



Arapahoe County

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Board Summary Report

File #: 25-362

Agenda Date: 7/1/2025

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To: Board of County Commissioners

Through: Bryan Weimer, Director, Public Works & Development

Prepared By:

Jason Reynolds, Planning Division Manager, PWD

Presenter: Jason Reynolds, Planning Division Manager & Martin Lohmann, Energy Program Manager, PWD

Subject:

11:15 AM *Energy Program Fees

Purpose and Request:

Arapahoe County's Phase 2B oil and gas regulations authorized a pad site inspections program and the Board of County Commissioners approved a 2025 budget, which included funding for an oil and gas inspector position. The purpose of this study session is to seek Board concurrence on a recommended fee schedule for the inspections program; with Board direction, staff will schedule fee schedule adoption at an upcoming business meeting.

Background and Discussion: In October 2024, the Board directed PWD to establish an energy program, with 1.0 FTE for an oil and gas inspector (new position), 1.0 FTE for an energy program manager (existing vacant position), and 0.5 FTE of administrative support (using existing administrative resources). The program's goal is to inspect each Arapahoe County oil and gas well twice per year, with an estimate of 506 inspections to be completed in the first year of the program. Based on pending development in the Lowry Ranch Comprehensive Area Plan and proposed oil and gas sites elsewhere in the county, we anticipate inspections growing by 100 each year from 2026-2030. Based on those estimates, we anticipate submitting formal budget requests for an additional plan reviewer FTE for 2026 and an inspector FTE for 2027.

We posted the proposed fees for public comment in early June; the comments and staff responses are attached. The proposed fees were \$3,000 per pad, plus \$1,500 per well on the pad, charged annually. Many comments

expressed concern that the fees were not adequate to cover the program costs, that the program would require taxpayer subsidies, and that the inspection fees did not consider all impacts of development. The proposed fees are designed to cover program costs so that oil and gas operations pay for the program, not general fund taxpayers. The inspections program will allow Arapahoe County to evaluate sites' compliance with local and state requirements; if an inspector does observe leaks, spills, or emissions, the County can collect fines per Section 5-3.6.I of the Land Development Code. Finally, staff will monitor the program's level of service, revenues, and expenditures to ensure that it protects health, safety, and welfare while covering its costs.

After receiving public input, PWD performed additional analysis with fully loaded personnel costs and including time estimates that current staff will devote to the program. That analysis showed that the proposed fees listed below would cover program costs:

Per Pad (annual inspection fee) \$3,000

Per Well (annual inspection fee) \$1,500

Each oil & gas pad site would be charged the \$3,000 fee annually, plus \$1,500 per well on the pad. As an example, a pad (\$3,000) with 17 wells (\$25,500) would be charged \$28,500 annually.

Fiscal Impact: The goal is for the inspections program to be budget neutral over time, with the fees charged for the program fully covering program costs. However, the program includes significant startup investments in both equipment and personnel. Our goal is to collect fees from all non-abandoned pad sites, including shut-in wells, producing wells, and wells in the drilling/completion phases. While shut-in wells do not produce oil, they do require continued monitoring and inspections.

Assuming a July 1 - June 30 billing cycle and an Energy Planner FTE added to this program in 2026 and a second Inspector FTE added in 2027, the attached document shows the estimated revenue and expenditures for this program from 2025-2030. The attached presentation includes a chart tracking financial impact of the program by year.

The attached revenue projections are based on proposed fees of \$1,500 per well (drilling/completions, producing or shut-in) per year and \$3,000 per pad site with wells (drilling/completions, producing, or shut-in) per year. There will be no fees charged for dry/abandoned and plugged and abandoned wells. These proposed fees were developed based on a review of what other jurisdictions are charging for similar work and also trying to ensure that the fees charged for this program reasonably cover the costs of the program.

If we achieve full compliance with companies paying program fees, the full program costs will be covered by fees in year 1-2 of the program (2025-26) and then again in 2028-2030.

At a full fee compliance level, the revenue collected from 2025-2030 will exceed the total new costs for the

program by \$291K over the 6-year evaluation period. This is appropriate as the additional revenue collected above the new program costs can be applied to the fully-loaded costs of the program (such as the 0.5 FTE in admin support, support provided by the Energy Manager, and other resources supporting the oil and gas inspections program).

All companies will receive a benefit from this program in the form of a higher level of service than the state is currently providing in terms of inspections. The County fees assessed for this program are consistent with other jurisdictions, and as shown in the attached, are reasonable to cover the program costs. Paying the program fees would not be “optional” on the part of companies, so we will continue to work with legal counsel to explore options available to try to ensure full compliance and enforcement of payment

The current revenue projections do not include any fines for spills, leaks, or emissions. Section 5-3.6.I of the Land Development Code allows fines up to \$15,000 for each violation and for each separate day; however, as we hope to have no spills, leaks, or emissions occur, no revenue based on fines was included in the revenue projections.

Inspection will begin in July, once the inspector is onboarded.

Alternatives: Staff is seeking direction on the proposed fee schedule. The Board has several options:

- 1 - Proceed with the fee schedule as proposed.
- 2 - Recommend an alternative fee schedule for adoption.
- 3 - Allow inspections without collecting fees.

Alignment with Strategic Plan:

- ☒ Be fiscally sustainable
- ☒ Provide essential and mandated service
- ☒ Be community focused

Staff Recommendation: Staff recommends proceeding with the proposed fee schedule. The fees would cover reasonable costs related to the oil and gas inspection program. Staff will evaluate the fees annually to ensure program costs are paid by the industry; the revenue projections assume a 4% annual increase in fees starting in 2027.

Concurrence: N/A