

MONTHLY STAFF REPORT - February 22, 1999

I. STATISTICS

- Our monthly statistics report is attached.

II. NORTHEAST COLORADO

- ERF Projects

Two wells located in Boulder County were plugged and abandoned utilizing ERF funds. The cost to abandon and reclaim the wells was \$4,990. There was no financial assurance available to cover these wells.

One abandoned drilling pit located in Weld County was reclaimed utilizing ERF funds. The cost to reclaim this site was \$1,200. There was no financial assurance available to cover this site.

- Machii-Ross Petroleum Co.

Linda Pavelka, Field Engineer, initiated an operations-based compliance approach with Machii-Ross Petroleum Co. to address similar compliance problems found at many of their locations. This approach facilitated a consistent and comprehensive review of their operations. It also provided an opportunity to work with the operator to develop cost-effective operations alternatives that will allow them to maintain compliance, once achieved. We will use this approach, described below, with other operators in the area in a similar state of compliance.

In the course of her duties, Linda discovered that a number of Machii-Ross locations lacked well signs and adequate berms and some wells appeared shut-in. In addition, a number of tank battery locations operated by Machii-Ross were found to have pits in Sensitive Areas, concrete vaults that had overflowed, and spills that had not been cleaned up in a timely manner. After a series of field inspections and calls to the field operations manager, there was a lack of significant progress and NOAVs were issued.

In addition, Form 27s, Site Investigation and Remediation Workplans, were requested for the cleanups and pit closures at each of 8 locations. Robin Reade is currently working with Machii-Ross's consultant on an area-wide workplan, which will allow low cost methods to be applied with limited oversight at all locations. Along with this corrective action, we are requesting Machii-Ross to provide an accurate inventory of pits and buried tanks (currently 106), and documentation of tank testing, pit closures and Sensitive Area determination, which was not provided according to the rule requirements. One extension has been granted to date, at Machii-Ross's request.

III. NORTHWEST COLORADO

- Northwest Colorado Oil and Gas Forum

The last meeting of the Northwest Colorado Oil and Gas Forum was held on February 11 in Rifle and was attended by approximately 45 participants. Forum agenda items

included: 1) an update of Northwest Colorado oil and gas activity and oil and gas pricing; 2) BLM presentations on the new proposed onshore oil and gas rules, the Glenwood Springs Resource Area Supplemental Environmental Impact Statement, Naval Oil Shale Reserves Natural Gas Leasing, and the Battlement Mesa Environmental Assessment; 3) a discussion about Grand Valley air quality issues by Ray Mohr from the Air Pollution Control Division; 4) a presentation by the Grand Valley Citizens Alliance about their desire to have legislation run to change the makeup of the COGCC Commissioners; and 5) a presentation about local contributions made by the oil and gas industry. Attached are newspaper articles about information presented at the Forum.

The next meeting of the Forum is scheduled for Thursday, May 6, from 10:00 a.m. until 2:00 p.m. at the Rifle City Hall. The Forum, which is made up of representatives from federal, state and local government, the oil and gas industry, and all interested citizens, is co-chaired by Brian Macke and Garfield County Commissioner Larry McCown. Please contact Brian Macke at 303-894-2100 x122 or brian.macke@state.co.us to submit agenda topics for the next meeting. Attached are recent Northwest Colorado newspaper articles.

- Garfield County/Industry Meeting to Discuss Road and Bridge Impact Fee Study

Garfield County officials and oil and gas industry representatives have been working on a study of impacts caused by oil and gas development on Garfield County roads. The COGCC was asked by the county to facilitate the gathering of necessary data from the operators regarding the number, configuration and weight of all vehicles used in drilling, completion and production operations for wells in Garfield County. Barrett Resources and Tom Brown, Inc. personnel supplied a great deal of time and effort towards developing a very comprehensive oil and gas vehicle traffic study for wells drilled under various scenarios of road use and water supply points. This data was supplied to the county in late December and is being used by the county road and bridge department to calculate the number of traffic units attributable to individual wells.

