



Arapahoe County

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Board Summary Report

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To: Board of County Commissioners

Through: Bryan Weimer, Director, Public Works & Development

Prepared By:

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Subject:

Resolution Adopting 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 proposed fees would cover the reasonable and necessary costs to support the energy program, including equipment and staffing. Staff recommends adoption of the proposed fee schedule.

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 and an inspector FTE for 2026.

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 and to be funded by oil and gas operations and not from general funds attributable to 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

finer 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.

At a July 1, 2025, study session, the Board supported scheduling the fee schedule for adoption.

Alternatives: Staff is seeking adoption of the proposed fee schedule. The Board has several options:

- 1 - Approve the fee schedule as recommended.
- 2 - Recommend an alternative fee schedule for adoption.
- 3 - Deny the fee schedule and allow inspections without collecting fees.

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 and a second Inspector FTE added to this program in 2026, 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 one of the program (2025) and then again in 2027-2030.

If the County is able to achieve full fee compliance through 2030, then the revenue collected through 2030, will place the County on track to fund the full projected necessary program costs including the 0.5 FTE for administrative support, the support provided by the Energy Manager, and other necessary costs to support the oil and gas inspections program.

All oil and gas operators 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. Additionally, the County fees assessed through this program are consistent with other jurisdictions such as the City of Aurora, and as shown in the attached, are limited so as to cover the program's direct and indirect costs. Program fees would not be "optional" on the part of operators and when necessary, staff will work with legal counsel on compliance and enforcement issues.

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. The collection of fines, where necessary, is not intended to be a source of revenue for the inspection program.

Inspections will begin in July 2025, once the inspector is onboarded.

Alignment with Strategic Plan:

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

Concurrence: 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.

Resolution: Attached.