

MONTHLY STAFF REPORT - July 15, 2002

I. STATISTICS

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

Approved drilling permit statistics through the end of June 2002 total 1049, an annual rate of 2115 or approximately 7% below last year's record second highest level of 2273 approved drilling permits.

Also attached is the [Colorado Complaints](#) bar chart which shows that complaints have decreased dramatically this year compared to the past two years and are projected to be under the 1999 level. We are speculating that the higher complaint levels in 2000 and 2001 may have been related to the very controversial Barrett Garfield County well density application and the large La Plata County well density application. The lack of controversial and large scale well density applications this year may correlate with the low number of complaints.

II. NORTHWEST COLORADO

.. Northwest Colorado Oil and Gas Forum

The next meeting of the Forum, which is co-chaired by COGCC Deputy Director Brian Macke and Garfield County Commissioner Larry McCown and consists of representatives from federal, state and local government, the oil and gas industry and all interested citizens, is tentatively scheduled for September 12, 2002 in Rangely from 10:00 a.m. to 2:00 p.m. at the Chevron Rangely Field Office. The forum is being held at Chevron staff's request in conjunction with a presentation and field tour of the Rangely Field operations. During the last meeting on February 14th the forum participants agreed to conduct two meetings per year instead of four due to the lack of local issues currently being raised by citizens. The meetings will be held in the fall and the spring during the Legislative session. Co-chairs Brian Macke and Larry McCown assured the forum participants that additional meetings could be scheduled during the year if changing circumstances create a need to do so. 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 local newspaper articles about topics of local concern.

.. South of Silt Landowners Forum

The Grand Valley Citizen's Alliance and the Western Colorado Congress invited the COGCC staff to participate in a panel discussion at an evening Forum held on June 18 at the Silt Community Center to discuss various aspects of oil and gas operations in the area. The meeting was very well attended by the public, with standing room only. Panel members included Brian Macke, local landowner Arnold Mackley, oil and gas attorney Lance Astrella, and BLM Glenwood Springs Resource Area Acting Area Manager Steve Bennett. Topics that were discussed were mineral/surface rights, involuntary pooling, ground and surface water protection, drilling, pit contents, accident reporting, local government land use authority, the Garfield County Local Governmental Designee, and coal bed methane vs. conventional gas development. The meeting lasted approximately 3 hours. Attached is a newspaper article about the forum. ("[Tempers Flare Over Natural Gas Exemption To State Fire Ban](#)", "[Drilling Debate Seeping To East](#)")

.. Gunnison Energy Corporation Natural Gas from Coal Seams and Sands in the Mesaverde Formation Exploration Program Proposal in Delta County

Gunnison Energy Corporation ("GEC") has been working with Delta County officials and COGCC staff to prepare for an exploratory drilling program to test the Cameo Coal Formation and sands in the

Mesaverde Group for natural gas production in Delta County. GEC, an affiliate of Oxbow Power Corporation, which operates the Oxbow coal mine in Somerset, has a leasehold of approximately 96,000 acres on the south flank of the Grand Mesa between Cedaredge and Paonia. GEC has filed the Delta County Application for Specific Development for the project, which is initially for five wells, four of which are planned to be drilled this year, each approximately six miles apart. All five of the well sites are located on property where the fee surface owner also owns the mineral estate. The Delta County process involves review by three Area Planning Committees, who make recommendations to the Delta County Planning Commission, who makes recommendations to the Delta County Commissioners. It has been 12 years since the last APD was filed in Delta County.

GEC submitted the County Application in March 2002, and since that time there have been eleven public meetings of the three Delta County Area Planning Committees, the Planning Commission, and the County Commissioners to gather information and consider the application. The meetings have been extremely well attended by the public, a majority of whom have expressed adamant opposition to the project. Groups who have been represented at the meetings include the Western Slope Environmental Resource Council, the Grand Mesa Citizens Alliance, several water users associations and water companies, and the Delta County Board of Realtors, among numerous others. Gunnison Energy has stated that they intended to make substantial progress in working through the local Delta County process before submitting applications to the COGCC for Applications for Permit to Drill ("APDs"). Beginning in June, 2002, GEC began submitting APDs to the COGCC for all five wells.

The Delta County Local Governmental Designee ("LGD") had requested a ten-day extension to the seven-day LGD comment period as provided for under COGCC Rule 303. In addition, the Delta County LGD and numerous parties in the area had submitted written requests for the Director to withhold issuance of the drilling permits until a hearing on the APDs could be conducted as provided for under COGCC Rule 303.k. Rule 303.k. allows the Director to withhold the issuance of a permit for any proposed well when, based on information supplied by a surface owner or local governmental designee, or by staff analysis, and where appropriate as confirmed by an onsite inspection, the Director has reasonable cause to believe that a proposed well location raises significant concerns regarding potential adverse impacts to public health, safety and welfare. Onsite inspections of proposed wellsites for the Lone Pine #1, the Stevens Gulch #1, the Dever Creek #1, and the Spaulding Peak #1 Wells were conducted on July 2, 2002 by COGCC staff, the Delta County Commissioners and LGD which included confirmation that the surface owners of the proposed well sites are in agreement with the well sites and access roads. All of the written comments that were submitted by the Delta County LGD and numerous citizens were carefully reviewed to determine what permit conditions were necessary to address issues related to potential adverse impacts to public health, safety and welfare that were not already addressed by the application or existing rules and regulations. This analysis yielded six conditions that were attached to the APDs. Following this review, it was concluded that there was no basis for withholding issuance of the APDs and conducting a hearing under Rule 303.k. As of July 3, 2002, the COGCC issued conditioned APDs for the Lone Pine #1, the Dever Creek #1, and the Spaulding Peak #1 Wells, which were complete application packages with all notice and comment periods having expired by that time. Copies of the [letter to the Delta County LGD](#) and other parties describing the decision to not withhold the APDs, along with a discussion of how [issues](#) related to public health, safety, and welfare are addressed by the application and COGCC rules, with the approved [permit conditions](#) are attached.

The Delta County Commissioners held a public hearing to consider the recommendation from the Planning Commission on July 8, 2002 at the Delta County Middle School auditorium. The Planning Commission had recommended that the test wells be approved with 36 conditions attached regarding a wide variety of concerns. The Delta County LGD and Commissioners had requested that a representative of the COGCC staff or Commissioners attend the hearing, and Brian Macke was in attendance. The eight-hour hearing included presentations by Gunnison Energy and the Grand Mesa Citizens Alliance, questions from the Commissioners, and public comment by approximately 50 people, all but one of who expressed fervent opposition to the project and strongly requested that the Commissioners deny the GEC application. The Delta County Commissioners have taken the matter under advisement and will render their decision by Monday, July 22nd. Newspaper articles about the

GEC project are attached. ("[Delta County Coal-bed Methane Proposal Stalls](#)", "[Citizens' Legal Team Offers Grounds For Denial](#)", "[Delta County Seeks To Delay Methane Wells](#)", "[Delta County Residents Fight Coalbed Production](#)", "[Regulations Crimp Coal-bed Methane Plans](#)")

Gunnison County Public Meeting to Discuss the SG Interests, Ltd. Natural Gas from Coal Seam Project

SG Interests, Ltd. has been working with the Gunnison County government and COGCC staff to prepare for an exploratory drilling program to test the Cameo Coal Formation for coalbed methane production in northern Gunnison County. Brian Macke attended the June 7, 2002 Gunnison County Planning Commission meeting to participate in a public round table discussion working meeting with the Gunnison County officials, representatives of the High Country Citizen's Alliance and the Western Slope Environmental Resource Council, and La Plata County Commissioner Josh Joswick via speaker phone to address oil and gas regulatory issues. The COGCC has approved Applications for Permit to Drill for four wells, three of which are exploratory wells that target the Cameo Coal Formation, and one is for a deeper test of the Corcoran Formation, which may possibly be used as a disposal injection well for produced water from the other wells. On June 21, Gunnison County approved the SG Interest, Ltd. Application. On July 2nd, the Gunnison County Commissioners unanimously passed a nine-month moratorium on all new oil and gas drilling applications, which coordinates with the moratorium passed by neighboring Delta County. The stated purpose of the moratorium is to give the counties time to draft new regulations on oil and gas drilling and production. Attached are newspaper articles about the Gunnison County project. ("[County Enacts Nine-month Moratorium On New Oil And Gas Drilling Applications](#)")

Parachute Area Air Quality Monitoring Meeting

The Grand Valley Citizen's Alliance ("GVCA") has been concerned with the practice of flaring gas wells that are being completed in the area and with what is perceived to be emissions from producing wells. The GVCA has called on the Colorado Air Pollution Control Division ("APCD") and the EPA to become involved in the issue.

As a follow up to an initial meeting with the GVCA, Williams Production Company, the APCD and the EPA on March 6, 2002 in Parachute, Brian Macke and Bob Chesson attended meetings on April 4 and 24, 2002 with representatives of the Colorado Air Pollution Control Division, the EPA and Williams Production Company to discuss various options for initiating a "Community Based Program" to address the community's air quality concerns. The EPA is providing funding through their Emergency Response Program to do some air sampling and analysis in the area.

The COGCC, the APCD, the EPA, the air sampling contractor Seagull Environmental, GVCA, and Williams Production Company representatives met again on May 22, 2002 to agree on sites for air sampling. During the week of May 27, 2002, twenty air sampling chambers were distributed at seven different locations as follows: 1) six canisters at a producing Williams Fork gas well that is equipped with a vapor combustion (odor reduction) unit, 2) six canisters at a producing Williams Fork gas well that is not equipped with a vapor combustion unit, 3) four canisters at a well that is undergoing completion operations and is being flared, 4) one canister in the town of Parachute, down-valley from several gas wells, 5) one canister near Parachute Creek, up-valley from several gas wells, 6) one canister in the town of Newcastle to represent similar town conditions to Parachute but without the nearby gas wells, and 7) one canister near a residence in Red Apple subdivision in the Rulison Field.

In addition to the canisters, which will sample air that will be analyzed for organic compounds, there will also be monitors to measure NOX, NO₂ and SO₂ at the flaring well site. The analysis data from the air sampling will be available by mid July. When the results of the analysis are available and have been compiled, the APCD and the EPA will convene a meeting of the GVCA, Williams Production Company, other members of the public and COGCC staff to discuss the results. This meeting, which has not yet

been scheduled, will most likely be in early August. The cost of the sampling and analysis is approximately \$1,500 per canister, with a total cost of approximately \$30,000.

.. Williams Production Company ("Williams") Increased Well Density Application

COGCC staff continues to work with Williams 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 90 APDs submitted by Williams for the increased well density area.

Since the June 2002 hearing, the COGCC has received ten APDs for the 20-acre infill area. Four APDs (Exxon/Mobil PA 313-32, Mobil PA 34-28, Mobil PA 334-28, and the Puckett PA 334-34) are for three vertical and one horizontal well on two new well sites and one existing well site located north of the Colorado River and east of the town of Parachute. The remaining six APDs (Bernklau RWF 23-4, Bernklau RWF 323-4, Bernklau RWF 13-4, Bernklau 313-4, Bernklau 314-4, and the Bernklau 24-4) are four directional and two vertical wells all located in Section 4, Township 7 South, Range 94 West, south of the Colorado River. Four of the wells will be located on existing surface wellsites and two will require new well sites. None of the ten APDs require additional permit conditions.

