

**BEFORE THE HOUSE COMMITTEE ON
AGRICULTURE, LIVESTOCK, AND NATURAL RESOURCES
COLORADO GENERAL ASSEMBLY
Hearing on HB 1303
April 1, 2009**

**Testimony of Matthew J. Box
Chairman, Southern Ute Indian Tribe**

Madam Chairperson Curry
and Members of the Committee:

I am Matthew J. Box, the Chairman of the Southern Ute Indian Tribe located in southwestern Colorado. On behalf of my Tribe, I am here today to discuss the importance of HB 1303. Our Reservation contains some of the best acreage in the United States for producing coalbed methane gas. Commencing in approximately 1985, oil and gas companies began drilling for coalbed methane on our lands and the lands of our neighbors. Since that time, several thousand coalbed methane wells have been drilled within our Reservation boundaries.

The revenues from coalbed methane development have been vital to our tribal government and to Colorado and its local governmental subdivisions. Under the oil and gas leases affecting tribal lands, companies have been required to pay royalties and severance taxes to the Tribe. Non-Indian oil and gas companies operating on the Tribe's lands have also paid millions of dollars in state severance taxes and local property taxes based on production from our lands. So it is important to keep in mind that we share some common interests when it comes to coalbed methane development on the Southern Ute Indian Reservation.

From the beginning of coalbed methane development on our lands, we have imposed rigorous stipulations designed to protect the health and safety of our tribal members and the public. Our Environmental Programs Division, our Natural Resources Department and our Energy Department have monitored the effects of that development on our air, water and wildlife resources. Through cooperative agreements with the federal government, the Colorado Oil and Gas Conservation Commission, and La Plata County, we have attempted to mitigate the adverse surface disturbance associated with coalbed methane drilling, and we continue to make improvements in this area.

HB 1303 addresses a relatively new issue, however. In order to produce the gas from coal, it is also necessary to produce the water found in coal. Historically, there has been great uncertainty about how this water should be treated. Today, we are confronted with at least one court case in which the parties seek to curtail coalbed methane production unless and until the operators of those wells conform to water well permitting standards and Colorado's water rights administration program. Although my Tribe is exempt from the ultimate resolution of that case, we have supported a reasonable and measured approach to addressing these issues that: ensures depletions to surface streams associated

with coalbed methane development are replaced to protect water users; avoids duplicative regulation of well drilling and permitting by the state agencies; and provides a transition period for the industry to be integrated in Colorado's water administration system.

We believe legislation that incorporates these features reflects a thoughtful approach to governance. In its current proposed form, HB 1303 contains these important features to some extent, however, there are important refinements to the Bill that are necessary.

Our attorney, Tom Shipps, is here to address the technical details of key, specific points.