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Colorado Oil & Gas Association's statement regarding the Longmont hydraulic fracturing ban lawsuit

Denver, CO - - Today, the Colorado Oil & Gas Association (COGA) filed a lawsuit asking the Weld County District Court to invalidate the City of Longmont's Resolution R-2012-67, which prohibits hydraulic fracturing operations within the City's limits. COGA's lawsuit contends that state regulations allow hydraulic fracturing, which is required to extract oil and natural gas from the "tight" sand and shale formations that are the target of oil and gas exploration in the area. According to COGA, the Resolution constitutes an illegal ban on oil and gas drilling, it denies private mineral owners the right to develop their property, it attempts to prohibit operations that the state laws permit, and it purports to regulate technical aspects of oil and gas operations in a manner that is preempted by the Colorado Oil and Gas Conservation Act and its implementing regulations.

"The hydraulic fracturing ban in Longmont effectively bans oil and gas development. There is clear legal precedent in Colorado that the ban is illegal and we expect it to be overturned by the courts," says Tisha Schuller, President and CEO, COGA. "We recognize and understand that the citizens of Longmont are concerned about the safety of their environment. We hope that the lawsuit can be quickly resolved so that we can work constructively with the City of Longmont to address those concerns in a way that does not illegally preclude the safe and responsible development of oil and gas reserves."

Colorado has a 130 year history of oil and gas development, and northeastern Colorado has more than 30,000 active wells. "Ninety-five percent of all wells in Colorado have been hydraulically fractured," stated Schuller. "Most Coloradoans do not know that hydraulic fracturing has been safely conducted in Colorado for more than 60 years."

Every aspect of drilling, including hydraulic fracturing, is regulated in Colorado. The Colorado Oil and Gas Conservation Commission (COGCC) is the lead agency for oil and gas oversight, with additional roles for numerous state and federal agencies. "Oil and gas development is a critical economic engine for the state and it is not possible to safely and efficiently develop the state's mineral resources under a patchwork of inconsistent local rules, especially since natural oil and gas reservoirs do not follow local jurisdictional boundaries and local authorities generally lack the required technical expertise," stated Schuller. The COGCC rules are recognized nationally as the most comprehensive in the country.

In Longmont, oil and gas minerals have been valued at $500 million, excluding royalties and taxes. If fully developed, mineral owners in Longmont could receive up to $100 million in royalty payments. Because the City of Longmont owns 90% of the mineral rights inside city limits, Longmont taxpayers are losing access to as much as $90 million in mineral royalties.

For each well not developed in the city limits, Longmont and the many other taxing districts in Boulder and Weld Counties forfeit revenue. For example, each foregone well would result in an estimated loss of $200,000 in property taxes for the students and teachers in St. Vrain Valley School District No. Re 1 in the first year alone.

"A ban on oil and gas development ignores our interdependence with oil and gas, encompassing many of the products we use, including electricity production; home heating, cooking and hot water; movement of goods and services; and our essential transportation needs," continued Schuller.

Under the ban, the state and local governments would also forfeit up to $200 million in tax revenues, which includes *ad valorem* property taxes, business personal property taxes, severance taxes, sales taxes, business and personal income taxes. Property taxes are the foundation of local revenues for public services. The state taxes fund the Colorado Oil and Gas Conservation Commission, the Colorado Geological Survey, the Division of Minerals and Geology, and the Water Conservation Board, as well as water conservation and development projects around the state. Half of the state severance tax is also returned to local governments to help them with public construction needs and to provide essential services.

Schuller added, "Most communities in Colorado understand the importance of participating in energy production and fundamentally taking responsibility for the energy we all use. We look forward to working with Longmont to embrace the economic and energy opportunities available through the safe and responsible development of local oil and gas reserves."

This is the second lawsuit filed against the City of Longmont this year regarding oil and gas development.   The first suit was filed by the COGCC, and joined by COGA, and challenges specific provisions of the regulations adopted by the City Council earlier in 2012.

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