COGCC staff continues to work closely with Williams permitting staff and Garfield County to ensure that the requirements of the 20-acre density order are met in an efficient manner.

IV. SOUTHWEST COLORADO

® La Plata County GORT Meeting

The June 13, 2002 GORT meeting included a field trip to Ridges Basin (southwest of Durango) to view the 3M monitoring wells and gas seeps in this area. The meeting was sparsely attended by only six people, of which two were COGCC staff members. The next GORT meeting has not been scheduled.

® 3M Monitoring Wells Project Update

All 3M monitoring wells are now drilled. A total of seven monitoring wells have been drilled at four sites. The monitoring and telemetry equipment has been installed in all of the wells and pressure data is being collected.

V. SOUTHEAST COLORADO

® Raton Basin Project

Gas isotopes from one water well and two gas well are complete. The final results from these three samples will be incorporated into the Raton Basin Project. Complete reports and data will be incorporated into the database in July.

VI. ENVIRONMENTAL ISSUES

.. COGCC Annual Report to the Water Quality Control Commission (WQCC)

COGCC staff will be making their annual presentation as an implementing agency of ground water standards and classifications to the WQCC at the hearing on Monday, September 9, 2002 at 1:30 p.m.

.. Quarterly WQCC/WQCD/COGCC Meeting

Future meetings of the Water Quality Control Commission, Water Quality Control Division, and

COGCC will be held on a semi-annual basis. The last joint meeting was held on March 12, 2002.

.. Rule Making Proposed to the WQCC

In an ongoing program to resolve discrepancies between the EPA requirements for UIC programs and the WQCC standards and classification for ground water, Loren Avis, Debbie Baldwin, and Ed DiMatteo continue to work with staff from both agencies. A new rule has been proposed that would apply to the Lansing Formation in the Campo Field in Baca County (proposed WQCC Rule 42.7 (51)).

COGCC staff will present the proposed rule at the WQCC hearing. The hearing is scheduled to begin at 1:00 p.m. on September 9, 2002 in the Florence Sabin Conference Room of the Colorado Department of Public Health and Environment (CDPHE), 4300 Cherry Creek Drive South, Denver.

VII. ORGANIZATION

® Staff Organization

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

VIII. PLANNING/ADMINISTRATION/OTHER

.. COGCC FY 03-04 Budget Change Requests

The following are the three FY 03-04 Budget Change Requests for Severance Tax funding that have been submitted by the COGCC:

1. **Asset Management Plan.** This request is for \$70,744 from the Severance Tax Operation Account to meet State and Department standards requiring that an asset management plan be implemented to meet technology changes on a regular basis. Increased customer demand for Internet services requires COGCC to continue to improve its applications and upgrade existing hardware and software applications.
2. **Remote Staff Decision Support.** This request is for \$101,955 from the Severance Tax Operational Account to provide 15 field workstations (laptop computers with COGIS database) for COGCC field engineers, inspectors and environmental protection specialists. It also includes \$23,545 in FY 05 and thereafter for ongoing maintenance. The workstations will allow the field staff to query the system for detailed well information, inspection history, and violations of all existing oil and gas operations in an inspector's area. The package will include Global Position System (GPS) to identify locations that have been reclaimed and facilities that are incorrectly located as well as digital cameras to facilitate the exchange and storage of pictures showing actual field conditions.
3. **Internet Enabled Form Processor.** This request is for \$372,900 from the Severance Tax Operation Account to convert existing form processor to an Internet programming language and complete the forms that have not been created in any form processor. This will allow for all COGCC forms to be available on the Internet and provide the functionality for an automated workflow for staff review and approval. Allowing COGCC to input data on the Internet and run preliminary quality control edits will decrease turnaround time for approvals and data availability by eliminating data entry delays at the COGCC. This will also allow for more rapid review and approval by technical staff of forms that are not currently in the automated workflow.

The change requests were submitted to the MEGA Board at their June 18 meeting in Glenwood Springs. The Mega Board voted unanimously in favor of recommending approval of all three change requests. The COGCC will meet with the Department of Natural Resources Executive Director's Office

on July 24 to review the Budget Change Requests. Attached is my [letter to the Mega Board](#) describing the need for each of the Budget Change Requests.

® 2001 Outstanding Oil & Gas Operations Awards

The deadline for nominations for the COGCC 2001 Outstanding Oil and Gas Operations Awards was May 17, 2002. We would like to express a sincere thanks to those who worked to provide the several nominations that were received this year, which was a great improvement over prior years. This is the 6th year of this very successful program that recognizes extraordinary efforts of oil and gas operators in a variety of categories. The awards will be presented at the COGA Rocky Mountain Natural Gas Strategy Conference in August 2002. Commissioners will receive a list of nominations within the next several weeks.

® Fire Prevention Directive for Oil and Gas Operations

On June 21, 2002 the Director issued a [Fire Prevention Directive](#) for Oil and Gas Operations. The directive was issued as a result of the increasing fire danger in the state and the growing concern from citizens that oil and gas operation might cause fires. The directive was intended to emphasize existing statewide rules and provide guidance at this time of extreme fire danger. This directive is included in the staff report and is also available on our website. The directive was also mailed to all active operators in the state.

® NGPA Well Determinations

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, 586 applications have been filed and processed, with 511 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/general/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.

.. August Hearing Docket

A [preliminary docket](#) for the August 19th hearing has been provided. Hearing dockets are updated on the COGCC website by clicking on "Hearings", then "2002 Hearing Schedules, Dockets, Agendas and Minutes".

Effective with the July 2002 hearing docket, hearing applications may be viewed online by opening the docket, then by clicking on the Docket Number. Once issued, the final Commission Order will be available by clicking on the Cause Number on the hearing docket.

.. Data Processing and Staff Workload

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. 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.

Production data is complete through 2000. The 2001 data has not all been processed due to a vacant position and the recent hiring freeze. The position is expected to be filled by August 2002, at which time the backlog of reports will begin to be processed.

Drilling permits have the highest priority and will continue to be processed within the timeframes set up in the rules and regulations. Operators are encouraged to submit their applications complete and prior to end of the 30 day surface owner notice period to ensure that permits may be approved and available at the end of the notification holding period. Other forms are processed in the order in which they are received.

.. Monthly Report of Operations - Form 7

Since January 1999 production reporting (Monthly Report of Operations, Form 7) has been submitted by well by completed zone. This was a change from the previous format of reporting by lease where multiple formations and wells were reported as a single entity.

Beginning in January 2002, all production reports are to be submitted either in hardcopy on the new Form 7 (revision 10/22/01) or electronically. The new Form 7 can be identified by the four black squares on the corners of the form. The squares are reference data blocks which are utilized by a software package to optically resize the form to allow for computer conversion of the data; this will eliminate manual data entry of paper forms. The COGCC website has these forms in PDF and JPG formats for downloading and printing. The form is letter size (8.5" x 11") and the PDF form can be completed on a computer and then printed. Adobe Systems, Inc. sells Acrobat Approval (<http://www.adobe.com/store/products/acrapproval.html>) for \$39. This application allows the data to be saved to a computer.

There are currently more than 80 operators reporting electronically, accounting for 80.6% of the production reported in October 2000. This is an increase of twenty operators, or 7.3% of production reports, since June 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/forms.html> in the "instructions" column, or from the COGCC office. Questions should be directed to Sharon Tansey at (303) 894-2100 x128.

A production reporting application for Internet filing of the Monthly Report of Operations is currently in testing and should soon be available as procedures and documentation are finalized.

.. Conservation Levy, Form 8

The current Conservation Levy rate is set at eight-tenths mill (\$0.0008) per dollar. Beginning with the third quarter of 2001 Levy is filed on a new form totaled by operator. Previously the Levy was reported on a lease basis. The new form and the electronic reporting format are available for download from the web at <http://cogcc.state.co.us/forms.html>. Please contact Sharon Tansey at (303) 894-2100 x128 with questions concerning new format requirements.

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 form 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 well 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.

A new tool has been developed and will be available soon, which will allow the user to add points, lines, polygons, symbols and text to the viewed map. The user's data can then be saved to their hard disk and re-accessed later. As this tool is new, any problems should be reported so they can be corrected.

Well Log Imaging

The division's open hole well log electronic imaging project approved for the fiscal year 2000/2001 budget is completed. The goal of this project was to image all of the historically submitted well logs. A total of 100,707 well logs have been scanned.

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 is best to save the document to your hard disk and then open it later. Even with the performance gains achieved in the last few months, the well log files download slowly because of their large size.

COGCC on the Internet

The COGCC homepage has a new design that provides improved navigation and information organization.

The COGCC continues to expand its Internet presence at www.cogcc.state.co.us with access to the COGIS database (live queries), GIS (maps), Document Images and Commission orders on the COGCC homepage. Online reports on the homepage are currently being developed and tested.

.. 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.

.. Image Indexing and Data Cleanup

The goal of Image Indexing is to go through all imaged documents to input the name and receipt date of each document for easy selection of a desired document image. This will greatly enhance the functionality and decrease the time needed to select any document image. Over 41,500 of the 63,000 well files have been fully indexed and rescanned where necessary. There are currently five people working full time on the project.

The goal of Data Cleanup is to review well file records to verify and update all records in the new database supplying information that was not migrated or available in the old database system. The project is fully staffed with four people editing and reviewing records. Due to intensive training and increasing comfort with the data and the software application, productivity levels have begun to increase with over 3500 wells reviewed and updated.

.. Local Government Information

The local government program is available on the COGCC website. Letters (approximately 300) were 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 date, 117 forms (43 counties and 74 cities) have been returned with 102 (42 counties and 60 cities) wishing to participate as Local Governmental Designees. To access the local government information, go to the COGCC website at 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 or a legal description and searched for approved permits, pending permits, operator changes and plugged wells within that governmental area. In addition, statewide searches for the same information may be conducted from this screen.

IX. VARIANCES

No variances have been requested since the June hearing.

