

MONTHLY STAFF REPORT – February 14, 2000**I. STATISTICS**

Our monthly statistics report is attached.

II. NORTHEAST COLORADO**Del Ray Subdivision Encroachment on Existing Wells in Firestone, Weld County**

The attached letter of January 7 from me to the Firestone Planning and Zoning Department and Arcadia Homes expresses concerns over safety setbacks for new construction from an existing well.

Duncan Energy Company Inactive Well Plan

Order No. 1-75 requires an annual status report for the Adena J Sand Unit. Duncan Energy has submitted their annual report, which meets the requirements and intentions of the order. Attached is a status report of the operations conducted in the unit during 1999. Duncan has drilled, cored and completed a well for injection, and has decided to proceed with the installation of a field pilot. Three offset wells have had workovers to return them to production for the pilot start up. Injection is expected to commence very soon. This tertiary recovery project may also be applied in other fields if it is successful.

III. NORTHWEST COLORADO

Northwest Colorado Oil and Gas Forum

The last meeting of the Forum was held on February 3 at the Rifle City Hall. Because of a request from the public for a meeting during more convenient hours for citizens, the Forum was held from 4:00 p.m. until 7:00 p.m., and was attended by approximately 70 people. At the request of Grand Valley Citizen's Alliance, the agenda included a presentation by Brian Macke about COGCC Rule 508 and the Local Public Forum (LPF) process, followed by an announcement by Barrett Resources staff about their 20-acre density application. The LPF presentation and the Barrett announcement prompted several questions and discussions among the group. Other agenda items included:

- Updates on Northwest Colorado Oil and Gas Activity and BLM activities.
- A presentation by Associated Governments of Northwest Colorado Executive Director Jim Evans about proposed legislation to allow the Local Government Energy Impact Program to retain the interest generated by its share of federal mineral lease royalties (SB 00-55).
- 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,
- General Garfield County/Battlement Mesa area issues and questions.

The next meeting of the Forum will be held on Thursday, May 4 at a time and location to be announced. The Forum, which consists 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 Forum meeting.

Garfield County Oil and Gas Development Projection

During the February 3 Northwest Colorado Oil and Gas Forum, Garfield County Commissioner Larry McCown asked COGCC staff to assist Garfield County with an oil and gas development projection. The general approach would be similar to that used in preparing the recently completed La Plata County Development Projection. COGCC staff will be meeting in the near future with Commissioner McCown, Garfield County Planner, Local Governmental Designee Mark Bean, and other county staff to begin scoping the development projection project. One product would be a Geographic Information System (GIS) data layer that would show where oil and gas development could potentially occur. It is expected that the county would use this information as an additional tool to plan for growth in their county.

Barrett Resources Increased Well Density Application.

Last month Barrett Resources filed an application for 20-acre well density for the Williams Fork formation in the Mesaverde Group for approximately 9,000 acres in the Grand Valley, Parachute, and Rulison Fields. The application was a topic of interest at the February 3 Northwest Colorado Oil and Gas Forum, where Barrett Resources staff announced their plans and distributed an informational flyer to the group. The COGCC Rule 508 Local Public Forum, which is conducted to allow elected officials, local government personnel and citizens to raise questions or make statements regarding the potential impacts from increased well density that relate to the environment or public health, safety, and welfare, will be held on Thursday, March 2 at the Battlement Mesa Activity Center Community Room from 5:00 p.m. to 8:00 p.m. Attached are newspaper articles about community reaction to the application and Barrett's informational flyer about the application. My letter of February 10 expresses our concerns with the application as submitted.

IV. SOUTHWEST COLORADO

Anticipated 160-acre Density Fruitland Spacing Application and Local Public Forums

This application is now expected to be filed for the April 24 & 25 hearing. We have scheduled local public forums from 5:00 p.m. to 8:00 p.m. on April 4 in Ignacio and April 5 in Durango.

La Plata County Gas & Oil Regulatory Team (GORT)

The last GORT meeting was held on Friday, January 28, 2000 at the La Plata County Courthouse. Topics

covered at the meeting were the upcoming Fruitland Coal increased well density application, EIS Update both north and south of the Ute Line, an update on the 3M Project, outcrop study and seep monitoring update and an update on the monitoring at the Hickerson Hot Spring.

The next GORT meeting is scheduled for April 6 from 8:30–Noon at a location to be determined.

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 have 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 Department of Energy to obtain \$75,000 to pay for the monitoring well cluster at the Basin Creek (Site 1) location.

Softrock Geophysical Services Inc. of Durango has been selected to perform the coal desorption analysis.

Progress continues on both the reservoir and ground water models. Coal thickness estimates from the 65 gas well logs to fill in areas with missing data have been completed. Data from 742 wells have now been used for coal thickness mapping. Calculations of initial porosity and permeability estimates and volumetrics have been edited. Correlations were made with recorded bottomhole temperatures and pressure data. Reservoir and ground water modeling contractors, Questa Engineering and Applied Hydrology respectively are actively sharing data. The publicly usable version of the basin-wide coalbed methane simulation program waits final testing through use with the modeling project.

BLM continues the permitting process with the US Bureau of Reclamation (BOR) for the westernmost location (Site 1), which is located approximately 1,000 feet below the toe of the proposed Animas-La Plata Project dam.

The landowner of proposed Site 2, south of Durango, has denied us access. Staff is currently working with BLM to investigate private access to an alternative site on BLM land.

