Organizational Chart



# FY 2021-22 Operating Appropriations by Division



**Total Funds = \$334.0 million**

General Fund = \$37.3 million

Cash Funds = \$262.3 million

Reapprop Funds = \$7.5 million

Federal Funds = \$26.8 million

**1,522.4 FTE**



**COLORADO**  
Department of  
Natural Resources



# Remote Work

In response to COVID-19, DNR has completed a comprehensive review of its programs and staff to identify where short-term remote work is appropriate, and is continuing to evaluate long-term opportunities for remote work. Currently, the Department has:

- 35% of employees working remotely; The majority of DNR employees report to an office or worksite to manage water, wildlife, minerals and lands.
- In-person services remain critical to our work (for example, compliance checks); however we have moved many services online, and will continue board & commission meetings in hybrid format
- Exploring hoteling options and shared office space

# Wildly Important Goals FY21-22

1. Sustainable Funding for Parks & Wildlife
2. Balance Outdoor Recreation and Conservation
3. Wildfire Risk Reduction
4. Equity, Diversity, and Inclusion

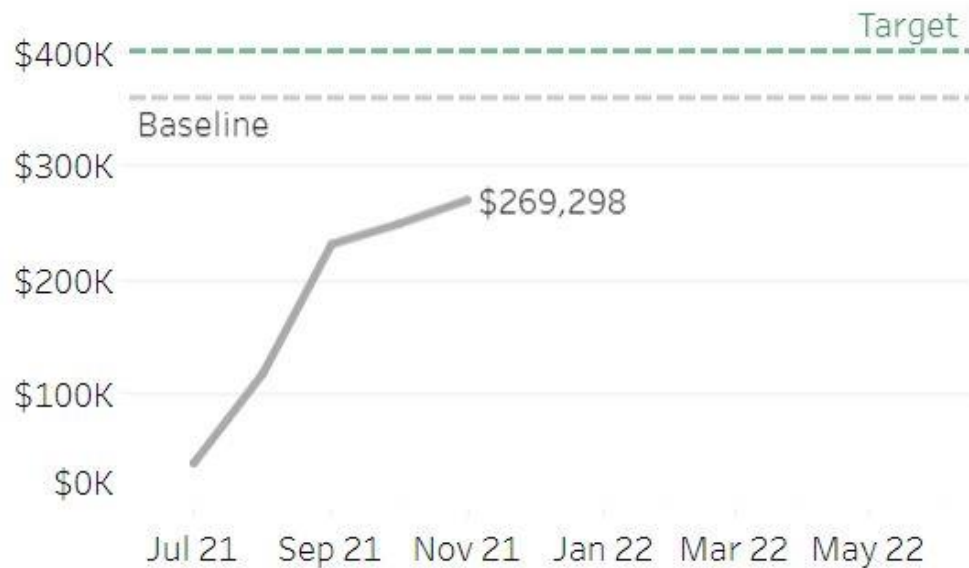


**COLORADO**  
Department of  
Natural Resources



# Sustainable Funding for Parks & Wildlife

Increase private donations from \$360,000 total ending June 30th, 2021 to \$400,000 by June 30th, 2022.



