

APPROVED

PLANNING AND ECONOMIC DEVELOPMENT POLICY COMMITTEE MEETING

MINUTES

Date: November 9, 2022

Time: 8:30 am

Members Present Chair: Councilmember Danielle Jurinsky, Vice Chair: Councilmember Dustin Zvonek, Councilmember Angela Lawson

Others Present Councilmember Steve Sundberg
Alicia Montoya, Andrea Amonick, Andrea Barnes, Becky Hogan, Bob Oliva, Brad Pierce, Brandon Cammarata, Brian Rulla, Bruce Dalton, Cathy DeWolf, Chad Argentar, Chance H., Crystal Vigil, Daniel Brotzman, Daniel Krzyzanowski, Daniel Money, David Schoonmaker, Elena Vasconez, Forrest Thorniley, Gayle Jetchick, Ian Best, Jack Bajorek, Jason Batchelor, Jeannine Rustad, Jeffrey Moore, Jennifer Orozco, Jose Rodriguez, Julie Patterson, Kevin Hougen, Leah, Liz Fuselier, Marcia McGilley, Maria Alvarez, Marisa Noble, Megan Waldschmidt, Melissa Rogers, Melvin E. Bush, Michelle Gardner, Mindy Parnes, Morgan Cullen, Rachel Allen, Scott Berg, Sunny Banka, Tom Oldenburg, Victor Rachael, Yuriy Gorlov

1. CALL TO ORDER

2. APPROVAL OF OCTOBER 12, 2022, DRAFT MINUTES–COUNCIL MEMBER JURINSKY

2.a. The minutes were approved.

3. GENERAL BUSINESS

3.a. Annual Update from The Oil & Gas Division

Summary of Issue and Discussion:

Jeffrey S. Moore, Manager Oil & Gas Division

Jeffrey Moore presented this item. The Oil & Gas Division is currently comprised of three staff members, including J. Moore. The senior inspector has worked for the

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division for two years, while the senior planner is newly hired and will help translate educational materials into Spanish. Aurora currently has 108 producing wells and 22 are being drilled and completed. There are 2 non-economic and non-producing wells, called shut-in wells, that are to be plugged. In addition, are 58 plugged and abandoned or dry and abandoned wells. Based on the operator agreements and operators' plans, there are 150 additional future projected wells. Crestone Peak Resources reduced the number of sites and wells that they are drilling compared to ConocoPhillips' previous plans. The city may annex new wells or annex new lands that have wells to be drilled on them in the future. In terms of operators, Crestone Peak Resources has 108 producing wells, and 12 are drilled and completed. Axis Exploration has two producing wells and eight will be drilled and completed starting in December. Painted Pegasus Petroleum is currently out of business due to bankruptcy. Its shut-in well has been placed on the state's orphan well program list and will be plugged by the state in 2023. KP Kauffman, on the other hand, was fined by the COGCC in 2021 and has agreed to do work in lieu of the fine. They have one well in Aurora, but is not economic and needs to be plugged. Since 2020, 15 out of the 58 plugged wells have been re-plugged since the cement and steel casing in the ground deteriorates over time. This brings the wells up to modern standards. Production from the Niobrara Shale Formation began in 2012. Today, the field within Aurora produces 27,000 MCF of natural gas, 14,500 barrels of oil, and 1,300 barrels of water per day. Through a type curve that takes all wells producing in Aurora back to a common time zero to look at production, it showed that individual wells produce 20,000 MCF of natural gas, 17,000 barrels of oil, and 14,000 barrels of water per month initially. This data will be used to project royalty incomes for the city on a quarterly basis. The production values decrease significantly and rapidly upfront. Within the first four years, between 65 to 75% of the production is recovered. How long wells produce depends on commodity prices and operation prices for the operator. As long as the wells are profitable, they will be kept open and producing for likely 25 years.

