



MONTHLY STAFF REPORT-April 23, 2001

I. STATISTICS

Our monthly statistics report is attached. ([Page 1](#), [Page 2](#), [Page 3](#))

In March 2001, the COGCC processed 192 drilling permits (2,304 annual equivalent). In comparison, from 1995 to 1999 the COGCC processed an average of 1,035 permits per year, and last year the permit processing level increased dramatically from 1,010 permits in 1999 to 1,529 permits in 2000. Recent permitting numbers indicate for calendar year 2001 an even greater increase to approximately 2400 permits.

The COGCC has been redirecting staff resources to address the increasing permit processing workload. Some segments of our inspection and enforcement goals have been reduced in order to devote more resources to keep up with increased permitting and high priority drilling-related inspection and complaint response workloads.

II. NORTHWEST COLORADO

.. Northwest Colorado Oil and Gas Forum

The next meeting of the Forum is scheduled for Thursday, May 10, 2001 from 10:00 a.m. until 2:00 p.m. at the Rifle Fire District Headquarters, 1850 Railroad Avenue, Rifle. 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. Attached are newspaper articles about items of interest for Garfield County and northwest Colorado. ("[BLM Plan Will Guide Gas Drilling](#)", "[Western Garco is Drilling Hot Spot](#)", "[Shell Take Over Bid..](#)", "[Shell Attempting..](#)", "[Quest..Has Landowners Worried](#)", "[Canadian Company Buys Into Gas Market](#)")

.. Barrett Resources Corporation ("Barrett") Increased Well Density Application

COGCC staff continues to work with Barrett to process Applications for Permit-to-Drill ("APDs") for new wells within lands subject to the Commission order adopted during the October 2000 hearing for 20-acre density in Garfield County. To date, the COGCC has received 30 APDs submitted by Barrett for the increased well density area.

Since the March hearing, the COGCC has received 13 APDs for the newly adopted 20-acre infill area. Three of the applications are for wells south of the Colorado River in the "specified surface wellsite lands" and consist of one vertical and two directional wells. The directional wells are required. The remaining ten APDs are for wells north of the Colorado River. Nine of these APD's are for vertical wells on new surface locations; one APD is for a directional well from an existing surface well site. The directional well is not required.

Seven of the 13 APDs submitted since the March hearing are for second wells in the respective 40-acre parcel. None of these APDs requires an on-site inspection. Permit approval is pending.

COGCC staff has been working closely with Barrett permitting staff and Garfield County to ensure that the requirements of the 20-acre density order are met in an efficient manner.

.. Barrett 20-Acre Density Application for Federal Lands

Barrett has filed an application for the April 2001 hearing for 20-acre well density on approximately 16,000 acres of Federal lands in the Grand Valley/Naval Oil Shale Reserve area in Garfield County. The COGCC rules providing for public participation on the surface impacts are not applicable since the application does not include any private surface lands; therefore, the COGCC will not hold a Local Public Forum. Public participation in the matter is being addressed through the BLM processes, including the 1999 Glenwood Springs Resource Area Plan Amendment for Oil and Gas Leasing and Development, opportunities for public comment on Applications for Permits to Drill, and an informal public open house. Under the terms of the Memorandum of Understanding between the BLM and the COGCC, the technical merits of the application were addressed during a COGCC Administrative Hearing held on April 12, 2001, and the matter will be presented for Commission approval on the consent agenda during the April 23rd hearing. Attached is a newspaper article about the 20-acre density application. (["Commission Staff Recommends Approval of Barrett Proposal"](#))

.. Routt County Planning Commission/County Commissioner Presentation

On April 5th, COGCC staff Brian Macke, Debbie Baldwin, Bob Chesson, and Jaime Adkins made a presentation to various Routt County officials and staff and approximately 25 Routt County residents about COGCC regulation of oil and gas development. The COGCC offered the presentation to provide information about the extensive regulatory program administered by the COGCC as Routt County communicates with Phillips Petroleum and KLT Gas Inc. about coalbed methane pilot programs in the area. The presentation and questions lasted approximately two hours; several questions and concerns were raised by the county personnel and residents about the pilot coalbed methane projects. The Routt County staff sent a letter thanking COGCC staff for providing them with very useful information.

III. NORTHEAST COLORADO

.. TOP Operating/City of Longmont Well Location Talks

A prehearing conference was held on Thursday, April 12th with the parties and COGCC staff to discuss progress toward identifying mutually acceptable well locations in Sandstone Ranch. The parties met April 6th and again just prior to the prehearing conference to discuss directional drilling and associated costs, exception locations and well drilling priority. They will continue to look for agreeable well locations and meet again with COGCC staff to provide an update on May 17th. It is hoped that a hearing on well locations will not be necessary.

IV. SOUTHWEST COLORADO

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

The next GORT meeting is scheduled for May 11, 2001 from 8:30 to noon at the La Plata County Fairgrounds.

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

Weather and ground conditions have necessitated the rescheduling of monitoring well installation. It is anticipated that fieldwork will resume in late summer.

V. SOUTHEAST COLORADO

.. Raton Basin Project 200-2001

The fieldwork is complete for Phase I of the Raton Basin Project 2000-2001. Apogee Scientific performed the infrared gas seep detection. Approximately sixty-five (65) gas seeps were detected using the truck mounted infrared spectrometer. One seep was found in Huerfano County, the rest were in Las Animas County. The majority of the seeps are within twelve (12) miles of Highway 12 which parallels the Purgatoire River. The written part of Phase I is projected to be finished by the end of June 2001.

The work for Phase II, coal mine feature digitizing by Greg Lewicki and Associates, is approximately fifty percent complete. There are approximately 450 coal mines in the Basin. It is anticipated that the project will be completed by the end of June 2001.

VI. ENVIRONMENTAL ISSUES

.. Statewide Integrated Ground Water Quality Protection Program

The next meeting is scheduled for May 10, 2001 in the COGCC conference room.

VII. ORGANIZATION

.. Staff Organization

Our [current organization chart](#) is attached.

The hiring process for the vacant Imaging Systems Administrator and Production/Levy Analyst positions are underway. The announcement period for both positions has closed and it is expected that the positions will be filled within the next few weeks.

VIII. PLANNING/ADMINISTRATION/OTHER

.. Rulemaking hearing

COGCC staff is preparing a rulemaking draft for the May 31-June 1 hearing. The proposed changes affect the 100, 200, 300, 500, 600, 900 and 1100 Series Rules. The proposal includes: modifying the Local Governmental Designee process, adding language on global positioning system data reporting, changing the levy payment and reporting process, modifying the local public forum and public issues hearing requirements and updating the seismic rules. Rulemaking drafts will be available on the COGCC web site by May 1st or by contacting Tricia Beaver at (303) 894-2100 x115 or tricia.beaver@state.co.us.

.. Revision of levy payment/reporting

A stakeholder meeting was held at the COGCC office on Tuesday, April 17th to discuss revisions to levy payment and reporting. Representatives from levy payors along with trade organizations were invited. COGCC staff proposes to simplify the levy reporting process, requiring reporting by operator rather than by lease, and has prepared a draft Form 7, Operator's Monthly Report of Operations, for comment. The proposed change to Rule 310A. will be included in the rulemaking hearing proposed for the May 31-June 1, 2001 hearing.

.. Well Log Imaging

The division's open hole well log electronic imaging project that was approved for the fiscal year 2000/2001 budget is under way. 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, all of the log images will be accessible through the Internet.

The Division of Central Services continues to scan well logs and save them to disk for transfer to the imaging system. Issues continue to arise which need resolution; this project is truly unique in terms of the number of documents being scanned and the file size. Currently the production line consists of two full time shifts prepping, scanning and indexing the logs. A third shift is being considered. The process has been streamlined and the work quality appears to be consistently high. Of the eight hundred and fifty (850) total boxes, sixty-seven (67) boxes have been scanned and one hundred and four (104) are in process. The current projected completion date is August 14, 2001. The logs will be available to the public on the Internet as they are stored in the imaging system.