# Balance Outdoor Recreation and Conservation

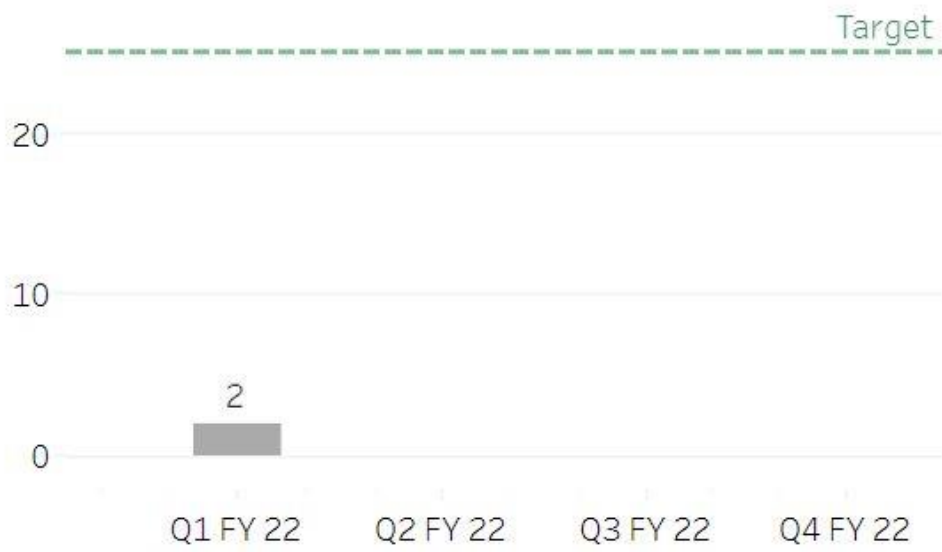
Increase the number of regional partnerships adopting our shared vision and guidelines from 5 to 8 partnerships by June 30, 2022





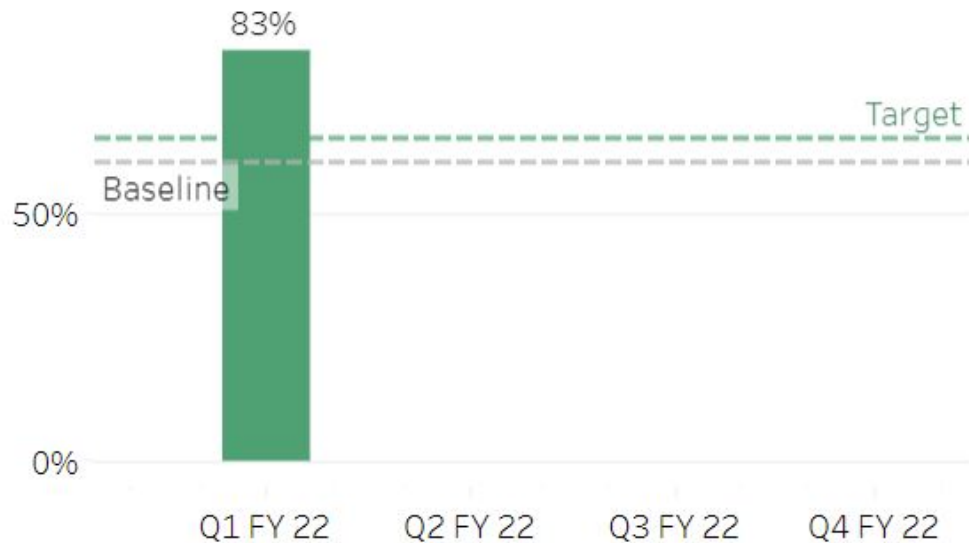
# Wildfire Risk Reduction

Develop 25 new forest management projects to enhance community wildfire risk reduction planning, based on the 2020 Colorado Forest Action Plan and Shared Stewardship MOU by June 30, 2022



# Equity, Diversity, and Inclusion

Increase the percentage of DNR job applicants meeting minimum qualifications from 60% to 65% by June 30, 2022



# Equity, Diversity, and Inclusion

In accordance with the Governor's Executive Order [2020 175](#), the Department has prepared a plan to improve equity, diversity, and inclusion, including continuing its WIG #4:

- Quarterly Advisory Group meetings with more than 20 organizations
- Training all 350 managers on equitable recruitment and retention
- Broaden candidate pools through relevant job posting qualifications
- Increase from 54% to 60% of employees responding favorably to inclusion questions on the statewide employee engagement survey
- Representation on the Colorado Equity Alliance
- Implementing DPA and HB 21-1110 by DPA