Colorado Oil & Gas Conservation Commission

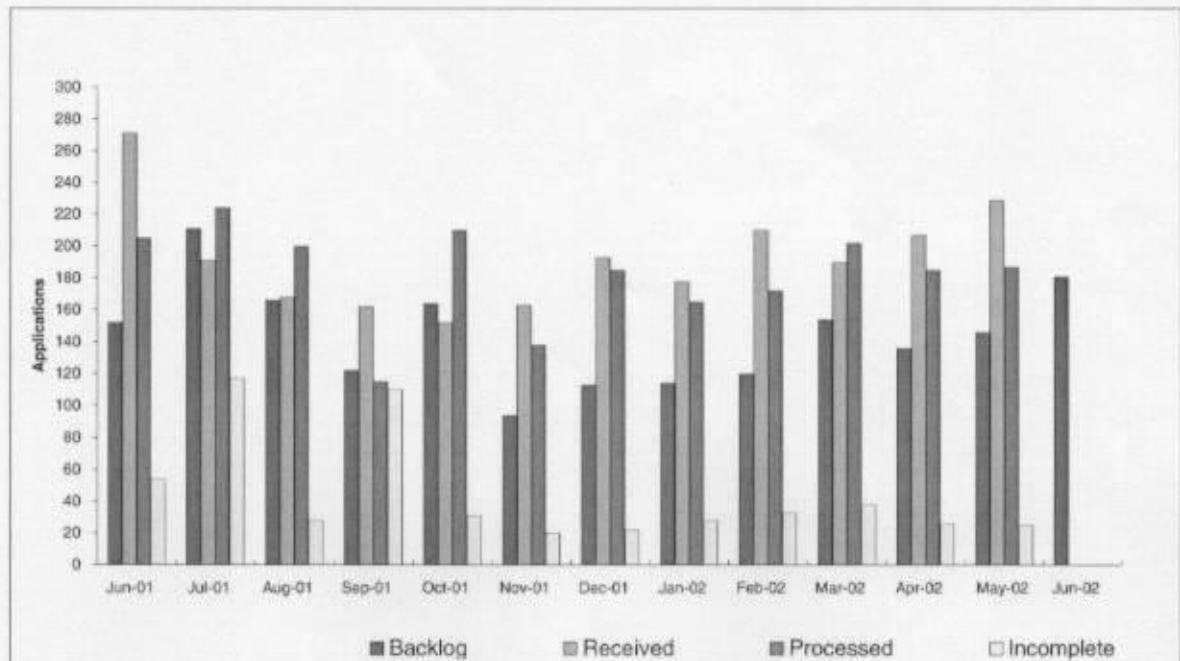
Monthly Breakout of Drilling and Recompletion Permits

	Backlog	Received	Processed	Withdrawn	Rejected	Incomplete	In-Process	Remaining
Drilling								
Jun-01	145	257	193	7	0	52	150	202
Jul-01	202	182	217	12	0	107	48	155
Aug-01	155	151	178	12	0	25	92	116
Sep-01	116	149	109	5	0	108	43	151
Oct-01	151	144	202	11	0	30	52	82
Nov-01	82	155	122	6	0	19	90	109
Dec-01	109	188	182	7	0	22	86	108
Jan-02	108	175	160	7	0	26	90	116
Feb-02	116	204	164	4	0	32	120	152
Mar-02	152	180	194	6	0	38	94	132
Apr-02	132	195	176	10	0	26	115	141
May-02	141	203	172	6	0	24	142	166
Jun-02	166	126	182	11	0	16	83	99

Recompletion								
Jun-01	7	14	12	0	0	2	7	9
Jul-01	9	9	7	0	0	10	1	11
Aug-01	11	17	22	0	0	3	3	6
Sep-01	6	13	6	0	0	2	11	13
Oct-01	13	8	8	1	0	1	11	12
Nov-01	12	8	16	0	0	1	3	4
Dec-01	4	5	3	0	0	0	6	6
Jan-02	6	3	5	0	0	2	2	4
Feb-02	4	6	8	0	0	1	1	2
Mar-02	2	10	8	0	0	0	4	4
Apr-02	4	12	9	2	0	0	5	5
May-02	5	26	15	1	0	1	14	15
Jun-02	15	16	25	1	0	1	4	5

Total								
Jun-01	152	271	205	7	0	54	157	211
Jul-01	211	191	224	12	0	117	49	166
Aug-01	166	168	200	12	0	28	95	122
Sep-01	122	162	115	5	0	110	54	164
Oct-01	164	152	210	12	0	31	63	94
Nov-01	94	163	138	6	0	20	93	113
Dec-01	113	193	185	7	0	22	92	114
Jan-02	114	178	165	7	0	28	92	120
Feb-02	120	210	172	4	0	33	121	154
Mar-02	154	190	202	6	0	38	98	136
Apr-02	136	207	185	12	0	26	120	146
May-02	146	229	187	7	0	25	156	181
Jun-02	181	142	207	12	0	17	87	104

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



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

Colorado Oil Gas Conservation Commission
Monthly Statistics

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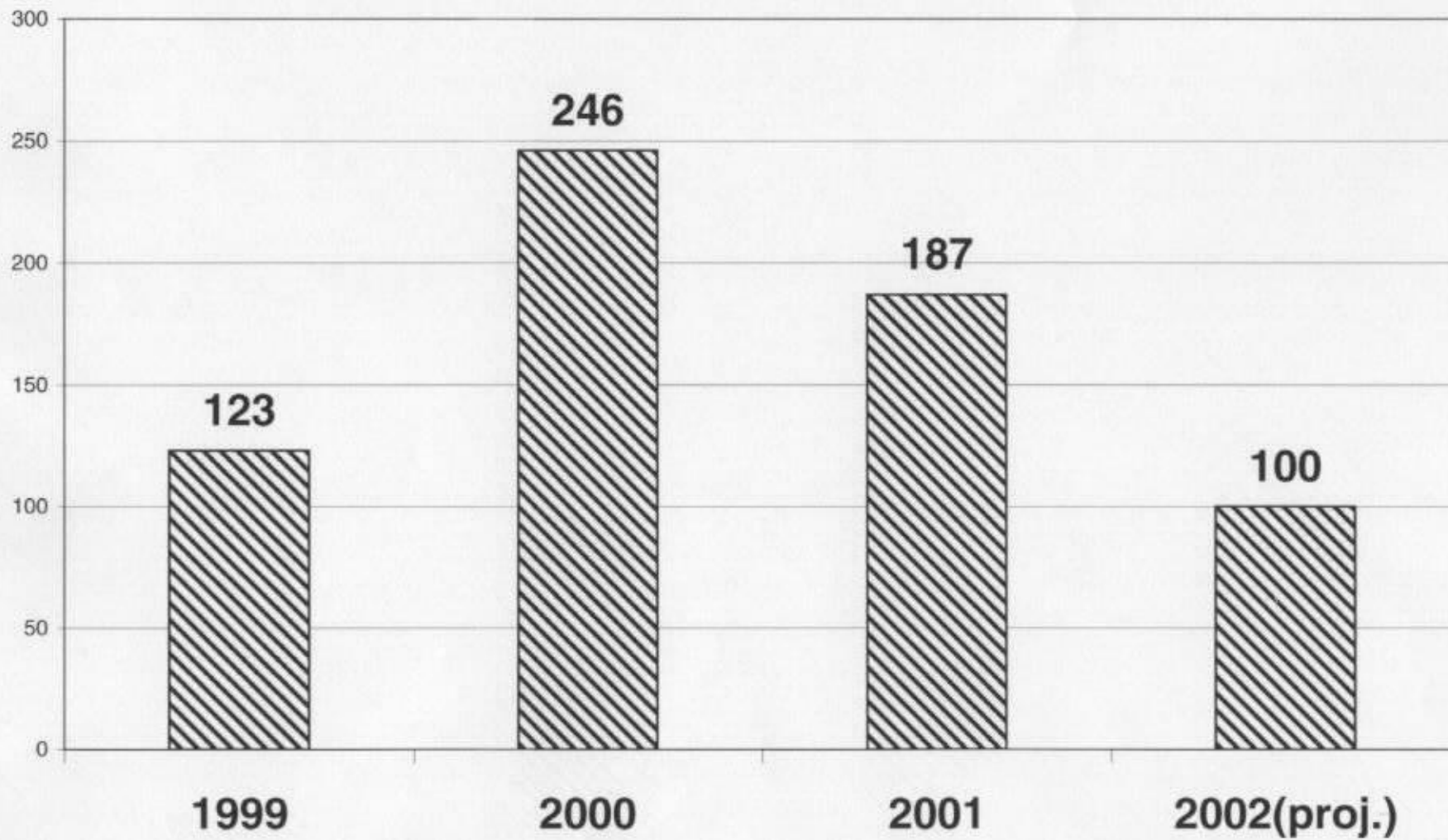
YEAR	MO	Baker - Hughes rig count	Permits								Active Wells	Unedited Historic Records	Public Visits			Well Oper Change
			Drilling		Recompletion		Injection		Pits				Data	Office	Internet	
			Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd						
1999	Total		1010	1057	86	87	10	7	158	146			1624	2840	15239	2186
2000	JAN	18	71	99	7	7	0	0	3	6			140	92	3025	291
	FEB	17	114	152	16	22	2	2	16	15			123	126	3432	245
	MAR	18	116	130	17	12	1	1	5	17			126	172	3611	192
	APR	18	103	133	4	3	2	2	5	54	21989		108	169	3219	357
	MAY	17	129	128	14	17	0	1	71	34	22098		131	218	3664	158
	JUN	16	122	198	14	20	0	0	18	10	22103		106	117	3391	394
	JUL	19	148	123	9	6	4	8	35	30	22190		100	172	3384	225
	AUG	16	107	154	7	16	1	0	22	40	22247		103	75	3759	198
	SEP	16	138	140	37	34	1	4	51	37	22175		66	208	4941	348
	OCT	19	155	145	11	13	0	0	42	22	22224		99	205	4863	294
	NOV	22	135	181	7	10	1	1	51	34			82	155	4704	183
	DEC	24	191	162	9	14	0	2	9	6	22228		80	135	4143	217
2000	Total		1529	1745	152	174	12	21	328	305			1264	1844	46136	3102
2001	JAN	26	203	217	48	40	5	2	26	8	22240		89	136	6974	280
	FEB	29	193	195	5	10	0	0	16	18	22225		75	113	4900	488
	MAR	26	192	137	10	8	0	2	3	41	22487		78	107	6448	201
	APR	32	242	275	16	12	1	2	4	5	22714		87	143	6110	698
	MAY	36	241	238	8	7	0	2	0	7			72	157	6693	534
	JUN	36	194	257	12	14	2	3	10	49	22712		65	106	6090	644
	JUL	35	216	182	8	9	4	2	23	3	22742		81	116	10473	790
	AUG	37	177	151	22	17	3	4	25	18			67	75	12727	1341
	SEP	38	108	149	6	13	3	0	83	27	22795		60	69	10416	169
	OCT	36	201	144	8	8	3	3	2	3	22824		84	105	11943	207
	NOV	33	123	155	16	8	0	0	18	24			63	78	11542	167
	DEC	24	183	188	3	5	1	2	25	43	22879		104	101	10508	201
2001	Total		2273	2288	162	151	22	22	235	246			925	1306	104824	5720
2002	JAN	25	161	175	3	4	2	0	43	27	22873		73	95	11673	1047
	FEB	27	164	204	5	3	2	1	9	25	22911		76	68	13679	195
	MAR	25	194	180	8	11	0	2	31	11	22930		58	55	13184	174
	APR	28	176	195	9	12	1	4	2	26	23040		65	67	12935	171
	MAY	33	172	197	15	26	1	5	41	10	23098		64	90	14492	199
	JUN	34	182	126	25	16	0	0	1	1	23156		57	69	13747	73
2002	Total		1049	1077	65	72	6	12	127	100			393	444	79710	1859

