

## MONTHLY STAFF REPORT - August 13, 2001

### I. STATISTICS

Our monthly statistics report ([Page 1](#), [Page 2](#), [Page 3](#)) and newspaper articles about the current elevated level of oil and gas development activity are attached.

### II. NORTHWEST COLORADO

#### Northwest Colorado Oil and Gas Forum

The next meeting of the Forum is scheduled for Thursday, August 16, 2001 from 10:00 a.m. until 2:00 p.m. at the Rifle Fire District Headquarters, 1850 Railroad Avenue, Rifle (16 blocks North of the Rifle Town 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](mailto:brian.macke@state.co.us) to submit agenda topics for the next meeting. Attached are the newspaper articles about items of interest to Garfield County and northwest Colorado. ("[Oil, Gas Drillers Experience Boom](#)", "[Study: Oil, Gas Rules Equitable](#)", "[GVCA Celebrates 4th Birthday Sunday](#)", "[Protections From Fuel Development Sought](#)", "[West Gets Rattled By Biggest Energy Boom In Decades](#)")

#### 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 36 APDs submitted by Barrett for the increased well density area.

Since the June hearing, the COGCC has received four new APDs for the newly adopted 20-acre infill area. Two APDs are 2<sup>nd</sup> wells on existing well pad locations north of the Colorado River on non-Specified Surface Wellsite Lands; both of these wells are directional holes and are 2<sup>nd</sup> wells in a 40-acre tract. The remaining two APDs are directional locations south of the river on Specified Surface Wellsite Lands. These APDs are for 2<sup>nd</sup> wells in a 40-acre location (bottom hole).

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.

### III. SOUTHWEST COLORADO

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

The next GORT meeting is scheduled for September 27, 2001 from 8:30 a.m. to 11:30 a.m. at the La Plata County Fairgrounds.

At the last GORT meeting, the industry expressed an interest in reducing the number of meetings from 4 to 2 a year. The interest, discussion topics and

participation in the meetings have been greatly reduced since the Fruitland infill application was approved. At the last meeting there were approximately 15 people present and the meeting lasted only 1½ hours. The orders that allow the infill Fruitland wells require 4 GORT meetings per year. After further discussion with the GORT members, the staff may recommend the number of GORT meetings per year be reduced.

#### IV. **SOUTHEAST COLORADO**

Phase IV of the Raton Basin project is scheduled to begin the middle of August. Fifty (50) gas wells across the Raton Basin will be sampled for methane compositional analysis and isotopes. Produced water will also be tested for major cations and anions.

#### V. **ENVIRONMENTAL ISSUES**

##### Quarterly WQCC / WQCD / COGCC Meeting

The next joint Water Quality Control Commission, Water Quality Control Division and COGCC meeting will be on September 10, 2001 at 3:30 p.m. at the Colorado Department of Public Health and Environment Building A in the 5<sup>th</sup> floor Conference Room.

#### VI. **ORGANIZATION**

##### Staff Organization

Our current organization chart is attached.

#### VIII. **PLANNING/ADMINISTRATION/OTHER**

##### 2000 Outstanding Oil & Gas Operations Awards

The COGCC 2000 Outstanding Oil and Gas Operations Awards were presented on August 7 during the keynote speaker luncheon at the Colorado Oil and Gas Association Rocky Mountain Natural Gas Strategy Conference. The Department of Natural Resources Executive Director Greg Walcher and CCOGCC Chairman Stephen Sonnenberg presented the awards. The awards were as follows:

Innovation in Equipment Design and Application – BP

Low Profile/Quiet Equipment Installation and Surface Impact Reducing Cavitation Equipment

E & P Waste Management – Barrett Resources Corporation

Gas Well Odor Reduction

Community Relations – Evergreen Resources, Inc.

Providing Low Cost Gas Supply for City of Trinidad

[Detailed write-ups](#) of the awards are attached. This was the 5<sup>th</sup> year of this very

successful program that recognizes extraordinary efforts of oil and gas operators in a variety of categories. The awards were reviewed and approved by the Commission during last month's COGCC hearing. Our thanks go to COGA for providing time during the gas conference for the awards presentation.

### 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, 577 applications have been filed and processed, with 502 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](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](mailto: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.

### September Hearing Docket

A preliminary docket for the September 24<sup>th</sup> 2001 hearing has been provided. The September hearing will be held in Pagosa Springs. Hearing dockets are updated on the COGCC website and can be accessed at <http://cogcc.state.co.us/2001HearingSchedule.htm>.

### Well Log Imaging

The division's open hole well log electronic imaging project that was approved for the fiscal year 2000/2001 budget is close to completion. The goal of this project was to image all of the historically submitted well logs. The original estimate of 66,000 plus well logs has been revised to 100,700; the discrepancy was due to the fact that the length of the paper logs has increased over time. There are currently more than 60,000 log images accessible through the Internet.

The Division of Central Services has completed scanning all well logs and saving

them to disk for transfer to the COGCC imaging system. The images are of a consistent high quality that resulted in a large size image file. The transfer of the images will be completed by the end of August 2001. The storage space estimated at this time is five hundred forty (540) giga-bytes.

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 has been reconfigured to provide better access time and additional storage capacity. Service has been very intermittent during the last month as the system was upgraded and new equipment added. With all of the upgrades complete the system should stabilize and be up consistently.