Internet viewing of the logs follows the procedure outlined in the "Tiff Image Viewing Information" document on the COGIS main menu at <http://cogccweb.state.co.us/>. Additional information will be added to the document as we gain experience. Viewing the logs is very memory intensive; it may work best to save the document to your hard disk and then open it later.

The imaging system is being reconfigured to provide better access time and additional storage capacity. The equipment necessary to accomplish this has been ordered and installation is anticipated to take place later this month.

Production Reporting by E-mail

There are currently more than eighty operators reporting electronically, accounting for 80.6 percent of the production reported in the month of October 2000. This is an increase of twenty operators, or 7.3 percent of production reports, since June of 2000. This significantly reduces the manual data entry volume. Thank you to all of the operators who are reporting 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 has 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/>, or from the COGCC office. Questions should be directed to Sharon Tansey at (303) 894-2100 x128.

Electronic Levy Reporting

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

Sharon Tansey has been contacting levy payors directly and urging them to submit their reports electronically. She will also be 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/>. Electronic filing of levy data will help reduce data input requirements and data entry errors, thus enabling faster turnaround time. Electronic submission may be made by e-mail attachment to ogcc.eforms@state.co.us or by mailing on a 3.5-inch diskette or CD. Questions should be directed to Sharon Tansey at (303) 894-2100 x128.

Data Entry

The volume of data entry has increased significantly over the past year. With the current oil and gas prices, we are seeing an increase in drilling and completion activities and the 1999 production reporting requirements significantly changed the number of lines of data submitted. In addition, the new COGIS database allows for storage of a more complete data set than the previous database for wells and other oil and gas operations. In order to facilitate faster turnaround time of 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.

The COGCC, with the State's Pueblo Data Entry Center (PDEC), has created a version of the COGCC Form 7, Operator's Monthly Report of Operations, that will allow for Optical Character Recognition (OCR) conversion of the imaged data into digital character data. The COGCC will scan the production reports and transfer the images to PDEC. PDEC will run the OCR application on the imaged files, review the converted data and correct any improperly converted characters. In order to implement this, there will be a requirement to use a form that is just like the current form except the form has reference blocks in the corners used for automated sizing and alignment, and a barcode that is used as a unique form identifier. In addition, there will be a request for operators who are generating paper reports from their computers to submit the data electronically. While the project is complicated, initial testing indicates that it will be successful.

Colorado Oil and Gas Information System (COGIS)

The COGCC information system has been named the Colorado Oil and Gas Information System (COGIS). COGIS is made up of the database management system, the Geographic Information System (GIS) and the document imaging system. All of these systems are available on the Internet 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 to view individual records on the computer screen. Reports are being developed to provide access to multiple record data sets.

The GIS is made up of two parts. The plat mapping tool spots wells, pits, and other associated facilities. The Internet available GIS tool is the Autodesk Mapguide application that displays statewide data including wells, pits, land ownership, spacing, surface water, surface geology, municipalities, roads, etc. Autodesk Mapguide allows for zooming, panning, printing and redirection to the database queries.

The document imaging system contains digital images of all paper records of the COGCC. The historical records, including cement bond logs and oversize hearing exhibits, 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.

Geographic Information Systems (GIS)

The current GIS project involves inputting spacing orders to show the cause number, unit size and well density of any given area, accurate to the section level. This will enable the reviewer to know which

orders should be consulted for further detail. This is a large project that will take quite a while to complete. The data will begin showing up on the Internet as each spaced area is finished, beginning in southwest Colorado and working clockwise around the state.

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 well data query when a well spot is double clicked to display the well data. Active undrilled permits are now available on the GIS.

We continue to redesign our web pages to provide improved customer service. The public is invited to leave comments or suggestions for improvements of the COGCC Internet site. Our e-mail address is dnr.ogcc@state.co.us.

Customer Feedback on Web Site

The comments we receive are encouraging and continue to deliver the message that we are on the right track in providing our customers with the right product. Our goal is to continue to improve the website and the data contained within.

NGPA Well Determination Process Resumed

On October 1, 2000, the COGCC began 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.

Operators must submit FERC Form 121 and the COGCC Form along with the required materials to the COGCC for processing for well determinations. FERC Form 121 is available in hard copy at the COGCC. The COGCC form is available on the website by clicking on "Natural Gas Category Determination". Additional information is available on the website including a list of tight formation area designations and a list of all previously approved well determinations provided by the FERC.

To date, 562 applications have been filed and processed, with 485 sent to FERC recommending approval. A regularly updated listing of all applications received and their status is available on our website at http://cogcc.state.co.us/info/NGPA/ngpa_determination.htm. For additional information, contact Tricia Beaver at (303) 894-2100 x115 or tricia.beaver@state.co.us.

Penalties Status

Attached is a [revised table](#) showing the status of penalties paid and penalties pending collection. COGCC staff is working closely with State Central Collections to attempt more timely collections.

May-June Hearing Docket

A preliminary docket for the May 31-June 1 hearing has been provided. Hearing dockets are updated on the COGCC website and can be accessed at <http://cogcc.state.co.us/2001HearingSchedule.htm>.

IX. VARIANCES

Mesa Hydrocarbons was granted a 502.b. variance to COGCC Rule 318., requirement of minimum distance between wells, for the Chrisner 8-5A Well and the Chrisner 8-5B Well both located in Section 8, Township 7 South, Range 92 West, 6th P.M. These wells will be drilled from existing pads and are part of a pilot program designed to gather production data regarding the feasibility of increasing well density for the Williams Fork reservoir. No objections were received from affected mineral owners and a surface owner's agreement has been executed.

Prima Oil & Gas was granted a variance to COGCC Rule 603.a.(2)., requiring that a well shall be a minimum distance of 150' from a surface property line, and COGCC Rule 604.a.(2)., requiring that a tank be at least 2 diameters from the boundary of the property on which it is built, for the Beeler #22-12 Well, located in the NW¼ NE¼ of Section 22, Township 4 North, Range 67 West, 6th P.M. Prima Oil & Gas reached agreement with two surface owners for well and tank battery placements that optimize existing surface use (farm and residential) and protect a nearby wetlands area.

H:Nicole/Misc/Staff Report/04-01

Colorado Oil & Gas Conservation Commission
Monthly Breakout of Drilling and Recompletion Permits

	Backlog	Received	Processed	Withdrawn	Rejected	Incomplete	In-Process	Remaining
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Drilling								
Apr-00	118	133	103	5	0	48	95	143
May-00	143	128	129	6	0	74	62	136
Jun-00	136	198	122	8	0	84	120	204
Jul-00	204	123	148	13	0	68	98	166
Aug-00	166	154	107	6	0	73	134	207
Sep-00	207	140	138	1	0	62	146	208
Oct-00	208	143	155	6	0	62	128	190
Nov-00	190	181	135	3	0	92	141	233
Dec-00	233	162	191	19	0	48	137	185
Jan-01	185	217	203	5	0	27	167	194
Feb-01	194	195	193	4	0	40	152	192
Mar-01	192	137	192	8	0	34	95	129
Apr-01	129	0	0	0	0	0	0	0
Recompletion								
Apr-00	3	3	2	2	0	0	2	2
May-00	2	17	14	0	0	0	5	5
Jun-00	5	20	14	0	0	0	11	11
Jul-00	11	6	9	0	0	0	8	8
Aug-00	8	16	7	1	0	0	16	16
Sep-00	16	34	37	2	0	0	11	11
Oct-00	11	13	11	1	0	10	2	12
Nov-00	12	10	7	2	0	7	6	13
Dec-00	13	14	9	0	0	6	12	18
Jan-01	18	40	47	0	0	4	7	11
Feb-01	11	10	5	0	0	2	14	16
Mar-01	16	8	10	1	0	4	9	13
Apr-01	13	0	0	0	0	0	0	0
Total								
Apr-00	121	136	105	7	0	48	97	145
May-00	145	145	143	6	0	74	67	141
Jun-00	141	218	136	8	0	84	131	215
Jul-00	215	129	157	13	0	68	106	174
Aug-00	174	170	114	7	0	73	150	223
Sep-00	223	174	175	3	0	62	157	219
Oct-00	219	156	166	7	0	72	130	202
Nov-00	202	191	142	5	0	99	147	246
Dec-00	246	176	200	19	0	54	149	203
Jan-01	203	257	250	5	0	31	174	205
Feb-01	205	205	198	4	0	42	166	208
Mar-01	208	145	202	9	0	38	104	142
Apr-01	142	0	0	0	0	0	0	0

Incomplete are permits that have missing or inaccurate data and cannot be approved.

