

**NOTICE OF ELECTION
TO INCREASE TAXES ON
A CITIZEN PETITION**

**NOTICE OF ELECTION
TO INCREASE DEBT ON
A CITIZEN PETITION**

**STATEWIDE ELECTION DAY IS
Tuesday, November 6, 2018**

Voter service and polling centers open 7 a.m. to 7 p.m. on Election Day.

Ballots are mailed to all registered voters the week of October 15, 2018.

Select voter service and polling centers are open beginning October 22, 2018.

For election information, contact your county election office.
Contact information is provided inside the back cover of this booklet.



**2018 STATE BALLOT
INFORMATION BOOKLET**

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Legislative Council of the
Colorado General Assembly

Research Publication No. 702-2

Proposition 112
Increased Setback Requirement for Oil and
Natural Gas Development

ANALYSIS

Proposition 112 proposes amending the Colorado statutes to:

- ◆ require that new oil and natural gas development be located at least 2,500 feet from occupied structures, water sources, and areas designated as vulnerable.

Summary and Analysis

Proposition 112 requires that any new oil and natural gas development be located at least 2,500 feet from occupied structures and other areas designated as vulnerable. This type of requirement is commonly known as a setback. Entering a previously plugged or abandoned oil or natural gas well is held to this same setback requirement. The measure also allows the state or a local government to require a setback distance greater than 2,500 feet. If two or more local governments with overlapping boundaries establish different setbacks, Proposition 112 requires that the greater distance be used.

The measure does not apply to federal land, which includes national forests and parks and comprises about 36 percent of the land in Colorado.

Under the measure, oil and natural gas development includes the exploration for, and the drilling, production, and processing of oil or natural gas. Oil and natural gas development also includes hydraulic fracturing, flowlines between oil and natural gas facilities, and the treatment of associated waste. Occupied structures include buildings where people live or work. Proposition 112 designates certain areas as vulnerable, including certain recreation areas and water sources, such as public and community drinking water sources, canals, reservoirs, lakes, rivers and streams (whether continuously flowing or not), and any other area designated by the state or a local government as vulnerable.

State regulation of oil and natural gas. The Colorado Oil and Gas Conservation Commission (COGCC) in the Colorado Department of Natural Resources establishes and enforces regulations on oil and natural gas operations in the state. The COGCC is charged with fostering the responsible development, production, and use of oil and natural gas resources in a manner that protects public health, safety, welfare, and the environment. The COGCC consults with the Colorado Department of Public Health and Environment (CDPHE) to consider the health and safety of the public when regulating oil and natural gas operations. The CDPHE regulates air pollution, the discharge of water to surface water bodies, and the disposal of hazardous waste related to industrial activities, including oil and natural gas operations.

Existing setback requirements. Current COGCC regulations, approved in 2013, prohibit oil and natural gas wells and production facilities from being located closer than:

- 500 feet from a home or other occupied building; and
- 1,000 feet from high-occupancy buildings such as schools, health care institutions, correctional facilities, and child care centers, as well as neighborhoods with at least 22 buildings.

The surrounding area encompassed by the current 500-foot setback includes about 18 acres, and the 1,000-foot setback area includes about 72 acres. Proposition 112 increases the setback to a minimum of 2,500 feet, or about 450 surrounding acres.

The current setback requirement may be waived in certain instances by the COGCC and a building owner. Proposition 112 does not include a waiver provision.

Oil and natural gas resources in Colorado. Geologic formations containing oil and natural gas are found in many areas of Colorado, with some formations underlying multiple local communities. Recent development of these resources has been concentrated in Weld, Garfield, La Plata, Rio Blanco, and Las Animas Counties, as well as portions of surrounding counties. Most of the state's oil production occurs in the Denver-Julesburg Basin, primarily in Weld County and other nearby counties. A COGCC map of current oil and natural gas activity can be found online at: <http://www.coloradobluebook.com/proposition112map>.

Oil and natural gas resources are owned or leased by many different private companies, governments, financial institutions, nonprofits, and private individuals. Oil production in Colorado doubled between 2013 and 2017. Natural gas production in Colorado has been stable over the past ten years. In 2016, Colorado ranked seventh among the states in domestic oil production and fifth in natural gas production. In 2017, there were about 54,000 producing wells in Colorado, a 48 percent increase since 2007.