Brian Macke assisted in a meeting between Garfield County Planning and Engineering staff and oil and gas industry representatives on February 11 in Rifle. During the meeting, Garfield County Engineer Bob Szrot presented theoretical calculations of the road usage of the vehicles involved in drilling a hypothetical Garfield County natural gas well. Dennis Stranger, a management and planning research consultant to Garfield County, presented a Garfield County oil and gas fiscal analysis which included information about oil and gas property tax valuation and distribution in the county. Mr. Stranger estimated that the county "breaks even" on infrastructure and services costs for a typical natural gas well in three to five years during the life of a well.

Garfield County is continuing to prepare an inventory of county roads used by the industry and a cost estimate for upgrading the roads to a level suitable for cost effective year around use. Options for funding the road upgrades that were outlined by the county staff and the industry representatives include:

- Prepayment of property taxes by the industry to be offset by future tax credits.
- Investigate possibilities for reform of the administrative guidelines for the Local Government Energy and Mineral Impact Assistance program to allow increased distribution of the county share of severance tax and federal mineral lease revenue for

"tier one" road and bridge projects.

- Investigate possibilities of the use of any new Colorado Department of Transportation funds for county road projects.

Another meeting will be held in Garfield County within a few weeks to review the cost data and to continue to work on funding strategies. Garfield County officials have made a commitment to work with the industry to develop a solution that is reasonable and will fairly address impacts from all industries in the county. The county has asked the COGCC to continue to be involved in the process.

- Oil and Gas Vehicle Traffic on Garfield County Roads

Brian Macke and Robin Reade attended a meeting of the Northwest Chapter of the Colorado Oil and Gas Association on February 11. One of the purposes of the meeting was to have a discussion with Garfield County Sheriff Tom Dalessandri about issues regarding oil and gas activity and vehicle traffic in the county. Sheriff Dalessandri reported that in the last two months there have been no oil and gas related complaints. The group identified the following cooperative efforts:

- The Sheriff offered the services of the county community relations officer, especially when the industry is moving into new areas near residences, to coordinate meetings with residents to diffuse problems before they occur.
- The industry offered to assist by reporting any suspicious or illegal activity that is observed in the county to the Sheriff's office.
- The industry agreed to form a committee with the Sheriff's office to work on any remaining communications issues, including flaring notification.

The COGA chapter and the Sheriff asked that the COGCC include a regular article about Garfield County Sheriff's issues in the Staff Report, and that the Sheriff's report be a regular agenda item during the quarterly Northwest Colorado Oil and Gas Forum meetings.

- Battlement Mesa and Project Rulison Vicinity Issues

Tom Brown, Inc. has submitted a Notice to the BLM of its intent to drill up to 7 wells in 1999 and possibly 9 wells in 2000 in the area south of Battlement Mesa on federal and immediately adjacent non-federal leasehold. Although the operator has dramatically reduced their 1999 drilling plans, the action triggered the preparation of a BLM Environmental Assessment that is currently being finalized and is expected to be issued by the end of February for a thirty-day public comment period.

- BLM Glenwood Springs Resource Area Draft Supplemental Environmental Impact Statement

The BLM Glenwood Springs Resource Area issued the Final Supplemental Environmental Impact Statement for Oil and Gas Leasing and Development on January 29. Following a protest period ending on March 1, the BLM will work to resolve the protests and issue an official Record of Decision. These steps are required to occur before the lease sale of the Naval Oil Shale Reserves (NOSR) lands which was originally scheduled for November 1998 and is now expected in late March 1999.

The Draft SEIS focuses on the area's high oil and gas potential, primarily in the area along the I-70 corridor between Silt and Parachute. The purposes of the SEIS are:

- To provide public disclosure of the impacts of higher than expected rates of gas well development in the 1991 Final Environmental Impact Analysis.
- To provide an improved information base for managing gas development impacts.
- To prepare a set of standard operating procedures that could be used to manage future oil and gas development.
- To permit the review and modification of lease stipulations that could be applied to future leases or used as Conditions of Approval on existing leases.
- To develop mitigation measures to be applied to new leases in the NOSR.