HOME**Colorado Oil and Gas
Conservation Commission**

A division of the Colorado Department of Natural Resources

[Transparency Online Project \(TOP\)](#)**PRINT PAGE****MISSION****KIDS' PAGE****GENERAL****CONTACTS****LIBRARY****HEARINGS****RULES****POLICIES****ORDERS****FORMS****STAFF RPT****PERMITS****NEWS/MEDIA****DATABASE****LOCAL GOV****IMAGES****MAPS****HELP**

**Canadian company
buys into gas market**
MARCH 29, 2001
By Heather McGregor
Staff Writer

While the public eye has focused on Shell Oil Co.'s attempt to buy out Garfield County's biggest natural gas producer, a Calgary energy giant has quietly purchased the No. 2 company in the field.

Alberta Energy Co. Ltd., a \$9 billion company with operations in western Canada, the U.S. Rockies and Ecuador, purchased privately held Ballard Petroleum LLC of Billings, Mont., for \$225 million.

Shell's attempt to purchase Denver-based Barrett Resources Inc. has stalled in a price dispute.

After the Ballard purchase, Alberta Energy announced plans to drill 300 new gas wells in the Mamm Creek basin over the next three years, and to boost production to about 65 million cubic feet per day by 2003.

Ballard operated three rigs in the basin for the past year, drilling about 75 wells. Before early 2000, the company drilled about 50 wells a year.

It has 147 producing wells in the basin, including 15 in a corner of Mesa County at the top of Divide Creek, producing 45 million cubic feet of gas a day.

The Mamm Creek field runs along the west side of the larger Divide Creek Basin south of

Gas
continued on page 7-A

Mamm Creek reserves prompts sale.**Gas**
continued from page 1-A

Silt, running from Hunter Mesa to Dry Hollow and up the northeast slopes of the Battlement. It includes private and federal land.

With an emphasis on production growth, Alberta Energy targeted Ballard for its rich Mamm Creek reserves, estimated at 280 billion cubic feet, worth an estimated \$175 million.

The purchase also included 1175,000 undeveloped acres, valued at \$22 million, and Ballard's gas collection pipeline system in Mamm Creek, valued at \$20 million.

"We buy concentrated, high-working interest, long-life reserves with significant growth potential. Ballard is an excellent fit," said Gwyn Morgan, Alberta Energy president and CEO.

"Last year, we bought 1 trillion cubic feet of long-life reserves in Wyoming," Morgan said. "Our Jorah field has fully met expectations and is forecast to produce 180 million cubic feet per day this year."

"We are now fortifying that growth with production from a second Rocky Mountain basin," Morgan said.

With the Ballard acquisition, Alberta Energy's 2001 gas sales forecast was pushed upward to 1.4 billion cubic feet per day.

"Mamm Creek is a relatively young natural gas field," said Roger Biemans, president of Alberta Energy Co. Oil & Gas Inc., the company's U.S. subsidiary.

"The field has considerable growth potential, with more than 500 drilling locations identified," he said.

The company will likely conduct a seismic testing program and gain a better understanding of its prospects before launching its stepped-up drilling program, said Alberta Energy spokesman Alan Boras.

More of the 300 wells would be drilled later in the three-year period, he said.

In the February transaction, Ballard's owners bought back the company's holdings in Wyoming and Montana and created a separate company, Ballard Petroleum Holdings LLC.

Joe Owen, a senior landman who remains with Ballard Holdings, said Alberta bought the company as much for its style of business as for its mineral wealth.

"We set the tone on directional drilling," Owen said. The technique uses one well pad to drill two to five wells, cutting down on surface damage.

"We treat landowners as if they were our partners, not adversaries. Alberta Energy liked that, and they bought the company for that reason," Owen added. "They are following in our footsteps."

"We never have any surface owner complaints about Ballard," said Brian Macke, deputy director for the Colorado Oil and Gas Conservation Commission.

"They've definitely taken a leadership role in working with surface owners and using directional drilling to maximize production," he added.

GRAND JUNCTION "DAILY SENTINEL" APRIL 13, 2001

Commission staff recommends approval of Barrett proposal

By MIKE McKIBBIN
The Daily Sentinel

RIFLE — An application for 20-acre downhole natural gas well density on some 15,000 acres of Bureau of Land Management property in western Garfield County was recommended for approval Thursday by the staff of the Colorado Oil and Gas Conservation Commission.

The recommendation followed an administrative hearing that focused on the natural gas reservoir in the Williams Fork formation. It will be considered as part of the COGCC's consent agenda at its April 23 meeting in Denver.

The application by Barrett Resources Corp. is an outgrowth of last year's 20-acre spacing request on

some 9,000 privately-owned acres between Rulison and Parachute. After a nearly yearlong hearing process, the COGCC required Barrett to drill directionally from existing well pads on about 1,400 acres. Effects to public health, safety, welfare and the environment were cited as reasons.

The 20-acre spacing was allowed on the remaining 7,000 acres, the closest gas well spacing in Colorado.

The BLM originally intervened in Barrett's application, but the agency withdrew when Barrett promised to seek 20-acre spacing on federal lands at a later date. The BLM property included in this request lies in the same general area, and includes the former Naval Oil Shale Reserves

west of Rifle.

"(Barrett experts) presented very thorough geotechnical, engineering and land ownership testimony," said COGCC Deputy Director Brian Macke, who presided over the administrative hearing.

"The BLM believes 20-acre spacing is necessary for development of the subsurface resource," Natural Resource Specialist Dan Sokal said, "but the COGCC order doesn't apply to surface use."

Surface issues will be addressed by the BLM under National Environmental Policy Act provisions. Each application for a permit to drill a new well will be subject to a

See **BARRETT**, page 12B ➤

BARRETT: BLM didn't receive any public comment

➤ Continued from page 1B

site-specific environmental assessment. That process can take 30 to 90 days, said Sokal.

He added the BLM had not received any public comments on the application. Sokal believed that was because no new surface locations

are involved.

