

MONTHLY STAFF REPORT - 8/19/1999

I. STATISTICS

- Our monthly statistics report is attached.

II. NORTHEAST COLORADO

- Duncan Energy Company Inactive Well Plan

In February of 1998 the Commission entered Order No. 1-75 which approved a plan for Rex Monahan to return wells to production in a timely manner or begin the implementation of a pilot enhanced recovery project. Duncan Energy Company has assumed most of the operation in the Adena Unit and has begun the implementation of a pilot enhanced recovery project. Attached is a letter from Duncan outlining the work that they have accomplished and the work they are planning.

This work and the schedule are in compliance with Order No. 1-75.

- Problem Pits Update

The COGCC received a report of oily pits and discharges in Adams and Washington Counties last month. Ed Binkley and Robin Reade inspected some of the sites and found the reports to be accurate. Operators were contacted and requested to clean up the pits and correct the operational problems.

- Leyden Gas Storage Project

We received a letter from Public Service describing their plans for future testing, monitoring and observation well activities at the Leyden Gas Storage Field. These include the drilling and completion of two new observation wells and the reworking of four (4) existing wells. The plans are consistent with our understanding as to how PSCO would proceed with Leyden activities.

III. NORTHWEST COLORADO

- Northwest Colorado Oil and Gas Forum

The last meeting of the Forum was on Thursday, August 5th at the Rifle City Hall and was attended by 31 people. Agenda items included an update on Northwest Colorado oil and gas drilling and permitting activity, production levels, and production values; an update about the Interim Legislative Committee to study the regulation of oil and gas in Colorado; a presentation by Coastal Field Services about natural gas development operation on the Dragon Trail Field in Rio Blanco County; updates by the BLM about their activity in the area; and other issues of local concern. The next meeting of the Forum will be held in Grand Junction on November 4 at a location to be announced. 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 newspaper articles about the last 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. The road and bridge impact study has been temporarily put on hold pending further discussion by the Garfield County Board of Commissioners. 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.

- Rifle / Battlement Mesa / Parachute Vicinity Issues

Attached are newspaper articles about the recently released BLM Beaver Creek Environmental Assessment and other topics of interest for the area.

- BLM Roan Cliffs Field Inventories

The Glenwood Springs Resource Area office of the BLM has begun the process of conducting three different field inventories on the 56,000 acre Roan Plateau (formerly known as the Naval Oil Shale Reserve) northwest of Rifle. 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 assembled a nine-member multidisciplinary stakeholder team to work on the inventory process with members representing the oil and gas industry, citizen environmental groups, upland hunting, grazing, all terrain vehicle users, and the Garfield County Commissioners. The team conducted a wilderness inventory from July 7th through the 21st on the Northeast Cliff Unit, the Trapper Creek Unit, and the East Fork Unit. The team used the Colorado Wilderness Inventory Review Procedure that was developed in the 1980's for the original wilderness inventories, and conducted the roadless review and the wilderness characteristics review at the same time.

The BLM is currently writing up findings from the review and will make the draft findings available to the public in September, followed by BLM open houses to review and comment on the findings in Glenwood Springs and Rifle. The BLM has been attempting to help the public understand that the wilderness review is an inventory, not

a land use decision. The inventory would be used in future BLM land use planning efforts, such as a Resource Management Plan amendment for the area that will take into account other resources in the area in addition to the wilderness review.

IV. SOUTHWEST COLORADO

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

The next GORT meeting has been scheduled for 8:30 am, September 2, 1999 at the La Plata County Fairgrounds.

w La Plata County/San Juan Basin 3M Proposal – Update

The bids for the drilling contractor were due on July 19, 1999. The three contractors that had attended the pre-bid meeting chose not to bid on the project. Reasons given included not being able to meet the time schedule and bonding requirements. A new bid has been prepared and published. The pre-bid meeting and onsite inspection will be held on September 1, 1999 and the deadline for submitting will be September 15, 1999.

V. SOUTHEAST COLORADO

- Las Animas County Alternative Water Supply Feasibility Study

The RFP for an alternative water supply in the southeast portion of the Raton Basin is out for bid. Bids were due by August 13, 1999.

- Supplemental Request from North Washington Water Users Association

The water board for North Washington Water Users Association met August 10 to formulate some preliminary costs for the tap fee from Thornton. The estimated cost for the supplemental request is \$250,000.

VI. ENVIRONMENTAL ISSUES

- Water Quality Control Commission/Division Quarterly Meeting

The next quarterly meeting will be scheduled for late September or early October at the WQCC offices.

- Commendation of Employees

Attached please find an email message commending the performance of Robin Reade and Randall Ferguson. I appreciate their commitment to customer service.

VII. ORGANIZATION

- Our current organization chart is attached.