The Preferred Alternative in the SEIS includes No Surface Occupancy stipulations within the outer edge of riparian vegetation areas, on slopes greater than 50%, on slopes over 30% with high visual sensitivity in the I-70 viewshed, within 14 wildlife seclusion areas, and within other sensitive areas. The Preferred Alternative allows for exceptions to these stipulations if an operator can provide adequate engineering and reclamation plans and other protective measures. The Preferred alternative also includes Timing Limitations for wildlife, Controlled Surface Use stipulations and Lease Notices. Those wishing to obtain further information about the Final SEIS should contact Steve Moore, BLM Glenwood Springs Resource Area SEIS Team Leader at (970) 947-2800. Attached are newspaper articles about the release of the Final SEIS.

- TransColorado Pipeline Project

Construction on the second phase of TransColorado Pipeline has been delayed by bad weather, unanticipated archeological finds and delays in getting final approval from government agencies. The compressor stations are expected to be completed by mid February, after which gas can begin to be transported. This 280 mile long natural gas pipeline project has been designed to transport natural gas from underutilized supplies in western Colorado to consumers in California and Midwest markets. The route of the project traverses through nine counties in western Colorado. It will extend from 25 miles east of Rangely to Farmington, New Mexico and have a capacity of up to 300 MMCFD. The economic impact of long-term permanent employment, state and federal taxes, and royalties from production are expected to amount to more than \$50 million per year for the nine Colorado counties and one New Mexico county where the pipeline is constructed. Attached is a newspaper article about the TransColorado Project.

- Naval Oil Shale Reserves (NOSR) I and III, Garfield County

BLM continues to prepare for leasing approximately 7,700 acres of the developed area of NOSR III referred to as the NOSR Production Area. The notice for the lease sale for the developed area of NOSR III was released on February 5. These lands were prescribed for leasing by recent legislation that transferred management from DOE to BLM. The extension of the comment period for the BLM Glenwood Springs Resource Area Draft Supplemental Environmental Impact Statement (SEIS) extended the lease sale of the NOSR lands originally scheduled for November 1998 to March 1999. The lease stipulations that are developed in the Glenwood Springs Resource Area SEIS will apply to the new leases in the NOSR Production Area. Due to the timing of the SEIS process, the lease sale will occur no sooner than March 25.

- APCD Initiates CDPHE's Community-Based Program in Grand Valley Area.

Concerned citizens of the Grand Valley Area contacted the Air Pollution Control Division (APCD) to voice their complaints about the effect of gas drilling and production

operations on the air quality in the area. APCD's Ray Mohr met with Robin Reade to discuss the events that led to these complaints and general background on the COGCC and the industry we regulate. Mr. Mohr also outlined a relatively new approach for managing air quality issues where there is no clear evidence of violations that can be resolved. The approach is generally called a Community-Based Program, and its primary objective is to engage and assist the local community in solving their own unique problems. A list of programs to date is attached.

To initiate a Community-Based Program, the APCD facilitates the convening of a local workgroup, provides a structure for problem solving and makes specific suggestions for air quality solutions. The workgroup is intended to be led by a local (county) official, and participants should represent all air quality stakeholders. APCD anticipates that final solutions will be implemented by the local officials and workgroup members.

Mr. Mohr provided an introduction to this process at the Northwest Colorado Oil & Gas Forum. The next step in the process is to establish a workgroup leader and plan a meeting to bring stakeholders together. Mr. Mohr will coordinate with the COGCC throughout the process, and representatives from the gas and oil industry will be invited to join the workgroup.

