

MOUNTAIN MAYORS

An Alliance for Cooperation & Action

September 22, 2008

As Mayors of communities in the Colorado and Roaring Fork River Valleys, we would like to express our hopes and concerns relating to Oil Shale research and development in our region. Although many of the views expressed in this joint letter have been shared at an individual or community level, we believe the potential scale of oil shale development warrants a united voice on the issue. This letter builds on our joint resolution on energy issues that we and our respective boards adopted in 2007 (see Attachment A).

We fully recognize the critical role liquid fuels place in the national economy and its important role in the nation's overall security. We also all recognize and appreciate the economic advantages of a strong energy sector. Indeed, many of our communities have directly benefited from current natural gas development over the last several years.

The benefits oil and gas development, however, are not without significant impacts on our community infrastructure, environment, and quality of life. As the recent gas boom in our area illustrates, without balanced regulation and sufficient revenue to the most impacted communities, local jurisdictions are quickly overwhelmed by the scale and pace of development. Road and highway intersections become bottlenecks, wastewater systems need to be upgraded, and schools need to expand. The impacts also extend beyond physical infrastructure to strain community networks. Affordable housing in the region quickly disappears making it difficult to retain and attract teachers, hospital workers, and safety officers at the very time the need for their services increases with population growth.

The scale of the current oil and gas impacts and the prospect of even greater energy impact through the development of oil shale give us reason for concern. Our region already has first-hand experience with the negative impacts of a "boom and bust" related to Oil Shale development in the early 1980s as well as the significant impacts created by rising energy prices today. This experience shapes our perspective on energy development issues. Consequently, the Mountain Mayors, encourage state and federal officials to consider the following guideline and course of action in relation to Oil Shale:

1. **Oil shale development should be one component of a long-term, comprehensive Energy Plan** that considers the costs and benefits of non-renewable fossil fuel energy production to the benefit of citizens beyond a short-term production boom. Such a plan would place equal, if not more, importance and investment in the development of renewable energy (solar, wind, hydro, biofuels) production and energy efficiency

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programs as fossil fuels. We have yet to see such comprehensive energy plan or be involved in its creation despite the overwhelming need.

2. **Leasing of public lands for Oil Shale should occur *after* research, development, and evaluation is complete.** The oil industry has been developing technologies to convert oil shale into liquid fuel for decades, but has yet to develop a commercially viable process. There has also been little evaluation of the impact these technologies and processes will have on local communities or the regional air and water resources. Technology is has proved to be the limiting factor to commercial oil shale development, not access to public lands.
3. **There should be increased mitigation of the impacts related to Oil Shale development.**
A recent report commissioned by the Associated Governments of Western Colorado (www.agnc.org) found that current energy development (natural gas) already strains local governments' ability to provide important infrastructure needs, including emergency response, schools, and health facilities and that additional oil shale development would increase these demands. Oil shale development plans should include a more comprehensive mitigation and funding process to ensure local communities can manage the resulting impacts.
4. **The people most affected by Oil Shale Development, the residents of Western Colorado communities, should have an ongoing and meaningful role in the decisionmaking on how and when oil shale is developed.** The communities and residents of Western Colorado are already shouldering a significant burden in regard to energy development. Consequently, we believe, local elected board and citizens should have a voice in decisions of how energy development occurs.

Our region is willing to do more for energy independence and national security, however, our efforts and the subsequent impacts should be part of a larger, more comprehensive plan that recognizes the realities of fossil fuel development and consumption and takes us further along the path toward creating new energy economy.

The Mountain Mayors understand the value and national importance of the natural resources that exist in Western Colorado and support responsible development. However, we strongly urge that the preservation of the social, economic, and environmental values that sustain the quality of life in Western Colorado be integral to all decisions related to expanded energy development within our region.

Sincerely,

The Mountain Mayors

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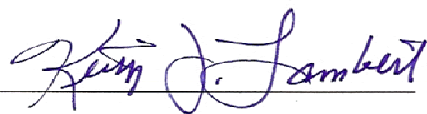
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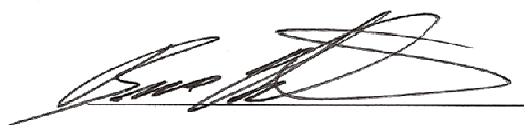
Frank Breslin

Mayor, Town of New Castle



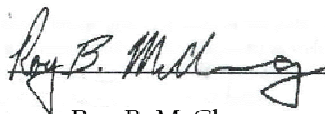
Keith Lambert

Mayor, City of Rifle



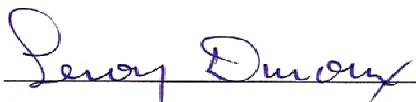
Bruce Christensen

Mayor, City of Glenwood Springs



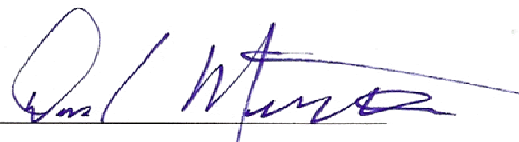
Roy B. McClung

Mayor, Town of Parachute



Leroy Duroux

Mayor, Town of Basalt



Doug Mercatoris

Mayor, Town of Snowmass Village



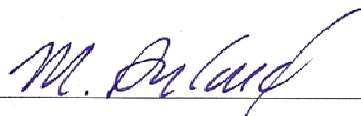
Michael Hassig

Mayor, Town of Carbondale



Dave Moore

Mayor, Town of Silt



Mick Ireland

Mayor, City of Aspen

ATTACHMENT A

A RESOLUTION IN SUPPORT OF A COMPREHENSIVE STATEWIDE ENERGY PLAN AND MITIGATION OF THE IMPACTS OF OIL AND GAS DEVELOPMENT:

Whereas, Western Colorado and Garfield County holds significant oil, coal, and natural gas reserves that are currently at the center of extensive exploration, research, drilling, and pipeline construction; and,

Whereas, these natural resources represent a valuable economic opportunity to the oil and gas companies, associated businesses, and communities of the region; and,

Whereas, the supply of natural gas is limited and the technology for oil shale is still developing; and,

Whereas, there is tremendous pressure from national policy and fuel markets to develop these resources quickly; and,

Whereas, although the oil and gas industry is a welcome addition to our regional economy and community, the development of finite oil and gas resources have had and will continue to have profound fiscal, social, and environmental impacts on the health and welfare of the communities in our region; and,

Whereas, our region already has first-hand experience with the negative impacts of a “boom and bust” related to energy development in the early 1980s.

NOW, THEREFORE, LET IS BE RESOLVED THAT:

The local governments listed below support policies at the local, state and federal levels to fully capture the benefits and mitigate the impacts from the extraction and development of oil, natural gas, and coal resources.

Let it be further resolved, that said governments support the following actions and policy changes:

1. **Developing a long-term, comprehensive State Energy Plan** that considers the costs and benefits of non-renewable fossil fuel energy production to the benefit of citizens beyond a short-term production boom. Furthermore, a comprehensive state energy plan should place equal importance and investment in the development of renewable energy (solar, wind, hydro, biofuels) production and energy efficiency programs.
2. **Increasing local input and mitigation power in the oil and gas review process** since the land use implications of oil and gas development can have significant impact on neighboring properties, county roads, demand for services, and the health and safety of county residents.

3. **Improving the balance of representatives on the Colorado Oil and Gas Conservation Commission (COGCC)** to include non-industry perspectives such as human services, environmental health, and local governments.
4. **Balancing the interests of surface and mineral owners** by increasing bonding requirements of oil and gas developers to better protect surface owners from and mitigate for surface disturbances from drilling and accessing drilling sites. The State should also create a process for resolving surface and mineral owner disputes.
5. **Establishing a County auditing program** to ensure that industry accurately reports production and pays the appropriate taxes (in contrast to real estate taxation, where the County Assessor informs a home owner what their home is worth and how much tax they must pay, the Oil & Gas industry informs the County Assessor what their product is worth and how much tax they will be paying the County.)
6. **Updating the Energy Impact Fund formula** so that a greater percentage of these funds go directly to impacted counties and communities.
7. **Increasing the limit of the Environmental Response Fund** above its current level so more funding is available to investigate, prevent, monitor, and mitigate conditions that cause, or threaten to cause, significant adverse environmental impacts related to oil and gas operations rather than excess funding going into the State's General Fund.
8. **Adjusting the severance tax** (on oil, natural gas, and coal) and /or eliminating the property tax deduction for severance tax payments to better reflect that value of the severed resource, the impact to public infrastructure (roads, schools, water, air, public health) within the State of Colorado and local communities, and to prepare for the time when these non-renewable resources are exhausted. (The severance tax in Colorado ranges from 2 percent on gross income from mineral extraction of less than \$25,000 to a flat fee of \$10,750 plus 5 percent of gross income above \$300,000. Under current law, companies may deduct their property taxes from severance tax payments. As a result, the effective severance tax rate is 1.8 percent - the lowest among surrounding states. The severance tax rate in Wyoming and New Mexico is 6%.)
9. **Creating a Permanent Trust Fund** at the local and /or state, level to address the long term impacts of the oil and gas development. (For example, Wyoming, which has fewer students than Denver alone, has about \$1 billion in its trust fund for schools, while Colorado has \$300 million.)
10. **Protecting the waters of Western Colorado from adverse impacts of Stormwater Discharge** by supporting the current practice of having the Colorado Water Quality Commission regulate storm water discharges from oil and gas operations that affect one acre or more of land instead of the Colorado Oil and Gas Conservation Commission, and by providing adequate funding for state and county level inspectors.

INTRODUCED, READ AND PASSED BY THE FOLLOWING JURISDICTIONS:

Jurisdiction	Date Adopted
City of Aspen	January 30, 2007
City of Glenwood Springs	February 1, 2007
City of Rifle	February 7, 2007
Town of Basalt	February 13, 2007
Town of Carbondale	February 13, 2007
Town of De Beque	February 12, 2007
Town of New Castle	February 6, 2007
Town of Silt	February 26, 2007
Town of Snowmass Village	February 26, 2007
Town of Parachute	April 12, 2007
City of Grand Junction	April 18, 2007