The Division also handles permitting at a 13-week timeline for well sites according to the Operator Agreement. This timeline includes the time in which the operator responds to the round of comments. 100% of applications received in 2022 were processed within the timeframes. One well-site application has yet to be approved since the operator has not yet submitted the last submittal due to changes with the deal between Crestone and Aurora Highlands. A separate application for putting in short lines to connect well sites to the closest point of the gathering system is required for crude oil and natural gas lateral pipelines. The Division also reviews information for every developer during the pre-application meeting regarding how oil and gas may be affecting their particular project areas. They will be informed of plugged wells, pipelines, oil and gas locations, and proposed future locations.

Inspections are done at every stage of development for wells including construction, drilling, completions, and production phases. Plugged wells are also inspected. In addition to well-site inspections, associated facilities or midstream inspections are also done. The Division also follows up on complaints. This year, one resident from

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unincorporated Adams County was visited by the inspector for noise complaints and the operator has made adjustments. In 2022, the Oil & Gas Division purchased a \$95,000 FLIR camera that allows them to see volatile organic compounds (VOCs) that may be escaping from pipe connections. If these were not corrected, the leaks would go on 24/7 and would be harmful to the environment and at a loss to the operator. Four minor spills happened this year and they were all reported to the COGCC. The incidents were cleaned up immediately and Crestone will analyze what occurred and why.

For income, the division collects inspection fees and royalties. The inspection fees from upstream and midstream operators total \$397,000 and are designed to pay for the cost of salaries, equipment, and indirect fees within the division. KP Kauffman is noted to not pay their inspection fee for 2021 and 2022 to Aurora and Adam's County. They believe that they are not required to do so under state law. However, this is untrue, and the Oil & Gas Division is in discussion with the city attorneys regarding solutions. In royalties, Crestone has paid \$142,000 in the last 12 months. Other royalties received were from properties that Aurora Water purchased for water rights, but also came with oil and gas rights. This includes the \$2 million received from Occidental Petroleum (Oxy) that goes into Aurora Water accounts.

J. Moore found that there were some properties that were not paying royalties to the city due to unsigned division orders. Once an operator gets ready to drill a well, they will create a division order for each of the mineral owners. This order states the percentage that they will pay the mineral owner and the mineral owners would then sign the order and return them to the operator. Colorado law prohibits operators from withholding payment of royalties due to unsigned division orders. However, a lot of operators withhold these payments and put them in escrow accounts until the division orders are signed. Great Western has now paid these royalties totaling \$2.8 million. Crestone has been consistently paying around \$10,000 a month, Oxy is now paying over \$100,000 a month, and Great Western pays \$70,000 a month ongoing.

The Oil & Gas Division also facilitates the Oil and Gas Advisory Committee. They conducted a field tour in June at Crestone. The Committee has one new member, five re-appointments, and one open industry position. More in 2022, the division identified the status of all plugged wells and presented to Council regarding the reverse setbacks and permanent easements into the city. The language of the ordinance is being finalized and will come forth to the Planning and Zoning Commission and then to Council in early 2023. The Division received funds in 2022 to do analysis and research on Aurora's air quality. A third party came in with a mobile sampling van and conducted the research that shows that Aurora's air is very clean. An RFP will be sent out to purchase air monitoring equipment across the city. Data will be presented on a website that allows the public to see the air quality in real-time. The division applied for an EPA grant for additional air quality equipment but was not approved. However, the Black Parents United Foundation in Aurora received a grant for air monitoring equipment, and the Oil & Gas Division is

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coordinating with them. The Division also participated in multiple rule-makings with COGCC and the Energy and Environment Symposium. Research on unpaid royalties is continuing. Multiple competitive lease sales have been running which resulted in over \$1 million of direct immediate income and an expected future income of over \$13 million. Crestone is also drilling wells east of Ward VI and many residents own minerals under their homes. The residents are being contacted for leasing purposes. Due to Karen Hancock's resignation, the Division has been given the responsibility to handle all environmental issues in the city.

