

## MONTHLY STAFF REPORT – January 10, 2000

### I. STATISTICS

.. Our monthly statistics report is attached. A total of 1,010 drilling permits were issued during calendar year 1999.

### II. NORTHEAST COLORADO

#### .. Patina Shut-In Well Agreement

In accordance with the Shut-In Well Agreement between Patina and the COGCC, Patina has submitted their bi-annual report on the progress of their program. During 1998, Patina plugged 18 wells and returned 27 wells to production for a total of 45 wells. As stated in the agreement, Patina has an obligation to remove 45 wells from their shut-in list per year. Patina has met this goal. There are currently 102 wells on the list.

### III. NORTHWEST COLORADO

#### .. Northwest Colorado Oil and Gas Forum

**Because of a request from the public for a meeting during more convenient hours for citizens, the next meeting of the Forum will be held at the Rifle City Hall on Thursday, February 3, from 4:00 p.m. until 7:00 p.m.** The agenda tentatively includes a presentation by the Western Colorado Congress/Grand Valley Citizen's Alliance on their organization and their needs for additional oil and gas development related information and public outreach, a presentation by COGCC staff on Rule 508 and the Local Public Forum process, a presentation by Jim Evans with the Associated Governments of Northwest Colorado on proposed legislation regarding the State distribution of Federal mineral leasing revenues, and updates on local oil and gas activity. 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. Attached is a newspaper article about the Forum meeting time change. Commissioner Larry McCown.

#### .. Rifle / Battlement Mesa / Parachute Vicinity Issues

- The Western Colorado Congress (WCC) and the Grand Valley Citizens Alliance (GVCA) have requested that the COGCC, the BLM, Garfield County, and industry representatives participate in an oil and gas informational forum which was to be held on January 15 in Rifle. The WCC and GVCA have been asked to make a presentation at the February 3 Northwest Colorado Oil and Gas Forum, where all of the parties will be present, about what additional needs there are for information and public outreach. Attached is a letter from Brian Macke to GVCA member Amy Potter in response to their request, and a newspaper article about the GVCA request.

Attached are other newspaper articles about local oil and gas development issues, including an article about the Garfield County Local Governmental Designee and current Energy and Mineral Impact Assistance Fund Grants requests by Garfield County.

### IV. SOUTHWEST COLORADO

#### w La Plata County Gas & Oil Regulatory Team (GORT)

The next meeting is scheduled for Friday, January 28, 2000 at the La Plata County Courthouse from

10:30 a.m. to noon.

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. They have procured their performance bond and necessary insurance and a contract is being prepared for signing and approval. 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.

A bid document for the coal desorption analysis has been prepared and was put out for bid on January 5, 2000. The DNR Purchasing Office must receive sealed bids by January 19, 2000 at 1:00 p.m.

We are in the process of negotiating the final terms of the access agreements with three landowners who have agreed to allow us drill and to install monitoring wells. BP Amoco is one of these landowners and we appreciate their cooperation. In addition, we are in the process of procuring another permit for drilling the wells at Florida River (Site 4) on a US Bureau of Reclamation (BOR) easement. Four other private landowners have denied us access either to drill on their property or to access locations on adjacent properties.

We have received the approved special use permit for the two easternmost locations (Sites 9 and 10) from the US Forest Service. BLM continues the permitting process with the BOR for the westernmost location (Basin Creek - Site 1), which is located approximately 1,000 feet below the toe of the proposed Animas-La Plata Project dam.

The Geological Subcommittee met on December 8, 1999 in at the CGS office in Denver. Approximately 12 people attended the meeting. Progress reports were made by Laura Wray of CGS regarding the mapping and subsurface work; Jim Thomson of Applied Hydrology Associates regarding both the reservoir and ground water modeling; Rusty Riese of 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.

Independent of the 3M TPRT, the Southern Ute Indian Tribe organized operators 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 October 10, 1999 meeting Bob Zahradnik recommended 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.

w BP Amoco Drilling/Workover Brochure for Surface Owners in San Juan Basin

Attached is a two-page copy of the three-fold, double-sided brochure that Amoco is distributing to surface owners in the San Juan Basin. This is an excellent communication tool! We commend BP Amoco and encourage other operators to consider similar communication tools.

w La Plata County Oil and Gas Development Projection

The staff is nearing completion on a request from La Plata County that will project additional gas development in La Plata County. The OGCC will provide the county with electronic files that will show where potential Fruitland Coal, Mesaverde and Dakota wells may be drilled. The maps will include the

legal drilling windows for each formation.

