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Colo county mulls well fees to pay for energy boom
By JUDITH KOHLER, The Associated Press
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MEEKER, Colo. -
Rio Blanco County's 6,000 inhabitants don't expect the full force of northwestern Colorado's energy boom for a while. But they're already struggling to keep up with a daily influx of gas company workers, 18-wheelers and rising police calls.

The remote county already has 2,600 natural gas wells and is bracing for as many as 19,000 more over the next 15 years. Its population could triple, and infrastructure expenses could reach $343 million.

So the county is considering imposing per-well fees - the first in Colorado - to meet its looming bills.

"The handwriting was on the wall: How do we deal with the impacts of something like this?" said Ken Parsons, chairman of the board of county commissioners.

Other Colorado counties impose fees for new homes and businesses with the idea that development should help pay its way. Some with thriving oil and gas production charge energy companies one-time fees to offset damage to roads from tractor-trailers and drilling rigs. Southwestern La Plata County has agreed to reduce fees if companies use existing facilities and technology to minimize traffic.

But Rio Blanco County's by-the-well proposal is seen as unique in Colorado and perhaps the region, where natural gas production is growing from New Mexico to Montana.

"I think right now Rio Blanco is really blazing the trail," said Mary Ellen Denomy, a petroleum accountant.

Jeff Madison, the county's natural resources specialist, has a different take: "We're kind of the guinea pig."

In 2006, Rio Blanco County passed a resolution calling for one-time "impact fees" of $5,000 to $6,000 per new well. Now commissioners are considering fees of $10,000 to nearly $18,000 per well, based on depth, to pay for roads, bridges and a new criminal justice center. A vote could come May 27.

Some in the industry object to more fees on top of a possible ballot measure that would raise severance taxes.

"Layering another tax on us right now is not going to help us to continue to operate and economically drill wells in Rio Blanco County," said Doug Hock, spokesman for EnCana Oil & Gas (USA).

Bob Gallagher, head of the New Mexico Oil and Gas Association, a trade group, said there are no similar fees in his state.

"But if our Birkenstock-wearing friends in Colorado have a chance to pass it in Colorado, there's a chance it will come across the border," Gallagher said. "It's a little bizarre that people want to continue to bite the hand that feeds them."

Colorado counties get a share of the revenue from severance taxes, paid by companies for extracting, or severing, nonrenewable resources as oil, gas and coal. Areas most affected by energy development can also apply for grants.

But critics say that doesn't begin to cover expenses because Colorado's severance tax is among the lowest in the region and companies can deduct their property taxes from the severance taxes they owe.

"Our tax structure here in Colorado has been so minimal for so long that there just isn't enough money to sustain the kinds of costs occurring," said Denomy, who does severance tax and mineral royalty audits for landowners and local governments and has worked with environmental groups.

County Administrator Pat Hooker readily acknowledges the industry's importance, along with agriculture and recreation, to the economy. About 75 percent of property taxes come from oil and gas concerns.

But once development lets up, Hooker said, the financial burden falls on ranchers, remaining businesses and residents. Meeker, the county seat, is still paying off bonds for expenses incurred during the last energy boom in the 1980s, he said.

Jill Morrison of the Powder River Basin Resource Council, a Wyoming environmental group, said Wyoming counties get state severance tax revenue. But a lag between immediate expenses and the doling out of money leaves locals scrambling to keep up.

"I think this is something people in Wyoming would be really interested in looking at," Morrison said of Rio Blanco's proposal.

A report released in April by the Associated Governments of Northwest Colorado said intense drilling will shift from Garfield County - the state leader in permits issued - next door to Rio Blanco.

The report projects the county's population reaching more than 18,000 by 2035 - and 39,000 if commercial oil shale development takes off.

A study commissioned last year by Rio Blanco County said it will face $343 million in infrastructure costs - roads, bridges, public buildings - over the next 15 years. Hooker said just improving County Road 5, the main route for oil and gas traffic, would cost $100 million.

The 42-mile, two-lane road twists and turns through a once mainly agricultural area. A daily average of 411 vehicle trips was reported in 2003, compared with 2,900-plus last year. Hooker said nearly half the vehicles are heavy trucks.

The sheriff's office has seen a surge in calls in that area, including traffic accidents and stops. The total was 135 in 2003 and 1,675 last year.

County officials say they can lower well fees if companies use technology to reduce traffic. Using pipelines to ship water to and from sites, rather than hauling it by truck, is one example.

County fees also would be imposed on residential, commercial and industrial development based on square footage or type and volume of traffic expected.

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