

MONTHLY STAFF REPORT - October 22, 1999

I. STATISTICS

- Our monthly statistics report is attached. Drilling permit applications received in September were the highest in over a year at 124. The month-to-date pace for October is similar.

II. NORTHEAST COLORADO

- Duncan Energy Company Inactive Well Plan

Duncan Energy continues to plug and abandon orphan shut-in wells that have failed mechanical integrity tests in the Mt. Hope and Northwest Graylin Fields. The Duncan Energy Adena Field enhanced recovery project is on track and looks to be an 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 found ten (10) sites to be out of compliance. COGCC staff issued NOAVs to the operators of the pits. The EPA and WQCD are also considering enforcement action at locations where unpermitted discharges were occurring. All sites are now in compliance.

- Supplemental Request from North Washington Water Users Association ("NWWUA")

NWWUA filed an application for an order to amend Order Number 1-72 to allow NWWUA to connect to the City of Thornton water supply and to increase dollar amount needed to \$320,000.00. An administrative hearing was held and this matter appears on today's Consent Agenda.

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 to submit agenda topics for the next meeting.

- Rifle / Battlement Mesa / Parachute Vicinity Issues

Attached are newspaper articles about the Legislative Interim Committee to Study Oil and Gas Regulation, the Garfield County public meeting and field tour held on September 20 and 21 and the recent Energy and Mineral Impact Assistance Fund Grant to the town of Parachute.

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 hunters, grazing representatives, all terrain vehicle users, and the Garfield County Commissioners. The team conducted a wilderness inventory from July 7 through July 21 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 issued the Preliminary Roadless Review and Wilderness Character Inventory Findings for the Roan Plateau on September 20. Out of 31,540 acres that were inventoried, 27,299 acres were found to be roadless, and 14,109 acres were found to have wilderness character. The preliminary findings and maps are available on the BLM's Internet site at <http://www.co.blm.gov/news/gswildinven.htm>. The BLM hosted a public open house on October 4 at the City of Rifle Town Hall and accepted public comment until October 20. After all information provided by the public is reviewed and analyzed, the Roadless/Wilderness Character Inventory will be completed. The collected inventory information will be used when the Glenwood Springs Field Office updates its Resource Management Plan for the Roan Plateau over the next several years. Attached are related newspaper articles.

IV. SOUTHWEST COLORADO

Durango Hearing and Field Tour

At our hearing in Durango today we will discuss the October 21 La Plata County field tour.

La Plata County Gas and Oil Regulatory Team (GORT)

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

Sharpe Drilling of Trinidad, Colorado was selected to drill and install the 3M monitoring wells. A contract is being prepared and will be signed and approved after they have met the performance bond and insurance requirements. They bring over 30 years of experience in water and monitoring well, and mineral and gas exploration

in the western United States and Mexico.

COGCC has received a grant for \$80,000 from the US BLM – San Juan Field Office, which will be used to pay for coring and conducting desorption tests on various Fruitland coals, and monitoring equipment for the Basin Creek (Site 1) location. In addition, the BLM has been working with US DOE to obtain \$75,000 to pay for the monitoring well cluster at the Basin Creek (Site 1) location.

We are in the process of negotiating the final terms of the access agreements with three landowners that have agreed to allow us to drill and to install monitoring wells. BP-Amoco is one of these landowners and we appreciate their cooperation. Four other private landowners have denied us access either to drill on their property or to access locations on adjacent properties. We continue to discuss access with two other private landowners.

We have returned the special use permit for the two eastern most locations (Site 9 and 10) to the US Forest Service for their final approval. BLM continues the permitting process with the US Bureau of Reclamation for the western most location (Basin Creek - Site 1), which is located approximately 1,000 feet below the toe of the proposed Animas-La Plata Project dam.

You will be briefed today in more detail on the progress of all three components of the 3M Project and some additional work being conducted by industry in conjunction with the 3M project.

V. SOUTHEAST COLORADO

BLM Decisions to Cease Administration of Raton Basin Federal Units

Attached is a copy of a BLM letter of September 30 to Evergreen Operating Corporation advising that BLM will cease to administer the Spanish Peaks Unit effective January 1, 2000. Similar letters were sent out by BLM regarding the Cottontail Pass and Sangre de Christo Federal Units.

