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Oil and Gas Production Reporting Process Could Be More Efficient and Less Burdensome

DENVER—The Office of the State Auditor (OSA) has released a performance audit of oil and gas production reporting at the Colorado Oil and Gas Conservation Commission (COGCC) and identified ways that the COGCC could gain efficiencies and reduce the administrative burden on operators and staff when submitting production reports, as well as when following up on overdue, delinquent reports.

The COGCC monitors all aspects of oil and gas production in Colorado, and requires oil and gas operators to submit production data on every well monthly. In 2020, there were about 300 operators who submitted approximately 77,000 well production reports monthly. “Having an efficient reporting process that reduces administrative burden on operators and staff wherever possible helps achieve the goal of complete and accurate reporting of oil and gas production data, which is critical to the COGCC’s ability to fulfill its oversight responsibilities,” said Cariann Ryan, Legislative Auditor.

Auditors found that if there are any reported data fields that contain an error, COGCC staff delete all of the data the operator submitted for the well. The operator must then reenter and resubmit a new report for the well, including data that was already determined to be error-free, and the report must be re-reviewed by COGCC staff. According to the audit, COGCC staff spend about 25 percent of their time, which totals about 1,000 hours each year, addressing errors in reports, and it has taken upwards of 8 months for operators to resubmit corrected information.

Auditors also found that operators are required to submit some production data more frequently than needed. The COGCC requires operators to complete a number of data fields on the reporting form each month for each well, even though information for 14 of the data fields (e.g., well location, operator contact information) does not typically change from one month to the next.

Auditors calculated that errors in these 14 fields accounted for 61 percent of all errors that operators and staff spent time correcting in Calendar Year 2020.

Lastly, auditors found that the COGCC treats all delinquent reports the same when it comes to following up with operators to obtain the reports and processing the delinquent reports when they are submitted, regardless of statutory retention requirements. Operators are required to retain production report information for only 5 years. As of April 2021, about 215,000 of the more than 280,000 delinquent reports (77 percent) that the COGCC intended to follow up on with operators were more than 5 years old, with some dating back to 1999. In 2020, about 48,000 of the reports submitted (6 percent) to the COGCC were for reporting periods more than 5 years old. COGCC staff also review reports in the order received, rather than prioritizing review of reports for more recent periods. Auditors concluded that it may not be an efficient or effective use of COGCC staff's or operators' time to follow up on delinquent reports that extend beyond the statutory timeframe for which operators must retain their production data.

Auditors made two recommendations for improvements. The full report is available @ www.colorado.gov/auditor.

About the Office of the State Auditor (OSA)

Under the direction of the State Auditor, the OSA's nonpartisan, professional staff promote government accountability by conducting independent performance, financial, and IT audits and evaluations of state agencies, departments, and institutions of higher education, conducting independent evaluations of the State's tax expenditures (e.g., credits, exemptions, deductions), tracking about 4,000 Colorado local governments for compliance with the Local Government Audit Law, and operating a statewide fraud reporting hotline.

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