

## MONTHLY STAFF REPORT - June 4, 1999

### I. STATISTICS

- Our monthly statistics report is attached.

### II. NORTHEAST COLORADO

- Yuma County Local Public Forum

In response to a request from Yuma County, we held a Rule 508. local public forum on May 20, 1999 from 5:00 p.m. to 6:00 p.m. in Wray to receive comment on applications submitted by Plains Petroleum Operating Company and Mountain Petroleum Corporation for additional wells on 160-acre drilling and spacing units. Plains applied for additional wells on a total of 7  $\frac{3}{4}$  sections in the Shout, Whisper, Vernon and BuckBoard Fields while Mountain applied for additional wells on a total of three and  $\frac{1}{2}$  sections in the Vernon Field. There were approximately 20 industry, county and citizen representatives in attendance. Copies of the videotape and the Local Public Forum Summary have been provided to you, the county and the applicant.

- North Washington Water Users Association (NWWUA) Requests New Hearing for Replacement of Water Supply

Because of delays and complications brought about by the routing of E-470 near the site of the NWWUA replacement well the association has decided to delay the project for one year. This will result in us not spending the \$140,000.00 appropriation for this year from the Joint Budget Committee. The Association has written to the City of Thornton asking for possible annexation and inclusion into their water system. NWWUA plans to come before the Commission with costs for this tap fee next fiscal year. A copy of their letter is attached.

### III. NORTHWEST COLORADO

- Northwest Colorado Oil and Gas Forum

The last meeting of the Forum was held May 6<sup>th</sup> in Rifle, and was attended by approximately 40 people. Agenda topics included a presentation of the Severance Tax Energy and Mineral Impact Assistance Program by Bob Brooks, Director of the Department of Local Affairs and his staff; a TransColorado Pipeline update; and a discussion by BLM Glenwood Springs Resource Area staff about items of local interest. Attached are newspaper articles about topics discussed at the meeting. The next meeting of the Forum will be Thursday, August 5<sup>th</sup> 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](mailto:brian.macke@state.co.us) to submit agenda topics for the next meeting.

- Garfield County/Industry Meeting to Discuss the 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. 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-round 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, at a time to be determined, 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 fairly addresses 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

The COGCC has been asked to include a regular article about Garfield County Sheriff's issues in the Staff Report. The Garfield County Sheriff has not reported any oil and gas related complaints since the last staff report. A committee consisting of Garfield County Sheriff Dalessandri, oil and gas industry representatives, and COGCC Northwest Colorado Engineer Jaime Adkins has been formed to work cooperatively on oil and gas related issues.

- Battlement Mesa and Project Rulison Vicinity Issues

Tom Brown, Inc. has submitted a Notice to the BLM of its intent to drill up to seven wells in 1999 and possibly nine 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 (EA) that was released in March for a 30-day review period that ended on April 15. The EA covers a 10 square mile area south of Battlement Mesa, and contains an analysis of the environmental impacts associated with the proposed development and associated mitigation to lessen the impacts. The BLM has issued the Record of Decision approving the drilling of the 16 wells. Attached is a newspaper article about the Record of Decision issuance.

- BLM Roan Cliffs Field Inventories

The Glenwood Springs Resource Area office of the BLM will be conducting three different field inventories on the 56,000 acre Roan Plateau (formerly known as the Naval Oil Shale Reserve) northwest of Rifle beginning in early summer of this year. Jurisdiction over these lands was transferred to the BLM from the Department of Energy in 1997 legislation. The inventories are being performed to satisfy the

requirement in the legislation that the lands be managed in accordance with laws applicable to public land, including the Federal Land Policy and Management Act (FLPMA). The inventories include a Land Health Assessment, a Roadless/Wilderness Review and a Travel/Transportation Assessment.

The BLM is currently taking nominations for a multidisciplinary stakeholder team to work on the inventory process. Those wishing to provide nominations for participants on the stakeholder team should contact Kay Hopkins with the BLM in Glenwood Springs at (970) 947-2812.

#### **IV. SOUTHWEST COLORADO**

- J.M. Huber Surface Wellsite Selection Planning

Attached are La Plata County Commissioners' letter of May 17 and my response of May 26 on this topic.

