



INSPECTIONS OF OIL AND GAS DEVELOPMENT

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There are approximately 50,000 active oil and gas wells in Colorado. This issue brief provides an overview of Colorado's oil and gas operations inspection processes and offers a summary of legislative measures related to inspections of oil and gas development that were passed by the Colorado General Assembly during the 2013 legislative session.

Current Inspection Processes

The Colorado Oil and Gas Conservation Commission (COGCC), Department of Natural Resources, regulates oil and gas development on all privately owned lands in Colorado, as well as land owned by state and local governments. The federal Bureau of Land Management has concurrent authority, along with the COGCC, to inspect federal oil and gas sites, including well pads and production facilities. In addition, one county in Colorado is currently permitted to conduct its own inspections of oil and gas sites.

The majority of all oil and gas wells in Colorado are inspected by the COGCC and the Air Pollution Control Division (APCD), Colorado Department of Public Health and Environment (CDPHE). COGCC inspectors have oversight responsibilities for the oil and gas wells themselves and associated drilling activities. APCD inspectors monitor air emissions from oil and gas operations. The Water Quality Control Division (WQCD), also in the CDPHE, regulates discharges of waste water to surface water, which is uncommon in Colorado. The APCD and the COGCC work cooperatively on inspection issues associated with oil and gas development and

production, including monitoring emissions of odor and dust.

COGCC inspections. The COGCC is required to foster the development of Colorado's oil and gas resources in a manner that is consistent with the protection of public health, the environment, and wildlife resources. The COGCC currently employs a total of 23 inspectors, including:

- 1 field inspection manager;
- 4 field inspection supervisors;
- 2 reclamation inspectors; and
- 16 field inspectors.

In the near future, the COGCC plans to hire an additional 5 employees:

- 1 additional field inspector;
- 2 reclamation specialists;
- 1 reclamation supervisor; and
- 1 quality assurance professional.

The COGCC will employ a total of 28 inspectors once all positions are filled. Inspectors' responsibilities vary regarding the number of wells they inspect, as well as their specific inspection duties. The COGCC aims to have every producing well in Colorado under its jurisdiction inspected at least once every three years. In 2012, 19,084 wells were inspected.

Oil and gas inspection activities vary depending on the types of development or production activities occurring at the site. However, for the majority of inspections, the entire site is inspected. Some examples of inspection activities include, but are not limited to: checking

for evidence of erosion; verifying that spills or releases are mitigated; managing waste; checking the capacity and condition of tanks and berms; inspecting the emissions from tanks; checking pilot lights and opacity of emission control burners; verifying signage; inventorying equipment; measuring safety setbacks; verifying weed control per the Noxious Weed Act; and inspecting pits.

APCD inspections. The mission of the APCD is to "improve and protect the air quality in Colorado through the development and implementation of cost-effective and efficient air pollution control measures that are consistent with the requirements of state and federal law." The APCD employs eight permanent oil and gas inspectors called environmental protection specialists. They inspect APCD-permitted equipment at oil and gas facilities in Colorado, such as condensate and crude oil tanks, produced water tanks, engines, dehydrators, emission control devices (e.g. flares, vapor recovery units, etc.), and other equipment located at the well pad. APCD inspectors ensure that permitted oil and gas facilities in Colorado are in compliance with their air permits. Examples of facilities that are inspected include compressor stations, gas processing plants, and drip stations. The goal of the APCD is to inspect minor sources of air pollutants at least once every five years, and major sources of air pollutants once per year. "Minor" means that the source emits less than 100 tons of air pollutants per year. Most oil and gas well sites are considered minor sources of air pollutants.

Gunnison County inspections. Colorado counties may enter into intergovernmental agreements (IGAs) with the COGCC that allow the counties to conduct their own inspections of oil and gas development sites. Gunnison County, which has approximately 29 wells, is the only county that has entered into an IGA. The IGA between Gunnison County and the COGCC was executed in April 2012 and permits the county to employ an inspector who is dedicated to inspecting oil and gas operations in Gunnison County only. However, the COGCC retains all enforcement authority. The inspector is paid by the county, but is approved of and trained by the COGCC, and must perform inspections pursuant to the COGCC's rules and standards. The county and the COGCC jointly coordinate various details

of inspections, including the frequency of inspections. The two parties hold regular coordination and compliance meetings, and the Gunnison County inspector reports monthly to the COGCC regarding the number of inspections conducted and the results of those inspections.

2013 Legislation

During the 2013 legislative session, two bills were enacted concerning oil and gas development.

Senate Bill 13-202. This bill requires the COGCC to use a risk-based strategy for inspecting oil and gas locations that targets the operational phases most likely to experience spills, excess emissions, and other types of violations, and that prioritizes more in-depth inspections. The bill also requires the COGCC to submit a report to the Joint Budget Committee and House and Senate committees of reference with jurisdiction over energy by February 1, 2014, on utilizing the risk-based strategy that is to include findings, recommendations, and a plan, including staffing and equipment needs, for implementing the strategy. The bill requires implementation of a strategy by July 1, 2014, which may include a pilot project to test the strategy.

House Bill 13-1278. This bill requires that spills of oil or exploration and production waste of one barrel (42 U.S. gallons) or more that is spilled outside of berms or other secondary containment mechanisms be reported within 24 hours of discovery to both the COGCC and the local jurisdiction responsible for emergency response. The spill report must include any available information concerning the type of waste involved in the spill, and the bill specifies that the COGCC may promulgate rules to implement these requirements.