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- Black Mountain Disposal

The Colorado Department of Public Health and Environment (CDPHE) invited the COGCC and industry to participate in an effort to assist the Black Mountain Disposal facility with modifications for improving its compliance status. The facility came under scrutiny by the EPA as a result of flyovers during the Problem Oil Pit program activities. The E&P waste disposal facility is permitted and regulated by the CDPHE Hazardous Waste Division-Solid Waste Unit due to its commercial operation. The invitation came when CDPHE realized the facility operator would likely benefit from suggestions and assistance of the expertise found in the E&P industry.

Attached is a letter I wrote to environmental committee representatives at COGA, RMOGA and IPAMS describing the invitation, and requesting industry to provide a response as to whether they want the COGCC to take a facilitation role in this situation. The response was affirmative, and an industry representative was designated.

Subsequently, Robin Reade visited the facility with the Solid Waste Unit staff and industry representatives. The visit resulted in assistance materializing from industry representatives, notably KN Energy and Tom Brown Inc. The facility operator made major modifications last year and his proposed plan for this year should result in an outstanding operation by the end of summer.

IV. SOUTHWEST COLORADO

- La Plata County Sound Rules

The La Plata County Commissioners were scheduled to meet yesterday to consider repealing their sound regulations upon the request of the county attorney Michael Goldman. We will provide an update on their action at today's hearing.

- COGCC La Plata County Oil & Gas Development Project

My letter of February 15 to La Plata County Commissioner Joswick is attached responding to his letter of January 12, also attached, and clarifying the purpose of the La Plata County Oil and Gas Development Projection.

- La Plata County Gas and Oil Regulatory Team (GORT)

The next GORT meeting is scheduled for March 11, 1999 from 8:30 a.m. to noon at the La Plata County Fairgrounds. Morris Bell chairs the team, which is made up of representatives from La Plata County government, US BLM, the oil and gas industry, and the COGCC. Please contact Morris Bell at 303-894-2100 ext. 105 or morris.bell@state.co.us to submit agenda topics for the next meeting.

- Pressure Falloff Test, Simon Land & Cattle Disposal Well

We have issued a Notice of Alleged Violation to Amoco regarding this well following our discussion with you during the September hearing. The NOAV specified an abatement date of November 1, 1998 to shut-in the disposal well.

A meeting was held on October 22 and attended by representatives of Amoco, the EPA and the COGCC. Amoco presented a proposal to gather more information on the well and requested an extension of the abatement date deadline. Both the EPA and the COGCC extended the deadline to shut-in the well.

Amoco performed a step rate test, a temperature survey and a tracer survey and performed another pressure falloff test. The temperature survey indicated the injection water was breaking out of zone below the Entrada.

Amoco submitted a workover procedure to temporarily abandon the Entrada Formation and complete the Bluff Formation for an injection zone. Injection into the Entrada Formation was scheduled to cease by January 15, 1999.

w Point Lookout Plugging Project

The project to plug and abandon 16 wells and reclaim four well sites in Montezuma County was completed January 19, 1999. This includes three additional wells, which were found during the course of the project. The project cost to plug and reclaim these wells has been estimated at \$95,000. The COGCC will utilize the \$30,000 financial assurance and \$65,000 of ERF funds.

w La Plata County/San Juan Basin 3M Proposal

The Joint Budget Committee has voted unanimously to approve our Supplemental Budget Request of Severance Tax funding for the proposed study of the Fruitland Formation known as the 3M Project. Our request is for \$138,000 in FY 98-99 and \$807,230 in FY 99-00. The Southern Ute Indian Tribe (SUIT) will be matching state funding for the computer modeling portions of the project and the BLM San Juan Field Office is hoping to provide financial as well as technical support to the project.

We are making preparation to move ahead as soon as funding is approved. On February 2 the Technical Peer Review Team (TPRT), comprised of industry, county, BLM, SUIT, and COGCC representatives held a preliminary scoping meeting in Ignacio. Agenda items included proposed monitoring well locations and construction details, geologic mapping and subsurface work to be performed by the CGS, hydrologic and

reservoir modeling. The geologic sub-committee will be meeting on February 22, 1999 in Denver to discuss stratigraphic nomenclature and basin-wide coal zone correlations. The results of this meeting will be presented to the TPRT on March 10.

