

## MONTHLY STAFF REPORT - 09/17/199

### I. STATISTICS

- Our monthly statistics report is attached.

### II. NORTHEAST COLORADO

- Duncan Energy Company Inactive Well Plan

Duncan Energy continues to plug and abandon orphan shut-in wells that have failed the mechanical integrity test in the Mt. Hope and Northwest Graylin Fields. The Duncan Energy Adena Field enhanced recovery project is on track and looks to be a effective utilization of an oil field that is predominantly shut-in.

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

- Problem Pits Update – Washington and Morgan Counties

Recent inspections for oil on pits in Washington and Morgan Counties indicated ten (10) sites to be out of compliance. Expedient response from operators brought most of them into compliance. We are pursuing enforcement action against one uncooperative operator.

- Envirocycle - Injection Well Disposal Facility in Weld County

Envirocycle is on track with the facility construction schedule, and has made a few minor changes to the design. Robin Reade inspected the facility during installation of their leak detection system. The associated injection well was drilled and completed. Weld County is providing oversight to ensure compliance with the county's requirements. The facility anticipates commencing disposal operations this fall. We requested that Envirocycle provide a \$50,000 bond to meet COGCC financial assurance requirements of Rule 704. for Centralized Facilities.

### III. NORTHWEST COLORADO

- Northwest Colorado Oil and Gas Forum

The next meeting of the Forum will be held in Grand Junction on Thursday, November 4 at the Division of Wildlife's Hunter Education building meeting room at 711 Independent Avenue from 10:00 a.m. until 2:00 p.m. 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. 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.

- Rifle / Battlement Mesa / Parachute Vicinity Issues

Attached are newspaper articles about production volumes and values and permitting activity in 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 7<sup>th</sup> through the 21<sup>st</sup> 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 this month, 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 last GORT meeting was held on September 2, 1999 at the La Plata County Fairgrounds. Topics discussed at the meeting were the pending Legislative Interim Committee Meeting, an update of the 3M Project, remote sensing of the Fruitland outcrop, the Environmental Impact Statement (EIS), an update on the JM Huber Development Plan, the Fruitland Outcrop study and seep monitoring update, a Hickerson Hot Spring update, and soil gas monitoring near an abandoned orphan well.

The next GORT meeting has been scheduled for 8:30 am, November 18, 1999 at the

## La Plata County Fairgrounds.

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

The second pre-bid meeting and onsite inspection was held on September 1, 1999. Although this meeting was mandatory, contractors that had attended the earlier pre-bid meeting were not required to attend. Six contractors attended the meetings and, therefore, are qualified to submit bids. To encourage the contractors to bid, the bid bond requirement of 5% of the total bid price has been dropped. The low bidder, however, will still be required to submit a labor and material payment bond for 100% of the original contract price and a performance bond for 100% of the original amount of the contract. The bids are due on September 15, 1999 at 11:00 am.

The US BLM – San Juan Field Office has received a DOE grant of \$80,000 and \$75,000 of additional year-end BLM funds to be used for drilling and completing monitoring wells at the Basin Creek (Site 1) location. Money not spent on these activities will be used to core and to conduct desorption tests on various Fruitland coals at this location and possibly some of the other 3M locations.

Four private landowners have denied us access either to drill on their property or to access locations on adjacent properties. We continue to look for alternative locations that will meet our monitoring well siting requirements. The attached Durango Herald article of 9/6/99 was published to bring attention to our need for cooperation from private landowners.

The modeling and mapping components of the 3M project continue. Attached are the latest updates from Dave Cox, Questa Engineering, regarding the reservoir modeling, Jim Thomson, Applied Hydrology Associates, regarding the ground water modeling, and Laura Wray, Colorado Geological Survey, regarding the mapping and subsurface work.

## **V. SOUTHEAST COLORADO**

- Las Animas County Alternative Water Supply Feasibility Study

Contractor bids for the water feasibility study were to be returned to Las Animas County on or before August 13, 1999. None of the contractors contacted by the county replied with a bid. A second bid package was sent out with a response deadline of September 15, 1999. Contractors have not responded as of September 13, 1999. Mike Bailey with the Las Animas Council of Governments is coordinating the contractor list and the bidding process.

- Supplemental Request from North Washington Water Users Association

Les Shannon has requested a COGCC hearing regarding amending Order No. 1-72. The original order specified that a replacement water well be drilled. An E-470 interchange will probably interfere with the replacement water well drillsite. NWWUA now plans to file an application for hearing to amend the original order to request a water tap with the City of Thornton.

## **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.

## **VII. ORGANIZATION**

- Our current organization chart is attached.

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

- Proposed Additional Mill Levy Reduction Rulemaking

I am requesting your approval to docket rulemaking for the December hearing to reduce the Conservation Levy from 1.2 mills to 1.1 mills effective October 1, 1999 based on recent updated revenue projections.

