MONTHLY STAFF REPORT - July 10, 2000

I. <u>STATISTICS</u>

• Our monthly statistics report is attached. Based on current levels of drilling permit activity we expect to issue roughly 1500 permits in 2000, a 50% increase over the 1999 level of 1010 permits. In June we received 191 drilling permit applications. This is the highest level since the Wattenberg boom ended in 1994.

II. NORTHEAST COLORADO

City of Longmont Recreation Facility - Top Operating Locations

I met on site June 23 with representatives of the City of Longmont and Top Operating. Seven proposed Top Operating well locations fall within Longmont's recreation facility. Both parties have been encouraged to reach a surface use agreement.

Leyden Natural Gas Storage Facility

Public Service Company filed an application with the Public Utilities Commission ("PUC") 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 hearing on July 27, 2000. AAG Enger filed a formal petition to intervene in the matter on behalf of the COGCC, and she will advise you regarding the pre-hearing conference and preparation for the hearing.

III. NORTHWEST COLORADO

Northwest Colorado Oil and Gas Forum

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

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. 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.

The Barrett Public Issues Hearing will be held August 21-22, 2000 at the Ramada Inn in Glenwood Springs.

IV. SOUTHWEST COLORADO

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

The GORT meeting scheduled for June 12, 2000 was postponed due to the time demands from the pending Fruitland Coal application. All the members of the team agreed with the postponement of the meeting. The meeting will be rescheduled when the decision on the pending La Plata County application is finalized.

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 wells, 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). We have received notification and conditions of approval from the BOR allowing us to use their senior right-of-way for monitoring well construction.

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 3M Technical Peer Review Team meeting is scheduled for July 25, 2000 from 8:00 a.m. to noon at the COGCC office in Denver. The purpose of this meeting will be to discuss and receive input and technical direction for reservoir modeling to evaluate mitigation alternatives for existing outcrop seepage.

V. <u>SOUTHEAST COLORADO</u>

w Raton Basin Project 2000 - 2002

A meeting was held on June 30, 2000 in the COGCC offices to discuss the Raton Basin Project 2000-2002. Seven gas developers from the Raton Basin were in attendance. Objectives and budget for the project were presented. The project will be conducted over a two year period by independent contractors. The major objectives are to establish existing water quality, identify methane seeps, and perform a search of DNR-DMG records for existing data on water and gas from coal mine records.

VI. ENVIRONMENTAL ISSUES

Water Quality Control Commission/Division Quarterly Meeting

The next quarterly meeting will be held on July 12, 2000 at the WQCC/WQCD offices.

ERF Projects

The work has been completed on the Swan C-1 Well which was plugged under the Black Thunder bond claim in Washington County. The Swan C-1 Well was plugged using both bond and ERF funds. Work has also been completed on the BLM-Lovette 1 and 1A Wells in Baca County. The wells were plugged using ERF and U.S. Forest Service funds under the terms of our agreement with BLM to plug orphaned wells on federal lands. Ongoing ERF funded projects include the plugging of 8 wells in the Florence-Cañon City Field and the plugging of the Black FA 31-30-2-45 Well in Yuma County. There are also several ongoing reclamation projects and site assessment projects. COGCC staff supervises all of these projects.

VII. ORGANIZATION

Staff Organization

Our current organization chart is attached.

Please join us in welcoming our new employee, Diana Fairlamb, who began work last week as a Data Specialist working with production and levy reporting. Diana brings extensive industry experience to her position.

VIII. PLANNING/ADMINISTRATION/OTHER

Proposed Rulemaking Regarding Produced Water Discharge and Beneficial Use

I am requesting your approval to docket rulemaking for the October hearing to address produced water discharge and beneficial use. The attached draft language was prepared in consultation with the State Engineer, the Water Quality Control Division and the Attorney General's Office.

1999 Outstanding Oil & Gas Operations Awards

The COGCC Outstanding Operations Awards will be presented during the keynote speaker luncheon at the Colorado Oil and Gas Association Rocky Mountain Natural Gas Strategy Conference on August 10, 2000.

Draft Budget Change Request FY 01-02

At their June 12 meeting in Alamosa, the Minerals, Energy, and Geology Advisory (MEGA) Board voted unanimously to recommend the COGCC budget change requests for Severance Tax funding of \$101,400 to index our document images and \$252,930 for well data cleanup. The change requests received a high level of support from members of the MEGA Board oil and gas subcommittee. You 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 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 <u>http://www.cogcc.state.co.us/documents.html</u>. 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 <u>ogcc.eforms@state.co.us</u> 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 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.

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 <u>ogcc.eforms@state.co.us</u> 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 Website at <u>http://www.cogcc.state.co.us/documents.html</u>, 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 led 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 Alamosa on June 12. 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 October 2, 2000.

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 from 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*.

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.

August Hearing Docket

A preliminary docket for August has been provided.

Administrative Hearings Audio Recorded

We have implemented the procedure of audio recording all administrative hearings. Future hearing applicants should be aware that un-protested matters heard administratively will be audio recorded.

New Rulebooks

The latest publication of the COGCC Rules and Regulations including the Appendices and forms is available for \$7.50. A notebook with the COGCC logo can be purchased for \$3.00. The rules are also available to download from our website.

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

The following variances were granted under Rule 1004.a.:

- Energy Search Company, Inc. for the Campbell #1 Well located in Adams County. The surface owners have requested the gate accessing the wellsite remain in place.
- Texas Tea of Colorado, LLC for the State of Colorado YB #5 Well located in Adams County. The surface owner has requested that the electrical transformer that supplied power to the well remain at its current location (wellsite) since it supplies power to his house.
- K. P. Kauffman Company, Inc. on the UPRR 50 Pan AM "C" #1 Well for final reclamation standards. The surface owner has requested that the pump jack pad be left in place after final abandonment to allow for use as a foundation for a future building at the site