### Image Indexing and Data Cleanup

Image Indexing is a new COGCC project for fiscal year 2001/2002. The goal of Image Indexing is to go through all the imaged documents and enter the document type in the index information. This will greatly enhance the functionality and the time needed to select the desired document image. This project has begun but will start slowly and ramp up as processes and procedures are refined.

The goal of the Data Cleanup is to review the well file records and verify and update all records in the new database supplying information that was not migrated or available in the old database system. This project will require multiple levels of temporary staff to insure that the data quality meets the desired outcome. The Data Cleanup will begin in several weeks as tools, processes and procedures are refined.

### 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](mailto: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

Levy reporting was suspended for the first and second quarters of 2001. Reporting will begin in the third quarter of 2001. A new form will soon be available for the new

format requiring reporting by operator rather than by lease. Please contact Sharon Tansey concerning any new format requirements 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. Additionally, the 1999 production reporting requirements significantly changed the number of lines of data submitted. 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 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 is 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.

A new tool has been made available that allows a user to draw a radius from a chosen point and select all the wells within that radius. After selection, a report can be generated showing the completed intervals and the status of the wells within the radius.

### 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 of the COGCC Internet site. Our e-mail address is [dnr.ogcc@state.co.us](mailto: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.

### COGCC FY 02-03 Budget Change Requests

The COGCC has prepared three requests for changes to the base budget for FY 02-03 that have been reviewed by the Department of Natural Resources and placed on the Department's change request priority list. The MEGA Board reviewed the budget change requests during their June meeting. The State Office of Planning is currently reviewing the change requests and budgeting in preparation for a hearing, tentatively scheduled for August 27, 2001, to discuss the DNR budget requests. The following are the budget change requests:

#### Permit Coordinator / Conflicts Ombudsman

\$128,704, 1.0 FTE

This request is for funds from the Severance Tax Operational Account for the following two purposes: 1) to provide funding for a Conflicts Ombudsman, using an existing FTE, to address and resolve conflicts that have arisen between oil and gas developers, surface users, and local governments, and to respond to inquiries from the media that have increased substantially with the dramatic increase in the number of drilling permit applications over the past two years, and 2) to provide a new FTE and funding for a Permitting Coordinator to address the increasing well permitting workload.

#### Data Clean-up Project, Year 2

\$126,415, 0 FTE

This request is for funds from the Severance Tax Operational Account to review, verify and correct data files migrated from COGCC's old computer system to the new computer system, COGIS (Colorado Oil and Gas Information System). These files include 12,000 of the 22,000 active and recently plugged oil and gas wells and 34,000 older historic plugged and abandoned wells. The first year (FY 02) portion of this project was approved by the legislature last year.

#### Remote Staff Decision Support

\$112,134, 0 FTE

This request is for funds from the Severance Tax Operational Account to provide 14 field workstations for COGCC field engineers, inspectors and environmental protection specialists. These workstations will provide a state of the art system which will allow the COGCC field staff to make better informed decisions more rapidly while on location at oil and gas operation sites. The workstations will consist of portable laptop computers equipped with database and office software, modems for communication via either land or cellular phone lines, printers, digital cameras, and global positioning systems (GPS). The workstations will increase efficiency and data accuracy of the field staff by allowing field inspectors on location to enter inspection data and to immediately access current information on oil and gas operations. This access to current information will recover time currently being lost by both the field staff and Operations Section office staff to retrieving data via telephone conversations. This time recovery is urgently needed to address the workload associated with the increasing amount of oil and gas development activity in Colorado.

#### Local Government Information

The new local government program is now available on the COGCC website. Letters are being sent to all Colorado counties, cities, towns, municipalities and special districts advising them of the site, along with a new Local Governmental Designee form for those local governments who wish to participate under Rule 214. To access the Local Government Information, go to the COGCC website at [www.cogcc.state.co.us](http://www.cogcc.state.co.us) and click on the Local Government button. At the Local Government Search screen a local government name may be entered to search for approved permits, pending permits, operator changes and plugged wells in that



government's area. In addition, statewide searches for the same information may be conducted from this screen. Also on the site are links to the hearing schedule, COGIS and the current list of participating local governmental designees.

## VIII.

### VARIANCES

#### 502.b. Variance Granted

Hallador Petroleum, LLP was granted a Rule 502.b. variance to Rule 1004.a. requiring reclamation of the former Xenia Gas Plant located in the SE $\frac{1}{4}$  SE $\frac{1}{4}$  of Section 1, Township 2 North, Range 54 West, 6<sup>th</sup> P.M. The westernmost cement pad will not be disturbed and will be utilized for the business use of the current landowner.

Markwest was granted a Rule 502.b. variance of lease line setback requirements established by Order No. 112-155 for the Schalles #1 Well. This is to be a Fruitland coal bed test in the SW $\frac{1}{4}$  NW $\frac{1}{4}$  of Section 6, Township 32 North, Range 6 West, N.M.P.M. This exception location was requested so that an existing wellbore could be utilized in the recompletion attempt. No protests were received. The location is 170 feet east of the unit window.

Mesa Hydrocarbons was granted a 502.b. variance to 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, 6<sup>th</sup> 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.

#### 603.a.(2). Variance Granted

Prima Oil & Gas was granted a variance to Rule 603.a.(2)., requiring that a well be located a minimum distance of 150' from a surface property line, and 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 NW $\frac{1}{4}$  NE $\frac{1}{4}$  of Section 22, Township 4 North, Range 67 West, 6<sup>th</sup> 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.