# Cabinet Wildly Important Goal

1. Comprehensive Water Planning -  
CWCB and DNR to complete draft of  
Colorado Water Plan Update by June  
2022



**COLORADO**  
Department of  
Natural Resources

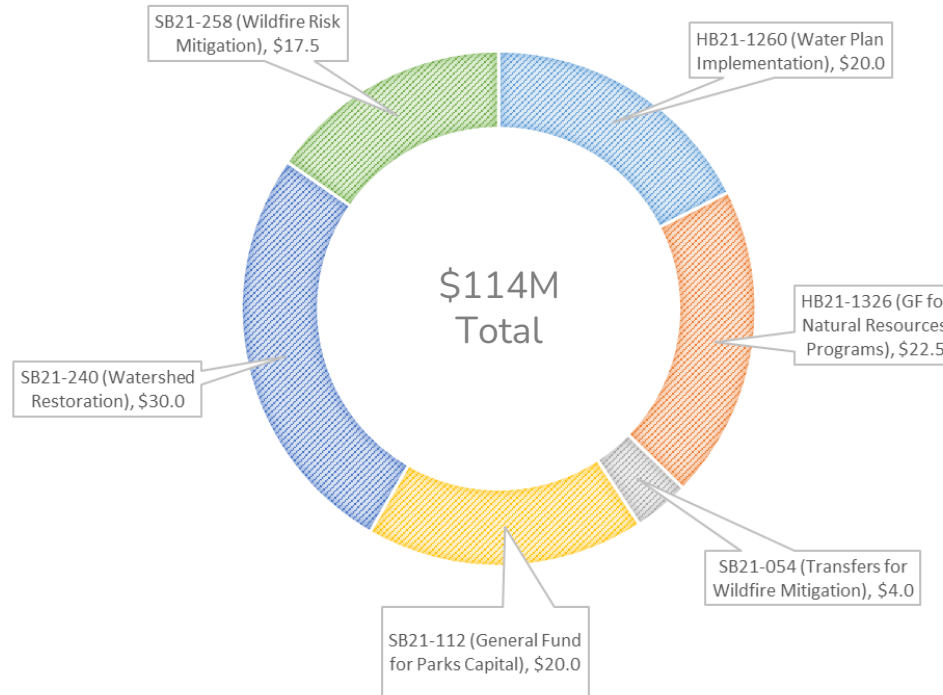


# More information

To view monthly updates on Wildly Important Goals and corresponding lead measures, please visit the [Governor's Dashboard](#).

For more information on additional DNR goals, view our FY 2021-22 Performance Plan at: [operations.colorado.gov/performance-management/departments-performance-plans](https://operations.colorado.gov/performance-management/departments-performance-plans)

# Stimulus Funding Implementation



# Stimulus Funding Implementation

## SB21-258 - Wildfire Mitigation

- \$17.5 million - Colorado Strategic Wildfire Action Program (COSWAP)
- Spending underway: \$4.5M obligated thus far

The new program at DNR is supporting fuels reduction efforts in the wildland urban interface in two ways:

- First, by funding work done by the Colorado Youth Corps Association (CYCA) and the State Wildland Inmate Fire Teams (SWIFT) within the Department of Corrections
- Second, by awarding funds for landscape scale strategic wildfire mitigation projects.

# Stimulus Funding Implementation



**COLORADO**  
Governor Jared Polis





# Stimulus Funding Implementation



**COLORADO**  
Governor Jared Polis



# FY 2022-23 Budget Request Detail

General Fund = \$37.7M

FTE = 1,562

Div. of Water Resources

7.2%

Colorado Water Conservation Bo...

3.0%

Parks and Wildlife

55.5%

Executive Director's Office

24.6%

Division of Mining, Reclamation...