- COGCC La Plata County Oil & Gas Development Project

We are continuing our planning for this project which is scheduled to be completed December 31, 1999.

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

The next GORT meeting has been rescheduled for 8:30 am, June 24, 1999 at the La Plata County Fairgrounds.

- Proposed DOE Funded Paradox Basin Study

The Department of Energy (DOE) may fund a project in the Paradox Basin to revisit Class II Oil Shallow Shelf Carbonates. The project will focus on characterizing the reservoirs of the Ismay mound trend and northern Desert Creek mound/beach trend for horizontal well drilling. Although the Utah Geological Survey (UGS) will assume the lead role in applying for this DOE funded project, the Colorado Geological Survey (CGS) also will be actively involved and COGCC will be participating. If DOE funding is approved then a Technical Advisory Board, consisting of geologists, engineers, and other representatives of the operators or stakeholders of the fields in the Ismay and Desert Creek trends, will be established this summer.

After reservoir characterization has been completed, a field or fields operated by an advisory board member(s) or industry partner(s) will be selected for the horizontal drilling demonstration(s). DOE will fund approximately 35% of the drilling cost(s) through the UGS. The partner(s) will then be expected to monitor the results of the drilling project with approximately 10% funding from DOE.

The proposal must be submitted to the DOE in mid-May. Prior to this date, the UGS will be soliciting interested parties to participate in this project.

If you have any questions about this project, then please contact Laura Wray, geologist with the CGS at 303-866-3519 or at [laura.wray@state.co.us](mailto:laura.wray@state.co.us).

## w La Plata County/San Juan Basin 3M Proposal – May 11, 1999 Update

The General Assembly has approved our Supplemental Budget Request for the FY 98-99 portion of \$88,000 in Severance Tax funding for monitor well access costs and initial phases of computer modeling. Our request for \$707,230 in FY 99-00 was also recently approved. 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 moving ahead since funding has been approved:

- The contract between the SUIT and the COGCC has been finalized and was approved by the Tribal Council. The signed contract is being routed through various state agencies for final approvals.
- The consultant that will be providing landman services has been selected, has visited all of the proposed monitoring well locations, and has begun work necessary to obtain access and surface use agreements for the proposed monitoring wells. Site inspections have been made with the US Forest Service (USFS) personnel of the 2 locations proposed on Forest Service land. The Forest Service surface use permits are being prepared.

The Manager of Acquisitions of CDOP/GS – Division of Real Estate is currently preparing the access and surface use agreements that will be used for private property.

The State Land Board is currently identifying a mechanism for providing COGCC long term access to the location proposed on state land.

- The consultants that will be conducting archaeology and threatened and endangered species surveys, as required, have been selected. They are currently preparing their reports for the USFS regarding the 2 locations proposed on Forest Service land.
- The bid document for land surveying services has been prepared and circulated. The proposals from interested surveying companies have been received, evaluated, the contractor has been selected. The signed contract is being routed through various state agencies for final approvals
- Preparation of the bid document for drilling and installing the monitoring wells continues. A draft of this document should be complete and ready for review before May 28, 1999.
- The Colorado Geological Survey request for \$150,000 was approved. Laura Wray will manage the geological mapping, subsurface work, and publication of final deliverables for their portion of the 3M project.
- The Geo-subcommittee of the Technical Peer Review Team met on April 26, 1999 at 9:00 a.m. at the offices of the Colorado Geological Survey to continue discussion of basin-wide correlations of the coal seams of the Fruitland Formation and other related items.
- The Technical Peer Review Team had a very successful meeting in Durango on May 11, 1999.

## **V. SOUTHEAST COLORADO**

- Las Animas County

Dave Dillon and Loren Avis attended a meeting on May 18<sup>th</sup> at Trinidad Junior Collage in Trinidad for the proposed water study funded by Severance Tax Mineral and Energy Impact Assistance Program Funds, Evergreen Resources and the COGCC. The meeting was held to discuss writing a request for proposal (RFP) to begin the process of selecting a contractor for the water study in Widow Woman, Long and Madrid Canyons. Francis Cuckow with the Las Animas Planning Commission is writing the rough draft for the RFP. The next meeting to review this draft is scheduled for June 15 in Trinidad from 3:00 to 5:00 p.m. Funding for the study from Severance Tax Mineral and Energy Impact Assistance Funds have been approved by the Department of Local Affairs (DOLA). The amount approved for the study is \$55,000.00.