Oil and natural gas extraction technologies. Changes in industry technologies, such as hydraulic fracturing, or "fracking," and horizontal drilling, have led to substantial oil and natural gas production increases in Colorado and nationally, as well as an increase in the number of wells and related facilities. Hydraulic fracturing is used for most new wells and involves pumping a mixture of mostly water and sand, and small amounts of chemicals and other additives, into underground rock layers where oil or natural gas is located. The pressure of the water creates small fractures in the rock. The sand keeps the fractures open, allowing the oil or natural gas to escape and flow up the well. Hydraulic fracturing enables access to oil and natural gas formations that were previously inaccessible. Horizontal drilling enables oil and natural gas operators to drill multiple wells from a single location to improve their efficiency and minimize surface disturbances. With current technologies, oil and natural gas wells have the greatest production in their first year of operation and decrease in production each successive year until the wells are depleted.

State and local revenue from oil and natural gas. Companies that extract mineral resources, including oil and natural gas, coal, and metallic minerals, pay severance taxes to the state. Oil and natural gas tax collections fluctuate annually. From budget years 2012-13 to 2016-17, state severance tax collections from oil and natural gas producers ranged from \$4.0 million to \$264.7 million per year. Under current law, Colorado severance tax revenue is split between state programs and local governments. The state also collects some revenue from royalty and lease payments. Oil and natural gas producers also pay income taxes, sales taxes, and local property taxes. In 2017, Colorado oil and natural gas producers paid an estimated \$496.7 million in property taxes to impacted local governments, school districts, and special districts.

For information on those issue committees that support or oppose the measures on the ballot at the **November 6, 2018**, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information: <http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html>

Arguments For

- 1) Oil and natural gas operations may adversely impact public health, safety, and the environment. Some people living near these operations have reported negative health effects to the CDPHE, including sinus and respiratory conditions, as well as other symptoms such as headaches and nausea. Such development increases noise, traffic, dust, light, and odors. Proposition 112 requires that new oil and natural gas development be located farther away from homes, schools, businesses, and other occupied buildings, thereby reducing nuisance impacts and potential exposure to air pollutants. Proposition 112 also establishes a required setback from water sources and recreation areas to help protect those resources.
- 2) Over the past several years, Colorado's northern Front Range has seen both substantial urban development and increased oil and natural gas activity. Proposition 112 provides property owners with greater certainty about the location of new oil and natural gas development in their communities. Keeping oil and natural gas development farther away from occupied structures reduces resident exposure to industrial activity and the potential hazards related to such activity. It may also improve the quality of life for nearby residents. Some people are reluctant to purchase or rent a home or visit a business or recreation area located near oil or natural gas development.

Arguments Against

- 1) Proposition 112 eliminates new oil and natural gas activity on most non-federal land in Colorado. According to the COGCC, about 85 percent of Colorado's non-federal land would be excluded from development with the required 2,500-foot setback. Oil and natural gas development is important to Colorado's economy, generating an estimated \$10.9 billion in production value in 2017 and supporting many other industries and jobs. Proposition 112 will reduce the economic benefits the oil and natural gas industry provides for the state and may result in the loss of jobs, lower payments to mineral owners, and reduced tax revenue that is used for local schools and other governmental services and programs.
- 2) Proposition 112 is unnecessary because the existing COGCC setback requirements provide a balanced approach to protecting public health, safety, and the environment. The state's existing setback requirements were developed through a collaborative rule-making process and guided by technical expertise. When adopting its setback rules, the COGCC considered the concerns of mineral owners, residents, schools, businesses, and others. Under current law, the COGCC has the authority to modify setback requirements in the future, if necessary.

Estimate of Fiscal Impact

State government revenue and spending. Proposition 112 is expected to decrease the amount of severance tax, royalty payments, and lease revenue that state government collects in the future. Because the measure does not impact existing oil and natural gas development, no immediate impact on state revenue is anticipated; however, because the measure reduces the surface land available for the development of new oil and natural gas operations, future state revenue from these sources will be reduced. Proposition 112 will also reduce future income taxes to the state. Since the economic conditions and geographic limitations affecting oil and natural gas production are uncertain, the specific reductions in state revenue cannot be estimated.