V. SOUTHEAST COLORADO

- Las Animas County Hearing

After participating in numerous public meetings and holding one local public forum, we are pleased to be holding our first Las Animas County Hearing today in Trinidad. We are expecting several participants to discuss Las Animas County issues with you today.

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- Las Animas County Orphan Wells

The COGCC will plug and abandon eight orphan wells located in Las Animas County. This work is scheduled to begin in this month. The cost estimate to abandon these wells is \$34,000. ERF funds will be utilized to abandon these wells.

- Petroglyph Operating Co., Inc.

Petroglyph Operating has installed two monitor wells adjacent to two of their largest produced water pits. Loren Avis requested the monitor wells be installed to determine the presence of ground water and any potential impacts if ground water is present.

Petroglyph has also applied for a discharge permit from the Colorado Department of Public Health and Environment (CDPHE). Petroglyph's produced water has low total dissolved solids (TDS) and has passed the whole effluent toxicity (WET) test required by CDPHE. Once the discharge permit is approved, Petroglyph plans to pipe water to several large pits and discharge the produced water to tributaries of the Cucharas River.

VI. ENVIRONMENTAL ISSUES

- Water Quality Control Commission/Division Quarterly Meeting

The next quarterly meeting with WQCC is being scheduled for early March 1999.

- Coordination with Air Pollution Control Division (APCD)

Recently, COGCC and APCD directors and staff met to discuss methods for handling air quality/air emissions complaints generated by oil & gas drilling and production operations. APCD described their complaint response procedures and typical outcomes. APCD agreed to contact our staff for background, and will coordinate Community-Based Programs on air issues related to oil & gas drilling and production.

- IOGCC-sponsored training courses

IOGCC is sponsoring E&P waste training courses to be given April 29 & 30 at the Executive Tower hotel in Denver. The courses cover general management of E&P waste and E&P waste minimization. EPA and DOE partially contributed to the funding for development of the courses. Industry attendees will be charged a nominal fee. For further information, contact Robin Reade at robin.reade@state.co.us or x112.

- EPA Problem Pit Program – Commercial Pits

USF&W identified problem pits during flyovers at commercial disposal facilities. These facilities are regulated and permitted through the CDPHE-HMHW-Solid Waste Unit, due to their commercial status. These facilities are used by a number of oil & gas operators and service companies for the disposal of drilling fluids and produced water. Robin Reade is in contact with EPA and Solid Waste Unit staff to track agency actions at these facilities with the intent to provide timely information to the industry and to look for opportunities to reduce potential liability for oil & gas operators, while maintaining the existence of adequate, cost-effective E&P waste disposal options.

VII. ORGANIZATION

- Our current organization chart is attached.

We would like to welcome Luz Sevall, who has filled our final data entry position. The COGCC is now fully staffed with 35 FTE and our new organization is in place to accommodate the new computer system.

VIII. PLANNING/ADMINISTRATION/OTHER

- 1998 Outstanding Oil & Gas Operations Awards

Attached is our 1998 Outstanding Operations Award nomination form. We are soliciting nominations for awards by March 31, 1999.

- Initiatives to Address Low Oil Price Crisis

Attached is my letter of January to Greg Walcher summarizing your ten (10) recommendations for initiatives and a task force to address the low oil price crisis.

- Comparison of Net Effective State Severance Tax Burdens on Natural Gas as Compared to Coal

Attached is my memo to you of February 8 comparing the net effective Colorado State Severance Tax Burden on natural gas to those on coal using a \$/Million BTU Comparison Standard.

- COGCC Letter to Colorado Real Estate Commission (CREC)

The CREC has provided us their current modified draft language for the "Contract to Buy or Sell Form" that advises buyers to inquire about and understand the impacts that title to oil, gas or other mineral interests may have on their ownership rights. I was pleased to see that the attached "Title Advisory" contains bolded language. Final action on the new forms is anticipated at their March 4 hearing.