Las Animas County Alternative Water Supply Feasibility Study

Two bid requests for the water feasibility study have been issued by Mike Bailey. Mike is with the Las Animas Council of Governments and is coordinating the bidding process. There were no responses to these first two bid requests. A third bid package will now be issued.

Messer Domestic Gas Well Financial Assurance

I will be asking you to consider an alternative more cost-effective type of financial assurance suggested by AAG Enger for this matter.

VI. ENVIRONMENTAL ISSUES

Water Quality Control Commission/Division Quarterly Meeting

Our quarterly meeting with the WQCC/WQCD was held on September 29, 1999.

COGCC Commissioner Bruce Johnson and WQCC Commissioner Kala Greene were present. These meetings continue to be a useful venue for discussing matters of mutual interest and concern. The next meeting will be scheduled for late November, 1999 at the COGCC offices.

· Earthen Pit Records Uploaded into MRDB Database

The earthen pit records have been uploaded from our interim Access database into the new master records database (MRDB). COGCC staff can access this information through the "Intranet".

VII. ORGANIZATION

- Our current organization chart is attached.
- Biographical sketches of Commissioners are attached.

VIII. PLANNING/ADMINISTRATION/OTHER

· 2000 Hearing Schedule

Attached is the calendar year 2000 schedule of hearing dates, tentative locations, application, protest and administrative hearing dates.

· Proposed Additional Mill Levy Reduction Rulemaking

I am withdrawing my previous request for 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 fund balance projections following last weeks administrative hearing recommendation to request \$320,000 for NWWUA. We will review revenue and fund balance projections to reconsider proposing another levy reduction effective July 1, 2000.

· 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 - \$77,912
- 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 \$77,912. Although the entire workstation request had been supported by the Governor's Office of Innovation and Technology, all digital camera equipment and three 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 from the request by the OSPB.

Legislative Interim Committee

The Interim Committee to study the regulation of oil and gas production in Colorado held their third session in Garfield County on September 20 and 21. Commissioner Klish, AAG Enger, Brian Macke, Randall Ferguson, Jaime Adkins, and I attended. The Interim Committee held its fourth session in Las Animas county on October 5 and 6. AAG Enger, Dave Dillon, Loren Avis, Bob VanSickle 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 presentations to the Committee on topics included in the attached lists during the September 20 presentation and public comment session held at the Battlement Mesa Activity Center and the October 5 session held at Trinidad State Junior College. The Committee was given a field tour on September 21 of Garfield County oil and gas operations in the Mamm Creek area southwest of Silt and in the Rulison/Parachute/Grand Valley field areas between Rifle and Parachute. The October 6 field tour of Las Animas County included operations in: Primero Ranch; Longs, Widow Woman and Madird Canyons; and Burr Canyon.

The Interim Committee held a wrap-up meeting at the State Capitol in Denver on October 19 and 20. We will discuss the status of related issues at today's hearing.

Oil and Gas Insurance Seminar

Brian Macke gave a presentation about the COGCC safety rules at an Oil and Gas Safety and Insurance seminar on October 8 that was sponsored by the Chubb Insurance Companies in Denver. Several industry representatives attended the meeting.

Colorado Oil and Gas Information System ("COGIS")

The new information system for COGCC has been named the Colorado Oil and Gas Information System ("COGIS"). COGIS is made up of the new database management system, the Geographic Information System ("GIS") and the document imaging system. All of these systems are in use and available to staff and in the public room.

The database application consists of a forms processor that stores data that is entered into the system by the data input staff which can be reviewed by appropriate technical staff for quality control and compliance. Data access is provided by an online query application to view individual records on the computer screen. Reports are being developed to provide access to multiple record data sets. The query application and reports will be available on the Internet in January, 2000.