## **VI. ENVIRONMENTAL ISSUES**

- Water Quality Control Commission/Division Quarterly Meeting

The next quarterly meeting will be on July 1, 1999 at the COGCC offices.

- IOGCC-Sponsored Waste Management Training Courses

Two IOGCC sponsored E&P waste training courses were given on April 29 and 30 at the Executive Tower Inn in Denver. The courses, which covered general management of E&P waste and E&P waste minimization, were well attended by industry and state oil and gas regulatory agency representatives. EPA and DOE partially contributed to the funding for development of the courses. IOGCC intends to produce a videotape covering the topics from this training course. A copy of the videotape will be sent to COGCC when it is completed.

- DNR Weed Management Committee

DNR Director Greg Walcher asked each agency within DNR to describe their weed management policy. A copy of COGCC's policy compiled by Loren Avis is attached.

- CDPHE- Air Pollution Control Division (APCD)

The APCD requested COGCC's participation in the development of a guidance document and general permit for oil and gas operations. Robin Reade represented COGCC at APCD's workgroup meeting held May 12, along with industry and consultants. This effort is in line with the APCD Director's stated intent to cooperate with our agency on air issues related to oil and gas production.

The guidance document will provide background on Maximum Achievable Control Technology (MACT) requirements and will describe how oil and gas operators must comply with the new MACT promulgated by EPA. APCD is considering a general permit for oil and gas operations in order to streamline the permitting process, which industry appears to favor. The general permit may include sources such as glycol dehydrators, tanks, compressors and flares. The APCD is preparing draft documents, which will be distributed, for review by the workgroup, with a target completion date of June 30, 1999.

- EPA Award

Robin Reade is a recipient of the Friend of the U.S. EPA Award from Region VIII for her outstanding collaborative effort with the Problem Oil Pits (POP) team. This is an honorary award that is presented for important environmental work performed by individuals and groups external to the EPA workforce. Debbie, Robin and I will attend the EPA Region VIII Awards Ceremony to receive the award on June 7, 1999.

- API Commercial Facilities Workgroup

The API Commercial Facilities Workgroup is developing draft guidelines for the design and operation of commercial and centralized E&P waste facilities. Robin Reade is one of the state regulators participating in this workgroup due to her involvement with the EPA regarding centralized and commercial pits in Colorado. This effort was initiated in response to the exposé on national television regarding an E&P waste management facility in Louisiana. The Workgroup will offer the guidelines to all stakeholders and the public after it is finalized internally. Attached is a copy of the table of contents. For further information, please contact Robin Reade at extension 112.

- SPE Forum

Robin Reade received a special invitation to the Society of Petroleum Engineers' exclusive Forum Series, "Environmental Concerns for the New Millennium", July 18<sup>th</sup> - 23<sup>rd</sup>. The forum is designed to bring together regulators, industry, contractors and educators that are conversant with environmental issues specific to the oil and gas industry. Robin was selected based on the merit and pertinence of her industry and regulatory experience, and engineering background. She will be a discussion leader in the Gaps and Trends Analysis breakout session. Her attendance fees are paid in full by DOE Argonne National Laboratory.

- IOGCC NORM Committee

The IOGCC Environmental Committee formed a subcommittee to look into the regulation of NORM waste generated by E&P operations. The subcommittee initially drafted NORM regulations for adoption by states. As this approach raised many regulatory and jurisdictional questions, the subcommittee changed direction and drafted guidelines for NORM waste management and regulation. Robin Reade participated on the subcommittee due to her experience with NORM during an oilfield remediation project in Southern Colorado.

The subcommittee chair will present the draft document to the Environmental Committee for adoption at the Midyear Meeting, June 6-8. Attached is a copy of the table of contents. For further information, please contact Robin Reade at extension 112.

## **VII. ORGANIZATION**

- Our current organization chart is attached.

## **VIII. PLANNING/ADMINISTRATION/OTHER**

- Typical Questions From the Public About Oil & Gas Development in Colorado Brochure

The referenced brochure has been printed and copies are available in our office. We

will also be distributing them at hearings, meetings and forums. This information has been available on our website for several months.

