

Good afternoon, my name is Jason Maxey, Director for the Weld County Oil & Gas Energy Department. I am representing the Weld County Board of County Commissioners, and our opposition to HB24-1367.

Our points of opposition, or our questions about the information contained in the bill are as follows:

- There is conflicting information in the bill language and the fiscal note. The percentage of oil production and gas production from stripper wells is stated one way in the bill, and is referenced as a lesser percentage in the fiscal note.
- Letter "b" under Section 1 - Legislative Declaration, the stated amounts of oil wells and gas wells don't add up. These numbers are not and should not be looked at as individual numbers. The stated amount of wells in the bill add up to over 46,000 stripper wells, when in fact there are just under 48,000 active status wells (per ECMC website). Oil and gas wells in Weld County produce both products, and should not be counted as if they are necessarily individual wells - the way the numbers are presented is misleading.
- Letter "e" under Section 1 - Legislative Declaration is simply not true. There are multiple current ECMC rules that address items in this section.
- The proposed bill is duplicative of existing rules and processes that are already in place, which address many of the concerns the Legislative Declaration alleges.
- The proposed bill is taking something that is a small percentage of oil & gas production in the state, and as the bill states "will result in a de-minimus revenue gain to the state revenue", and will possibly create a much bigger issue. Removing the severance tax exemption, and the associated risk of increasing the amount of orphan wells in the state is something that should not be ignored.
  - The potential consequences for elimination of multiple small oil and gas companies and the associated companies that provides them services, is also something to consider.

**When I get a question from Rep. Evans to expand on the ECMC rules...**

- ECMC Rule 201.b. states Operators of any Oil & Gas Location or Facility will comply with all applicable Commission rules, and will ensure compliance by their contractors and subcontractors.
  - Adherence to this rule means adherence to ECMC 900 Series rules which are titled "Environmental Impact Prevention", and include rules and procedures on items such as prohibition of venting and flaring of natural gas.
- In addition, Rule 210 allows corrective action by the Commission to correct any condition necessary to protect and minimize adverse impacts to public health, safety, welfare, the environment, and wildlife resources, or any condition that is in violation of the Commission's rules.

- Also letter "e" asserts stripper wells are at a higher risk of passing end-of-life cleanup costs to local governments, with no acknowledgement of new financial assurance rules (ECMC 700 series), or the Orphan Well Mitigation Enterprise which was created as a result of SB22-198 and requires oil & gas operators to pay a per well permit fee into the fund which will be used in the case of wells or locations becoming orphaned.



## **HB24-1367: Repeal Severance Tax Exemption for Stripper Wells**

**Sponsors: Sen. Winter, Rep. Kipp**

**CFI position: FOR**

My name is Caroline Nutter from the Colorado Fiscal Institute and I'm here in support of HB24-1367. CFI is a nonprofit research and advocacy organization that works to make Colorado's tax code efficient and equitable.

HB24-1367 would remove the stripper well severance tax exemption. The current tax exemption for stripper wells encourages behaviour that would happen anyway, it disincentives the plugging of wells that are big polluters, and it costs us tax revenue.

The purpose of this exemption is to lower the costs to make low-producing wells economically viable. The exemption works if operators are right at their "break-even price" and the special tax treatment encourages them to operate when in its absence, they wouldn't. In today's energy economy, most operators of stripper wells are currently making more than their break-even price, so these wells are viable even without the exemption. In other words, this exemption incentivises behaviour that would happen anyway, through market forces alone.

Stripper wells are big polluters. They are distinguished not only by their lower output but also by their disproportionate environmental impact. They emit up to ten times more methane relative to production compared to their higher volume counterparts.

Additionally, stripper wells represent a liability to the state. Their tendency to leak and be orphaned, which occurs when operators abandon their wells without proper closure, leaves Colorado responsible for significant plugging costs. With each orphaned well potentially costing over \$90,000 to plug, the financial burden on the state is substantial.

Furthermore, these environmental and economic costs are currently borne by the public. As residents of Colorado, we are effectively subsidizing the operations that contribute to the climate crisis and wreak havoc in our communities, especially those closest to these wells.

Today, there are thousands of wells that produce less than 1 barrel a day. Not only does the current energy economy not need help keeping these wells open, but also this exemption disincentives the oil and gas industry from plugging and cleaning up low-producing wells, ultimately costing the taxpayers and the communities in which these wells operate.

I ask for a yes vote on HB24-1367.



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March 21, 2024

**TO: House Energy and Environment Committee** Cathy Kipp, Jenny Willford, Scott Bottoms, Ken DeGraaf, Gabe Evans, Meg Froelich, Junie Joseph, Manny Rutinel, Brianna Titone, Alex Valdez, Elizabeth Velasco, Stephanie Vigil, and Ty Winter

**TO: Bill Sponsors:** Kathy Kipp, Faith Winter

**CRES Supports HB24-1367** | Severance tax credit repeal for stripper wells

**CRES supports this bill. We urge all House Energy and Environment Committee Members to vote yes on the bill.**

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CRES is a nonpartisan, science-based nonprofit with a reach of thousands of Coloradans annually. The CRES Policy Committee brings together a broad range of energy policy and technology experts who review energy bills before the Colorado state legislature to provide our perspective.

We have reviewed this bill and have found it to be timely and reasonable. Thank you for all you do for Colorado!

Sincerely,

Vincent Calvano  
Chair, CRES Policy Committee