

MONTHLY STAFF REPORT - September 19, 2000

I. STATISTICS

.. Our monthly statistics report is attached.

II. NORTHWEST COLORADO

.. Northwest Colorado Oil and Gas Forum

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 continuation of the Barrett Resources Public Issues Hearing on the Garfield County 20-acre density application is docketed for this month's hearing on September 25-26, 2000 in Denver. Attached are newspaper articles about the August 21-22 Public Issues Hearing on the matter in Glenwood Springs.

III. SOUTHWEST COLORADO

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

The last GORT meeting was held on August 30, 2000 at the La Plata County Fairgrounds. Topics for the meeting included the recently approved Fruitland infill application, EIS updates, 3M project update, and a presentation by Susan Franzheim on the Coalition of Gas-drilling Solutions (COGS). Approximately 25 people attended the meeting.

The next GORT meeting is scheduled for November 16, 2000 from 8:30 to noon at the Lightner Room at the La Plata County Fairgrounds.

.. 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 the 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 and

approved. 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. The agreement with the private landowner to access Site 9 has been signed and is being reviewed by the Attorney General, Division of Central Services, and the Controller.

The final reports for both the reservoir and ground water modeling should be received by September 22, 2000 for review by SUIT, BLM, and COGCC staff.

.. EPA Investigation to Determine the Risks to Underground Sources of Drinking Water
Associated with the Hydraulic Fracturing of Coalbeds for Methane Gas Recovery – San Juan
Basin

In response to the results of recent litigation (Legal Environmental Assistance Foundation (LEAF) v. EPA, 118F3d 1467) and complaints from residents and the San Juan Citizens Alliance, the EPA is investigating whether hydraulic fracturing of coalbeds has resulted in or has the potential to result in contamination and/or loss of water from underground drinking water well sources. On August 15, 2000 Morris Bell and Debbie Baldwin met with representatives of the EPA to brief them on coalbed methane development in the Colorado portion of the San Juan Basin and to answer questions. In summary, although COGCC has received and investigated a number of complaints from landowners alleging impacts from this type of well stimulation, we have not been able to substantiate the occurrence of any impacts. EPA representatives also traveled to La Plata County where they witnessed first hand a fracturing job on a BP Amoco well and met with the San Juan Citizens Alliance. Attached is staff's letter to the EPA, which was submitted during the formal comment period related to this investigation.

IV. SOUTHEAST COLORADO

Raton Basin Project 2000 - 2002

Contracts are being written with consultants for two phases of the Raton Basin Project, Phases I and V. Phase I is the investigation of methane seeps using infrared instruments capable of detecting gas at one part per million. Phase V is the identification of core and drill holes as well as underground mine workings.

V. ENVIRONMENTAL ISSUES

.. Rule Making Proposed to 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. New rules have been proposed that would apply to the Lyons Sandstone in Weld County (proposed WQCC Rule 42.7.(46); the Parkman Sandstone in Weld County (proposed WQCC Rule 42.7.(47); the Sussex Sandstone in Weld County (proposed WQCC Rule 42.7.(48); and the D and J Sandstones in Adams, Arapahoe, Morgan, Washington, and Weld Counties (proposed WQCC Rule 42.7.(48). Copies of the proposed rules have been provided to you.

COGCC staff will present the rules to the WQCC for consideration at their December 12, 2000 hearing, which will be held at 11:00 AM in the Florence Sabin Conference Room at the Colorado Department of Public Health and Environment (CDPHE), 4300 Cherry Creek Drive South, Denver, Colorado.

.. Water Quality Control Commission/Division Quarterly Meeting

The date for the next quarterly meeting has not been determined.

.. Statewide Integrated Ground Water Quality Protection Program

Since Colorado's ground water protection responsibilities are dispersed over a number of agencies, the WQCD is taking the initiative in developing a Colorado Ground Water Protection Council

(CGWPC), which consists of representatives of the six implementing agencies. CGWPC will provide a forum for discussion of ground water issues and facilitate the coordination of ground water protection activities within the State. Debbie Baldwin will represent the COGCC and Bob Chesson will serve as the alternate. The next meeting of the CGWPC will be held on October 19, 2000 from 9:00 to 11:00 AM in the COGCC conference room.

VI. ORGANIZATION

.. Staff Organization

Our current organization chart is attached.

VI. PLANNING/ADMINISTRATION/OTHER

.. Well Log Imaging

The division's open hole well log electronic imaging project, that was approved for the fiscal year 2000/2001 budget, has been started. The goal of this project is to image all of the estimated 66,000 plus well logs and make them available to all COGCC data users. Ultimately, the log images will be accessible through the Internet. There will be more information about how the logs will be accessed in future staff reports.

The project is still in the planning and procurement stages with the actual scanning anticipated to begin in October. The scanning, which will be performed by the Colorado Division of Central Services, will take three to six months depending on the number of eight-hour work shifts that are employed to provide the scanning services.

.. 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 affects 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 turnaround time of all documents. Electronic submission may be made by e-mail 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

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.

.. NGPA Well Determination Process Resumed

The COGCC and the Federal Energy Regulatory Commission ("FERC") held a workshop on September 19, 2000 for producers to discuss the FERC's July 14, 2000 approval of Order No. 616 which becomes effective on September 25, 2000. BLM Representatives were among the 27 attendees.

On October 1, 2000, the COGCC will begin accepting applications for determination of coal seam gas and tight formation gas for wells spudded after December 31, 1979 and before January 1, 1993 for which determinations were never requested. In addition, applications may be filed for determination for wells recompleted for coal seam gas and tight formation gas commenced after January 1, 1993, in wells drilled after December 31, 1979 and before January 1, 1993, for which determinations were never requested. Further, gas producers may wish to file applications with the COGCC seeking designation for new tight formation areas previously undesignated.

.. 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.

.. October Hearing Docket

A preliminary docket for October has been provided.