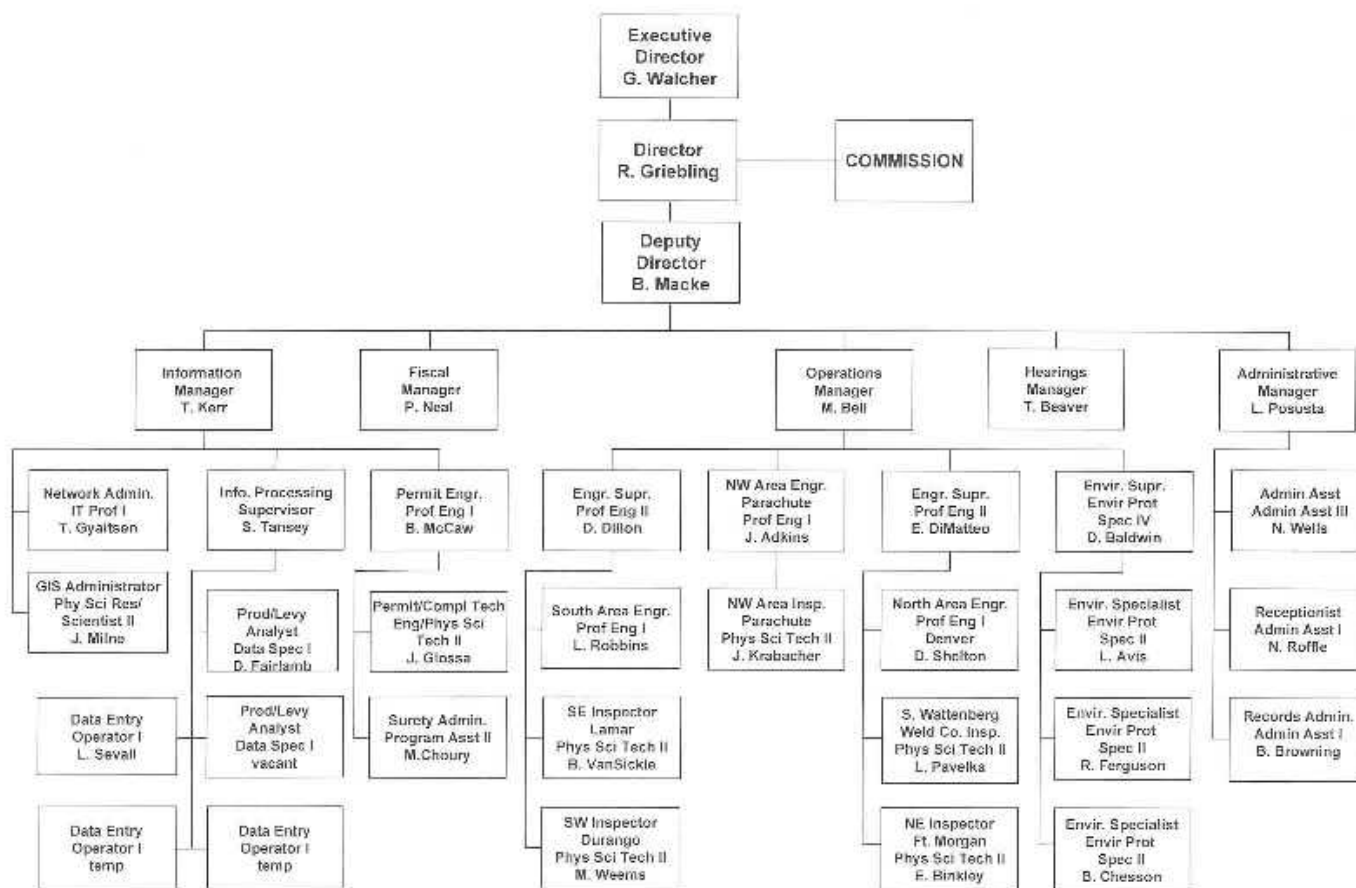
A significant difference with this density application is that Barrett plans to drill directionally from 40-acre well pads to achieve 20-acre downhole spacing to more effectively drain the underground natural gas reservoir.

During last year's hearings,

company officials often claimed directional drilling was too costly compared to vertical drilling. Difficult geography on the BLM lands lead to the need for directional drilling in this application.

Mike McKibbin can be reached via e-mail at mmckibbin@gids.com.

COLORADO OIL & GAS CONSERVATION COMMISSION ORGANIZATION



Version 50 - 2/6/2001

PENALTY PAYMENT STATUS

I. Penalties Assessed/Paid

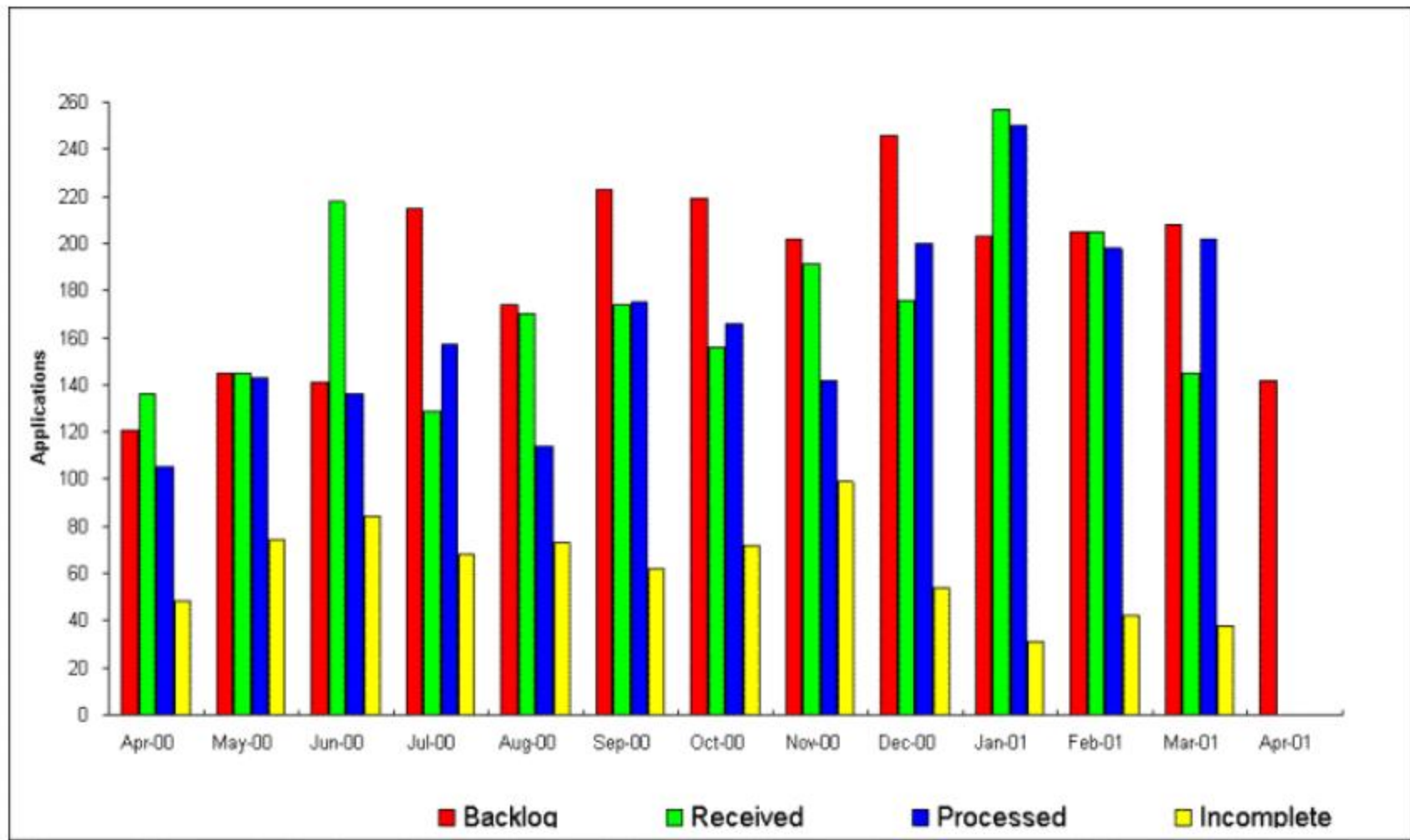
Fiscal Year	Number of Orders Issued	\$ Amount of Penalties Assessed	Number of Orders Paid	\$ Amount of Penalties Paid	Number of Orders Waived	\$ Amount of Penalties Waived	Number of Orders Paid Through Collections
90-91	4	\$32,300	4	\$32,300	0	\$0	n/a
91-92	0	\$0	0	\$0	0	\$0	n/a
92-93	6	\$11,500	2	\$6,500	0	\$0	n/a
93-94	9	\$152,608	7	\$105,000	0	\$0	n/a
94-95	10	\$181,552	4	\$21,805	4	\$139,000	n/a
95-96	24	\$252,250	19	\$154,000	3	\$20,750	n/a
96-97	13	\$79,500	8	\$29,500	0	\$0	n/a
97-98	29	\$140,500	22	\$74,750	0	\$0	n/a
98-99	19	\$62,000	18	\$66,500	2	\$25,000	n/a
99-00	23	\$110,500	12	\$59,460	0	\$3,000	2
00-01	13	\$82,500	15	\$28,500	0	\$6,000	0
Totals	151	\$1,105,210	111	\$578,315	9	\$193,750	2

