July 21, 2026

AGENDA ITEM SUMMARY
City Council

STAFF

Kirk Longstein, Senior Environmental Planner

SUBJECT

First Reading of Ordinance No. 102, 2026, Waiving Basic Development Review and Associated Development Standards Under Land Use Code Section 4.3.4(F)(6) to Facilitate the Larimer County-Led Plugging and Abandonment of Orphaned Oil and Gas Wells in Northeast Fort Collins.

EXECUTIVE SUMMARY

The purpose of this item is to waive Basic Development Review requirements and associated development standards under Land Use Code (LUC) Section 4.3.4(F)(6) to facilitate the Larimer County-led plugging and abandonment of orphaned oil and gas wells within Fort Collins city limits.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

Approval of this Ordinance would waive all requirements under LUC Section 4.3.4(F)(6) for the 10 orphaned oil and gas well locations within Fort Collins city limits included in the Larimer County grant from the Colorado Energy and Carbon Management Commission (ECMC). As documented in Section E below, each standard under LUC Section 4.3.4(F)(6) is addressed by existing obligations of the ECMC Orphan Well Program and the Larimer County grant agreement. Because no City review processes will be required for this work, no fees will be assessed and no fiscal impact to the City is anticipated.

A. 2012–2016: Community Pressure and a Legal Setback

Community concern about air quality and public health near aging wells in the Fort Collins Field—first discovered in 1924 and one of the oldest in the region—prompted Council to impose a six-month moratorium in December 2012. In November 2013, voters approved a five-year moratorium on hydraulic fracturing.

In 2016, the Colorado Supreme Court ruled unanimously that the moratorium was preempted by state law and therefore invalid. Staff maintained the City's Local Government Designee status with the state—which was used to object to Prospect Energy's proposed addition of new production wells—and continued building the regulatory case for stronger local authority.

B. 2019–2023: SB 19-181 and the Adopted Regulatory Framework

Senate Bill 19-181, signed by Governor Polis in April 2019, reoriented Colorado's regulatory mission from fostering oil and gas development to protecting public health and the environment, and established that local governments could enact more protective standards than the state baseline.

In April 2023, Council adopted LUC revisions restricting new oil facilities to industrial zones with a 2,000-foot setback from occupied buildings—reducing land available for new drilling within City limits to less than 1%. In September 2023, Council adopted LUC Section 5.10.3, establishing buffer standards between occupiable buildings and existing oil and gas facilities. These standards require a 2,000-foot buffer from active facilities, a 500-foot buffer from injection wells, and a 150-foot buffer from plugged and abandoned wells reclaimed to ECMC (previously named the Oil and Gas Conservation Commission) standards, and include a five-year annual soil gas and groundwater monitoring obligation for certain well types.

C. 2021–2024: Holding Prospect Energy Accountable

Beginning in December 2021, the only oil and gas well operator within the City, Prospect Energy, accumulated serious violations: illegal gas venting, unpermitted activities, and failed well-integrity tests. In August 2022, the state issued a cease-and-desist order at Prospect's Krause site north of Fort Collins. Residents in the Hearthfire neighborhood filed formal complaints about odors and air quality from the Meyer tank battery; the City and County joined and escalated those complaints to the State. In November 2023, a ruptured injection flowline released approximately 8,400 gallons of contaminants into local stormwater facilities and a local irrigation canal. Resident documentation and formal complaint filings contributed to the regulatory record supporting state and local enforcement actions.

In July 2024, the City and County announced a coordinated agreement with ECMC to direct Prospect's remaining funds toward well closure and cleanup rather than pursue fines.

In August 2024, ECMC revoked Prospect's right to operate in Colorado. The Colorado Department of Public Health and Environment (CDPHE) separately secured a $337,050 consent order for air quality violations; when Prospect failed to pay, the state Attorney General filed suit seeking the full amount plus up to $55,554 per day in ongoing penalties. Rather than file for bankruptcy, Prospect walked away from the field, surrendering the wells to the ECMC Orphan Well Program—an outcome that also relieved them of certain outstanding fine obligations. This left 50 orphaned wells across the Fort Collins Field, 10 of them within City limits. Plugging all 50 wells to current ECMC standards is intended to address the documented air quality, water quality, and site contamination concerns associated with Prospect's period of operation and the wells' subsequent orphaned status.

D. 2025–2026: Securing the Grant and a Path to Closure

Rather than wait for ECMC's normal prioritization queue—which currently tracks 1,881 orphan wells statewide—Larimer County stepped forward as fiscal agent for a state reimbursement grant covering all 50 wells. On April 6, 2026, the County announced that ECMC's Orphan Well Program will provide $5.2 million to plug and clean up all 50 former Prospect Energy wells by July 2028, significantly accelerating the timeline to address health and safety risks at these sites. The Board of County Commissioners approved the grant agreement on April 7, 2026.

Ten of the former Prospect Energy wells are within Fort Collins city limits and located in the Hearthfire, Richard's Lake, and Country Club Reserve neighborhoods. Work will proceed in three phases: Phase I plugs the wells and removes surface equipment; Phase II addresses remediation; and Phase III completes full site reclamation within six months of plugging, per ECMC's standards. Only the first phase (plugging wells and removing surface equipment) will be completed under the ECMC grant award. The funding mechanism for Phases II and III has not yet been determined; in the interim, the ECMC Orphan Well Program will continue to manage post-plugging soil and groundwater compliance for all 10 City-limits wells under ECMC Form 27.