Department of Natural Resources. Severance tax revenue received by the state funds both operating expenses of the department and specific programs, including water supply project grants, low-income energy assistance, control of invasive species, and a variety of other programs. Funding for these programs will be reduced.

Local government revenue and spending. Proposition 112 is also anticipated to reduce future property tax revenue collected by local governments. Limitations on new drilling will reduce local property tax collections, since producing well sites have higher assessed value than inactive nonproducing areas. The change in local revenue and expenditures also cannot be estimated. Local governments receive a share of the state's severance taxes to offset the impacts of oil and natural gas development. This revenue will be reduced.

TITLE AND TEXT

The ballot title below is a summary drafted by the professional staff of the offices of the secretary of state, the attorney general, and the legal staff for the general assembly for ballot purposes only. The ballot title will not appear in the Colorado Revised Statutes. The text of the measure that will appear in the Colorado Revised Statutes below was drafted by the proponents of the initiative. The initiated measure is included on the ballot as a proposed change to current law because the proponents gathered the required amount of petition signatures.

Ballot Title:

Shall there be a change to the Colorado Revised Statutes concerning a statewide minimum distance requirement for new oil and gas development, and, in connection therewith, changing existing distance requirements to require that any new oil and gas development be located at least 2,500 feet from any structure intended for human occupancy and any other area designated by the measure, the state, or a local government and authorizing the state or a local government to increase the minimum distance requirement?

Text of Measure:

Be it Enacted by the People of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, **add** 34-60-131 as follows:

34-60-131. Mitigation of adverse oil and gas impacts to health and safety – buffer zones – legislative declaration - definitions. (1) THE PEOPLE OF THE STATE OF COLORADO FIND AND DECLARE THAT:

(a) PROXIMITY TO OIL AND GAS DEVELOPMENT, INCLUDING THE USE OF HYDRAULIC FRACTURING, HAS DETRIMENTAL IMPACTS ON PUBLIC HEALTH, SAFETY, WELFARE, AND THE ENVIRONMENT;

(b) SUCH IMPACTS ARE REDUCED BY LOCATING OIL AND GAS OPERATIONS AWAY FROM OCCUPIED STRUCTURES AND VULNERABLE AREAS; AND

(c) TO PRESERVE PUBLIC HEALTH, SAFETY, WELFARE, AND THE ENVIRONMENT, THE PEOPLE DESIRE TO ESTABLISH A BUFFER ZONE REQUIRING ALL NEW OIL AND GAS DEVELOPMENT IN THE STATE OF COLORADO TO BE LOCATED AN INCREASED DISTANCE AWAY FROM OCCUPIED STRUCTURES, INCLUDING HOMES, SCHOOLS AND HOSPITALS, AS WELL AS VULNERABLE AREAS.

(2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(a) "OCCUPIED STRUCTURE" MEANS ANY BUILDING OR STRUCTURE THAT REQUIRES A CERTIFICATE OF OCCUPANCY OR BUILDING OR STRUCTURE INTENDED FOR HUMAN OCCUPANCY, INCLUDING HOMES, SCHOOLS, AND HOSPITALS.

(b) "OIL AND GAS DEVELOPMENT" MEANS EXPLORATION FOR, AND DRILLING, PRODUCTION, AND PROCESSING OF, OIL, GAS, OR OTHER GASEOUS AND LIQUID HYDROCARBONS, AND FLOWLINES AND THE TREATMENT OF WASTE ASSOCIATED WITH SUCH EXPLORATION, DRILLING, PRODUCTION AND PROCESSING. "OIL AND GAS DEVELOPMENT" INCLUDES HYDRAULIC FRACTURING.