II. Penalties Pending Collection

Order Number	Date Issued	Violating Entity	Penalty Assessed	Violations	Status	Referred to Central Collections
1V-58	03/15/93	Gear Drilling Company	\$2,000	Rule 305, 319.a.(2)		Yes
1V-73	08/23/94	Western Oil Company	\$2,500	Rule 317.a.8.	Work completed per order	Yes
1V-82	06/19/95	Joseph V. Dodge	\$14,000	Rules 210.b., 305., 307., 317.b.(3), 604.a.(4)	Bond forfeited	Yes
1V-93	11/21/95	Tipps Drilling Co.	\$60,000	Rules 604.a.4., 902.e.&f.	\$30,000 bond claimed 11/96/penalty unpaid/No assets.	Yes
1V-110	05/21/96	Kana Resources, Inc.	\$3,500	Rules 303.a., 306., 317.b.1.	AOC negotiated	Yes
1V-114	09/04/96	Mr. Jim Snyder	\$10,000	Rules 308., 317.J., APD	District Court decision entered/\$10,000 bond claimed 12/96/	Yes
1V-123	05/20/97	Planet Associates, Inc.	\$4,000	Rules 319.b., 326.b.	\$10,000 bond claimed 5/97	Yes
1V-124	07/01/97	Nerdihc Company Inc.	\$9,000	Rules 326.b.1., 319.b., 210.b.		Yes
1V-132	11/24/97	Eros, Inc.	\$24,000	Rules 319.b., 326.b.	\$30,000 bond claimed 5/98	Yes
1V-167	01/05/99	Pacific Midland Production	\$1,000	Rule 326.b.	Bond to be claimed.	Yes
1V-170	03/25/99	Allen Oil & Gas, LLC	\$12,000	Rules 904, 905, 603.g., 906, 909.b.(2) &(5), 910	Work to be completed by July 1, 1999.	Yes
1V-173	07/12/99	J. Magness, Inc.	\$9,000	Rules 207.b., and 326.b.	Bond to be claimed if work not completed.	Yes
1V-175	08/19/99	McCormick Oil & Gas Co.	\$18,000	Rules 1004, 319.b.(3), 326.b., 206., 309.	McCormick in bankruptcy	Yes
1V-177	08/19/99	Faith Energy Exploration, Inc.	\$3,500	Rules 308A., 308B., 326.b.	Pull Plugging Bond.	Yes
1V-183	12/02/99	Gopher Drilling Company	\$2,000	Order No. 1C-3	Bond to be claimed if work not completed.	Yes
1V-191	02/15/00	Cascade Oil	\$1,000	Rule 326.b.(1)	Bond to be claimed if work not completed	Yes
1V-201	10/30/00	Texas Tea, LLC	\$4,000	Rule 319.b.(3), 326.b.	Payment plan arranged 01/19/01	No
1V-202	11/30/00	Robert Ziegler	\$2,000	Rule 326.b.		Yes
1V-204	12/19/00	Allen Oil & Gas, LLC	\$60,000	Rule 326.b., 324A.a., 904., 905., 906.b.(1), 906.a.(1), 907.c.(2)		No
Total penalties pending collection			\$241,500			

III. Penalties Uncollectable

Order Number	Date Issued	Date Entered	Violating Entity	Penalty Assessed	Violations	Status
1V-56	07/20/92	08/25/92	The Meyer Oil Company	\$1,500	Rule 329, 323, 604	Penalty included in Order 1-186
1V-62	11/22/93	12/14/93	Richmond Petroleum Inc.	\$47,608	Rules 317.r., 902.g.1., 908.b., Order #112-85	District Court entered judgement. Referred to State Central Collections who recommends write-off
1V-75	08/23/94	09/23/94	The Meyer Oil Company	\$18,247	Rules 317.a.8., 305., 308., Order #1-132 & 178	No Action Taken/Penalty discharged in bankruptcy
1V-127	08/04/97	08/13/97	Point Lookout Drilling	\$28,750	Rules 210., 308., 312... et al	\$30,000 bond claimed 9/97. State Central Collections recommends write-off
1V-134	02/09/98	03/10/98	Centennial Petroleum Inc.	\$2,000	Rules 1004., 1103.	\$30,000 bond claim commenced 3/98. Bonding co. did work/ State Central Collections recommends write-off
1V-161	10/19/98	11/19/98	Black Thunder Marketing, Inc.	\$2,000	Rule 326.b.	Bond claim underway. State Central Collections recommends write-off
Total uncollectable penalties				\$100,105		



Backlog = Incomplete + In-process = Remaining permits from previous month

Page 1 of 2

YEAR	MO	Baker - Hughes rig count	Permits								Active Walls	Unedited Historic Records	Public Visits			Well Oper Change	
			Drilling		Recompletion		Injection		Pits				Data	Office	Internet		
			Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd							
1998	Total		1157	1210	153	159	11	17	112	105			1935	2915		0	3344
1999	JAN	10	51	57	0	1	1	0	13	5	23925	15226	139	271	1263		159
	FEB	11	49	73	6	7	2	2	28	1	23905	15217	158	250	1540		216
	MAR	11	86	65	7	5	1	0	10	20	23889	15204	168	332	1232		38
	APR	8	76	112	7	6	0	0	28	15	23965	15195	145	361	1487		47
	MAY	11	92	82	0	0	0	1	11	7			116	321	1711		506
	JUN	13	85	95	1	1	0	0	19	19	24035	15182	145	324	1506		132
	JUL	10	82	78	6	8	1	1	0	3	24126	15178	150	326	2594		54
	AUG	13	73	81	6	6	1	1	0	2	24145	15176	155	212	1956		40
	SEP	14	90	124	7	13	1	1	14	18			130	132	1136		697
	OCT	15	133	110	13	16	0	0	2	33			146	120	NA		52
	NOV	17	96	90	24	16	3	1	10	5			65	162	NA		90
	DEC	18	87	90	9	8	0	0	23	18			107	119		814	155
1999	Total		1010	1057	86	87	10	7	158	146			1624	2840	15239		2186
2000	JAN	18	71	99	7	7	0	0	3	6			140	92	3025		287
	FEB	17	114	152	16	22	2	2	16	15			123	126	3432		211
	MAR	18	116	130	17	12	1	1	5	17			126	172	3611		191
	APR	18	103	133	4	3	2	2	5	54	21989		108	169	3219		358
	MAY	17	129	128	14	17	0	1	71	34	22098		131	218	3664		155
	JUN	16	122	198	14	20	0	0	18	10	22103		106	117	3391		373
	JUL	19	148	123	9	6	4	8	35	30	22190		100	172	3384		215
	AUG	16	107	154	7	16	1	0	22	40	22247		103	75	3759		195
	SEP	16	138	140	37	34	1	4	51	37	22175		66	208	4941		327
	OCT	19	155	145	11	13	0	0	42	22	22224		99	205	4863		277
	NOV	22	135	181	7	10	1	1	51	34			82	155	4704		172
	DEC	24	191	162	9	14	0	1	9	6	22228		80	135	4143		200
2000	Total		1529	1745	152	174	12	20	328	305			1264	1844	46136		2961
2001	JAN	26	203	217	47	40	1	1	26	8	22240		89	136	6974		260
	FEB	29	193	177	5	10	0	0	16	16	22225		75	113	4900		457
	MAR	26	192	137	10	8	0	0	3	8	22487		78	107	6448		139
2001	Total		588	531	62	58	1	1	45	32			242	356	18322		856