Colorado Oil Gas Conservation Commission
Monthly Statistics

Page 2 of 2

YEAR	MO	Bonds															Remediation		
		Operators		Release		Replace	Claim		Hearings		Violations			Cmplt	Spills	Projects		Field	
		New	Inactive	Ind.	Blnkt		Ind.	Blnkt	Apps.	Order	NOAV	AOC	OFV			Rcvd	Comp		
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	8	36	5	0	782	
	FEB	7	5	7	0	6	0	0	1	3	10	6	4	38	22	9	2	731	
	MAR	4	6	6	2	3	0	0	5	2	15	0	0	24	27	17	10	638	
	APR	5	12	11	4	2	0	0	6	4	15	0	0	29	22	12	8	674	
	MAY	7	11	10	4	2	0	0	1	1	45	0	0	27	22	9	6	846	
	JUN	5	8	5	5	7	0	0	1	1	39	0	0	41	21	12	16	413	
	JUL	10	7	6	3	5	0	0	5	7	26	2	0	11	26	18	11	739	
	AUG	7	10	8	2	7	0	0	0	0	26	0	0	9	23	14	15	653	
	SEP	10	7	3	7	2	0	0	0	0	15	2	0	10	17	20	31	593	
	OCT	7	10	4	7	4	0	0	14	7	6	2	2	23	20	15	20	489	
	NOV	6	5	2	5	6	1	0	NA	NA	8	NA	NA	16	34	12	13	658	
	DEC	4	0	0	0	6	0	0	13	9	5	1	0	10	13	2	8	481	
2000	Total	76	89	65	45	55	2	0	47	35	244	13	7	246	283	21	140	7697	
2001	JAN	7	8	6	3	10	0	0	12	8	14	1	0	10	35	15	8	718	
	FEB	6	2	3	1	3	1	0	2	4	9	1	0	10	7	4	7	793	
	MAR	5	3	6	0	9	0	0	2	3	4	1	0	9	11	12	3	854	
	APR	8	7	2	0	12	0	0	9	7	57	2	0	14	14	4	6	542	
	MAY	7	4	2	4	8	0	1	1	3	7	0	2	30	17	13	19	760	
	JUN	7	9	0	5	4	0	0	NA	NA	9	NA	NA	17	17	8	7	414	
	JUL	5	2	1	2	14	0	0	9	7	15	4	0	13	16	6	10	578	
	AUG	4	6	1	3	10	0	0	4	3	25	0	0	45	20	3	3	761	
	SEP	10	8	7	4	3	0	0	2	NA	40	0	0	14	20	8	10	309	
	OCT	5	6	5	3	9	0	0	5	4	42	0	0	22	17	7	11	717	
	NOV	5	0	0	0	12	0	0	NA	NA	14	NA	NA	20	12	6	7	408	
	DEC	8	2	0	3	10	1	0	7	1	17	0	0	13	16	1	8	385	
2001	Total	77	57	33	28	104	2	1	53	40	253	9	2	217	202	87	99	7239	
2002	JAN	7	9	3	3	6	0	0	6	7	10	1	2	15	20	2	0	397	
	FEB	10	4	1	0	5	0	0	6	4	17	0	1	11	27	3	6	443	
	MAR	6	8	3	3	10	0	0	3	2	18	0	2	3	31	4	5	570	
	APR	7	10	8	3	10	1	0	5	4	24	0	0	6	7	0	10	344	
	MAY	5	11	6	14	6	0	0	NA	NA	22	NA	NA	11	9	1	7	698	
	JUN	5	12	3	10	8	0	1	6	4	13	0	1	4	11	0	6	587	
2002	Total	40	54	24	33	45	1	1	26	21	104	1	6	50	105	10	34	3039	

COLORADO COMPLAINTS 7/09/02



GLENWOOD SPRINGS "POST/INDEPENDENT" JUNE 20, 2002

Tempers flare over natural gas exemption to state fire ban

By Lynn Burton
Staff Writer

With wildfire dangers at an all time high, and a statewide open fire ban in place, why are natural gas exploration companies allowed to flare their wells in western Garfield County?

That was perhaps the hottest question posed at a natural gas forum in Silt Tuesday night. The answer came from two sources.

Brian Macke, deputy director for the Colorado Oil and Gas Conservation Commission, said the torch-like flames are just carbon dioxide, water vapor and heat.

"There are no particulates," said Macke, one of four panelists who fielded questions. "There has never been a wildfire in Colorado caused by flaring."

Don DeFord, Garfield County's attorney, said Gov. Bill Owens reviewed his ban on open fires on Tuesday, and exempted gas-fueled fires.

DeFord's statement drew groans and a few hoots from the standing-room-only

crowd at the Silt Community Center. Other than that, the forum was mostly cordial.

The panel included Macke, oil and gas attorney Lance Astrella, former Garfield County Commissioner and Rulison rancher Arnold Mackley, and U.S. Bureau of Land Management representative Steve Bennett.

"The time has come to stop looking at differences (between) neighbors, and start looking at commonalities," said forum moderator Peggy Utesch, a member of South of Silt Concerned Landowners. "The people are not against natural gas drilling."

With natural gas companies drilling more wells on private lands south of Silt, residents are facing the same problems and issues that Parachute folks have coped with for the past few years, including: noise, heavy truck traffic on county roads, waste pits that sometimes attract dogs, 24-hour activities, and a complex mix of bureaucratic regulations, state statutes and

industry practices.

The complexities and uncertainties many rural Silt area residents are confronting prompted Tuesday night's forum.

"We ran up against what seemed to be a jigsaw puzzle when we tried to get information," said Utesch.

Through the forum, topics and questions included property owners' surface rights, the rights of mineral rights owners, the drilling process itself, the role of the Colorado Oil and Gas Conservation Commission and the importance of drafting an acceptable minerals leasing agreement.

The most concrete proposal was a request for Garfield County to create a staff position to focus on the gas industry and its impacts on the county and its residents.

"I've been trying to get this done for six years," said Garfield County Commissioner John Martin after the meeting. "I haven't been able to convince my other two colleagues yet."

The topic of waste pits drew a fair

amount of panel comments. Pits are constructed next to wells as they are being drilled to contain solid and liquid drilling residue.

Macke said waste pits typically contain drilling mud, bentonite clay, cuttings from inside the well bore, vegetable-based polymers used in the fracking process, and sometimes sawdust.

Macke said algae sometimes blooms on the waste pit ponds. "It is very innocuous," Macke said of waste pit contents.

Panel member Astrella did not completely agree. "There are a lot of things in the pit. ... It's a big mystery," Astrella said.

The biggest problem with pits, Astrella said, is they are never tested. "Therein lies the problem," he said.

Astrella said drilling technology has advanced so that waste pits aren't even necessary.

Macke disputed Astrella's claim.

Flare
continued on page 7

Gas well 'a horror story' for one resident

Flare
continued from page 1

"It hasn't been shown that pitless drilling in western Colorado is economically feasible," Macke said.

Mackley recommended land owners do a baseline study on their wells or spring water before reaching a surface users agreement with a gas company.

Astrella said such agreements

also cover noise, herms, dust control and other surface impacts.

"That's excellent advice," Macke said. "You can really nail down the issues folks are concerned with."

Utesch said representatives from the gas companies were invited to the forum, but declined to attend.

Most of the questions and discussions were informational, but one resident related his

experience with a gas company drilling a well 200 yards from his house.

"It's a horror story," said Tim Trulove. "Folks, it's unbelievable if you haven't experienced it."

As she left the forum, Grass Mesa resident Tere McGuire said the forum provided some good information, but there's more to the story.

"Reality is a different ballpark," McGuire said.

GLENWOOD SPRINGS POST/INDEPENDENT

Drilling debate seeping to east

By Lynn Burton
Staff Writer

Grass Mesa Ranch residents have watched drilling rigs creep their direction from the west for two years, and some homeowners are now feeling the effects.

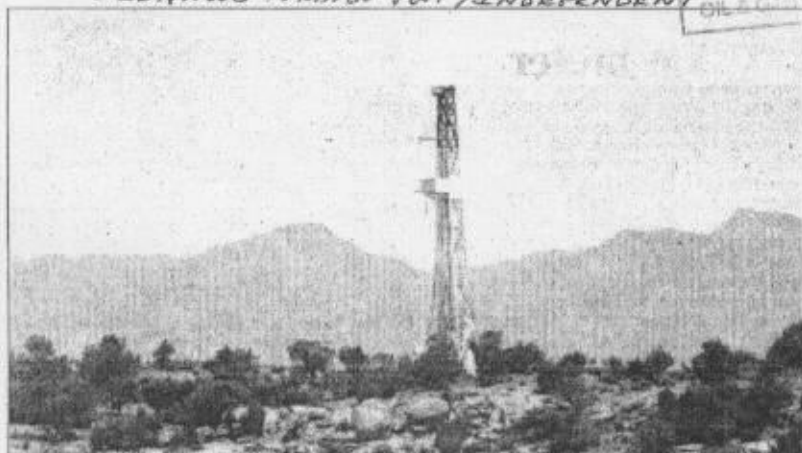
A recent incident came at 11:30 p.m. on April 25. That's when the Rifle Fire Protection District received a call from a resident who smelled natural gas in his house, according to a district report.

The fire district dispatched two trucks and three personnel. When they arrived, the firefighters discovered the gas came from an improperly flared well located near the house.

"Vapors drifted down and entered the residence," said Rifle Fire District EMT Kevin Alvey.

By the time the emergency responders arrived, the drilling

Drilling
continued on page 7



A drilling rig south of Silt, as viewed from Owen Drive in the Dry Hollow area. Kelley Cox photo.

Monday, June 24, 2002 • Glenwood Springs Post Independent 7

Drilling rigs gather where deer, elk once roamed

Drilling
continued from page 1

rig operator had stopped the gas flaring operation, and the firefighters couldn't smell any gas inside the house. There were no injuries.

The Colorado Oil and Gas Conservation Commission has issued 45 drilling permits in Garfield County since May 7, and 13 more are pending, according to the commission's website.

Starting about six years ago, the Parachute and Rutison areas felt the first of the side effects of the natural gas industry's drilling and production process: noise, dust, heavy truck traffic and open waste pits.

In response to numerous problems, the Grand Valley Citizens Alliance was formed to monitor the natural gas industry, and also to lobby the state legislature to expand the rights of surface owners who don't own the mineral rights under their property.

Last Tuesday night, the Alliance and the Western Colorado Congress held their first forum to address Silt and Rifle area residents' concerns.

The Oil and Gas Commission regulates the industry and is charged with protecting public health, safety and welfare, the commission's deputy director, Brian Macke, told the standing-room-only crowd Tuesday.

There's disagreement over how well the commission's two northwest Colorado field inspectors handle complaints against gas drillers and operators.

"We pride ourselves in responding to complaints," Macke said. "We've worked with surface owners to come up with solutions."

Peggy Rawlins, a Citizens Alliance member, takes a more cynical view of how the oil and gas commission regulates the industry.

"It's like the fox guarding the hen house," Rawlins said after the meeting.

The seven-member commission is comprised of five members with "substantial" experience in the oil and gas industry,

said commission hearing manager Tricia Beaver. "The other two must have formal training in agriculture, land reclamation, environmental protection or soil conservation."

To help the commission's two northwest field inspectors, the Alliance has called for Garfield County to hire a full-time employee to monitor drilling and related activities, and to help residents with issues they might have with the industry.

Such an employee would have plenty to talk about with Grass Mesa residents.

"Use of the commons area (like roads) is the biggest issue," said Chartier, who is the Grass Mesa Homeowners Association president.

Grass Mesa Ranch is located on the south side of Interstate 70, between Silt and Rifle, above the Garfield County Airport. Chartier said 40 to 50 homes have been built on 77 lots up to 35 acres in

size. Chartier said a gas company working on Grass Mesa owns two lots.

Grass Mesa has 26 miles of private roads. In some places the roads are only about 8 to 10 feet wide, and in others there's a 17 percent grade. Making their way up and down those roads are semi-trailer trucks with drilling pipe and other equipment. Recently, a truck dumped its load of pipe.

"The road was closed for hours," Chartier said.

Chartier said a contractor has been building a 22-mile pipeline through Grass Mesa, and that residents have discovered human feces in the area, presumably left behind by workers.

"That was really disturbing," she said.