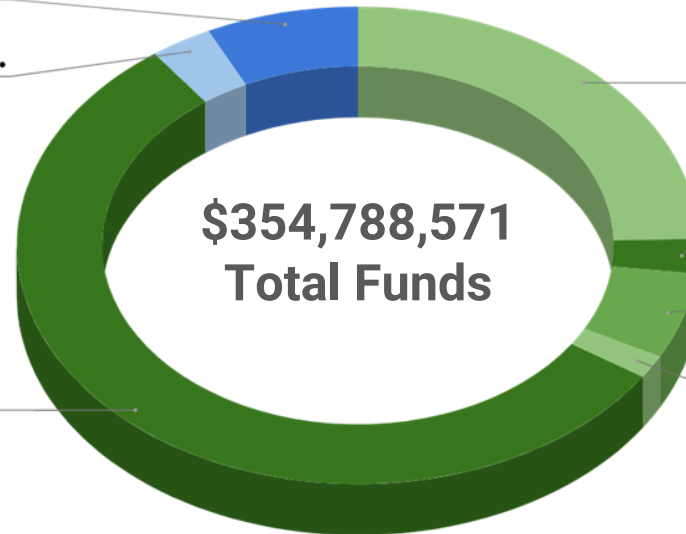
2.3%

Oil and Gas Conservation Comm...

5.8%

State Land Board

1.6%



\$354,788,571  
Total Funds



**COLORADO**  
Department of  
Natural Resources



# FY 2022-23 Budget Request: Outdoor Rec & Conservation

- Support Increased Outdoor Recreation and Conservation
  - \$5.9 million and 15.5 FTE
- Implementing Big Game Policy Report Recommendations
  - \$1.2 million and 8.0 FTE
- Colorado Outdoor Regional Partnerships
  - \$862,000 and 1.0 FTE
- Staff and Operating for State Park and Sweetwater Lake
  - \$427,000 and 3.0 FTE



**COLORADO**  
Department of  
Natural Resources



# FY 2022-23 Budget Request: Water

- Project Development and Staff Support for Water Plan Grants
  - \$700,000 and 6.0 FTE
- Water Operations Accounting Support
  - \$333,000 and 3.0 FTE
- State Land Board Water Resources Manager
  - \$130,000 and 1.0 FTE



**COLORADO**  
Department of  
Natural Resources

# FY 2022-23 Budget Request: Engagement & Outreach

- Staff Capacity to Increase Tribal Engagement
  - \$145,000 and 1.5 FTE
- Assistant Director for Energy Innovation
  - \$160,000 and 1.0 FTE
- Spending Authority for the Colorado Wildlife Council
  - \$800,000

# ARPA High Impact Proposals Submitted to ERRTF

- **\$15 million for Groundwater Sustainability and Compact Compliance in the Rio Grande and Republican River basins**
  - This funding will leverage existing federal programs to address the imminent threat of mandatory, uncompensated, permanent agricultural dry-up in the Republican and Rio Grande River Basins
  - It will also help sustain economic productivity, enhance resilience to drought and other natural hazards, encourage positive environmental outcomes, and conserve water for future generations.
- **\$22.8 million for broadband, water, and sewer projects at rural State Parks**
  - This request includes \$20.2M to provide high-quality broadband internet access to at least 24 state parks and one recreation area where high speed connectivity is not currently available.
  - This request will also improve broadband service to unserved or underserved rural areas by allowing communities to connect and build on the lines to provide high-quality internet to homes and schools.
  - This request also includes \$1.8M for four high-priority water and sewer projects at three state parks to address health and safety issues to allow Coloradans and visitors to recreate safely.

# Legislative Agenda

The Department respectfully requests the General Assembly consider legislation on the following:

- Reauthorization of the Habitat Partnerships Program
- Reauthorization of Nongame Species Tax Checkoff
- [PLACEHOLDER] Implementation of Backcountry Search and Rescue Working Group Recommendations
- Protect Sensitive Wildlife Data
- Annual Species Conservation Trust Fund Bill
- Annual Water Projects Bill

# Regulatory Agenda

## Upcoming Rulemakings of Note

- Division of Reclamation, Mining and Safety new rules for perpetual water treatment and repeal of self-bonding per HB 19-1113. DRMS is also updating rules to allow for e-filing of applications and notice processes.
- Colorado Parks and Wildlife will set the cost of the Keep Colorado Wild Pass
- Division of Water Resources - NEW Measurement Rules for the West Slope Water Divisions



