

MONTHLY STAFF REPORT – June 5, 2000

I. STATISTICS

.. Our monthly statistics report is attached.

II. NORTHEAST COLORADO

.. Leyden Natural Gas Storage Facility

Public Service Company described their plans to close their Leyden Natural Gas Storage Facility “because it is no longer compatible with surrounding development.” We expect that our formal role in the closure will be to oversee the plugging and abandonment of the natural gas storage wells. During the March, 2000 hearing, you voted 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 and 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. The Attorney General’s Office is currently developing the opinion.

On April 14, Public Service Company filed an application with the Public Utilities Commission for an order authorizing it to abandon the Leyden Underground Natural Gas Storage Facility and approve its proposed plan to decommission and shut down the facility. In the application, there is a suggestion for the PUC to “cooperate with and enlist the services of the Colorado Oil and Gas Conservation Commission and its staff for purposes of processing this application”. The PUC has set this matter for on July 27, 2000. On May 22, 2000 AAG Enger filed a formal petition to intervene in the matter on behalf of the COGCC.

.. ERF Projects

Work has been completed for several Northeast Colorado ERF projects. The work has been started at the Swan C-1 (Black Thunder bond claim). The well has been plugged and site restoration is underway. Partial Washington County back taxes will be paid with the salvage of the surface equipment. The Renzelman project (Gopher Drilling bond claim) has been completed. Plugging and reclamation costs exceeded the \$5,000 plugging amount. The Reike project (McCormick bond claim) has been completed and is the first of three McCormick wells to be plugged. The Blake C-1 project has been completed and was completely funded with ERF monies. This involved the re-plugging of a dry and abandoned well which was leaking water to the surface. Pending and ongoing projects include the plugging of 8 wells in the Florence-Cañon City Field, the plugging and reclamation of 5 wells located in the Derby Dome Field near DIA and the plugging and reclamation of the Bradley 5, the first well to be plugged as part of the Claude Allen bond claim. The BLM-Lovette project has been put out for bid and is scheduled to start on May 30, 2000. This well is being plugged with ERF and U.S. Forest Service funds. There are also several reclamation projects and site assessment projects which are ongoing. COGCC staff will be supervising all of these projects. It appears that all wells associated with the Jay Magness bond claim have been or will be taken over by other operators.

III. NORTHWEST COLORADO

.. Northwest Colorado Oil and Gas Forum

The last meeting of the Forum was held on May 4 in Rifle and was attended by approximately 33

people. Agenda topics included COGCC and BLM updates on Northwest Colorado oil and gas activity, a presentation about oil and gas well permitting in Mesa County by Jim Hinderaker with the Mesa County Planning Department, an update on the 2000 Colorado legislative session, an update on the Barrett Resources, Inc. 20-acre density application, a presentation by Brian Macke about how to navigate the COGCC website, and comments by local citizens.

The next meeting of the Forum will be held on Thursday, August 3 from 10:00 A.M until 2:00 P.M. at the Rifle City Hall. 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.

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 after the conclusion of hearings on the Barrett 20-acre well density application 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 will use this information as an additional tool to plan for growth. The project is expected to start after the Commission conducts the Public Issues Hearing for the Barrett Resources increased density application for the Grand Valley, Parachute, and Rulison Fields.

Barrett Resources Increased Well Density Application.

At the March 2000 hearing, you approved the Barrett Resources application for 20-acre well density 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. Under Rule 508, if any local governmental designee with lands located in the application area intervenes in the application to raise issues related to the environment or public health, safety, and welfare, the Commission shall convene a Public Issues Hearing to be conducted after the hearing on the application. Because Garfield County has intervened in the Barrett Resources 20-acre density application, a Public Issues Hearing has been scheduled. The order for the increased well density was stayed pending the Public Issues Hearing, which was originally scheduled for a June 5-7 hearing in Rifle.

Barrett Resources and other parties (Garfield County, the Mackley surface owners group, the Colorado Oil and Gas Association, and the Grand Valley Citizen's Alliance) held a prehearing conference on April 7 to clarify the issues that will be addressed at the Public Issues Hearing. During the conference, it was determined that the parties would request a continuance for the Rifle Public Issues Hearing to July. Attached is a newspaper article about the Public Issues Hearing. Based on the current hearing schedule for the Amoco et. al. Public Issues Hearing, the Barrett Public Issues Hearing will be held August 21-22, 2000.

IV. SOUTHWEST COLORADO

160-acre Density Fruitland Spacing Applications - Public Issues Hearing

The referenced public issues hearing is being held in Durango June 5 and 6. Five items pertinent to this hearing were posted on our website on or before May 30: a memorandum from me dated May 30 regarding the 3M project status, a staff memorandum dated May 26 regarding ground water, summary of geologic mapping from Colorado Geologic Survey, a summary report from Dave Cox of Questar Engineering dated May 26 of the reservoir modeling, and a hydrologic modeling report from Applied

Hydrology.

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

The next GORT meeting is scheduled for June 12, 2000 from 8:30 a.m. to 12:00 noon at the La Plata County Fairgrounds in the Lightner Room.

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 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 3M Technical Peer Review Team held a meeting on May 25, 2000 in Denver at the COGCC offices.

V. SOUTHEAST COLORADO

.. Las Animas County GPS Survey

Global Positions System (“GPS”) mapping by COGCC staff began on May 23 and 24 for gas wells located in the unsurveyed area of Las Animas County. Many of these wells have been located by conventional surveying methods. The completion of the GPS survey will accurately locate the wells in this area.