For 2023, the Division aims to finish the map-based website. They conducted training to get access to the webpage. Moreover, the plugging of two shut-in wells will be completed, and annual soil testing over P&A wells will begin to ensure that there is no elevation of hydrocarbons. In future years, an additional inspector may be hired, the oil and gas manual will be updated, additional information materials will be created, all currently plugged wells will be located, unpaid royalties search will be completed, and permitting and inspections for other types of energy resources such as solar, wind, and geothermal, will be added into the Division.

- CM Lawson asked if residents are being notified of the leakages. J. Moore said they do not provide notifications since the leak volume is minute and unnoticeable. He mentioned that the VOCs that come off are likened to the leaks seen when gassing personal vehicles at gas stations.
- CM Zvonek mentioned that the local government coalition filed party status to participate in the AQCC's process for the State Implementation Plan (SIP). He expressed concern that challenging the SIP and asking for additional rulemaking could lead to the EPA holding back transportation dollars. He asked if the decision to be a party to this came from the Division or city management. J. Moore explained that he is part of local government roundtables that meet and talk about state rulemaking. He mentioned that through the local government coalition, they participated in efforts to encourage rulemaking in different ways. They look into the language of the requests, if they match expectations in Aurora, if they will be helpful to the community, and if they are things that Aurora can participate in. These are shared with Deputy City Manager to get his thoughts before something is filed.
- CM Zvonek asked what the reasoning was to ask for SIP modification and additional rulemaking regarding ozone going from severe to serious. J. Moore answered that some of the requirements are for other types of industries and may not be related to oil and gas. He added that the language seemed reasonable in terms of how they would affect the environment and help the communities being represented by the coalition.
- CM Zvonek said that if the SIP does not change, transportation dollars might be held up due to the city being a party to this. He mentioned that it is unlikely that the plan going from severe to serious will change even with the ask for additional rulemaking. J. Moore said that he will research the issue and get back to CM Zvonek.

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- o Jeannine Rustad mentioned that the Energy and Environment Division coming under planning and development services will ensure continued coordination with the Transportation Division.

Outcome:

Information Only.

Follow-up Action:

None required.

4. MISCELLANEOUS MATTERS FOR CONSIDERATION

4. a. Aurora Economic Development Council

- Yuri Gorlov
NO REPORT

4.b. Havana Business Improvement District

- Chance Horiuchi:
NO REPORT

4.c. Aurora Chamber of Commerce

- Kevin Hougen:
NO REPORT

4.d. Planning Commission

- Melvin Bush
NO REPORT

4.e. Oil and Gas Committee

- Brad Pierce:

The Oil and Gas Advisory Committee has an opening for an industry person. This individual must work for an oil and gas operator or rig company that does work in Aurora and must be a registered voter. The operator of the company that they work for must be registered with the COGCC. The Committee's next meeting will be on November 16th at 4 PM.

4.f. Business Advisory Board

- Garrett Walls
NO REPORT

4.g. Retail

- Bob Oliva
NO REPORT

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- 4.h. **Small Business**
 - Elena Vasquez
NO REPORT

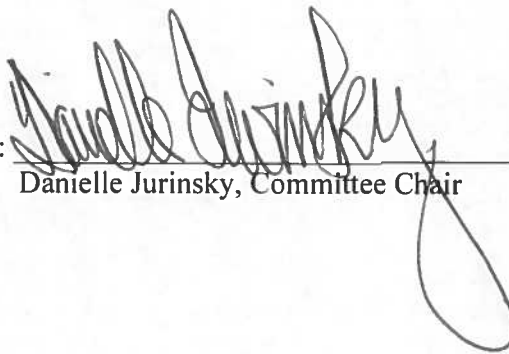
- 4.i. **Visit Aurora**
 - Bruce Dalton
NO REPORT

5. **CONFIRM NEXT MEETING DATE**

Scheduled for December 7, 2022, at 8:30 AM MT.

6. **ADJOURNMENT**

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Danielle Jurinsky, Committee Chair