

## MONTHLY STAFF REPORT – February 14, 2000

### I. STATISTICS

Our monthly statistics report is attached. The 154 drilling permit applications received in February is the highest monthly total we have recorded in several years. We anticipate higher oil and gas prices to result in a significant increase in 2000 permit levels. Also note the level of website hits has been over 3000 per month for the last two months, which is double last year's monthly average level.

### II. NORTHEAST COLORADO

#### Leyden Natural Gas Storage Facility

The attached press release from Public Service Company describes their plans to close their Leyden Natural Gas Storage Facility "because it is no longer compatible with surrounding development." We expect COGCC's formal role in the closure will be to oversee the plugging and abandonment of the natural gas storage wells. I will be asking you to vote on the record today to request the Attorney General's Office to provide an opinion that would clarify the respective existing statutory and regulatory authority of COGCC and the Public Utilities Commission with respect to natural gas storage projects in general and the closure of the Leyden facility specifically. At this point it is unclear if COGCC has regulatory authority at the Leyden Facility to oversee: plugging and abandonment water withdrawal an observation/monitoring wells; reclamation of surface wellsites and access roads; removal of surface injection/withdrawal facilities and associated site reclamation; removal or abandonment of pipelines or flowlines; remediation of any potential environmental impact; or the general plans to close the facility.

#### ERF Projects

The bids have gone out for several Northeast Colorado ERF projects, including the Keota Field restoration and the Swan C-1, Renzelman and Reike plugging and restoration projects. The Swan C-1 and the Renzelman projects will be funded through the Black Thunder and Gopher bonds respectively, with the remainder of the project costs to be funded with ERF monies. The Reike project will be completely funded with the McCormick bond. Ed Binkley will be supervising these projects.

### III. NORTHWEST COLORADO

#### Northwest Colorado Oil and Gas Forum

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](mailto: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 recent La Plata County Development Projection. COGCC staff will be meeting in the near future with Commissioner McCown, Garfield County Planner and 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. The project is expected to start after the pending Barrett Resources increased density application for the Grand Valley, Parachute, and Rulison Fields has been heard by the Commission.

#### Barrett Resources Increased Well Density Application.

The Rule 508 Local Public Forum for the Barrett Resources 20-acre well density application was conducted on March 2 in Battlement Mesa. The application, which will be heard at today's meeting, is for the Williams Fork

Formation of the Mesaverde Group for approximately 9,000 acres in the Grand Valley, Parachute, and Rulison Fields in Garfield County. The Forum was attended by approximately 270 people. The agenda for the Forum included an introduction by COGCC staff, a presentation by Barrett Resources staff on the application, a presentation by Garfield County staff of their perspective on the application, and comments by the Colorado Division of Wildlife. These presentations were followed by comments and questions from surface owners in the application lands and from other Forum participants. There were 9 surface owners and 26 participants who provided their comments on the potential impacts of the Barrett Resources application on public health, safety, and welfare and the environment. Attached are newspaper articles about community reaction to the application and the Local Public Forum. The complete summary by the presiding officer, Tricia Beaver, was provided to you and posted on our website last week. Videotapes were also provided to the four Commissioners not in attendance.

#### **IV. SOUTHWEST COLORADO**

##### Anticipated 160-acre Density Fruitland Spacing Applications and Local Public Forums

These applications have been filed for the April 24, 25 & 26 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 next GORT meeting is scheduled for April 6, 2000 from 8:30 a.m. to 12:00 noon at the La Plata County Fairgrounds in the Lightner Room.

##### 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.

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.

Staff is currently working with BLM to acquire private access to a site on BLM land south of Durango (Site 2).

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.

The next meeting of the 3M Technical Peer Review Team will be held on March 30, 2000 in La Plata County. The exact location is yet to be determined.

#### **V. SOUTHEAST COLORADO**

##### Las Animas County Water Feasibility Study

Las Animas County has awarded a contract to prepare a water feasibility study for Widow Woman, Long and Madrid Canyons area. Attached is a letter from Bob Brooks, Executive Director, Department of Local Affairs, outlining the process for the county to receive state funds.

## **VI. ENVIRONMENTAL ISSUES**

### Water Quality Control Commission/Division Quarterly Meeting

The last quarterly meeting was held on January 11, 2000 at the COGCC offices. The next quarterly meeting will be held on April 11 at the CDPHE 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.

## **VII. ORGANIZATION**

### 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 was held on February 16 and 8 candidates have been selected for an oral board examination, which will take place on March 24. A final interview of the top three candidates will follow.

## Staff Organization

Attached is a letter commending Morris Bell for his participation in the Caspian Environmental and Regulatory Partnership Program.

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

#### 1999 Outstanding Oil & Gas Operations Award

Attached is our 1999 Outstanding Operations Award nomination form. We are soliciting nominations for awards by April 15, 1999. The deadline is rapidly approaching, and everyone is encouraged to provide their nominations as soon as possible.

#### Budget "Change Request" Items

The following are the FY 00-01 budget "change request" items that you 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 has submitted a comeback request to the Department budget staff. Because of other high priority Department of Natural Resources comeback requests, the field workstation comeback request was not ranked high enough on the Department's priority list for comebacks to be forwarded back through the budget process. The Department budget staff stated that this was not due to a lack of importance or merit of the field workstation project, but that there were other more critical comeback requests regarding replacing cuts in personnel services funding in the Division of Water Resources and replacing cuts in travel funding for the COGCC and other divisions. The comeback request is attached.

#### Draft Budget Change Request FY 01-02

Attached please find draft budget change requests for Severance tax funding of \$101,400 to index our document images and \$252,930 for well data cleanup. I will be requesting your approval of these and your direction to submit them to the MEGA Board oil and gas subcommittee prior to the MEGA Board meeting of April 3, 2000.

### 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](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 next meeting is scheduled for April 3 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](mailto:dnr.ogcc@state.co.us).

#### Customer Feedback on Web Site

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

#### 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. COGCC staff will prepare comments to be submitted to the FERC by April 10, 2000 on the proposed rulemaking.

#### 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.

April Hearing Docket

A preliminary docket for April has been provided.

**IX. VARIANCES GRANTED BY THE DIRECTOR UNDER RULE 502.b.**

No variances have been granted this month.