The grant was awarded to Larimer County as fiscal agent to simplify administration; an intergovernmental agreement between the City and County was not required under this structure. The City has been and will continue to be an active participant throughout the plugging, remediation, and reclamation process. When upfront funding requirements made a proportional City financial contribution impractical, City staff worked with County partners to identify an alternative path. The City committed $17,000 in Air Quality enhancement funds to help structure and advance the grant. Larimer County took on administration of the grant application, RFP, contractor selection, and reimbursement management. This structure—in which a county serves as fiscal agent for ECMC reimbursement grant funds covering wells across multiple jurisdictions—differs from the typical ECMC orphan well prioritization process, under which individual wells are added to a statewide queue currently tracking 1,881 wells and addressed over time.

E. Proposed Waiver: LUC Section 4.3.4(F)(6) Requirements and How the ECMC Grant Process Addresses Each

LUC Section 4.3.4(F)(6) establishes development standards for construction adjacent to oil and gas facilities. Staff recommends waiving all requirements under this section for the 10 City-limits well locations included in the ECMC grant. The table below identifies each standard and describes how the ECMC Orphan Well Program and Larimer County grant agreement address the underlying intent of that requirement.

LUC Requirement	**ECMC / County Grant Process**
4.3.4(F)(6)(a)(I) – Pre-construction site characterization	ECMC requires a baseline soil and groundwater assessment before any plugging work begins at each site.
4.3.4(F)(6)(a)(II) – Plugging to current standards under oversight	All wells are plugged to ECMC standards. Plugging operations are conducted under direct ECMC oversight by licensed contractors selected through Larimer County's competitive RFP process.
4.3.4(F)(6)(a)(III) – Post-plugging soil and groundwater verification	Post-plugging soil and groundwater verification by licensed professionals is required before the grant file closes. Soil remediation and monitoring are managed through ECMC Form 27, which remains open until soils meet ECMC standards — providing open-ended, state-supervised oversight rather than a fixed monitoring window.
4.3.4(F)(6)(a)(IV) – Site reclamation	Full site reclamation must be completed within six months of plugging, per ECMC Rule standards. Reclamation is

	documented and certified by the state before the grant file closes.
4.3.4(F)(6)(c)(II) – Recording with County Clerk and Recorder	ECMC requires each plugged well location and any pipeline abandoned in place to be recorded with the Larimer County Clerk and Recorder following plugging operations.
4.3.4(F)(6)(c)(III) – Permanent monumenting	ECMC requires installation of a permanent brass plaque at each plugged well location.
4.3.4(F)(6)(a)(III)(vi) – Notification to adjacent property owners	Larimer County and Fort Collins Planning staff hosted an Open House within the Hearthfire neighborhood on June 16 and invited neighbors within a 2,000 feet radius. The event includes presentations from ECMC Orphan Well program staff and Larimer County Department of Public Health and Environmental.
4.3.4(F)(6)(a)(III)(vi) – Five-year annual soil gas and groundwater monitoring	This standard was designed for developer-initiated construction adjacent to wells of unknown condition and uncertain plugging history, where a time-limited monitoring window serves as the primary post-construction safeguard. The ECMC process addresses the underlying concern directly: baseline conditions are documented before plugging, plugging is performed to current state standards under regulatory oversight, and ECMC Form 27 remains open — with no fixed end date — until soils meet ECMC standards. A parallel City monitoring obligation would consume finite grant funds designated for plugging and remediation.

CITY FINANCIAL IMPACTS

Since all processes under LUC Section 4.3.4(F)(6) are waived, no City staff review time will be expended on Basic Development Review, MS4 inspection, or Engineering Right-of Way permitting for the 10 City-limits well locations. City fees are structured as cost recovery for staff time, not as a revenue mechanism; accordingly, there is no fiscal impact to the City from this waiver. The City's only direct expenditure associated with this effort is the $17,000 contribution to the Matt Sura, LLC consulting contract, paid in advance from 2025 Air Quality enhancement funds in coordination with Larimer County.)

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

The Air Quality Advisory Board supported the waiver concept but stressed language must clarify this waives the City's development review process, not Land Use Code environmental standards. Members asked about air quality impacts during plugging, ozone-season timing, and measurable air quality benefits post-plugging. A subcommittee (Welsh, Gebhart) drafted a Council support memo; a special meeting was called for July 13, 2026, to finalize it before first reading.

PUBLIC OUTREACH

Stakeholder input was gathered at Environmental Groups and Larimer Alliance meetings in June 2023 during development of LUC Section 5.10.3. Participants raised concerns about the adequacy of setback distances, the duration of post-construction monitoring, financial assurances for contamination discovered after the monitoring period, and the appropriate treatment of different well types. Both groups expressed interest in stronger protections for residents near wells of uncertain plugging history. Those concerns informed the structure of LUC Section 5.10.3 (reverse setbacks from development), adopted in September 2023 to govern development applications proposed adjacent to existing oil and gas wells, including wells with no assurance of standardized plugging or state oversight.

City staff, in coordination with Larimer County staff, presented this item to the Air Quality Advisory Board on June 15, 2026, and to the Hearthfire neighborhood at a community meeting on June 16, 2026. Discussion at both meetings centered on clarifying the distinction between the City's development review process, which is waived under this ordinance, and the substantive standards intended to protect public health and the environment, which remain in effect through ECMC's regulatory oversight of the plugging and abandonment process.

ATTACHMENTS / LINKS

1. ECMC Rule 911.a.(4) Facility Closure
2. ECMC Grant Agreement and IGA
3. Air Quality Advisory Board Memo, July 13, 2026
4. Presentation
5. Ordinance No. 102, 2026