The County has requested the development projection to inform residents of additional wells that could potentially be drilled in their area. The development projection should be completed by January 28, 2000.

## V. SOUTHEAST COLORADO

### w Las Animas County Alternative Water Supply Feasibility Study

Mike Bailey of the Las Animas Council of Governments is expecting roughly six companies to submit bids in response to RFPs he has sent out for the feasibility study.

## VI. ENVIRONMENTAL ISSUES

### .. Water Quality Control Commission/Division Quarterly Meeting

The next quarterly meeting is scheduled for January 11, 2000 at the COGCC offices.

### .. Rule Making by 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. The site-specific ground water classifications of Limited Use and Quality and standards for certain hydrocarbon compounds proposed by COGCC staff were adopted by the WQCC on December 13, 1999. These new rules apply to the Entrada Sandstone and Muddy Sandstone in eastern Larimer County (WQCC Rule 42.7.(42)); the Dakota Sandstone, the Lakota Sandstone, and the Pierre B Sandstone Member in east-central Jackson County (WQCC Rule 42.7.(43)); the Dakota and Lakota Sandstones in west-central Jackson County (WQCC Rule 42.7.(44)); and the Fort Union Formation in northern Moffat County (WQCC Rule 42.7.(45)). The rules are available in the Colorado Department of Public Health and Environment (CDPHE) website at [www.cdphe.state.co.us](http://www.cdphe.state.co.us).

Staff will continue to identify additional formations within specified areas for proposed rulemaking by the end of the 1999-2000 fiscal year.

### .. Annual Report to the Water Quality Control Commission (WQCC)

COGCC staff presented our annual report to the WQCC on December 13, 1999.

### .. Spill/Release Records Uploaded into MRDB Database

The historic records of spills/releases and complaints 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".

### .. Preliminary Draft MOA with Water Quality Control Division on Spill/Releases and Surface Water Impacts

At today's hearing a discussion of a preliminary draft MOA with the Water Quality Control Division has been scheduled. We have not had any feedback from parties who have received the preliminary draft.

## VII. ORGANIZATION

### .. Senate Ag Committee Commission Confirmation Hearings

The Senate Ag Committee held confirmation hearings for Commissioners Sonnenberg and Cree on January 6, 2000. The Committee voted unanimously to reconsider both Commissioners to the full

senate for confirmation.

..     Staff Organization

Our current organization chart is attached. We are proceeding with our search for an Environmental Protection Specialist II. January 7 was the application deadline.

..     Customer Appreciation Letter for COGCC Staff Member

-     Attached is a letter of appreciation to Governor Owens from a customer for help received from Data Specialist Dianne Lyons as well as a response from Governor Owens. We congratulate Dianne for all of her efforts toward exemplary customer service.

**VIII.   PLANNING/ADMINISTRATION/OTHER**

-     w     Oil & Gas Information for Surface Developers

-     We met with representatives of COGA and surface developers to discuss our GIS data regarding well and facility locations, drilling windows and spacing orders for consideration in their surface development planning. We may be involved in future meetings with these parties to orient them and facilitate their access to our data.

w     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

Prior to the Joint Budget Committee (JBC) hearing on December 13, the Committee gave the COGCC staff a list of 25 questions. Twenty of the questions were regarding the Information System maintenance, Field Workstations and Well Log Digital Imaging. The other five were about the Raton Basin Groundwater Investigation. The COGCC provided a written response to the JBC for all the questions. During the December 13 Joint Budget Committee hearing, COGCC staff responded to two additional questions about the Information System Maintenance change request. We are not aware of any outstanding JBC concerns regarding our change request items.

### 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 are available to staff and in our 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.

The document imaging system contains digital images of all paper records of the COGCC. The historical records have all been scanned including cement bond logs and oversize hearing exhibits. These images should be available on the Internet in the first quarter of this 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.

