

STATEMENT BY

Peggy Utesch
Western Colorado Congress
Contact information: 970-984-3107
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My name is Peggy Utesch from the Grand Valley Citizens' Alliance in Western Colorado.

The good news is that of the states included in the study, Colorado has the most stringent requirements for both bonding and reclamation. Unfortunately, the bonding amounts are still inadequate, and between the BLM and the Colorado Oil and Gas Conservation Commission, very little oversight of reclamation activity is conducted. The result of this broken system will be a huge liability for taxpayers in the near future.

In Colorado, there are two kinds of reclamation: interim and final. Interim reclamation is required at three months after the well is in production on crop land and at one year for non-crop land. I know for a fact that this does not happen. Wells that were drilled near my home often sat for over a year and in some cases more than two years, before any reclamation took place.

On many ranches in our area – soil compaction, restoration of irrigation and weed management are issues that landowners continued to push industry to address. When ranchers don't know what the reclamation standards say, these problems go unaddressed because there is no inspection or oversight. On BLM land, a retired BLM employee recently visited sites that he had cited for reclamation violations three years ago before retiring, and many of those problems still exist.

In Colorado, the majority of gas from a well is produced in the first five or six years. When production begins to decline, the company that drilled the well typically sells the lease to a smaller operator, who re-stimulates the well, captures some additional gas, and the lease again. By the time the well is not economically viable and ready for final reclamation, the small operator who owns the lease is responsible to remove the equipment and do final reclamation – if they can afford it. Often, the site is simply abandoned, leaving the State to pay for final reclamation.

In Colorado, the state is currently taking money out the reclamation fund to cover other budget short-falls. Their accounting system says, we collected funds to reclaim 1,000 wells this year, but only needed to reclaim 50, and treat the balance of funds as discretionary money that can be spent. The issue is that Colorado is only seeing the tip of the drilling iceberg, and in 20-30 years when thousands of wells will need to be reclaimed, the bonding monies that were already inadequate, will have been spent.

Colorado taxpayers and landowners will then be stuck paying the costs for final reclamation. Interestingly, the bonding and reclamation requirements for the coal and hard rock mining industries are quite stringent. When stricter guidelines were proposed and implemented for those industries 20 years ago, their lobbyists also claimed the cost would put them out of business, but

that not happened. The oil and gas industry is the single richest industry in the world, and we – as taxpaying citizens – must demand that this industry also be held responsible for repairing the damage done to public and private land by their operations. If we don't fix the system now, Colorado taxpayers are in for a rude surprise with a huge price tag.