We are in the process of negotiating the final terms of the access agreements with the landowner for the proposed location at Florida River (Site 4). In addition, we are in the process of procuring a permit for drilling the wells on the BOR easement at this location.

The agreement with BP Amoco for accessing and drilling Site 7 has been signed. We appreciate their cooperation.

We have received the approved special use permit for the two easternmost locations (Sites 9 and 10) from the US Forest Service and continue negotiations with the landowner for access to Site 9.

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.

La Plata County Oil and Gas Development Projection

COGCC staff presented the development projection to the La Plata County Board of County Commissioners on January 28 at an open meeting in Durango. The narrative and reduced map copies are attached. The projection identified potential new well locations for 879 Fruitland Coal, 244 Mesaverde, and 176 Dakota wells. Some of these would probably be commingled so that roughly 1200 new well bores would be projected. This level of development would result in a minimum of 1.7 TCF of gas production which would yield \$125 million in local property taxes. The development projection provided La Plata County with GIS maps identifying potential drilling windows for these wells.

The County had requested the development projection to inform residents of additional wells that could potentially be drilled in their area. The staff agreed to update the projection every five years, or when new information was obtained that would significantly change the projection. We enjoyed our meeting with Michael Scannell, the new La Plata County Manager, and we look forward to working with him.

V. SOUTHEAST COLORADO

Raton Basin Field Trip and Trinidad Hearing

At today's hearing we will be fresh from yesterday's field trip of Evergreen's Raton Basin operations. I am looking forward to comments from the residents of Las Animas County at today's hearing.

VI. ENVIRONMENTAL ISSUES

Water Quality Control Commission/Division Quarterly Meeting

The last quarterly meeting was held on 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.

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

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

At today's hearing you will be asked to adopt the proposed MOA between the Water Quality Control Division and the Oil and Gas Conservation Commission. We have not received any comments or inquiries on the NOA since it was noticed for hearing.

VII. ORGANIZATION

Senate Ag Committee Commission Confirmation Hearings

The Senate has confirmed the Governor's appointments of Commissioners Sonnenberg and Cree.

Staff Organization

Our current organization chart is attached. We are proceeding with our search for an Environmental Protection Specialist II. There were 90 applicants who responded to the job announcement by the January 7 deadline, 46 of whom were qualified to continue with the rest of the examination and interview process. The written examination will be held on February 16, with the oral board and final interview process taking place during the following weeks.

Staff Organization

The attached letter of February 1 from the Division of Property Taxation commends Sharon Tansey for providing "the most accurate data we have ever received... in a timely and professional manner."

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	- \$77,912
·	Well Log Digital Imaging	- \$242,382
·	Raton Basin Groundwater Investigation	- \$234,625

The Joint Budget Committee (JBC) held the figure setting hearing for the Oil and Gas Conservation Commission FY 00-01 Budget Request on February 1. During the hearing the JBC decided to approve all of the above listed change requests except for the \$77,912 Field Workstation item which was completely denied. The Field Workstation item had previously received strong support from the Governor's Office of State Planning and

Budgeting as well as the Governor's Office of Innovation and Technology. The COGCC is working with the Department budget staff to determine the appropriate future course of action for the Field Workstation change request.

Ground Water Protection Council Annual Underground Injection Control Meeting

Brian Macke attended the Ground Water Protection Council Annual Underground Injection Control meeting in Houston on January 9-12. Brian participated in the Database Management Workshop to share oil and gas computer system development information among various states. A proposal has been submitted to the GWPC for DOE grant funding for implementation at a well bore diagramming utility, web based permitting/Internet form development and assistance with field workstation deployment of the COGCC data system. Travel to attend the GWPC meeting was funded through DOE grant funding.

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 available on the Internet, for use by 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.

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 is available on the Internet.

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. The images are available on the Internet.

The impact of all of these new systems substantially effects the processes that COGCC staff uses to complete its work. Work continues on program fixes, bugs, 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. Data migration and cleanup continues, although this will be a long term project. The results will be well worth the effort.

Electronic Levy Reporting

A format has been created and tested to accept quarterly Conservation Levy Reporting Forms, 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 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 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. Access to the COGIS database is now available. Select the "Info Systems" button off the COGCC homepage. The GIS and Document Images are available via the same selection. This continues to be a work 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 let us know of problems and suggestions.

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.

Customer Feedback on Web Site

We have received very positive feedback from several customers regarding our web site and the expanded access to well files, GIS and our database.

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 Memo to Hearing Applicants on Witnesses and Criteria for Exhibits

A memo has been drafted for your review along with criteria for exhibits to be provided to all hearing applicants in an effort to assist in their preparation for Administrative and Commission hearings.

Request to Resume NGPA Well Determination Process

A group of operators/organizations has petitioned the Federal Energy Regulatory Commission ("FERC") for rulemaking to resume FERC's NGPA well determination review process to enable producers to claim Section 29 tax credits. FERC has scheduled rulemaking on this matter for April 2000. Under the original program, the COGCC was responsible for receiving and reviewing applications, noticing for hearing and issuing orders with recommendations to the FERC on each application. COGCC staff supports this effort to allow wells not previously designated an opportunity to receive important tax credits. In order to reduce the need for additional resources, COGCC staff has recommended to the petitioners that they encourage the FERC to approve a streamlined process of review for the remaining wells in need of NGPA well determination.

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.

March Hearing Docket

A preliminary docket for March 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.**

No variances have been granted this month.