

MONTHLY STAFF REPORT - August 16, 2000**I. STATISTICS**

.. Our monthly statistics report is attached.

II. NORTHWEST COLORADO

.. Northwest Colorado Oil and Gas Forum

The last meeting of the Northwest Colorado Oil and Gas Forum was held on August 3 at the Rifle City Hall. Agenda topics included an update on local COGCC, BLM and industry oil and gas activity, a discussion with local ranchers about dust on county roads related to oil and gas and other industrial activities, an update on the Barrett Resources 20 Acre Density Application and August 21-22 Public Issues Hearing, and an update on the recent COGCC Commissioner appointment. Attached are newspaper articles from the meeting.

The next meeting of the Forum will be held on Thursday, November 2 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.

.. Barrett Resources Increased Well Density Application.

The Barrett Resources Public Issues Hearing on the Garfield County 20-acre density application is docketed for this month's hearing on August 21-22, 2000 at the Ramada Inn in Glenwood Springs.

III. SOUTHWEST COLORADO

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

The next GORT meeting is scheduled for August 30, 2000, from 8:30 to noon at the Lightner Room at the La Plata County Fairgrounds.

.. La Plata County Fruitland Coal Well On-site Inspection

On August 8 staff conducted five on-site inspections because of the proximity to the Fruitland Coal/Pictured Cliffs outcrop. These wells will be drilled on one surface owner's property by BP Amoco. The surface owner has approved the locations and roads and a surface damage agreement has been executed. The surface owner is very anxious to have these wells drilled on his property as soon as possible. He has taken several parcels of land off the market until the wells are completed so that prospective buyers will then be aware of the impacts of the locations.

The inspections were attended by the surface owner, operator, and OGCC staff. The county local governmental designee met with the attendees to discuss the inspections.

One of these wells requires a Commission hearing prior to approval of the drilling permit because it is within 1.5 miles of the Fruitland Coal/Pictured Cliffs outcrop. Because of the existing surface damage agreement and surface owner's desire to drill the wells as soon as possible, I am requesting the applications be heard through administrative hearing provided there is no protest from La Plata County.

.. La Plata County Drilling Plan Survey

In accordance with the two new Fruitland Coal infill orders, we have sent out surveys to operators to determine their drilling plans for the year 2000 and 2001. A copy of the survey was sent to the operators in the two applications and is available on our web site. A copy is attached. We are asking the operators to return the complete survey to us by August 31, 2000.

.. La Plata County/San Juan Basin 3M Proposal – Update

Sharpe Drilling of Trinidad 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 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.

The executed License Agreement for constructing, operating, and maintaining monitoring wells in Ridges Basin on the Animas-La Plata Project (3M Site 1) has been received by the BLM from the Bureau of Reclamation.

The access agreement for the monitoring well locations at Florida River (Site 4) has been signed by the landowner and is being reviewed by the Attorney General and Division of Central Services.

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 August 31, 2000 in Durango. The final reports for both the reservoir and ground water modeling will be presented.

IV. SOUTHEAST COLORADO

w Raton Basin Project 2000 - 2002

Contracts are being written with consultants for two phases of the Raton Basin Project, Phases I and V. The identification of mine features, Phase V, will be performed first. After all of the existing mine features have been identified, Phase I, the infrared survey, will be conducted.

V. ENVIRONMENTAL ISSUES

.. Water Quality Control Commission/Division Quarterly Meeting

The date for the next quarterly meeting has not been agreed to yet.

VI. ORGANIZATION

.. Staff Organization

Our current organization chart is attached.

- New Commissioner

Welcome to new Commissioner Tom Ann Casey, who brings to the Commission over twenty-five years of experience as a geologist, mostly in the oil and gas industry. A listing of Biographical Sketches of the Commissioners, updated with Commissioner Casey's information, is attached.

- VII. PLANNING/ADMINISTRATION/OTHER

.. 1999 Outstanding Oil & Gas Operations Awards

The COGCC Outstanding Operations Awards were presented by Steve Sonnenberg and myself during the keynote speaker luncheon at the Colorado Oil and Gas Association Rocky Mountain Natural Gas Strategy Conference on August 10, 2000. The COGCC staff and Commissioners would like to congratulate the following operators for their achievements:

- **BP Amoco** - Environmental Protection and Cost Reduction Award for their San Juan Basin Emissions Reduction Program
- **Ballard Petroleum, LLC and Mesa Hydrocarbons, Inc.** - Leadership in Directional Drilling Award for Advancing the Application of Directional Drilling in the Piceance Basin
- **Barrett Resources Corporation** - E&P Waste Management Award for the Piceance Basin Produced Water Evaporation Project
- **HS Resources, Inc. and Patina Oil and Gas Corporation** - Production Enhancement Award for

Ownership Exchanges to Facilitate Orderly Development in the Wattenberg Field

- **Burlington Resources, Inc.** - Exploration Award for their Paradox Basin Pennsylvanian Wildcat Gas Discovery
- **J.M. Huber Corporation and Vastar Resources, Inc.** - Well Completion/Stimulation Award for Improved Fruitland Formation Coalbed Methane Well Completion Practices in the San Juan Basin
- **J.M. Huber Corporation** - Community Relations Award for their Proactive Approach to Addressing Surface Owner Concerns in the San Juan Basin

Attached is a detailed write up for all of the awards.

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, 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 <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 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 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 Website 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 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.

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.

The GIS has been modified to return the well data query when a well spot is double clicked to display the well 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 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.

September Hearing Docket

A preliminary docket for September has been provided. A Local Public Forum has been scheduled on the Cedar Ridge spacing application for September 12, 2000 at 5:00p.m. in Walsenburg.

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

I have granted a variance to Petroleum Development Corp. in accordance with Rule 4. of Order No. 464-3 for the Marcy #31-32 Well located in Weld County. The operator made application and a showing that the Parkman Formation is non-productive in the wellbore. Although the Parkman Formation is considered non-productive, 10.5 ppg Premium Lite Plus "filler" cement was pumped across the Parkman Formation to stabilize and protect the production casing from corrosion.