There have also been problems when pets go exploring near wells or drilling rigs. Chartier said that a year ago, her black Labrador retriever took a

plunge in an unfenced gas well waste pit.

"We washed him 12 times, and it still didn't get everything out," said Chartier. Drilling impacts have "definitely been building since then," she said.

Chartier said everyone on Grass Mesa knew they wouldn't own the mineral rights under their property when they bought in, and that drilling was a possibility. Still, it's hard to live with the realities that drilling has produced.

"We used to have huge herds of deer and elk in the pastures," Chartier said. "I haven't seen one in two years."

Although Grass Mesa residents and others have been impacted by gas drilling, Rawlins said the Grand Valley Citizens Alliance has accomplished a lot since forming in 1997.

The Alliance has spoken out at public hearings, urging the natural gas industry to use direc-

tional drilling, a method by which several wells are drilled from the same pad, which reduces environmental damage.

The Alliance convinced the Environmental Protection Agency and Colorado Department of Health to conduct air quality monitoring in the Parachute area.

To help residents contact the different regulatory agencies involved with the oil and gas industry, the Alliance compiled an information sheet that is available by calling Alliance organizer Vicki Meath at 1-970-270-5658.

The group's biggest goal is to convince the Colorado legislature to change the oil and gas commission's makeup, so that none of the seven members can be employed in the oil and gas industry.

"We want the legislature to take out that conflict of interest," Rawlins said.



DEPARTMENT OF NATURAL RESOURCES

Bill Owens, Governor
1120 Lincoln St., Suite 801
Denver, CO 80203
Phone: (303) 894-2100
FAX: (303) 894-2109
www.oil-gas.state.co.us

July 3, 2002

Bruce Bertram
501 Palmer St., Ste. 227
Delta, CO 81416

Re: Gunnison Energy Corporation Applications for Permits to Drill – Spaulding Peak #1 Well, Dever Creek #1 Well and Lone Pine #1 Well

Dear Bruce,

The Colorado Oil and Gas Conservation Commission ("COGCC") has received numerous letters from citizens in Delta County asking that approval of the above-referenced Applications for Permit-to-Drill ("APDs") be withheld until a hearing on the APDs can be conducted. In addition, Delta County, through its local governmental designee, has submitted comments and proposed conditions of permit approval for consideration by the COGCC.

The Rules and Regulation of the COGCC are designed to address all stages of oil and gas operations as defined in the Oil and Gas Conservation Act (the "Act") that are conducted in Colorado. Compliance with these rules and with the statute adequately protect public health, safety and welfare. In addition, each well bore constitutes a point of compliance as defined in the COGCC rules from which ground water standards established under the Water Quality Control Commission can be determined to be in compliance. When applicable, certain conditions of permit approval not specifically addressed in the COGCC rules may be imposed upon an APD by the Director.

Permit approval is an administrative function under the Act delegated to the Director by the Commission. There is no process for protesting or intervening in an APD, however, under Rule 303.k., the Director may withhold the issuance of a permit when based on information supplied by a surface owner or local governmental designee, or by staff analysis, and where appropriate as confirmed by an onsite inspection, the Director has reasonable cause to believe that a proposed well location raises significant concerns regarding potential adverse impacts to public health, safety and welfare. I have carefully reviewed all the letters from citizens and the comments from Delta County with several members of our staff. Onsite inspections were conducted by COGCC staff with the Delta County Commissioners, the Delta County Local Governmental Designee and Gunnison Energy Corporation ("GEC") which included confirmation that the surface owners of the proposed wells are in agreement with the well sites and access roads. As a result, I have concluded that there is no basis for withholding issuance of the APDs and conducting a hearing under Rule 303.k.

DEPARTMENT OF NATURAL RESOURCES: Greg E. Walcher, Executive Director

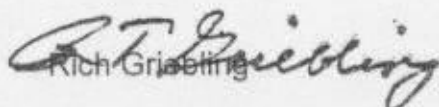
COGCC COMMISSION: Tom Ann Casey - Brian Cree - Michael Kish - Peter Mueller - Abe Phillips - Lynn Shook - Stephen Sonnenberg

COGCC STAFF: Richard T. Griebeling, Director - Brian J. Macke, Deputy Director - Morris Bell, Operations Manager
Patricia C. Beaver, Hearings Manager - Thomas J. Kerr, Information Manager

The three APDs filed by GEC are complete application packages submitted using standard petroleum industry practices and complying with COGCC rules. The APDs have been issued with conditions of permit approval, taking into account those issues raised by Delta County and its citizens. That document is attached herein and includes a description of how pertinent COGCC rules and the proposed well bore construction protect public health, safety and welfare.

Also enclosed please find a "Typical Questions From The Public About Oil and Gas Development in Colorado" brochure to further assist you in understanding the COGCC's role.

Sincerely,


Rich Griebeling

Encl.

cc: Well files

HOW ISSUES RELATED TO PUBLIC HEALTH, SAFETY AND WELFARE ARE ADDRESSED BY THE APPLICATION AND COGCC RULES

COGCC Rules and Regulations and the Fire Prevention Directive for Oil & Gas Operations are available on the COGCC website at www.oil-gas.state.co.us under "Rules" and "Announcements" respectively.

Gunnison Energy Corporation Applications for Permits to Drill ("APDs"):

Dever Creek #1 Well

SE NW Section 12, Township 13 South, Range 93 West, Delta County

Spaulding Peak #1 Well

SW NW Section 24, Township 12 South, Range 94 West, Delta County

Lone Pine #1 Well

SE NW Section 25, Township 12 South, Range 91 West, Delta County

The following is a discussion of how issues raised by the comments provided by the Delta County Local Governmental Designee and Delta County citizens on the above-listed wells are addressed by the applications and COGCC rules. Issues not addressed by the applications and COGCC rules have been addressed through specific conditions of permit approval.

Outcrop Impacts

The wells are located a significant distance from the outcrop of the formations being tested and do not pose a potential for any adverse impact at the outcrop (Dever Creek #1 Well – approximately 2½ miles, Spaulding Peak #1 Well – approximately 4½ miles and Lone Pine #1 Well – approximately 3½ miles). In addition, the wellbore construction as described below prevents impacts to the outcrop.

Protection of Water Quality

In order to obtain APD approval, the COGCC requires all APDs to be in compliance with all applicable COGCC Rules governing well drilling, construction, and completion to ensure protection of surface and ground waters, including all water quality standards or classifications established by the Water Quality Control Commission of the Colorado Department of Public Health and Environment for waters of the State.

Rule 317. requires that sufficient surface casing be set to protect all known usable water zones and that the individual well casing program prevent migration of oil, gas, or water from one horizon to another. The COGCC considers each well bore to be a point of compliance for ground and surface water quality protection.

The well bore designs for the above APDs have been reviewed by a COGCC staff petroleum engineer and fully comply with COGCC requirements as specified in Rule 317. The casing and cement design for the Dever Creek #1 Well include surface casings set below all permitted water wells (within a 1 mile radius of the well site) and production casings set and cemented from the total depth of the well to the surface. This well has a minimum of four layers of protection for ground and surface waters (surface casing pipe and cement and production casing pipe and cement).

The casing and cement design for the Spaulding Peak #1 and the Lone Pine #1 Wells include surface casings and intermediate casings set below all permitted water wells (within a 1 mile radius of the well site) and production casings set and cemented from the total depth of the wells to the surface. These wells provide a minimum of six layers of protection for ground and surface waters (surface casing pipe and cement, intermediate casing pipe and cement, and production casing pipe and cement).

The standard industry operating practice of drilling surface hole and immediately running and cementing surface casing is determined to provide the best protection for ground water. Delaying these operations for open hole logging or other data gathering compromises this protection.

An extensive data set will be gathered by Gunnison Energy Corporation ("GEC") during the normal course of well drilling, coring, logging, completion, fracture stimulation, and production testing. These data will provide usable information regarding subsurface geology, hydrogeology, the presence and absence of fluids and gases, water and gas compositions, and the feasibility of natural gas production. Data obtained will include drill cuttings; fluid/gas/air returns while drilling; cores of prospective coal intervals; open-hole geophysical logs showing lithologies, rock porosities and permeabilities, presence of fluids and/or gases within the rock pore spaces, and pore fluid salinities (waters); and fracture stimulation treatment data, showing rock properties, frac geometry, and reservoir pressures. Additionally, GEC will conduct extensive production testing of these wells that will include produced water quality and quantity evaluations. The data collected by the operator will provide adequate information to evaluate subsurface formation conditions and the potential for adverse impacts to public health, safety and welfare, and the environment.

Noise

Rule 802. requires operators to comply with COGCC noise rules that are consistent with state noise standards set by the Colorado General Assembly specifying levels of sound that the courts use to determine the extent to which the noise constitutes a public nuisance.

The Commission's field inspectors are equipped with sound level meters and frequently take field measurements in response to noise complaints.

Lighting

Rule 803. requires operators to direct lighting downward and internally so as to avoid glare on public roads and occupied buildings within seven hundred (700) feet.

Dust

Rule 1002. requires that well sites, production facilities and access roads be constructed and maintained to control dust.

Safety

The 600 Series rules address protection of health, safety and welfare of the general public during the drilling, completion and operation of oil and gas wells and producing facilities.

Wildlife

The COGCC considers impacts to wildlife in various aspects of its regulations and applies certain permit conditions if required to prevent or mitigate impacts to wildlife.

Fire Suppression

Rule 606. requires operators to comply with a comprehensive set of fire prevention and protection standards.

In addition, operators shall comply with the COGCC Fire Prevention Directive for Oil & Gas Operations dated June 21, 2002.

Property Values and Quality of Life

The law that created the COGCC and empowers its regulation of the oil and gas industry provides for the COGCC to promulgate rules to protect the health, safety and welfare of the general public in the conduct of oil and gas operations. The law is designed to keep the general public safe when drilling and development occurs, and is not directed at protecting individual property values or a preferred quality of life.

Permit Conditions for the Spaulding Peak #1 Well SW NW S24-T12S-R94W, Dever Creek #1 Well SE NW S12-T13S-R93W, and Lone Pine #1 Well SE NW S25-T12S-R91W

1. **Initial Water Quality Baseline Testing.** The operator shall perform initial water quality and quantity baseline testing for all known water wells or springs for which surface owner access is granted within a one mile radius area prior to the drilling of the proposed well. Baseline information on springs will include location coordinates and photo documentation in addition to quantity measurements and documentation of the method of quantity measurement where possible. The initial water quality baseline testing shall include benzene, toluene, ethylbenzene, and xylenes, methane, major cations and anions, TDS (Total Dissolved Solids), iron and manganese, ammonia, pH, presence of bacteria, specific conductance, and hydrogen sulfide.

If free gas or a methane concentration greater than 2 mg/L is detected, then a sample of the gas shall be collected and analyzed for composition and the ratio of stable carbon isotopes in the methane to determine gas type (thermogenic, biogenic or mixture).

Copies of all test results described above shall be provided to the COGCC, Delta County, and the landowner where the water quality testing well or spring is located within three (3) months of collecting the samples used for the test. If it is determined that the well will be a producing well, the operator will submit a plan for periodic monitoring of water wells and springs in the area.