### Electronic Levy Reporting

A format has been created and tested to accept quarterly Conservation Levy Reporting Form, Form 8. This format is described in the attached document titled "Oil and Gas Conservation Levy, Form 8, Specifications". It can also be found on the Internet under the same title at <http://cogcc.state.co.us/documents.html>. Electronic filing of levy data will help reduce the data input requirements and data entry errors thus enabling faster turn-around time of all documents. Electronic submission may be made by email attachment to [ogcc.eforms@state.co.us](mailto:ogcc.eforms@state.co.us) or by mailing 3.5-inch diskette or CD. Questions should be directed to Sharon Tansey at (303) 894-2100 x128.

### 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 and data entry errors thus enabling faster turn-around time of all documents. Electronic submission may be made by email attachment to [ogcc.eforms@state.co.us](mailto: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.

### 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 in Denver.

#### COGCC on the Internet

The COGCC continues to expand its Internet presence. Internet access to the COGIS database and GIS is now available. Select the "Info Systems" button off the COGCC homepage. The Document Images will soon be available via the same selection. Much of this work is still in process so it will change on a regular basis. There is an email link on the COGIS Main Menu page that can be used to inform us of problems and suggestions. As work progresses over the next few months, we will publicize a workshop to showcase and orient more of our customers to Internet access of our data.

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](mailto:dnr.ogcc@state.co.us).

#### GIS Grant

The COGCC received a grant from ESRI, a major GIS software developer. The grant was awarded through ESRI's Livable Communities Environmental Protection Grant Program. The grant came in the form of several software tools that will greatly enhance our GIS capabilities. The COGCC applied for the grant along with other member states of the IOGCC. Rick Bender, Director of the Kentucky Division of Oil and Gas, made us aware of the grant opportunity and coordinated our submittal with the submittals from several other states. Rick's efforts were instrumental in our successful bid for the grant.

#### Draft Policy for Witnesses and Criteria for Exhibits

A draft policy will be presented at today's hearing for discussion in accordance with your direction at the December 1999 hearing. Should you wish to adopt the policy, notice will be given and a hearing held at a future date.

#### 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.

#### February Hearing Docket

A preliminary docket for February has been provided.

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

#### IOGCC Fall Quarterly Meeting

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

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

Coastal Oil and Gas requested a 502.b. variance to the 150' statewide surface setback, Rule 603.a.1. The Buckskin Mesa #36-1 Well is located 100' from a Rio Blanco County road to satisfy the surface owners' request. In accordance with Rule 603.a.2., Coastal Oil and Gas has obtained waivers of from Rio Blanco County and a copy of this waiver is on file with the county clerk and recorder. Based on the facts stated above, I granted the 502.b. variance to Rule 603.a.1.

Thomas Spring requested a 502.b. variance to the field rules under Cause No. 105 which state "...that the permitted gas well for each 640-acre drilling and spacing unit shall be located within a radius of 990 feet from the center of the drilling and spacing unit upon which it is located..." This variance was requested for the following reasons:

- Engineering and geological considerations indicate the proposed location is the best location in which to encounter the most favorable reservoir conditions in a structurally favorable position.
- To prevent drainage of this lease by wells drilled on adjacent leases.

Thomas Spring requested waivers from adjacent owners and, while 100 percent of the owners did not respond, after 40 days none had objected to the proposed location. Based on the facts stated above and in accordance with Rule 318.c, I granted the 502.b. variance to Cause No. 105.

#### **XI. PERMIT GRANTED BY THE DIRECTOR UNDER RULE 303.j.(1)**

Evergreen Operating requested the application of Rule 303.j.(1), special circumstances for permit issuance without notice or consultation, for the Cimmaron #32-18Tr and Hank Canyon #34-12Tr Wells for the following reasons based upon an affidavit filed by Evergreen Resources, Inc:

- The operator had the right under the terms of an existing contract to drill a well
- The operator has a leasehold which will be terminated unless the operator is permitted to immediately commence the drilling of these wells
- The subject lands are within the boundaries of the Sangre de Cristo federal oil and gas unit which will be subject to termination unless these wells are drilled immediately

Based on the facts stated above and in accordance with Rule 303.j.(1), I granted the exception as requested. To the best of my recollection this is the only permit issued under the referenced rule during the approximately five year period the rule has been in effect.