

First Regular Session
Sixty-ninth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 13-1014.01 Thomas Morris x4218

HOUSE BILL 13-1322

HOUSE SPONSORSHIP

Young,

SENATE SPONSORSHIP

(None),

House Committees

Agriculture, Livestock, & Natural Resources

Senate Committees

A BILL FOR AN ACT

101 CONCERNING THE TREATMENT OF NATURAL GAS RECOVERED FROM
102 OIL STORAGE TANKS.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

After petroleum is pumped from an oil and gas well, the oil, gas, and water are separated. The oil and water are usually stored in tanks. After the initial phase of separation, some entrained gas remains in the oil, which then separates from the oil when the pressure subsequently drops. This is commonly referred to as flash gas. Depending on the

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

amount, this gas may be vented or must be captured and controlled, often by flaring. The gas that has not yet passed through a sales meter can typically be used pursuant to the lease to run processing equipment on-site; neither severance taxes nor royalties are paid on this so-called "lease gas".

Available technology allows for the recovery of flash gas vapors. Using this technology reduces potential air emissions when compared to venting or flaring, increases the supply of lease gas, increases the amount of gas that passes through sale meters, and thereby increases both royalty payments and severance taxes. Occasionally, the amount of recovered gas may exceed the amount needed to run processing equipment on-site.

The bill defines lease gas to include recovered gas and gives the Colorado oil and gas conservation commission rule-making authority to approve a method to allocate recovered gas that would otherwise be vented or flared as waste.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Legislative declaration.** (1) The general assembly:

3 (a) Finds that, depending on the amount of production, varying
4 amounts of lease gas may be captured and controlled, by regulation, at oil
5 and gas sites, which results in the reduction of air emissions;

6 (b) Determines that technologies are available to recover and use
7 much of this gas, which should result in less pollution, more severance
8 taxes, higher royalties, and increased supplies of domestic energy; and

9 (c) Declares that this act is necessary to encourage deployment of
10 technologies that will protect the environment while stimulating the
11 economy.

12 **SECTION 2.** In Colorado Revised Statutes, 34-60-103, **add** (5.3)
13 and (10.3) as follows:

14 **34-60-103. Definitions.** As used in this article, unless the context
15 otherwise requires:

16 (5.3) "LEASE GAS" MEANS GAS THAT HAS NOT YET PASSED
17 THROUGH A SALE METER AND THAT CAN BE USED PURSUANT TO A LEASE

1 TO RUN PROCESSING EQUIPMENT AT AN OIL AND GAS LOCATION. "LEASE
2 GAS" INCLUDES RECOVERED GAS.

3 (10.3) "RECOVERED GAS" MEANS RECOVERED GAS VAPORS THAT
4 HAVE FLASHED FROM PRODUCED OIL THAT WOULD OTHERWISE BE VENTED
5 OR FLARED.

6 **SECTION 3.** In Colorado Revised Statutes, 34-60-106, **add** (11)
7 (b) (III) as follows:

8 **34-60-106. Additional powers of commission - rules.**
9 (11) (b) (III) THE COMMISSION MAY PROMULGATE RULES TO ALLOCATE
10 RECOVERED GAS THAT WOULD OTHERWISE BE LOST AS WASTE, AS DEFINED
11 IN SECTION 34-60-103 (11).

12 **SECTION 4. Applicability.** This act applies to acts occurring on
13 or after the effective date of this act.

14 **SECTION 5. Safety clause.** The general assembly hereby finds,
15 determines, and declares that this act is necessary for the immediate
16 preservation of the public peace, health, and safety.