- Professional Engineering Registration Requirements Relating to COGCC Testimony

A copy of the policy you adopted last month is attached and has been posted on our web site.

On February 16, COGCC hearing officers presided over the first administrative hearing since the adoption of the COGCC Professional Engineering Policy last month. During the hearing, the Applicant desired to admit testimony regarding engineering calculations including decline curve calculations, volumetric reserve calculations, and economic forecasts for wells. The witness who

was prepared to provide the testimony was not a Colorado registered Professional Engineer, and the testimony was not based on services performed under the responsible charge of a Colorado registered Professional Engineer. The Applicant was informed that because of the COGCC Professional Engineering Policy the engineering related testimony could not be admitted. The option was given to the Applicant to provide the non-engineering related testimony during the administrative hearing, and provide the engineering testimony after it had been reviewed and validated by a Colorado registered Professional Engineer before the Consent Agenda was to be heard by the Commission at the February Hearing. The Applicant responded that they would not be able to have this done before the February hearing, and have requested that the matter be continued to the March hearing.

- COGCC Computer System Overhaul

The data conversion utilities are being developed and tested. The migration of some data from the existing COGIMS databases will allow for testing of the Form 7 and Form 8 edits. The final well data conversion will coordinate with the well form implementation at the end of March. The Form 7, Monthly Report of Operations, and the Form 8, Oil and Gas Conservation Levy, should be fully implemented at the beginning of March. It is anticipated that all production and levy data will be converted at that time. Amended 1998 and earlier Form 7 reports will have to be submitted on hardcopy in the previous format since an electronic reporting method has not been developed for that form.

The database is being finalized as the forms undergo user tests as conversion utilities are being developed, and as data is converted into the tables.

The import format for the Form 7 has been finalized and operators wishing to test their formats may email their forms to sharon.tansey@state.co.us or by mail on a diskette.

- Presentation to Joint House and Senate Agriculture Committees

Commissioners Johnson and Matheson attended my presentation to the Joint House and Senate Agriculture Committees on February 10. Many of the handout materials (some updated versions) are attached. I emphasized the low oil price crisis, COGCC Rulemaking since SB 94-177, La Plata County infill development, and the "Typical Questions" handout.

- Production Reporting by E-mail

All operators are encouraged to submit their production reports via e-mail to: ogcc.eforms@state.co.us. Attachments must meet the same guidelines required for diskette submission. Questions should be directed to Dianne Lyons at (303) 894-2100 x129.

- Production Reporting by Well and by Formation

During the July hearing the Commission adopted the new Form 7 "Monthly Report of Operations" to allow the industry as much time as possible to prepare for the production reporting change. It will go into effect for the January 1999 production. Because the new computer system is being developed, it was critical that the decision was made regarding how production will be reported. A notice has been sent to all operators of oil and gas injection wells in Colorado, along with a list of all API numbers for each operator's wells. It is important to note that production and injection reporting

for wells in gas storage fields will not be done using the Form 7, Monthly Report of Operations, but will continue to be reported annually under the current practice.

To assist operators in understanding the new production reporting form, the codes used on the form, and the data format for reporting electronically, COGCC staff have prepared a document titled "Monthly Report of Operations, Form 7 Specifications". This document is available on the COGCC Web Site at <http://cogcc.state.co.us/documents.html>, or from the COGCC office on request.

- Department of Natural Resources Imaging Project

The hardware and software purchases have been made and the systems have been configured and are being shipped to Denver. Installation should begin the week of February 22, 1999. It is expected to take a week to install and finalize the system configuration. Application interfaces should be completed and ready to test in early March. Training will be conducted in the first two weeks of March.

Colorado Division of Central Services has agreed to perform the conversion of the historic documents (backfile). They are expected to begin concurrently with the system testing to insure a through system test. COGCC will start the backfile conversion with DWR following. The conversion period for the COGCC backfile is expected to take six months.