2. **Wildlife Requirements.** The operator shall consult with the Colorado Division of Wildlife ("CDOW") prior to construction of the access road or wellsite regarding mitigation of any impacts to wildlife.
3. **Spud Notice.** Twenty-four (24) hour spud notice required. Notify Jaime Adkins at 970-285-9000.
4. **Notification of the local COGCC office prior to casing cement operations.** The operator shall notify the Northwest Colorado COGCC staff at least twelve (12) hours prior to casing cement operations.
5. **Cement Bond Log Requirement.** The operator shall run a cement bond log across the entire length of the production casing.
6. **Fire Prevention.** The operator shall adhere to the requirements of the COGCC Fire Prevention Directive for Oil & Gas Operations dated June 21, 2002.

GRAND JUNCTION "DAILY SENTINEL" JUNE 15, 2012

Delta County coal-bed methane proposal stalls

By AARON PORTER
The Daily Sentinel

DELTA — A proposal to explore Delta County's coal-bed methane resources has been stalled, because of late-breaking information and eleventh-hour negotiations between county and company officials.

The Delta County Planning Commission decided Thursday to refrain from issuing a recommendation on a Gunnison Energy Corp. application for five drilling permits.

The proposal "is an extremely sensitive issue" and the Planning Commission has "recently received additional information that it has not had adequate time to

properly review," Olen Lund, a planning commissioner, said Thursday night.

The Planning Commission will review new information submitted by the company this week and issue a written recommendation in 14 days.

Gunnison Energy plans to drill four test wells this year to determine if coal-bed

methane is accessible in sufficient quantities and at reasonable cost to justify production. In a separate production phase, it could drill up to 600 wells in about 96,000 acres on the south flank of Grand Mesa.

Gunnison Energy submitted reports and

See **METHANE**, page 108 ➤

METHANE: Process 'short-circuited'

➤ Continued from page 1B

data this week outlining how it will meet the county's performance standards for large-scale development. The company submitted its hydrological baseline study, a draft fire and emergency response plan, noxious weed, rap-tor and wetlands surveys and maps.

The hydrological study concludes there is minimal risk from exploration drilling to vital groundwater supplies.

Two advisory committees in the Hotchkiss and Paonia areas recommended denial of test drilling last week because of inadequate information in Gunnison Energy's applications. A Cedar-edge committee recommended approval.

Embittered opponents criticized the company for not submitting vital data until the day the Planning Commission was slated to issue a recommendation on its project.

"I'm a little frustrated that Gunnison Energy is only now producing a lot of these things after much of the public process is over," said Paolo Bacigalupi, a member of Delta County's North Fork Area Planning Committee.

The late-breaking information "short-circuited the public process," Bacigalupi said.

The Grand Mesa Citizen's Alliance demanded rejection of Gunnison Energy's drilling applications. It said the company's applications are still inadequate.

Gunnison Energy negotiated with county officials this week about its responsibilities under

county regulations. The company must obtain a development agreement before it can launch test drilling.

It has agreed to all 24 conditions for exploration well permits, recommended by the Delta County Planning Department in a memo Thursday.

The agreement will require it to meet performance standards that are intended to minimize impacts to the community. The conditions recommended by county planners include mitigation of truck traffic, public nuisances, disposal of waste drilling material and fire protection.

The conditions also include a \$1 million liability insurance policy to protect Delta County from damages during exploration drilling.

Gunnison Energy has also requested an advisory committee, "to build trust and communication" with the community.

The Planning Commission ruled it did not have enough time Thursday to review the information and render a decision.

It will discuss the test well applications at a meeting in the next 10 days and issue a written recommendation to the Delta County Commission by June 27.

The County Commission announced Friday it will not render a decision on Gunnison Energy's applications Monday because of the delay. It will still hold the meeting at Delta Middle School at 3 p.m. Monday to hear public comments that will not be part of the record. ■

Aaron Porter can be reached via e-mail at aporter@sjds.com.

Citizens' legal team offers grounds for denial

By Annette Brand
Staff Writer

Four members of the Grand Mesa Citizens Alliance — all lawyers — gave their opinions to a receptive and inquiring Delta County Board of County Commissioners June 17 concerning the county's authority to deal with the gas wells application of Gunnison Energy Corporation.

Maxwell Aley of Paonia, Michael McCarthy and Steve Harper of Hotchkiss, and Tom Smith of Aspen spent an hour and a half in exchange with commissioners Wayne Wolf, Ted Hayden and Jim Ventrello.

The 3 p.m. period on the commissioners' regular Monday agenda had been set aside for their consideration of the Gunnison Energy application for four exploratory wells. The county planning commission tabled their consideration of Gunnison Energy's application at their meeting June 13, necessitating the county commis-

sioners postponing their consideration until July 8.

Smith was the leading spokesman for the legal team. Now in private practice with the firm Austin, Peirce & Smith of Aspen, Smith has practiced land use law for 25 years, representing at various times local gov-

ernment, developers and citizen groups. His experience includes a stint in the attorney general's office and as Pitkin County attorney.

Smith concentrated his remarks on the issues of preemption, the incompleteness of Gunnison Energy's application and matters of irrec-

oncilable conflicts.

Smith stated that preemption of county authority by the state does not currently exist with Gunnison Energy's application since Colorado Oil and Gas Conservation Commission (OGCC) has not issued a permit to
See Commissioners, Page 3A

Delta County Independent, Wednesday, June 19, 2002 **3A**

Commissioners

Continued from Page 1A
drill.

If the state issues its permit to drill before the county acts the county will still have jurisdiction within the limits of its statutory land use authority, Smith said. If both take action the question will be whether their actions constitute irreconcilable conflict.

Smith's opinion was that the county should make its judgment on the broadest range of factors surrounding land use, consistent with the county's regulations.

He was highly critical of the application from Gunnison Energy, calling it "bare bones." "I have never seen an application of this magnitude that didn't include technical reports," Smith said.

"This application could have dramatic impacts on water and the applicant hasn't shown how it will deal with those impacts," he said.

He said all requirements of the county's regulations should be met first. To settle those not

a development agreement at the end of the process turns the application process around.

It has been the county's practice under the specific development regulations to have the applicant provide information in the initial application and add additional requirements as the application goes through the area planning committee and planning commission process, and on occasion when it reaches review by the commissioners.

Wolf asked whether the county should consider the entire application, or the first phase. Ventrello informed Smith that it was the county which asked for the application to be phased.

Smith said the county has a lot of discretion in looking at the application in phases or as a whole.

Ventrello asked whether by approving four exploratory wells the county would be obligated for the entire application.

Smith said legally, no, but practically, yes.

Smith said the county could say "we make a mistake" by requesting phasing, deny the entire application and require Gunnison Energy to come back with a complete application.

Wolf asked for Smith's opinion about control of the overall development, such as limiting the number of wells per year or using certain roads.

Smith replied that spacing of wells falls under the jurisdiction of OGCC. On other issues, such as geologic, hydrologic, etc., the county can say no. Counties have specific authority under state statutes 1041, such as authority to protect wildlife.

County attorney Brad Kolman reminded the commissioners they have some requirements set out under the specific development ordinance. He said during the nine-month moratorium, adopted in May, they can establish additional and more specific regulations.

Hayden stated the application

presented the county with a learning curve in regard to adopting regulations.

Smith said that happens all over the state. Local government is caught with no rules or inadequate rules.

Harper, retired from the firm of Briscoe, Stanway and Harper, encouraged the commissioners to make reference to the county master plan, usually considered advisory, but which became regulatory because it was adopted as a part of the county's specific development regulations. He said Gunnison Energy's application can be denied for its incompatibility with master plan goal No 2, which refers to preserving rural lifestyle.

Harper said the worst scenario would be that the county would be taken to court. If the court found the county had exceeded its authority, the matter would be remanded back to the county to remedy.

Ventrello asked if the county denies the application, whether it

takings suit in respect to the gas wells on private property.

Smith said that was always a possibility, but it didn't mean the suit was going anywhere. One application denied cannot be construed as denying the property owner the right to ever do anything with his land.

The county commissioners are scheduled to hear the Gunnison Energy application on Monday, July 8, at 1:30 p.m., at Delta Middle School, 822 Grand Avenue. The meeting will begin with presentations from county planning staff, Gunnison Energy and Grand Mesa Citizens Alliance. Commissioners will ask questions along the way.

There will be opportunity for citizen input.

The commissioners said a short dinner break may be necessary between the three presentations and the time set aside for citizen input.

Delta County seeks to delay methane wells

By AARON PORTER
The Daily Sentinel

DELTA — Delta County's effort to shepherd coal-bed methane development is unprecedented in Colorado, including its response this month to drilling applications filed with state regulators.

The Delta County Commission requested a delay on state action until it rules next month on a proposal to explore coal-bed methane resources at five sites in the

county, according to a June 27 letter to the Colorado Oil and Gas Conservation Commission.

"I hope that the Oil and Gas Commission will listen to our concerns and consider them when looking at these permits. Hopefully they'll apply some of these recommendations that we've raised," County Commissioner Jim Ventrello said.

Gunnison Energy Corp. plans to explore for coal-bed methane this year at five sites on the south flank of Grand

Mesa.

Methane is used in homes, industry and power plants. The gas is trapped by hydrostatic pressure in coal formations.

Wildcatters drill wells into the coal, then crack it to expose more surface area for methane to escape. Water is pumped from the coal to release the methane that is pumped to the surface.

Gunnison Energy plans to drill four test wells this year to determine if coal-bed methane is accessible in sufficient

quantities and at reasonable cost to justify production. In a separate production phase, it could drill up to 600 wells in about 96,000 acres on the south flank of Grand Mesa.

Residents have overwhelmingly opposed the plan at public hearings. Critics cited uncertainty about potential impacts to local groundwater resources and potential impacts to communities and the

See METHANE, page 5A ➤

METHANE: Delta County Commission plans public hearing July 8

➤ Continued from Page One

environment.

Gunnison Energy applied this month for permits to drill four wells from the Oil and Gas Commission. The state agency oversees drilling, production and reclamation at well sites.

The County Commission responded to three applications last week through its local designee, Bruce Bertram, who formerly worked in the oil and gas industry. He had seven days to comment.

"It's new ground. (The Oil and Gas Commission) is not used to getting these kind of comments ahead of the game because normally its like, 'boo, here we are,'" Ventrello said.

Bertram cited specific technical concerns and detailed suggestions for each well site that the Oil and Gas Commission is more likely to respond to, Ventrello said.

"They tend not to listen to emotional arguments but if they can get technical issues, they'll respond differently," Ventrello said.

The County Commission has also asked the state agency to defer judgment until Delta County rules on permit applications there.

Gunnison Energy is seeking development agreements for five test-well sites, including an alternate site, under a county regulation that forces major development to conform to performance standards.

The county Planning Commission on June 27 recommended approval of Gunnison Energy's application, contingent on a laundry list of 36 conditions. The conditions included more than \$100 million in environmental and liability insurance, as well as resources to replace any water it may impact during exploration.

The County Commission is slated to hold a public hearing July 8 and rule on the exploration

wells within the next two weeks.

It has enacted a nine-month moratorium on any further gas or oil wells while drafting specific performance standards for that industry.

The county's effort to control coal-bed methane development does not sit well with some board members of the Oil and Gas Commission, Ventrello said. It consists of seven members, including five from the oil and gas industry.

"I think the staff is really trying to work with us. My feeling is that the Oil and Gas Commission (board) resents (us), feels that we are sticking our nose in their business," Commissioner Jim Ventrello said.