.. Pilot Study for Identification of Gas Seeps

A pilot study was performed on May 22 in Las Animas and Huerfano Counties to determine the feasibility of using infrared methods to identify known gas seeps. The seeps will also be located by GPS and the field analyzed using conventional methods for confirmation and comparison.

VI. ENVIRONMENTAL ISSUES**.. Water Quality Control Commission/Division Quarterly Meeting**

The next quarterly meeting will be held on July 12 at the COGCC offices.

VII. ORGANIZATION**.. Staff Organization**

Our current organization chart is attached.

VIII. PLANNING/ADMINISTRATION/OTHER**-
w 1999 Outstanding Oil & Gas Operations Awards**

The deadline for nominations for the COGCC 1999 Outstanding Oil and Gas Operations Awards was April 15. We have provided you with a list of nominations for your approval. Please provide comments or suggestions by June 8. After that time the staff will begin to make preparations for the COGCC Outstanding Operations Awards ceremony that is planned to be held during the keynote speaker luncheon at the Colorado Oil and Gas Association Rocky Mountain Natural Gas Strategy Conference in August.

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w Budget "Change Request" Items**

The following are the FY 00-01 budget "change request" items that have been approved by the legislature during the 2000 session, and are included in the "Long Bill" appropriation that has been recently signed by Governor Owens:

·	Information System Maintenance	\$44,121
·	Well Log Digital Imaging	\$242,382
·	Raton Basin Groundwater Investigation	\$234,625

These requests were previously approved by the Commission and were reviewed by the MEGA board. The request had originally included a \$77,912 Field Workstation project that was denied by the Joint Budget Committee during their figure setting hearing.

.. Draft Budget Change Request FY 01-02

I presented the proposed FY 01-02 budget change requests for Severance Tax funding of \$101,400 to index our document images and \$252,930 for well data cleanup to the MEGA Board at their April 3 meeting. The change requests received a high level of support from members of the MEGA Board oil and gas subcommittee. The Commission voted to approve these change requests during the March 2000 hearing.

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 entered data for review 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 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

There are currently two levy payors submitting their Conservation Levy reports electronically. These reports account for 2,522 leases of 17,222 total leases reported in a single quarter or fifteen percent (15%) of the total. While this is a big help it is a small amount of the total percentage and the data entry volume is very significant.

Sharon Tansey will be contacting Levy payors directly and urging them to submit their reports electronically. She will be working on creating an Excel spreadsheet to help with the data format. The specifications are detailed in the document titled "Oil and Gas Conservation Levy, Form 8, Specifications" which can be found on the Internet under the same title at <http://www.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.efrms@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

There are currently 49 operators reporting production electronically. These electronic reports account for 15,170 well completions reported out of a total of 22,861 well completions reported or 66% of the total reported for December 1999. This significantly helps reduce the manual data entry volume. Thirty-one operators have been contacted directly and requested to file electronically; all but two have agreed to try submitting the April 2000 production report electronically.

Sharon Tansey has been distributing an Excel spreadsheet that lays out the electronic format for the production report. Electronic submission may be made by e-mail attachment to ogcc.eforms@state.co.us or by mailing a 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://www.cogcc.state.co.us/documents.html>, or from the COGCC office. Questions should be directed to Sharon Tansey at (303) 894-2100 x128.

Data Entry

The new COGIS database offers the opportunity to store a more complete data set for wells and other oil and gas operations than the previous database. The 1999 production reporting requirements significantly changed the number of lines of data submitted on the production reports. With the current oil and gas prices we are seeing an increase in drilling and completion activities. All of these factors have lead to a significant increase in the volume of data entry. In order to facilitate faster turnaround time on approvals and earlier data access to submitted data, all operators are being encouraged to submit their production and levy reports electronically. The COGCC is exploring ways to make forms available for submission on the Internet so that all forms can be submitted electronically.

Minerals, Energy, Geology Advisory (MEGA) Board

The last meeting of the MEGA Board was held in Denver on April 3. During the meeting, the COGCC, the Colorado Division of Minerals and Geology, the Colorado Geological Survey, and the Colorado Water Conservation Board presented their proposed Severance Tax funding requests for FY 01-02. The next meeting is scheduled for June 12 in Alamosa.

COGCC on the Internet

The COGCC continues to expand its Internet presence. Access to the COGIS database is now available via the "Info Systems" button on the COGCC homepage. The GIS and Document Images are available via the same selection. The COGCC searchable orders are available for either the homepage or the Info Systems 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 www.cogcc.state.co.us. Our e-mail address is dnr.ogcc@state.co.us. We appreciate the positive feedback and the suggestions from customers regarding the web site.

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.

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.

.. July Hearing Docket

A preliminary docket for July has been provided.

.. Administrative Hearings to be Recorded

Effective immediately as advised by AAG Enger all administrative hearings will be audio recorded.

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

A variance to rule 317(i) was granted to Exxon Mobil Production Company on the Love Ranch Fee #3 well for their proposed cementing program. The proposed cementing program will not meet the 24 hour and 72 hour compressive strength standards set forth in Rule 317.(i), but will develop sufficient compressive strength at actual downhole temperatures and pressures. The variance is required to allow the operator to address high pressures and temperatures and long pumping times associated with a well this deep.

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