(c) "VULNERABLE AREAS" MEANS PLAYGROUNDS, PERMANENT SPORTS FIELDS, AMPHITHEATERS, PUBLIC PARKS, PUBLIC OPEN SPACE, PUBLIC AND COMMUNITY DRINKING WATER SOURCES, IRRIGATION CANALS, RESERVOIRS, LAKES, RIVERS, PERENNIAL OR INTERMITTENT STREAMS, AND CREEKS, AND ANY ADDITIONAL VULNERABLE AREAS DESIGNATED BY THE STATE OR A LOCAL GOVERNMENT.

(d) "LOCAL GOVERNMENT" MEANS ANY STATUTORY OR HOME RULE COUNTY, CITY AND COUNTY, CITY, OR TOWN LOCATED IN THE STATE OF COLORADO.

(3) THE PEOPLE OF THE STATE OF COLORADO HEREBY ESTABLISH THAT ALL NEW OIL AND GAS DEVELOPMENT NOT ON FEDERAL LAND MUST BE LOCATED AT LEAST TWO THOUSAND FIVE HUNDRED FEET FROM AN OCCUPIED STRUCTURE OR VULNERABLE AREA. FOR PURPOSES OF THIS SECTION, THE REENTRY OF AN OIL OR GAS WELL PREVIOUSLY PLUGGED OR ABANDONED IS CONSIDERED NEW OIL AND GAS DEVELOPMENT.

(4) THE STATE OR A LOCAL GOVERNMENT MAY REQUIRE THAT NEW OIL AND GAS DEVELOPMENT BE LOCATED A LARGER DISTANCE AWAY FROM OCCUPIED STRUCTURES OR VULNERABLE AREAS THAN REQUIRED BY SUBSECTION (3) OF THIS SECTION. IN THE EVENT THAT TWO OR MORE LOCAL GOVERNMENTS WITH JURISDICTION OVER THE SAME GEOGRAPHIC AREA ESTABLISH DIFFERENT BUFFER ZONE DISTANCES, THE LARGER BUFFER ZONE GOVERNS.

(5) THIS SECTION TAKES EFFECT UPON OFFICIAL DECLARATION OF THE GOVERNOR AND IS SELF-EXECUTING.

(6) THIS SECTION APPLIES TO OIL AND GAS DEVELOPMENT PERMITTED ON OR AFTER THE EFFECTIVE DATE.

LOCAL ELECTION OFFICES

<https://www.sos.state.co.us/pubs/elections/Resources/CountyElectionOffices.html>