Gunnison Energy Corp. is the only company to ever approach county planners before applying for state drilling permits to explore or produce coal-bed methane. It has been "very cooperative," the County Commission wrote.

"They could have gone to the

Oil and Gas Commission first, and the first thing we would have known about it was when derricks started popping up out there," Ventrello said.

There are rumors of frustration in the industry against Gunnison Energy, because it may have established an expectation for a similar approach in other counties, Ventrello said.

The County Commission may establish a legislative committee to pressure change in some state laws regulating coal-bed methane.

A critical flaw is the Oil and Gas Commission's "dual mission of promoting and regulating" development of those resources, Ventrello said.

The County Commission may also seek to establish an appeal process and lengthen the comment period for state drilling applications.

Aaron Porter can be reached via e-mail at aporter@gjds.com.

TUESDAY, JULY 9, 2002

LMN Rock Mountain News

Delta County residents fight coalbed production

Gunnison Energy seeks permits for exploratory drilling

By Heather Draper
ROCKY MOUNTAIN NEWS

DELTA — It's all about water, residents here say.

Delta County citizens, from ranchers to sandal-clad environmentalists, are fighting coalbed methane development in their area because they fear it will affect their water supply.

About 200 concerned residents gathered in a decades-old, muggy school auditorium in Delta on Monday to persuade their commissioners to stop Gunnison Energy, a two-man oil and gas company, from drilling exploratory wells in the North Fork Valley near the town.

"The very nature of coalbed production requires huge removal of water from aquifers," said Tom Leach, a former oilman who is fighting the proposed drilling.

"Delta County is unique because where they're proposing to drill is

up the flank of the mesa, which sits above houses and farms," Leach said. "It's like putting a septic tank uphill from your house."

Methane gas occurs naturally in coal seams. Gas companies fracture rock to loosen the methane from the coal and then shoot the gas up a well and eventually into a gas pipeline.

Vince Zodiaco, vice president of Gunnison parent company Oxbox Mining Inc., argued that the company's assessments have shown that coalbed methane extraction poses "a very low level of risk to water resources."

"There has been coal mining in Delta County for 100 years," Zodiaco said. "There has been no noted groundwater resource effects from that." Oxbox Mining is one of the companies mining coal in the county.

On Monday, Gunnison Energy was asking Delta County Commissioners to approve drilling permits for four exploratory wells. But residents are more concerned about the company's estimate of eventually drilling 600 wells in the area.

"They're not talking about four wells here," said Mark Sprinkle of Paoonia, a former geotechnical engineer. "They're talking about the po-

tential for up to 4,800 wells. We're not getting straight numbers out of them."

Also at issue is the way gas permits are given out, said Michael McCarthy, a Hotchkiss-based lawyer who is donating his services to fight Gunnison Energy.

The Denver-based Colorado Oil and Gas Conservation Commission on July 3 approved permits for three of Gunnison's four proposed wells, despite a request for a hearing from the Grand Mesa Citizens Alliance, a grass-roots group formed recently to thwart efforts to drill in Delta County.

"They didn't give us a hearing," McCarthy said. "They basically said to us, 'You don't count.'"

The county commissioners have the final say on the permits, but if they are denied, the issue would likely end up in court, McCarthy said.

"This battle is likely to result in a challenge to the actual authority of the oil and gas commission that could go as high as the Supreme Court," he said.

Monday's meeting was expected to last well into the night. The commission had made no decision on the permits at press time.



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07.10.02 Regulations crimp coal-bed methane plans

By AARON PORTER *The Daily Sentinel*

DELTA — A plan to explore for coal-bed methane in Delta County is hindered by regulatory demands that mirror local fears about potential groundwater impacts.

The Delta County Commission is slated to rule on the proposal by July 22, but an energy company is resisting some stipulations proposed for its development agreement.

Gunnison Energy Corp. is seeking county approval for five test well sites, including an alternate site, to determine if methane production is viable on more than 90,000 acres in the county.

Opponents to coal-bed methane exploration fear that drilling may harm vital water supplies on the south flank of Grand Mesa. The corporation contends the risk is "very low."

Gunnison Energy (M6) had agreed to 24 conditions for its application, Laura Lindley, the firm's attorney, wrote in a July 3 letter.

It rejected half of the 12 stipulations the county Planning Commission added June 28 when it recommended conditional approval to the County Commission, Lindley wrote.

The primary dispute Monday centered largely on a "water augmentation plan" demanded by the County Commission.

The plan would ensure Gunnison Energy has water available if its exploration drilling harms domestic or irrigation supplies.

Water impacts are regulated by the state, Gunnison Energy contends. It has already agreed to provide more than \$100 million in liability and environmental insurance to cover that issue, corporate officials said.

Gunnison Energy's objections also included independent assessment of the region's water resources, citing an ongoing corporate study. It opposed monitoring wells adjacent to the exploration sites due to potential groundwater impacts.

The County Commission will announce its decision by July 22, a county official said. It will review Gunnison Energy's application during a work session Thursday.

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Crested Butte Paper

Week of July 5, 2002

County enacts nine-month moratorium on new oil and gas drilling applications

Take the time to do it right

by Melissa Ruch

A nine-month moratorium on all new oil and gas drilling applications has been enacted in Gunnison County. On Tuesday, July 2, at their regular meeting, the Gunnison County Commissioners unanimously passed the temporary moratorium to give the county adequate time to draft sufficient regulations on oil and gas drilling, and exploratory drilling operations.

This moratorium includes coalbed methane production. Coalbed methane is a source of natural gas. On June 21, Gunnison County approved its first coalbed methane application. The approval is for three exploratory wells in the East Muddy Creek Drainage, near the Paonia Reservoir. The applicant is SG Interests of Houston. The wells are on private land owned by Falcon Seaboard Diversified also out of Houston.

The Gunnison County Land Use Resolution (LUR) does not have specific regulations for coalbed methane exploration or production, and neither does neighboring Delta County's land use regulations. Last month, the Delta County Commissioners enacted their own moratorium on oil and gas production applications after it received an application for up to five exploratory wells. If the well exploration is fruitful, 600 drilling wells are proposed by Gunnison Energy, a new subsidiary of Oxbow Mining.

If the well exploration in Gunnison County proves fruitful, SG Interests must come back to the Gunnison County Planning Commission with a new land use change application for actual coalbed methane production. Before the commissioners considered the moratorium, they held an informational session on coalbed methane on Friday, June 7. There, members of the mining industry, independent geologists, attorneys, environmental organization representatives, and the public all met to learn more about the impacts of coalbed methane production. Barbara Greene, who is special counsel to the county on regulatory law, has been working on the draft moratorium for the county. She said the moratorium would allow the county time to do a good job drafting the new oil and gas drilling operation regulations.

She has been working on writing those new regulations as well. "We've been working for several months trying to come up with different approaches to allow the county mechanisms to deal with the impacts from energy development," she said. She told the commissioners via speakerphone on Tuesday that the recommended nine-

month moratorium was intended to coordinate with the Delta County moratorium. The Gunnison County moratorium, she said is designed to be in place until the county adopts new regulations.

Commissioner Fred Field asked Greene on Tuesday, "Did you take into consideration the time needed to change the LUR?"

"Yes," answered Greene. "If it needs to be, a moratorium can be extended." To that, she said a moratorium's time could also be shortened.

Sandy Shea of High Country Citizens' Alliance urged the commissioners on Tuesday at the public hearing to pass the moratorium to be in step with Delta County, and to give the county enough time to gain the facts and impacts before moving forward.

Darla DeRuiter, also with HCCA, concurred with Shea. "To me it seems a precautionary approach on something we don't know that much about. I encourage you to adopt the moratorium as a way to gather more data to answer the questions on how we want to see this happen in our county."

Kathy Welt, representing Oxbox mines in Somerset, asked the commissioners to withdraw exploratory operations from the moratorium.

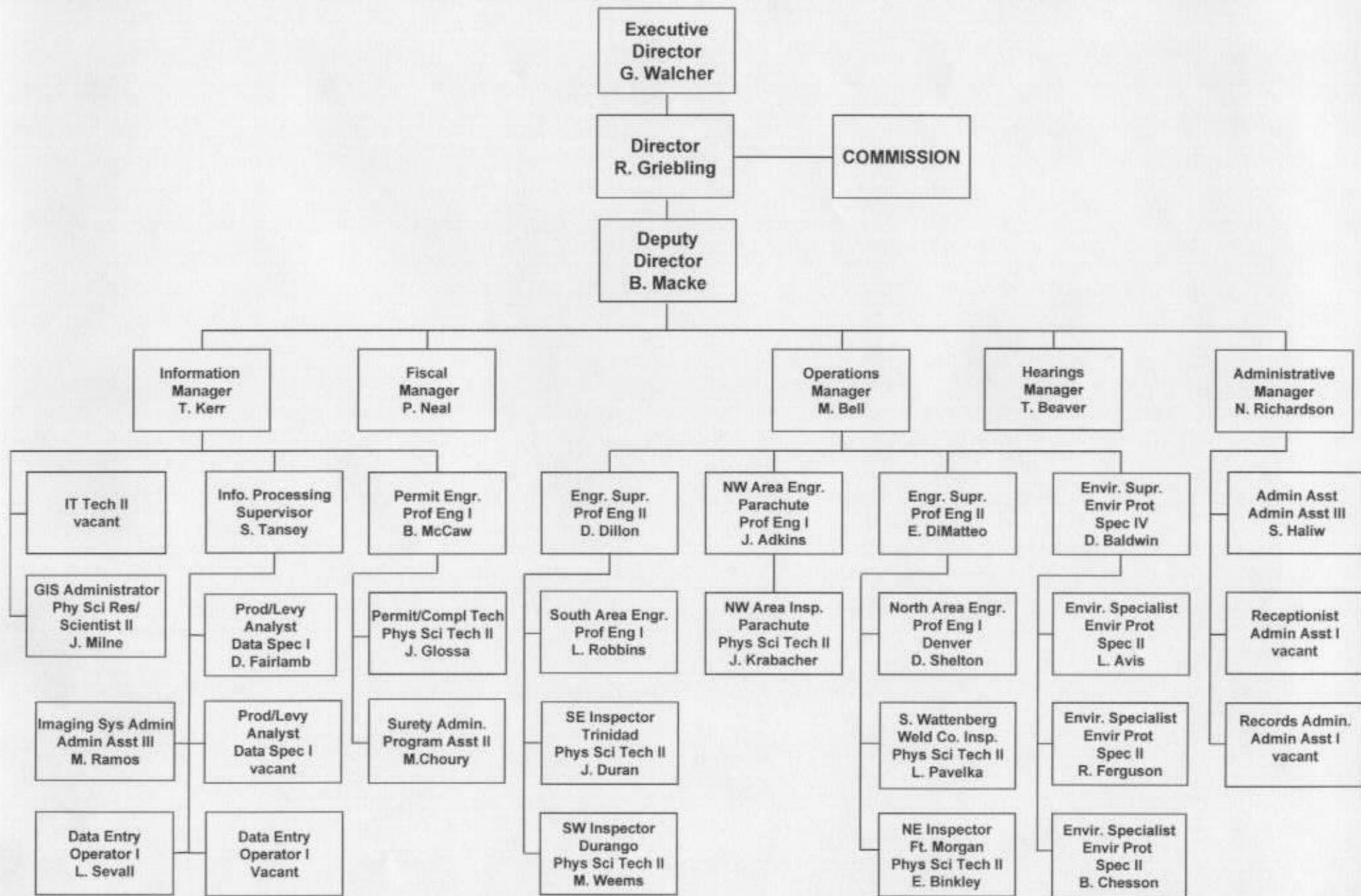
Greene answered it was her understanding the county wanted to include exploration applications in the moratorium, to which the commissioners agreed.