- 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- \$82,700
- Well Log Digital Imaging- \$242,382
- Raton Basin Groundwater Investigation- \$234,625

At the request of the Office of State Planning and Budgeting (OSPB), the Change Request for the Field Workstations has been reduced from \$97,625 to \$82,700. Workstations that had been designated as stand-by units for use when the other field workstations need repairs for breakdowns due to rugged field use were eliminated.

- October Hearing – Change in Location

The October 21<sup>st</sup> and 22<sup>nd</sup> hearing will be held in Durango.

- Legislative Interim Committee

The Interim Committee to study the regulation of oil and gas production in Colorado held their second session in La Plata County on September 8<sup>th</sup> and 9<sup>th</sup>. Commissioner Klish, AAG Enger, Morris Bell, Dave Dillon, Debbie Baldwin and I attended. 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.

I made a presentation to the Committee on topics included in the attached list during the September 8 presentation and public comment session. The Committee was given a field tour on September 9 of oil and gas operations in La Plata County. Attached is

the itinerary for the field tour.

Future presentations, public comment periods and field tours are set for the Committee in 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. 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. A tentative filed tour itinerary for the September 21 Garfield County tour is attached. I will be making presentations on directional drilling, spacing and other topics on September 20. You are scheduled to meet with the Committee at 1:00 p.m. on October 19, 1999 at the Capitol.

- COGCC Computer System Overhaul

The COGIMS system is no longer being updated and all data is currently being input in the new COGIS system. The forms used for data input are fully functional although some adjustments are still being made. Walter Breedlove has been retained to perform these program adjustments.

The data migration from the old COGIMS system is almost complete, although there is some data that will require extensive manipulation to move to the new system. All data should be in the COGIS system by the end of the month. Jean Feist has been retained to help with data cleanup and to assist the data input of the well information forms as the new duties are assumed by the data input personnel.

The Intranet site, a network deployment 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](mailto:ogcc.eforms@state.co.us). E-mail 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, 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 files is complete with the exception of cased hole logs and oversize documents such as maps and geologic

cross-sections. It will take several months for one contractor utilizing our large format scanner to complete the imaging of the remaining documents. Central Services has moved their imaging equipment to Division of Water Resources and should be starting with their backfile conversion project.

- Geographic Information Systems

The GIS is available for staff and public room visitors. Please feel free to check it out and let us know what you think. The well locations are posted and it is connected to the database. Please take a minute to review the large state oil and gas map on the north wall of the hearing room.

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 correct the symbology on the plats.

Work is continuing on integrating the spacing orders into the GIS system. It will take several months to complete them as each order will be reviewed to insure the correct area and formations are identified.

The GIS was not deployed on the Internet as originally planned in August 1999 due to the need to repost all the wells. It should be available in the next few weeks after the new wells are posted and the update routine is established.

- Minerals, Energy, Geology Advisory (MEGA) Board

The next MEGA Board meeting is scheduled for Thursday, September 23.

- COGCC on the Internet

The COGCC continues to expand its Internet presence. Searchable COGCC orders should be deployed in the next week. 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.cogcc@state.co.us](mailto:dnr.cogcc@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.

- October Hearing Docket

A preliminary docket for October will be reviewed at today's hearing. We will be holding a local public forum in Ignacio on the Mark West application for greater well density on October 7 at 5:00 p.m. If there are no protests, we plan to hear the matter administratively.

## **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.**

S.G. Interests requested a 502.b variance to the minimum 990' lease line setback established by Order No. 112-46 for re-completion of the McElvain #3 Well to the Mesa Verde Formation. This well, originally completed in the Dakota Formation, is 790' from the nearest lease line and was drilled at this location at the request of the surface owner to avoid cultivated fields.

S.G. Interests requested waivers, beginning in June 1999, from offset mineral owners and to date has received approval from 82.8% with no objections. I granted the 502.b variance to Order No. 112-46 in order to efficiently utilize the existing wellbore and avoid additional surface impacts that would otherwise result from a new surface location.

Advantage Resources 303.j.(2)

On August 20, 1999 Advantage Resources requested that I issue a permit with a twenty-two (22) day notice to surface owner of intent to conduct operations of the Sheffler 4-27 Well located in Section 27, Township 12 North, Range 56 West, 6<sup>th</sup> P.M. Ashby Drilling submitted a letter on behalf of Advantage Resources explaining this request for the following reasons:

- The surface owner signed a surface agreement on July 28, 1999 and did not indicate any objection to this application to the Colorado Oil and Gas Conservation Commission.
- The surface owner was on vacation at the time of the request and no person representing the surface owner was available to sign a waiver to Rule 305.b.1.
- To delay operations on this well would create an economic hardship on Ashby Drilling and its employees.

I approved this Application for Permit to Drill without the 30 day notice to surface owner (Rule 305.b.(1)) as provided in Rule 303.j.(2).