

MONTHLY STAFF REPORT - December 2, 1999

I. STATISTICS

- Our monthly statistics report is attached.

II. NORTHEAST COLORADO

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

A supplemental budget request for \$319,384 to allow NWWUA to connect to the City of Thornton water supply has been submitted to the Department, and was scheduled for submittal to the Office of State Planning and Budgeting on December 1.

III. NORTHWEST COLORADO

- Northwest Colorado Oil and Gas Forum

The last meeting of Forum was held in Grand Junction on November 4. Agenda items for the meeting were updates from the COGCC and industry about current Northwest Colorado oil and gas activity and oil and gas prices, updates from the BLM about the Roan Plateau Wilderness Inventory, the Grand Mesa Slopes Leasing Review, current oil and gas activity on federal lands, and an update by the COGCC on proposed legislation from the Interim Legislative Committee on Oil and Gas Issues. The next meeting of the Forum will be held at the Rifle City Hall on Thursday, February 3, 2000 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 a recent complaint about gas development in the Rulison Field and recent Energy and Mineral Impact Assistance Fund Grants to Mesa County, Garfield County, and the town of Meeker.

- Grand Mesa Slopes Leasing Review

The Grand Mesa Slopes are approximately 80 sections lands owned by the BLM, private owners, Mesa County, the town of Palisade, and the City of Grand Junction on the western shoulder of the Grand Mesa near Grand Junction. The area has been included in the BLM Grand Junction Management Plan, which has not been updated since 1987. Since that time, the city of Grand Junction has purchased the Somerville Ranch and the associated water rights. The area is a watershed for the cities of Grand Junction and Palisade. Last year's installation of the TransColorado Pipeline has created interest in leasing acreage in the area for natural gas development.

Because of these changes, the Grand Mesa Slopes Committee was formed to make recommendations about what revisions need to be made in the management of the area. The committee was made up of the BLM, the US Forest Service, the cities of Grand Junction and Palisade, and the oil and gas industry. The committee has

concluded that the BLM should perform a detailed analysis of possible impacts of drilling on water resources, steep slopes, scenery, wildlife habitat, and cultural resources and revise the Management Plan to include leasing stipulations to address the impacts. The committee has sent a letter to the BLM making the recommendation for this review.

IV. SOUTHWEST COLORADO

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

The last GORT meeting was held on November 18, 1999 at the La Plata County Fairgrounds. Topics of discussion were a 3M Project update, remote imaging of the Fruitland Outcrop, Fruitland outcrop seed and monitoring update, a Hickerson Hot Spring update, and the La Plata County project update. The team meeting was sparsely attended.

The next meeting is scheduled for January 27, 2000 at the La Plata County Fairgrounds from 8:30 a.m. to 11:30 a.m.

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 (Sites 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.

The Technical Peer Review Team (TPRT) met on 10/21/99 in Ignacio, CO. Approximately 17 people attended the meeting. Progress reports were made by Laura Wray, CGS, regarding the mapping and subsurface work; Jim Thomson, Applied Hydrology Associates, regarding the both the reservoir and ground water modeling; Rusty Riese, Vastar, regarding the preliminary results of the detailed chemical and isotopic testing of produced Fruitland water; and Debbie Baldwin, COGCC, regarding

the monitoring wells and coal desorption testing.

Terry Logan was a member of the TPRT; however, Cedar Ridge has sold all of its operated properties in La Plata County to the SUIT and, therefore, does not operate any wells in the San Juan Basin. Because it is important to have active operators involved with the 3M Project, I asked Scott Zimmerman, J. M. Huber, to replace Mr. Logan on the Technical Peer Review Team. Mr. Zimmerman has accepted.

The next 3M Geo-subcommittee meeting will be held on December 8, 1999 at the CGS office.

Independent of the 3M TPRT, the Southern Ute Indian Tribe had organized operators and were requiring them to study and to monitor methane seeps, and changes in ground water and pressure in the Fruitland Formation south of the Ute Line. The results of this work were periodically presented at their "West Side Seep Evaluation Meetings". At the 10/10/99 meeting Bob Zaradnik, SUIT, recommend that these meetings be combined with the 3M TPRT meeting to facilitate data sharing and to limit the number of meetings that industry, SUIT, BLM, FS, and COGCC personnel need to attend. I agreed with this suggestion and in the future joint meetings will be held.

V. SOUTHEAST COLORADO

- **BLM Vacates Decisions to Cease Administration of Raton Basin Federal Units**

Last month a copy of a BLM letter was attached to the staff report advising Evergreen Operating Corporation 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. On November 5, 1999 the COGCC received copies of BLM letters sent to Evergreen vacating their previous decision to cease administration of the three 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.

VI. ENVIRONMENTAL ISSUES

- **Water Quality Control Commission/Division Quarterly Meeting**

The next quarterly meeting will be scheduled for early January 1999 at the COGCC offices.

- **Rule Making Proposed to the Water Quality Control Commission (WQCC)**

In our ongoing process of resolving discrepancies between the EPA requirements for UIC programs and the WQCC standards and classifications for ground water, Randall Ferguson, Debbie Baldwin, and Ed DiMatteo have continued to work with staff from both agencies. New rules have been proposed that would apply to the Entrada Sandstone and Muddy Sandstone (J Sand) in eastern Larimer County (proposed WQCC Rule 42.7.(42); Dakota Sandstone, Lakota Sandstone, and the Pierre B

Sandstone Member in east-central Jackson County (proposed WQCC Rule 42.7.(43); Dakota and Lakota Sandstones in west-central Jackson County (proposed WQCC Rule 42.7.(44); and Fort Union and Wasatch Formations in northern Moffat, County (proposed WQCC Rule 42.7.(45). Copies of the proposed rules have been provided to you. Staff continues to work with WQCD staff to resolve some concerns they have about proposed WQCC Rule 42.7.(45).