VIII. PLANNING/ADMINISTRATION/OTHER

- Budget "Change Request" Items

The following are the FY 00-01 budget "change request" items that you have approved during the June and July hearings:

- Information System Maintenance- \$44,121
- Field Workstations- \$97,625
- Well Log Digital Imaging- \$242,382
- Ration Basin Groundwater Investigation- \$234,625

Attached is a list of the Department of Natural Resources prioritized change requests, including the COGCC items.

- ERF P&A Projects Budget

Attached is our current budget projections for ERF P&A and reclamation projects. Items not shown include potential costs related to the Allen matter. We will proceed with the listed projects unless you advise otherwise.

- September and October Hearings – Change in Location

The location of the September 20 and 21 hearing will be in Denver and the October 21 and 22 hearing will be in Durango.

- Legislative Interim Committee

The Interim Committee to study the regulation of oil and gas production in Colorado held their first session at the Capitol on August 3. The Committee is chaired by Representative Mark Larson, and also includes vice-chair Senator Gigi Dennis, Senator Ed Perlmutter, Senator Dave Wattenberg, Representative Matt Smith and Representative Stephanie Takis. Representative Larson describes the committee's charge as determining if the COGCC has implemented its statutory charge and deciding if that charge should be changed. The Committee members were given presentations by COGCC staff, oil and gas industry representatives, agricultural and residential surface developers, and local government representatives about their perspectives on oil and gas regulation in Colorado and the relationships between surface and mineral property rights. The same representatives served on an afternoon panel discussion and question and answer period, and there was an open public comment period in the afternoon.

The Committee was given a field tour on August 4 of oil and gas operations in Weld County. The Committee visited oil and gas development in areas that are being encroached on by surface residential development; a site near a municipality; an injection well disposal facility which demonstrated good cooperation between the operator and the county; dry land final reclamation; crop land interim reclamation; 5

well per 160 acre well sites in a high value agricultural row crop area; a hydraulic fracturing operation; an exploration and production waste management facility; and an active drilling rig. Attached is the itinerary for the Weld County field tour and newspaper articles about the Committee meeting.

Future public comment periods and field tours are set for the Committee in La Plata County on September 8 and 9, Garfield County on September 20 and 21 and Las Animas County on October 5 and 6, followed by a wrap-up meeting in Denver on October 19 and 20. Parties wishing to participate in the Committee meetings or field tours should call Legislative Council staff David Beaujon at (303) 866-2428 or Allison Pasternak at (303) 866-4781.

- COGCC Computer System Overhaul

Forms 2, 5, 5A, Inspection Report, Complaint, and spill report are completed and are in final user testing. Data migration from the old COGIMS system is continuing to be a very high priority so users can begin to use the new system on a stand-alone basis.

The Intranet, an internal network deployment of the new system using Internet tools, has been released for public room users and the COGCC staff. This site consists of the database query tools, maps and online orders.

- Production Reporting by E-mail

All operators are encouraged to submit their production reports as attachments 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 went into effect for the January 1999 production report, which was due on March 17.

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 almost complete. The reclamation project files have yet to be imaged but should be in the next week. Central Services will then move their document scanning equipment to Division of Water Resources.

There will be personnel left on the conversion project who will be scanning the cased-hole log and the oversize maps and cross-sections.

- Geographic Information Systems ("GIS")

The GIS is available for staff and public room visitors. Please feel free to check it out and let us know what you think. Well locations are on and it is connected to the database.

The Plat Mapping system is up and working converting the section-township-range footages to Latitude-Longitude. There is still some work to be completed on the well database in order to get the symbology correct on the plats.

Work continues on the spacing orders which are a work in process; they are not the highest priority. However, with the database work that is required it will take quite some time to add them as each order will be reviewed to insure the correct area and formations are identified.

It is planned to have the GIS on the Internet by the end of August 1999.

- Minerals, Energy, Geology Advisory (MEGA) Board

Brian Macke stood in for me at the last MEGA Board meeting held on July 15 in Craig. Brian presented an update of the COGCC Severance Tax budget request. The revised budget included an updated conservation levy revenue forecast and the two new change requests that were approved by the Commission at the July hearing: the field workstations (\$97,625) and the Well Log Digital Imaging (\$242,328). The MEGA Board voted unanimously to recommend the entire COGCC Severance Tax budget request. The next MEGA Board meeting is scheduled for Thursday, September 23 in Southwest Colorado. Attached is a letter to the MEGA Board regarding the revised budget request.

- COGCC on the Internet

The COGCC continues to expand its Internet presence. The list of local governmental designees has recently 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 <http://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. Penalties pending collection over sixty days old have been referred to State Collections so they can attempt to collect these penalties.

- September Hearing Docket

A preliminary docket for September is attached for your review.

IX. INTERSTATE OIL AND GAS COMPACT COMMISSION (IOGCC)

- IOGCC Fall Quarterly Meeting

Commissioner Abe Phillips will attend the Fall Quarterly Meeting on September 19-21 in Wichita, Kansas.

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

- No variances have been granted since the last report.

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