GIS is made up of two parts. The plat mapping tool spots wells, pits, and other associated facilities. This tool will be used to replace the existing individual township plat maps. The other GIS tool is the Autodesk Mapguide application that displays statewide data including wells, pits, land ownership, spacing, surface water, surface geology, municipalities, roads, etc. The Autodesk Mapguide allows for zooming,

panning, printing and redirection to the database queries. This application will be available on the Internet in November.

The document imaging system contains digital images of all paper records of the COGCC. The historical records have all been scanned with the exception of cement bond logs and oversize hearing exhibits. Scanning continues on these remaining documents. These images should be available on the Internet in the next year.

The impact of all of these new systems substantially effects the processes that COGCC staff uses to complete its work. COGCC staff has been meeting on a weekly basis to discuss program fixes, bugs, additional training, documentation, and modifications to the workflow to fit the new methods of data processing. As these issues are worked through any delays in form approvals and data distribution experienced by COGCC customers should be resolved.

Production Reporting by E-mail

COGCC is preparing to directly contact multiple well operators who are not currently reporting electronically to encourage them to do so. Electronic filing of production data helps reduce the data input requirements enabling faster turn-around time of all documents. Electronic submission may be made by email attachment to ogcc.efrms@state.co.us or by mailing 3.5-inch diskette or CD. 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. Questions should be directed to Sharon Tansey at (303) 894-2100 x128.

Electronic submission of Conservation Levy is in development and will begin testing in November. Conservation Levy payors will be encouraged to report in this method to further reduce data input and facilitate form processing.

Geographic Information Systems ("GIS")

The online GIS application was presented by the developers, Jim Milne (COGCC) and Gerald Patten (Farragut Systems) at the Autodesk Tech Expo on September 30, 1999. The presentation was very well received. Many people complimented the application's completeness and ease of use.

Minerals, Energy, Geology Advisory (MEGA) Board

The next MEGA Board meeting is scheduled for 9:00 a.m. Tuesday, November 9, at the Silverthorne Sheraton.

COGCC on the Internet

The COGCC continues to expand its Internet presence. **Searchable COGCC orders are now available on the COGCC web site, click on Commission Orders on the selection list on the left side of the home page.** 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.

December Hearing Docket

A preliminary docket for December has been provided.

IX. INTERSTATE OIL AND GAS COMPACT COMMISSION (IOGCC)

IOGCC Fall Quarterly Meeting

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

Toxics Release Inventory ("TRI") Subcommittee Ohio Oil and Gas Field Tour

Brian Macke participated in a TRI Subcommittee tour of oil and gas field operations in Ohio on October 5. Other participants in the tour included representatives from the Ohio Division of Oil and Gas, the EPA Washington, D.C. office, oil and gas agencies and environmental quality agencies from other IOGCC member states, and IOGCC staff.

The EPA administers the TRI program. The TRI database contains information on releases, transfers, and other waste management practices for certain listed toxic chemicals reported by covered facilities. The EPA proposed the addition of seven industry groups to TRI in June 1996, including the oil and gas exploration and production (E&P) industry. The expanded TRI program would require reporting of routine E&P operations, including injection of produced water for enhanced oil recovery or disposal purposes as a release to the environment. Expansion of the TRI program to specific E&P processes involving the extraction and replacement of naturally occurring substances could result in misleading information that could easily be misinterpreted by the general public and would result in little, if any, environmental benefit.

One of the primary activities of the TRI Committee has been to conduct field tours in key oil and gas producing states with EPA representatives from the Washington office and the local EPA region office. The purpose of the tour is to promote understanding among the EPA representatives about how oil and gas E&P operations are conducted and how those activities are already adequately regulated by the state agencies. The tours are hosted by the state oil and gas regulatory body where the tour is conducted and are also attended by representatives from other state oil and gas agencies who assist in explaining the operations and discuss related matters in their own states. To date, field tours have also been conducted in California and Oklahoma.

Funding for the travel was covered 100% by the IOGCC through a grant by the Department of Energy.

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

Cannon Resources requested and received a 502.b variance to Rule 1004.a. reclamation requirements. The Springer 8-1 Well was plugged and abandoned on July 10, 1999. The surface owner requested that the site be left as is to accommodate their plans for a housing development subdivision.