Colorado Oil Gas Conservation Commission
Monthly Statistics

Page 2 of 2

YEAR	MO	Bonds																	Remediation Projects				Field Insp
		Operators		Release		Replace	Claim		Hearings		Violations			Cmpl't	Spills	Rcvd	Comp						
		New	Inactive	Ind.	Bknt		Ind.	Bknt	Apps.	Order	NOAV	AOC	OFV										
1998	Total	61	56	66	34	39	2	2	113	204	168	35	7	55	178	63	9	6990					
1999	JAN	4	3	1	2	10	0	0	0	2	18	0	1	5	16	2	0	485					
	FEB	5	4	3	1	9	0	0	1	1	11	0	0	7	17	1	1	582					
	MAR	4	2	3	2	4	0	0	2	5	2	2	3	7	21	7	0	787					
	APR	5	6	8	3	3	1	0	5	3	25	1	0	5	11	4	3	447					
	MAY	4	3	5	1	6	0	0	NA	NA	18	NA	NA	7	17	0	0	729					
	JUN	3	1	4	0	10	0	0	5	6	8	0	0	5	15	1	0	665					
	JUL	4	2	3	1	1	0	0	4	3	9	1	2	28	19	8	1	900					
	AUG	4	3	6	2	4	0	0	3	4	19	0	3	11	21	3	0	728					
	SEP	6	7	4	5	2	0	1	4	3	19	1	2	18	22	7	0	609					
	OCT	8	4	5	3	7	0	0		2	13	3	0	10	16	4	1	660					
	NOV	3	4	1	4	1	0	1	NA	NA	14	NA	NA	5	15	12	14	486					
	DEC	5	2	2	1	4	0	0	7	7	40	0	1	15	21	34	4	549					
1999	Total	55	41	45	25	61	1	2	31	36	196	8	12	123	211	83	24	7627					
2000	JAN	4	8	3	6	5	1	0	1	1	34	0	1	9	36	4	0	782					
	FEB	7	5	7	0	6	0	0	1	3	10	6	4	39	22	7	2	732					
	MAR	4	6	6	2	3	0	0	5	2	15	0	0	23	27	16	6	637					
	APR	5	12	11	4	2	0	0	6	4	15	0	0	28	22	9	4	672					
	MAY	7	11	10	4	2	0	0	1	1	45	0	0	23	22	8	6	847					
	JUN	5	8	5	5	7	0	0	1	1	39	0	0	12	21	10	16	412					
	JUL	10	7	6	3	5	0	0	5	7	26	2	0	11	26	10	11	738					
	AUG	7	10	8	2	7	0	0	0	0	26	0	0	9	22	12	15	653					
	SEP	10	7	3	7	2	0	0	0	0	15	2	0	10	17	15	26	588					
	OCT	7	10	4	7	4	0	0	14	7	6	2	2	16	20	11	19	488					
	NOV	6	5	2	5	6	1	0	NA	NA	8	NA	NA	12	34	10	13	654					
	DEC	4	0	0	0	6	0	0	13	9	5	1	0	7	13	2	7	481					
2000	Total	76	89	65	45	55	2	0	47	35	244	13	7	199	282	21	125	7684					
2001	JAN	7	8	6	3	10	0	0	12	8	31	1	0	8	31	12	7	717					
	FEB	6	2	3	1	3	1	0	2	4	2	1	0	3	7	12	7	785					
	MAR	5	3	6	0	9	0	0	2	3	9	1	0	2	10	12	3	463					
2001	Total	18	13	15	4	22	1	0	16	15	42	3	0	13	48	36	17	1965					

Appr = Approved; Bknt = Banned; Ind = Individual; Bknt = Banned; Apps = Application for Hearing; NOAV = Notice of Alleged Violation; AOC = Administrative Order of Consent; OFV = Order Forcing Violation; Cmpit = Completed; Spills = Completed; Revld = Completed; Comp = Completed; Insp = Completed



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News: Local

BLM plan will guide gas drilling

By MIKE McKIBBIN *The Daily Sentinel*

RIFLE — A plan to guide natural gas development over the next three years on some 15,000 acres of public lands in western Garfield County is under development by the Bureau of Land Management.

An environmental assessment for a geographic area proposal is required of operators when an application for a permit to drill is submitted. Barrett Resources Corp. recently made such an application, triggering the long range plan, said Natural Resources Specialist Dan Sokal.

It is the first such proposal under a 1999 final supplement environmental impacts statement and resource management plan amendment for oil and gas leasing and development in the Glenwood Springs Resource Area.

The GAP will be used to plan the development of federal gas leases within the area over a three-year period, rather than a case-by-case submittal of applications. Sokal said it will likely be the end of the summer before the GAP is approved, so most new wells would be drilled beginning next year.

The area involved is north of Parachute, between Wheeler Gulch and County Road 215 on the west and Webster Mesa on the east. Most of the lands were known as the Naval Oil Shale Reserves when they were managed by the Department of Energy until 1999. The BLM now manages the area as the Roan Plateau.

The plan proposes up to 50 new surface locations, plus the use of 13 existing well pads.

Most of those 63 well pads will have multiple well bores that could result in 94 directional wells and 55 vertical wells.

Of those 149 wells, about half are to be based on 40-acre downhole spacing and half on 20-acre downhole spacing. The Colorado Oil and Gas Conservation Commission must approve the 20-acre spacing under an agreement with the BLM.

"They're doing a little bit of everything here," Sokal said.

He also said the exact number of wells actually drilled may be less than proposed, and may involve a longer time frame.

"This is a three-year profile, but it could take up to six years, depending on factors like the market and the results the operators get on the wells they do drill," he said.

The BLM wants to know of any concerns, issues or comments before the completion of the environmental assessment. Comments should be made by May 15 and should be directed to Sokal, (970) 947-2810 or sent to the BLM, Grand Canyon Field Office, P.O. Box 4000, Grand Canyon, AZ 86004.

The Greenwood Springs Post Independent • Sunday, March 25, 2001 • 3-A

Western Garco is drilling hot spot

By Heather McGregor
Staff Writer

The word is out. Western Garfield County is the natural gas drilling hot spot in Colorado, with more rigs at work than in any other county.

State regulators project a 350-well total for 2001, far and away the highest drilling rate the county has ever seen.

From Parachute Creek to Divide Creek, there are nine companies and 13 rigs at work on some of the 91 well-sites already permitted this year.

"People can come down into Garfield County and never drill a dry hole. That's real attractive," said Jerry Sullivan, senior landman for Calpine Natural Gas Co. of Denver and Houston.

"It's a statistical kind of play. The sands are deposited over a wide area, several thousand feet deep. It's a big target," said Eric Stearns, exploration vice president for Petroleum Development Corp. of Bridgeport, W.Va.

"When you find an area with the right character in the rock, you can drill a lot, and pretty fast," he said, with predictable results.

Calpine and PDC are among the newcomers on a scene that's been dominated for a decade by Barrett Resources Inc. of Denver.

As gas prices have climbed over the past year, a half dozen new companies have entered the Garfield County gas play.

The other new names are Montana-based Retameo Operating Inc. and Lone Mountain Production Co., Coastal Oil & Gas Corp. of Houston, and the Canadian-owned Bonneville Fuels Corp.