# Regulatory Agenda

## COGCC Rulemaking Update, Required from SB19-181

### Completed Rulemakings:

- **500 Series** (COGCC hearing process), *July 2019*
- **Flowlines** (pipelines that COGCC regulates), November 2019
- **Wellbore Integrity** (groundwater protection), June 2020
- **Mission Change** (change from foster to regulate, cumulative impacts, wildlife, alternative location analysis), November 2020

**Remaining Rulemakings:** Financial Assurances (underway), Permit Fees, and Worker Safety

# Regulatory Agenda

## COGCC Rulemaking Update, Required from SB19-181

### Mission Change Rulemaking Implementation:

- IT System Transitions & Accomplishments:
  - ◆ Transitioned & developed new online forms (4 New and 25 Revised Forms)
  - ◆ Throughout the entire electronic forms development process, Staff created guidance documents; established new internal processes and workflows to meet the needs of the new rules.
- Hearings Unit revamped its online eFilings system
- Delivered first “Evaluation of Cumulative Impacts Report”

# Orphan Well Program Update & Infrastructure Investment and Jobs Act

## Overview:

- Funding Opportunities & Criteria
- Planning & Implementation
- OWP Staffing

# Funding Opportunities & Criteria

3 Grant Programs resulting in up to 5 funding Opportunities:

- Initial Grants
- Formula Grants
- Performance Grants – 2 categories
  - Regulatory Improvement Grants – 2 grants available
    - Grant for Strengthening Plugging Standards & Procedures
    - Grant for Improvements to Programs Designed to Reduce Future Orphaned Well Burdens
  - Matching Grants

# Funding Opportunities & Criteria

All grants must be used to:

- Plug, remediate, and reclaim orphaned wells located on State or private land
- Identify & characterize undocumented orphaned wells on State or private land
- Rank orphaned wells on basis of public health & safety, potential environmental harm, and other land use priorities
- Make information regarding the use of funds available on a public website
- Measure and track
  - Emissions of methane and other gasses associated with orphaned wells
  - Contamination of groundwater or surface water associated with orphaned wells
- Un to 10% of each grant may be used for administrative costs

# Funding Opportunities & Criteria

## Initial Grants

- Up to \$25 million available to State members of IOGCC
  - Application deadline May 14, 2022
  - States to receive funding within 30 days of receipt of application
  - Limitations
    - State will **use 90%** of funding to issue new contracts, amend existing contracts, or issue grants for plugging and reclamation work **within 90 days**
    - Any unobligated funds must be returned 1 year after receipt
- ort of use due 15 months after receipt of funds

# Funding Opportunities & Criteria

## Formula Grants

- Total of \$2B available – to be distributed to states based on:
  - Number of Orphaned Wells to plug and/or reclaim and remediate in the State
  - Estimated cost to plug, remediate, and reclaim orphaned wells and adjacent lands and decommission related infrastructure in the State
  - Number of Oil & Gas Industry Jobs lost in the state between 3/1/2020 and 11/15/2021

# Funding Opportunities & Criteria

## Formula Grants (continued)

- Notice of Intent to apply was due Dec 30, 2021
  - COGCC submitted IAW established guidelines
    - 625 Orphaned Wells to plug and/or reclaim and remediate in the State (Plugging operations complete for 223 of the 625, but reclamation and/or remediation is ongoing)
    - Estimated \$47,343,791 cost to plug, remediate, and reclaim orphaned wells and adjacent lands and decommission related infrastructure in CO
    - Estimated 6,251 Oil & Gas Industry Jobs lost in CO (29% loss)
- DOI to announce amounts each state is eligible to receive no later than *Jan 29, 2022*



# Funding Opportunities & Criteria

## Formula Grants (continued)

- DOI is currently developing the grant program, to include the application process and deadlines and reporting requirements
- States to receive funding within 60 days of receipt of application
- Limitations:
  - Available Financial Assurance must be used prior to federal funds
  - Any unobligated funds must be returned 5 years after receipt