The proposed rules will be presented to the WQCC by COGCC staff at their December 13, 1999 hearing, which will be held at 9:00 AM in the Florence Sabin Conference Room at the Colorado Department of Public Health and Environment's (CDPHE) main campus, 4300 Cherry Creek Drive South.

- Annual Report to the Water Quality Control Commission (WQCC)

The COGCC is one of the implementing agencies for the standards and classifications adopted by the WQCC for ground water. This authority was provided by SB89-181, and is restated and clarified by a Memorandum of Agreement (MOA) between the agencies. Section 5.1 of the MOA specifies that the COGCC must report annually to the WQCC as to how its programs assure compliance with ground water quality standards and classifications. The written annual report was submitted to the WQCC on November 22, 1999 and copies have been provided to you. COGCC staff will be presenting a summary of the report to the WQCC on December 13, 1999 at 10:30 AM in the Florence Sabin Conference Room at the Colorado Department of Public Health and Environment's (CDPHE) main campus, 4300 Cherry Creek Drive South.

- Spill/Release Records Uploaded into MRDB Database

The historic records of spills/releases have been uploaded from our interim Access database into the new master records database (MRDB). At this time COGCC staff can query this information through an Access interface; however, in the near future this information will be accessible through the "Intranet".

VII. ORGANIZATION

- Our current organization chart is attached.

VIII. PLANNING/ADMINISTRATION/OTHER

- Oil & Gas Information Session for Surface Developers

We are participating with COGA in planning an information session for surface developers to show them our GIS data regarding well and facility locations, drilling windows and spacing orders for consideration in their surface development planning. The session is expected to be held in January at a local law firm's office.

- COGCC Policy Regarding Calling Financial Assurance

The COGCC has updated the Policy For Financial Assurance Forfeiture to include the charge of an overhead recovery fee of ten percent (10%) of the cost of the plugging and/or reclamation work paid for by the financial assurance. This fee will be collected from the called financial assurance after paying all expenses and before returning any

unused funds to the Operator and/or Bonding Company. Attached is a copy of the COGCC Policy Regarding Financial Assurance. Any questions should be directed to Marsha Choury at 303-894-2100 extension 109.

- 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.

- 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.

- Colorado Oil and Gas Information System (COGIS) Workshop/Status Update Meeting

A COGCC/Industry meeting was held on November 30 to provide an update on the status of the development of COGIS. Those attending included Information Technology professionals and end user representatives from large, medium, and small Colorado oil and gas operators, oil and gas information vendors, and industry trade association representatives. The group was given an overview of the data system, document imaging, and Geographic Information System (GIS) portions of COGIS. The group discussed the remaining work that still needs to be done to make the system available over the Internet, as well as the FY 00-01 Budget Change Requests for COGCC Information Management systems.

- 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.eforms@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.

- Minerals, Energy, Geology Advisory (MEGA) Board

The last MEGA Board meeting was held at 9:00 a.m. Tuesday, November 9, at the Silverthorne Sheraton. Much of the meeting was spent integrating the large number of newly appointed members. The next meeting is scheduled for January 31, 2000 in Denver.

- 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.** In addition, all local governmental designee (cities, municipalities, counties) information is available on the COGCC web sight. 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.

- January Hearing Docket

A preliminary docket for January has been provided. I will be asking you to allow an administrative hearing to be held on the Totem Gas Storage application, provided no protests are filed.

IX. INTERSTATE OIL AND GAS COMPACT COMMISSION (IOGCC)

- IOGCC Fall Quarterly Meeting

Commissioner Abe Phillips will attend the Annual Meeting on December 12-14 in New Orleans, Louisiana.

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

Pease Oil & Gas Company requested a variance to COGCC Rule 1004 a., Final Reclamation of Well Sites and Associated Production Facilities requirements. There is a hole adjacent to the well site which was dug to build berms at the well site. The landowner requested that the hole be left in place so that it can be used as a watering hole for his livestock.

Strachan Exploration requested a variance to COGCC Rule 603.a. (1), Statewide Setback requirements. In order to comply with COGCC spacing requirements and to accommodate the wishes of the landowner, Strachan Exploration proposes to drill the My Way Ranch #18-1 Well 120 feet from a county road. Rule 603.a. (1) would require a 165 foot set back from this road. The county road dead ends at a residence 1000 feet from this location. Strachan Exploration received a Special Use Permit from Mesa County and has agreed to 1) post warning signs on the road during rig operations, and 2) notify the residence at the end of the road of the scope and timing of the proposed operations.

Markus Production requested and received a 502.b. variance to Rule 1004.c. reclamation requirements for the JAR #1 Well located in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 22, Township 5 North, Range 66 West. The well was plugged and abandoned and reclaimed except for reseeding. The surface owner requested that the site be left as is to accommodate their plans for a housing development subdivision.

I have granted a variance to Rule 1004.a. for Rockies Oil and Gas Inc. for the Ginther #4 Well located in Adams County. The surface owner requested that the wellsite and lease road not be ripped or revegetated since the land will be developed immediately into single family homes. The surface owner also requested that the access gate into the property be retained to serve as security against trespass.

New Horizon Exploration requested and received a 502.b. variance regarding a 1001.c. waiver to Rule 1004.c. reclamation requirements for the Pawnee Hills Big Bear #1 Well

located in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 22, Township 7 North, Range 66 West. New Horizon submitted documentation from the City of Thornton, which is the surface owner, that the location was ripped and leveled to satisfaction and that all requirements of the surface agreement between the parties had been complied with.