The old-timers are Barrett, Texas-based Tom Brown Inc., and Ballard Petroleum LLC of Billings, Mont.

Barrett is running five rigs this year, up from four in 2000, and the company expects to drill more than 100 wells this year, said Steve Soychak, manager of the company's Parachute office.

Barrett is also the county's largest gas producer. Its inventory of 520 wells produces 145 million cubic feet of gas and 22,000 gallons of natural gas liquid by-products a day, Soychak said.

That prominence put Barrett in the spotlight when Shell Oil Co. came to Garfield County, looking to buy into the market. Shell is now attempting to buy out Barrett's stockholders, but Barrett is resisting the offer, saying the \$55-a-share offer is too low.

Ballard, meanwhile, is already permitted for 15 wells this year, largely in the Divide Creek basin, and Tom Brown Inc. has permitted 6 wells, according to the Colorado Oil and Gas Conservation Commission.

The six newcomers have already won permits for 27 wells, and PDC's application for eight more wells is pending.

Supply and demand

"It's purely a market-driven situa-

tion," said Brian Macke, deputy director of the Oil and Gas Commission.

The deluge of drilling is the result of gas prices that climbed from \$2.36 per thousand cubic feet in March 2000 to a high of \$8.76 per mcf in January 2001. The price settled back to \$6.59 in February and \$4.88 in March, but observers predict it will remain in the \$4 to \$6 range well into 2002.

At the same time, gas storage is down because the clean fuel is increasingly in demand for power generation, a year-round use. And low prices in 2000 gave drillers little incentive to develop new wells.

"It was a triple whammy, and no one really saw it coming," Macke said.

But late 2000 brought a turnabout, and the gas companies that were sobbing a year ago are now soaring, competing for subcontractors and pipeline space.

"We are responding to the demand in natural gas," said Barrett's Soychak. "The only way to get prices back down is to increase supply."

"People can come down into Garfield County and never drill a dry hole. That's real attractive."

— Jerry Sullivan,
senior landman,
Calpine Natural Gas

Barrett boosted production by 40 percent, but gas moving from the Rockies is barely offsetting production declines in the Gulf Coast.

Industry-wide, supplies have risen by just 2 percent, he said.

"Most gas in the Gulf Coast has been drilled out. The future is in Colorado, Wyoming, Utah, New Mexico and the Dakotas," Soychak said.

The Rockies are attractive to drillers because gas wells drain tight sand deposits over 20 to 30 years.

And in the Piceance Basin of north-west Colorado, the Gas Research Institute estimates gas reserves in terms of trillions of cubic feet.

"We're optimistic about gas prices in general and our ability to continue to make economic discoveries in Garfield County," said Calpine's Sullivan.

Further out in the future is the potential for tapping coal-bed methane, the fuel that's driving intense drilling in La Plata and Las Animas counties.

"There's more subsurface coal in the Piceance Basin than in the San Juan

Basin," Sullivan said.

Although petroleum engineers haven't yet figured out how to tap northwest coal-bed methane reserves, it's a factor that every Piceance producer keeps in mind.

New technology

Meanwhile, drillers are taking advantage of new technology to drill faster and to drill more than one well from a pad, cutting environmental impacts.

Drillers are using crystalline diamond bits to power through shale layers, then switching to conventional carbon insert bits to drill the gas-bearing sand layers, Soychak said.

"I used to take 20 days to drill a well in this area. Now we can do it in 13 days or less," Soychak said. "We used to drill 60 wells in one year with four rigs, but last year we drilled 85."

Environmentalists say that with the increase in drilling and profits, now is the time to lessen the impacts of drilling.

"Science says that with the number of wells needed to drain the gas, the density is going to be tight," said Janey Hines, president of the Grand Valley Citizens Alliance.

"The companies should start being really aggressive and proactive with alternative drilling practices. These days, any well is a money maker. We hope they will spread some of their wealth around to make up for times in the past when they poor-mouthed the problems."

Advances in directional and horizontal drilling technology are making these options just as profitable as conventional vertical drilling.

"The cost of directional drilling has come down in the past five years," said Sullivan. "We're doing that, even where it's not required."

Macke said of the 14 well permits recently issued to Barrett for its controversial 20-acre spacing area near Rulison, nine are directional wells. Just three directional wells were required by state regulators.

A directional well taps more than one downhole well from a single surface well pad, saving the costs and environmental damages of access roads, leveled well pads and pipeline gathering systems.

"Barrett is going above and beyond the requirements to limit surface impacts," Macke said.

Soychak said the company is also trying horizontal drilling, a technique that's been used with success in Wyoming, North Dakota and Texas.

Drillers sink a vertical well, and then drill long, horizontal laterals through different levels of the tight sands to tap a wide area.

"That obviously minimizes the number of wells," he said.

For more details on gas drilling in Colorado, check the Colorado Oil and Gas Conservation Commission's website at www.oil-gas.state.co.us.

Shell take over bid for Barrett goes public

■ *Company says employees are best asset*

By Theresa Hamilton

Shell Oil Company's bid to return to natural gas development in the Rocky Mountains turned from "friendly negotiations" with Denver-based Barrett Resources to an aggressive take over attempt on Monday. Shell Oil Company is a wholly-owned member of the Royal Dutch/Shell group.

Shell tendered a \$1.8 billion cash offer to the board of Barrett Resources which was rejected on Friday, March 8.

The initial offer included the assumption of Barrett's \$400 million debt and an offer of \$55 per share, a 24 percent premium over the closing price of \$44.25 on February 28, the last day of trading before the initial proposal.

On Monday, Shell Oil Company announced that it is taking its offer public, offering all shareholders of Barrett stock \$55 for their shares.

"Last week was a friendly offer. This week is a not so friendly offer," said Rich Hansen, Public Relations Manager for Shell.

As of Tuesday morning, Bloomberg.com was reporting Barrett stock trading just under \$62.

However, Shell believes that they are offering a fair price for the stock.

"We believe there is a great bit of speculation in Barrett's market price," said Stacy Hutchinson from Shell Oil Media Relations. "Only a



Sandy Hanson/Citizen Telegram

Gas rigs dot the landscape in western Garfield County.

Please see SHELL on page 10

E-1000

ANNE ARBOR, MICHIGAN

2000-04-17 09:00

Page 20

THE CHRYN TELEGRAM

MARCH 14, 2001

Shell attempting to get back into Colorado oil and gas

SHELL from page 1

few days ago, after the company announced their year-end results and delivered an operational update, the market value of the company at \$45 a share, which is below the \$65 per share represents a fall and low value for the company.

"Actually the only reason the stock went to \$60 was because of our recent actions," said Hansen. "It is clear that the price has risen substantially because of speculation. If we said, 'OK, the price is too high for us, we're going home,' would the price drop again?"

Looking for the highest bidder

Barrett Resources rejected Shell's proposal in an attempt to maximize shareholder value.

"The board has determined that a light of the Shell proposal and relevant industry conditions, it is appropriate to take all the necessary steps to maximize shareholder value," said a press release issued by Barrett.

In effect, the company opened themselves up to an auction looking for the highest bidder.

"We are inviting Shell to participate in this process," said Peter A. Dea, Chairman and Chief Executive Officer of Barrett. "If Shell attempts to bypass this orderly process designed to maximize shareholder value, the board will consider that action in due course. In the mean time, the board urges shareholders to take no action with respect to their holdings of the Company."

Shell's tender offer to shareholders is good for 20 working days, but can be

extended. They will actually purchase the stock from shareholders if they can get greater than 50 percent of the share holders to consent to sell.

Barrett has requested their shareholders not to take any action until they make a recommendation within 10 business days.

Hansen added that most of the share holders don't commit until the last week of offer.