# Funding Opportunities & Criteria

## Performance Grants – Regulatory Improvement

- Up to \$20 million available to states meeting each of the two criteria within the 10 year period prior to application (\$40m total):
  - The State has strengthened plugging standards and procedures designed to ensure that wells located in the State are plugged in an effective manner that protects groundwater and other natural resources, public health and safety, and the environment
  - The State has made improvements to State programs designed to reduce future orphaned well burdens, such as financial assurance reform, alternative funding mechanisms for orphaned well programs, and reforms to programs relating to well transfer or temporary abandonment
- DOI is currently developing the grant program, to include the application process and deadlines and reporting requirements

# Funding Opportunities & Criteria

## Performance Grants – Regulatory Improvement (continued)

- Eligibility begins 180 days after receipt of initial grant
- States to receive funding within 60 days of receipt of application
- Limitations
  - One grant available for each of the criteria
  - Claw-back provision – A state that receives these grants must reimburse DOI fully if the state enacts a law within 10 years of receipt of funds that would have prevented the state from being eligible
  - Currently unknown what qualifies State for full \$20M amount for each grant versus potential lesser award

# Funding Opportunities & Criteria

## Performance Grants – Matching

- Up to \$30 million available
- DOI is currently developing the grant program, to include the application process and deadlines and reporting requirements
- Eligibility begins 180 days after receipt of initial grant
- States to receive funding within 60 days of receipt of application

# Funding Opportunities & Criteria

## Performance Grants – Matching (continued)

- Limitations
  - Matching requirement
    - Annual grants to be provided for the difference between:
      - Amount expected to be spent during the fiscal year
      - Average annual amount spent on program activities during the period of fiscal years 2010 through 2019
- One grant available per fiscal year
- Total matching funds provided during fiscal years 2022 through 2031 not to exceed \$30M

# Planning & Implementation

- Planning appx. \$10M/FY program throughput to allow for consistent workload and maintain consistent staffing levels
- Grant Funding Expended Fiscal Year 2022-23 through Fiscal Year 2030-31
- Modeling assumptions:
  - \$11M Initial Grant – to be received mid-June 2022
  - Cannot feasibly spend or obligate full \$25M amount authorized within 1 year requirement
  - Expect to wait to submit application until near deadline to allow time to staff up program
- \$12.5M Formula Grants (based on preliminary estimate of amount available for CO)
- \$40M Performance - Regulatory Improvement Grants (full amount authorized under Act)
- \$30M Performance – Matching Grants (full amount authorized under Act)
- \$300,000 per year of claimed financial assurance expended
- \$700,000 - \$1.3M per year of State funds expended (Staffing costs and matching requirements)

# Planning & Implementation

<u>Awarded by Year</u>	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Initial Grants	\$11,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Formula Grants	\$0	\$12,500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Performance Regulatory Grants	\$0	\$0	\$0	\$40,000,000	\$0	\$0	\$0	\$0	\$0	\$0
Performance Matching Grants	\$0	\$0	\$0	\$0	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
<u>Obligated by Year</u>										
Initial Grants	\$0	\$10,500,000	\$500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Formula Grants	\$0	\$0	\$10,000,000	\$2,500,000	\$0	\$0	\$0	\$0	\$0	\$0
Performance Regulatory Grants	\$0	\$0	\$0	\$8,000,000	\$5,340,000	\$5,340,000	\$5,340,000	\$5,340,000	\$5,340,000	\$5,300,000
Performance Matching Grants	\$0	\$0	\$0	\$0	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Grants Obligated by Year	\$0	\$10,500,000	\$10,500,000	\$10,500,000	\$10,340,000	\$10,340,000	\$10,340,000	\$10,340,000	\$10,340,000	\$10,300,000
Cumulative Grants Obligated	\$0	\$10,500,000	\$21,000,000	\$31,500,000	\$41,840,000	\$52,180,000	\$62,520,000	\$72,860,000	\$83,200,000	\$93,500,000

# Orphaned Well Program Staffing

- Increasing program throughput to \$10M/year requires additional staff
  - Reallocating an existing vacant FTE as dedicated Program Manager
  - Adding 6.0 FTE to existing OWP program staff
    - Non-appropriated, federally funded
    - Term limited, temporary employees