- 1998 Outstanding Oil & Gas Operations Awards

The Commission will be reviewing the nominations for the 1998 Outstanding Operator Awards within the next few weeks. The awards will be presented during a ceremony at the COGA Rocky Mountain Natural Gas Strategy Conference and Marketing Fair in Denver in August.

- Financial Assurance

Attached is a copy of the COGCC policy regarding Public Deposit Protection Act (PDPA) compliance.

- COGCC Computer System Overhaul

The Form 2, Application for Permit to Drill, Form 5, Drilling Completion Report, and the Notice of Alleged Violation forms are currently in testing. The Form 8, Conservation Levy, is being implemented this week.

Data migration is proceeding well with most areas of the database populated. The tables of the new database that are populated by form will receive a final update and data will no longer be entered in the old system. The conservation levy data will be the first area to be fully migrated and input discontinued on the old system.

The end user interface is nearing completion and will be available for all internal users and public room visitors by June 15<sup>th</sup>.

- Production Reporting by E-mail

All operators 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 Sharon Tansey at (303) 894-2100 x128.

- Production Reporting by Well and by Formation

During the July 1998 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. Production reporting by well and by formation is going into effect for the January 1999 production, which was due on March 17. Because the new computer system is being developed, it was critical that the decision was made regarding how production will be reported. A notice was 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

Colorado Division of Central Services backfile conversion of the well files is proceeding well. There are over 800,000 images in the database to date and approximately 52% of the well files have been imaged. Central Services is imaging approximately 20,000 images per day.

Day forward documents are now being added to the imaging system. Production documents have been added to provide the Production Analysts the ability to validate the date entry without searching for the paper records.

- Geographic Information Systems

The Autodesk Mapguide GIS program has been selected for the desktop map display and query tool. The pilot project worked successfully and development of the statewide implementation is under process. The layers available to date are counties, sections, townships, cities, roads, railroads, airports, rivers, lakes, water wells, and OGCC staff responsible areas.

The existing well spotting application that interfaced with the old database system and utilized a non-Y2K compliant desktop application is being modified to interface with the new database and the GIS software. This should be complete before the end of June and will provide all the well spots. Spacing orders are being reviewed and input into the ARC View GIS.

- Minerals, Energy, Geology Advisory (MEGA) Board

The next meeting is scheduled for Thursday, July 15, in Craig.

- COGCC on the Internet

The COGCC continues to expand its Internet presence. OGCC staff contact information, the Greater Wattenberg Area Policy, and COGCC Monthly Production & Sales by County 1998 has been added to the web site. 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/](http://cogcc.state.co.us/). Our e-mail address is [dnr.ogcc@state.co.us](mailto:dnr.ogcc@state.co.us).

- June Hearing Rulemaking to Eliminate Fees and Reduce Levy

Following our budget presentation to you on May 5, we made revisions and presented them to MEGA Board on May 12 and 13. Attached are eight pages of the revised budget material we presented. At today's hearing we will continue to recommend final elimination of our fees and a further 0.2 mill reduction in the conservation levy.

- Penalties Status

Attached is a revised table showing the status of penalties paid and penalties pending collection. All penalties pending collection have been referred to State Collections so they can attempt to collect these penalties.

- July Hearing Docket

A preliminary docket for July is attached for your review.

#### **IX. INTERSTATE OIL AND GAS COMPACT COMMISSION (IOGCC)**

- **IOGCC Midyear Meeting**

Commissioner Abe Phillips will be attending the June 6-8 IOGCC midyear meeting in Jackson, Wyoming.

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

I have granted a variance to Rule 1004.a. for Heartland Oil & Gas Company for the State 1-36, 2-36, 3-36, 5-36,6-36 & 36-10 Wells, Sohio State 1-36 & 2-36 Wells, Bluebird Unit 4-36 Well and Marlin State 7-36 Well located in Elbert County. The Colorado State Land Board as surface owner approved the surface tenant's request to leave the existing roads in place to assist with his ranching operations.

- 502.b. Variances

No 502.b. variances for drilling applications have been granted since last reported.

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