"Clearly, at \$62 a share, there is a lot of speculation," said Hansen.

From their initial announcement, Shell seemed intent on acquiring the natural gas development company any way they could.

A return to the Rockies

In a telephone conference call Wednesday, March 7, Marvin Odem, Shell Vice President of Production, said that his company was delighted to be coming back to the Rocky Mountains and that the acquisition of Barrett signified that in a "big way."

"If for some reason the board of Barrett does not want to negotiate with us for some reason, the path we are going down will give the share holders of Barrett the opportunity to consider the offer," said Odem. "We would much rather negotiate a merger with the management of the company."

Shell was active in the Rocky Mountain region until the mid-to-late 1970's and had production facilities in Utah, Wyoming and northeastern Colorado.

With no current facilities in Colorado, Odem was confident that local employees would



Active wells sit in the foreground while a new rig goes up in the background along County Road 320.

Sandy Hershey/Chrym Telegram

likely be retained.

"Certainly we believe strongly in the assets they have accumulated as a company, and that goes back again to the people of Barrett. We think they are the substantial assets of the group."

If acquired, Odem said that they would likely make Barrett's Denver headquarters Shell's center for the Rocky Mountain operations.

The natural gas market has precipitated Shell's interest in Rocky Mountain natural gas.

With the acquisition of Barrett, a company producing over 14 billion cubic feet of natural gas and 675,000 barrels of oil, Shell hopes to grow its natural gas portfolio.

Barrett Resources, which plans another 100 wells in Garfield County for 2001, seemed the right fit.

"We've been looking at for the last one-and-a-half to two years. In that, it is safe to

assume that we have looked at almost every company that is up there - looking for the right fit, looking for the right start, and in that evaluation, it was Barrett that came to the top of the list," said Odem. "What Shell is looking to do is grow our business in the Rocky Mountains. If you look at the supply and demand picture for North America, the Rocky Mountains will be a considerable contributor to that supply-demand balance. We expect production to grow across the board."

Standing on their record

The natural gas industry in Garfield County has been the subject of criticism from environmental groups regarding spacing, reclamation and surface owner concerns. Odem said that he feels Shell Oil Company's record could stand for itself.

"I would lean on Shell's record of community involvement and stakeholder engagement to come back in with a high degree of confidence in that area. We want to listen to all the various voices in the community and try and come up with a mutually agreeable solution,"

he explained.

The Michigan Land Use Institute (MLUI), in Benzonia, MI, has certainly seen its share of Shell oil and natural gas wells as drilling for petro-fuels in northern Michigan booms.

"In Michigan, the oil and gas industry does not have a great track record in terms of health and safety or regulation compliance," said Arlin Wasserman, Policy Director for the Michigan Land Use Institute. "But Shell is in the top two or three in terms of the health and safety record."

Hansen explained that they have done a lot of directional drilling in Michigan, and though not able to speculate on what types of environmental plans they would put in place with the purchase of Barrett, said that he realizes there are tradeoffs.

"Directional drilling is a common practice. It raises your costs a little, but that is a trade off to do it right and meet the concerns of the people in the area."

He added that as the key issues in Michigan, Shell and the MLUI weren't that far apart.

"On the key issues that they rallied around, we were in close agreement," said Hansen.

Quest for natural gas has landowners worried

APRIL 9, 2001 ROCKY MOUNTAIN NEWS

Increases in demand, prices mean more drilling in Colorado

By Ellen Miller
News Staff Writer

RIFLE — In the stark landscape of the Colorado River valley, where alpine mountains give way to scrub brush and sagebrush, Joan Savage runs her family's cattle ranch.

On her land are 75 gas wells, some she owns mineral rights for and others she doesn't. Savage doesn't object to the wells being there. It's the prospect for getting more that scares her.

Lately, she's heard more about the increased demand for natural gas, from factories that have not cut back on production. In some instances, increasing production means putting wells where there hasn't been before. In Savage's case, it means putting more wells among those already there by increasing the distance between drill pads.

Drilling companies say the nation needs the energy and, in many cases, they own the mineral rights.

Residents say they don't want drilling rigs, hearing their retirement plans and don't want natural gas fueling their drinking wells and leaking into the air from fissures.

The result has been debate, anger and litigation — that may get worse.

This year, the state expects close to 2,000 gas wells to be operating in Colorado, the bulk of them in four major fields, Las Animas, LaPlata and Garfield counties. That's 57 percent more than the 1,529 wells last year and more than double the five-year average from 1995 to 1999 of 1,066 wells.

From 1995, the natural gas average was under \$3 per million cubic

"It's clean fuel and I'm not opposed. We certainly need it, but we do need our land taken care of. We need to treat the land with dignity."

— JOAN SAVAGE
landowner with 75 gas wells on her property

feet. But since July 1, the price has surged to \$5.47 per million cubic feet, spiking at more than \$8 in January.

Rich Griebling, executive director of the Colorado Oil & Gas Commission, said the price this July 1, when the next fiscal year begins, is estimated to be \$5.10 per million cubic feet, with the following year estimated to be about \$4.32.

"Prices are more than double what they were getting and will stay strong for producers," Griebling said.

That has landowners concerned. "It's pretty close to overwhelming," Savage said. "It's clean fuel and I'm not opposed. We certainly need it, but we do need our land taken care of. We need to treat the land with dignity."

Former Garfield County Commissioner Arnold Mackley, also a landowner, has a particular problem with drill spacing.

"We used to have 640 (acre) spacing (between drill pads), but that's quite different than the 40 they do now," he said. "When they wanted to go down to 20, that was too much. So we hired an attorney. Environment, health and safety must be considered."

The current debate raging through western Garfield County is over Barrett Resources Inc.'s proposal to do seismic testing in hope of better identifying suitable drill sites.

The company first wanted to do the testing, which involves dynamite and heavier trucks to pro-

duce shocks, on a 68-square-mile area. Barrett withdrew the proposal and submitted a plan to test about 30 square miles, all north of the Colorado River.

The company also agreed not to do any testing without an agreement from the affected landowner.

Bob Howard, a Barrett spokesman in Denver, said the company expects the number of new drilling sites in western Garfield County this year to more than double to in excess of 100.

Seismic testing will help the company "find better holes and better resources. We work hard on amenable solutions within state law," he said.

The Grand Valley Citizens Alliance, a group of about 100 members, has been especially vocal on the issue. The alliance has many members who are relatively recent arrivals in Colorado. Some moved to Battlement Mesa to retire. What they found was that ownership of property may or may not carry ownership of the mineral rights beneath the surface.

"It's been a problem," Griebling said. "People aren't even aware that they don't own the mineral rights."

Jorey Hines, chief of the citizens alliance, says her intention is not to stop drilling. Instead, she wants to stop "the way it's done."

"Industry does need to be ultra-careful," she said. "Because water wells do get contaminated. Because fugitive gas does escape from fissures. These are very real effects and industry does only what's re-



Rancher Roy Savage checks the quality of water in a waste pit next to a rig drilling a well on his ranch near Rifle. Some Colorado landowners fear increased drilling will ruin their vistas and pollute the air and water.

quired and nothing more," Hines said. "We need to look at this as a finite resource and look to other methods of energy and harvest what we have in a careful manner."

"What we get tired of is being told it's our duty to allow exploration and gas wells," she added.

Only one thing is certain: More drilling is on the way. Shirley Willis of Battlement Mesa, secretary-treasurer of the citizens alliance, said there is heightened concern in the retirement community.

"We've got our homes here and do not own the mineral rights," she said. "When we bought our home, my husband found it in the small print that we don't own mineral rights."

Her house is not far from Bureau of Land Management land, and it may not be long before drilling operations move in.

"We've never maintained they should stop drilling," she said, "but they need to be more careful with the land and the water and the air."