Adams	4430 South Adams County Parkway, Suite E-3102, Brighton, CO 80601-8207	(720) 523-6500
Alamosa	8999 Independence Way, Suite 101, Alamosa, CO 81101	(719) 589-6681
Arapahoe	5334 S. Prince St., Littleton, CO 80120	(303) 795-4511
Archuleta	449 San Juan, Pagosa Springs, CO 81147	(970) 264-8331
Baca	741 Main St., Suite 3, Springfield, CO 81073	(719) 523-4372
Bent	725 Bent Ave., Las Animas, CO 81054	(719) 456-2009
Boulder	1750 33rd St. #200, Boulder, CO 80301	(303) 413-7740
Broomfield	1 DesCombes Drive, Broomfield, CO 80020	(303) 464-5857
Chaffee	104 Crestone Ave., Salida, CO 81201	(719) 539-4004
Cheyenne	51 S. 1st St., Cheyenne Wells, CO 80810	(719) 767-5685
Clear Creek	405 Argentine St., Georgetown, CO 80444	(303) 679-2339
Conejos	6683 County Road 13, Antonito, CO 81129	(719) 376-5422
Costilla	400 Gasper St., San Luis, CO 81152	(719) 937-7671
Crowley	631 Main St., Suite 102, Ordway, CO 81063	(719) 267-5225
Custer	205 S. 6th St., Westcliffe, CO 81252	(719) 783-2441
Delta	501 Palmer #211, Delta, CO 81416	(970) 874-2150
Denver	200 W. 14th Ave., Suite 100, Denver, CO 80204	(720) 913-8683
Dolores	409 N. Main St., Dove Creek, CO 81324	(970) 677-2381
Douglas	125 Stephanie Pl., Castle Rock, CO 80109	(303) 660-7444
Eagle	500 Broadway, Suite 101, Eagle, CO 81631	(970) 328-8726
Elbert	440 Comanche St., Kiowa, CO 80117	(303) 621-3127
El Paso	1675 W. Garden of the Gods Rd., Suite 2201, Colorado Springs, CO 80907	(719) 575-8683
Fremont	615 Macon Ave. #102, Canon City, CO 81212	(719) 276-7340
Garfield	109 Eighth St. #200, Glenwood Spgs, CO 81601	(970) 384-3700, ext. 2
Gilpin	203 Eureka St., Central City, CO 80427	(303) 582-5321
Grand	308 Byers Ave., Hot Sulphur Springs, CO 80451	(970) 725-3065
Gunnison	221 N. Wisconsin, Suite C, Gunnison, CO 81230	(970) 641-7927
Hinsdale	317 N. Henson St., Lake City, CO 81235	(970) 944-2228
Huerfano	401 Main St., Suite 204, Walsenburg, CO 81089	(719) 738-2380, ext. 3
Jackson	396 La Fever St., Walden, CO 80480	(970) 723-4334
Jefferson	3500 Illinois St., Suite #1100, Golden, CO 80401	(303) 271-8111
Kiowa	1305 Goff St., Eads, CO 81036	(719) 438-5421
Kit Carson	251 16th St., Burlington, CO 80807	(719) 346-8638, ext. 301
Lake	505 Harrison Ave., Leadville, CO 80461	(719) 486-1410
La Plata	98 Everett St., Suite C, Durango, CO 81303	(970) 382-6296
Larimer	200 W. Oak St., Suite 5100, Ft. Collins, CO 80521	(970) 498-7820
Las Animas	200 E. First St., Room 205, Trinidad, CO 81082	(719) 846-3314
Lincoln	103 Third Ave., Hugo, CO 80821	(719) 743-2444
Logan	315 Main St., Suite 3, Sterling, CO 80751	(970) 522-1544
Mesa	200 S. Spruce St., Grand Junction, CO 81501	(970) 244-1662
Mineral	1201 N. Main St., Creede, CO 81130	(719) 658-2440
Moffat	221 W. Victory Way #200, Craig, CO 81625	(970) 824-9120
Montezuma	140 W. Main St., Suite #1, Cortez, CO 81321	(970) 565-3728
Montrose	320 S. First St., Montrose, CO 81401	(970) 249-3362, ext. 3
Morgan	231 Ensign, Ft. Morgan, CO 80701	(970) 542-3521
Otero	13 W. Third St., Room 210, La Junta, CO 81050	(719) 383-3020
Ouray	112 Village Square West, Ouray, CO 81432	(970) 325-4961
Park	501 Main St., Fairplay, CO 80440	(719) 836-4333, ext. 1
Phillips	221 S. Interocean Ave., Holyoke, CO 80734	(970) 854-3131
Pitkin	501 E. Hyman Ave. Suite 106, Aspen, CO 81611	(970) 920-5180, ext. 5
Prowers	301 S. Main St. #210, Lamar, CO 81052	(719) 336-8011
Pueblo	720 N. Main St., Suite 200, Pueblo, CO 81003	(719) 583-6620
Rio Blanco	555 Main St., Meeker, CO 81641	(970) 878-9460
Rio Grande	965 Sixth St., Del Norte, CO 81132	(719) 657-3334
Routt	522 Lincoln Ave. Steamboat Springs, CO 80477	(970) 870-5556
Saguache	501 Fourth St., Saguache, CO 81149	(719) 655-2512
San Juan	1557 Green St., Silverton, CO 81433	(970) 387-5671
San Miguel	305 W. Colorado Ave., Telluride, CO 81435	(970) 728-3954
Sedgwick	315 Cedar St., Julesburg, CO 80737	(970) 474-3346
Summit	208 E. Lincoln Ave., Breckenridge, CO 80424	(970) 453-3479
Teller	101 W. Bennett Ave., Cripple Creek, CO 80813	(719) 689-2951, ext. 2
Washington	150 Ash, Akron, CO 80720	(970) 345-6565
Weld	1401 N. 17 th Ave., Greeley, CO 80632	(970) 304-6525
Yuma	310 Ash St., Suite Fm Wray, CO 80758	(970) 332-5809