- Geographic Information Systems

A Purchase Order is in place to start the application development for the automated map query program. This application will enable users to view well and spacing orders on a map and will display a database query of well data when a well is selected. These maps will also contain available water wells, roads, municipal boundaries, and other data as available.

In conjunction with the application, the software will be procured to create the map views and plot the wells. The spacing orders will be manually reviewed and input by hand. Other layers of data will be reviewed for integrity and integrated provided that they meet accuracy standards. COGCC GIS Administrator Jim Milne and a consultant will perform this work.

- Minerals, Energy, Geology Advisory (MEGA) Board

The MEGA Board discussed pending severance tax legislation at their last meeting on February 5, 1999. The next meeting is scheduled for Thursday, May 13, at 9:00 a.m. at 1313 Sherman Street.

- COGCC on the Internet

The COGCC continues to expand its Internet presence. The newest additions to the website include the monthly Commission hearing dockets, which reflect the status of hearing matters (orders issued, matters continued, etc.), and calendar information. We continue to redesign our Web pages to provide improved customer service. The public is invited to leave comments or suggestions for improvements at the COGCC Internet site at cogcc.state.co.us/. Our e-mail address is dnr.ogcc@state.co.us.

- Penalties Status

Attached is a revised table showing the status of penalties paid and penalties pending collection.

- March Hearing Docket

A preliminary docket for March is attached for your review.

IX. INTERSTATE OIL AND GAS COMPACT COMMISSION (IOGCC)

- IOGCC Quarterly Meeting

I will be attending the IOGCC quarterly meeting February 27 to March 2 in Washington D.C.

- IOGCC 1999 Chairman's Stewardship Award Nominations

The IOGCC will be presenting two awards at the June, 1999 Midyear Meeting in Jackson Hole, Wyoming for outstanding projects that demonstrate compatibility between oil and gas resource development and ecosystem conservation or enhancement. Two awards will be granted, with one to a major or large oil and gas company and one to a smaller independent or individual. Last year Tom Brown, Inc. received an award for a wildlife habitat improvement project near their operations in the Grand Valley area in Garfield County. **The deadline for nomination entries has been extended to March 15, 1999.** Attached is a letter describing the award and an application form. Please contact Brian make at the COGCC or Barbara Skelton at the IOGCC at (405)525-3556 x107 for further information.

X. VARIANCES GRANTED BY THE DIRECTOR UNDER RULE 502.b.

January 12, 1999 Evergreen Operating Corp.

Evergreen Operating Corp. requested a variance to Rule 904.a.(3) lining for special purpose pits at the following locations in Las Animas County:

1. PCW #3-13, SWSW 3-34S-65W, API # 0716320
2. PCW #9-11, NESW 9-34S-65W, API # 0716325
3. PCW #3-11, NESW 3-34S-65W, API # 0716319
4. PCW #10-3, NENW 10-34S-65W, API # 0716336
5. PCW #10-7, SWNE 10-34S-65W, API # 0716517
6. PCW #9-16, SESE 9-34S-65W, API # 0716393
7. PCW #4-16, SESE 4-34S-65W, API # 0716322
8. PCW #17-8, SENE 17-34S-65W, API # 0716330
9. PCW #16-11, NESW 16-34S-65W, API # 0716394
10. PCW #2-13, SWSW 2-34S-65W, API # 0716516

11. PCW #3-9, NESE 3-34S-65W, API # 0716525
12. PCW #8-16, SESE 8-34S-65W, API # 0716391
13. PCW #4-11, NESW 4-34S-65W. API # 0716321

I granted a variance to pit lining for special purpose pits under Rule 502.b. for the above locations. The special purpose pits will be used to contain diluted chemicals and water used to frac coal bed methane wells. The fluids do not pose a threat to the public health safety and welfare. The above special purpose pits will be closed on or before July 18, 1999.

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