Shea encouraged the board to retain exploratory applications in the resolution. "This is an interim measure," he said. "Exploratory applications can take place in a short time, once the county has their ducks in a row."

Commissioner Jim Starr made a motion to approve the moratorium, and Commissioner Perry Anderson seconded. Starr said, "I do think number one, we have an area here that has the potential for a lot of methane, oil and gas. I don't feel confident in what we have in the current LUR. I think it's a benefit in the long run for both the county and exploratory/production companies to have clear and understandable regulations."

The commissioners approved the moratorium unanimously. Its enacted timeframe is July 2, 2002- April 2, 2003

COLORADO OIL & GAS CONSERVATION COMMISSION ORGANIZATION





DEPARTMENT OF NATURAL RESOURCES

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June 18, 2002

TO: MEGA Board

FROM: Rich Griebeling *Rich*

SUBJECT: COGCC FY 03-04 Decision Items

The following are summaries of COGCC's three proposed decision items:

1. **Asset Management Plan.** This request is for \$70,744 from the Severance Tax Operation Account to meet State and Department standards requiring that an asset management plan be implemented to meet technology changes on a regular basis. Increased customer demand for Internet services requires COGCC to continue to improve its applications and upgrade existing hardware and software applications.

Background:

- The COGCC set up a separate local area network in 1998 to deal with the necessary infrastructure changes to implement the Colorado Oil and Gas Information System (COGIS).
- As development and deployment of COGIS has matured, the cost necessary to maintain and continue to improve the system has become evident.

Problem:

- Now that system development has been completed, some unprojected costs to maintain and update the system have been identified.
- COGCC has continued to increase its Internet presence and is providing service to a growing user base.
- Software changes and the growing user base require COGCC to upgrade network servers to provide better service.
- Evolving Department and Statewide standards and manufacturer support for older software require additional funds for software and desktop upgrades.

Solution:

- The request for funding this asset management plan would allow the COGCC to implement a life cycle approach to equipment and software replacement. The following is a breakdown of the cost to fund this plan:

Components	Life Cycle (yrs)	Total Cost	Lifecycle Cost
Desktop Replacement	4	\$83,421	\$20,855
Software	4	\$60,545	\$15,137
Desktop Peripherals Replacement	4	\$3,500	\$875
Network Infrastructure	6	\$46,727	\$7,788
Servers	3	\$89,960	\$29,987
Network Peripherals	5	\$103,869	\$20,774
COGIS	4	\$129,405	\$32,351
Annual Maintenance	1	\$34,632	\$34,632
TOTAL		\$552,059	\$162,399
Current appropriation			\$91,655
Request			\$70,744

2. **Remote Staff Decision Support.** This request is for \$101,955 from the Severance Tax Operational Account to provide 15 field workstations (laptop computers with COGIS database) for COGCC field engineers, inspectors and environmental protection specialists. It also includes \$23,545 in FY 05 and thereafter for ongoing maintenance. The workstations will allow the field staff to query the system for detailed well information, inspection history, and violations of all existing oil and gas operations in an inspector's area. The package will include Global Position System (GPS) to identify locations that have been reclaimed and facilities that are incorrectly located as well as digital cameras to facilitate the exchange and storage of pictures showing actual field conditions.

Background:

- During FY 01, COGCC field inspectors conducted 7,089 inspections of oil and gas facilities.
- Field inspectors do not have access to current information on wells and operators while on site.
- Field inspectors hand write both general well header information and inspection data on paper forms and later perform data entry at home offices.

Problem:

- Because inspectors do not have access to COGIS while on site, delays are incurred while inspectors contact the central office for information.
- There is an approximate 2 week delay in the availability of information in the central database due to the fact that hand written inspection data is entered into the database at a later date.

- Field inspectors do not have access to the detailed information necessary to make decisions at remote field locations.

Solution:

- Equip field engineers, inspectors and environmental protection specialists with field work stations.
- Recover an estimated 5% of staff time lost due to inability to access information on site, by giving field staff the ability to:
 - Access well data on site.
 - Take and instantly transmit photographs to the central office of well locations to provide rapid response to emergency situations.
 - Identify precise locations (maps) of oil and gas facilities using the geographical information system (GIS).
 - Enter well header and inspection data on site, making this information immediately available to the public.
- A breakdown of the cost is as follows:

Item	Unit s	Unit Cost	Total Cost	Annual Maint. Cost	Description
Laptops	15	\$2,900	\$ 43,500		Dell Latitude C840 940 gbyte hdd, 1.6 ghz)
Digital Cameras	12	\$ 665	\$ 7,980		3.3 mpixel, 128 mbyte storage, soft case
GPS	7	\$3,800	\$ 26,600	\$ 1,400	CMT March-III, hard case, spare battery
SQL 2000 Database	15	0	0		Licensed under new server license
Map Guide GIS	15	\$ 525	\$ 7,875		
Consultation/Programming	160	\$ 100	\$ 16,000		Customized interface and database communication
Maintenance-Hardware				\$19,520	Annual maintenance cost begins in FY 05
Maintenance-Software				\$ 2,625	Annual maintenance cost begins in FY 05
TOTAL			\$101,955	\$23,545	

3. **Internet Enabled Form Processor.** This request is for \$372,900 from the Severance Tax Operation Account to convert existing form processor to an Internet programming language and complete the forms that have not been created in any form processor. This will allow for all COGCC forms to be available on the Internet and provide the functionality for an automated workflow for staff review and approval. Allowing COGCC to input data on the Internet and run preliminary quality control edits will decrease turnaround time for approvals and data availability by eliminating data entry delays at the COGCC. This will also allow for more rapid review and approval by technical staff of forms that are not currently in the automated workflow.

Background:

- The COGCC set up an automated workflow in 1998 which is incorporated in Colorado Oil and Gas Information System (COGIS).
- Due to Y2K and eCommerce demands for programming staff it was not possible to complete automated form processor for all of the COGCC forms in the original project.
- Due to the availability of programmers with Internet forms programming experience and the high risk of project cost overruns, the Internet application for the form processor was not pursued.

Problem:

- The high level of oil and gas activity has created an increase in workload that can only be dealt with by continuing to streamline processes or add additional staff.
- The oil and gas industry as well as the "State of Colorado Vision for e-Government" continues to push for online filing of regulatory information.
- The original form processor does not allow remote access.
- The Form Processor functions differently with different versions of the Windows operating system (OS) requiring maintenance repairs for changes to the OS or when a new OS is installed on a PC.

Solution:

- The request for funding this Internet enabled form processor would allow the COGCC to provide customer access to online forms, reduce turnaround time for approvals and provide remote staff the ability to input and edit forms in the form processor. The following is a breakdown of the cost to fund this plan:

The creation of 43 forms would require 5085 hours of programming:

1 Lead Programmer @ 1,695 hours @ \$80/hour =	\$135,600
2 Programmers @ 1,695/hr. x 2 = 3,390 hours @ \$70/hr =	<u>\$237,300</u>
Total	\$372,900

COLORADO OIL & GAS CONSERVATION COMMISSION
FIRE PREVENTION DIRECTIVE FOR OIL & GAS OPERATIONS

June 21, 2002

The Colorado Oil & Gas Conservation Commission (COGCC) acknowledges and commends Colorado oil & gas operators for their attention to the current fire dangers in areas of oil & gas activity around the state, their cooperation with local emergency response entities, their initiative in preventing fires, and their efforts to protect on-site personnel, as well as the public health, safety and welfare. The following directive is intended to emphasize existing statewide rules and provide guidance at this time of extreme fire danger.

A. All Oil and Gas Operations

1. All field personnel should carry local emergency dispatch phone numbers with them at all times. All fires must be reported to local emergency dispatch immediately.
2. Vehicles should be parked on well locations or other areas devoid of vegetation.
3. Operators must inform the local emergency dispatch of the location and duration (start date/end date/work hours) of active work sites involving drilling, completion, workovers, and flowline installation, maintenance and repair.
4. Smoking shall be prohibited at or in the vicinity of operations that constitute a fire hazard, and such locations shall be conspicuously posted with a sign, reading "No Smoking" or "Open Flame". Matches and all smoking equipment may not be carried into "No Smoking" areas (COGCC Rule 606A.f.).
5. Welding, pipefitting, metal grinding, or operating an acetylene or other torch with open flame should be restricted to areas that are barren or cleared of all flammable materials at least ten feet on all sides of the equipment. The operator should have a fire extinguisher and shovel readily available at the site.
6. Each vehicle should be equipped with a portable fire extinguisher (COGCC Rule 606A.p.).
7. Personnel shall be familiarized with the location of fire control equipment and trained in the use of such equipment (COGCC Rule 606A.q.).
8. Fire protection equipment shall be periodically inspected and maintained in good operating condition at all times (COGCC Rule 606A.n.).
9. Operators should establish emergency evacuation procedures. Safe zones should be identified in the event access roads are impassable. When heavy equipment is not in use, it should be located so that it doesn't block access roads.

B. For Drilling, Testing, Completions, and Workovers

1. Flaring is discouraged. Flaring, if necessary, requires notification to the local emergency dispatch. The operator shall notify the local emergency dispatch as provided by the local governmental designee of any such flaring. Such notice shall be given prior to the flaring if the flaring can be reasonably anticipated, and in all other cases as soon as possible but in no event more than two (2) hours after the flaring occurs (COGCC Rule 317.I.). All flaring operations should be continuously monitored by personnel onsite, and the local COGCC field inspector should be notified of any flaring operations.
2. Water sources dedicated to fire suppression shall be required. These water sources must be dedicated to the site, and must be present on-site during the entire duration of the operation (COGCC Rule 606A.I. and m.).
3. Operators should review fire prevention and emergency response procedures with field

personnel daily.

C. For Flowline Installation, Maintenance, and Repair :

1. Water sources must be available during welding operations. These water sources must be dedicated to the jobsite, and must be present on-site during the entire operation (COGCC Rule 606A.l. and m.).
2. Firefighting equipment shall be readily available near all welding operations. When welding, cutting or other hot work is performed in locations where other than a minor fire might develop, a person shall be designated as a fire watch. The area surrounding the work shall be inspected at least one (1) hour after the hot work is completed (COGCC Rule 606A.o.).
3. Immediately prior to welding, the work area should be thoroughly wetted down. The wetted area should be at least 10 feet diameter around the welding activity.

Operators are responsible for monitoring the progress of wildfires in their areas of operation and taking appropriate actions to minimize risk to their personnel, as well as to operations and the public, health, safety, and welfare. Operators should consider shutting in wells if access to those wells is threatened by prospective fire-related road closures.

This directive applies to all lands within Colorado where the Colorado Oil & Gas Conservation Commission has regulatory authority.

Signed:

Richard T. Griebeling

Director

PENALTY PAYMENT STATUS

UPDATED:

07/01/02

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	\$10,000	2	\$6,500	0	\$0	n/a
93-94	12	\$263,608	7	\$105,000	0	\$0	n/a
94-95	10	\$83,817	4	\$21,805	4	\$139,000	n/a
95-96	29	\$238,250	19	\$154,000	3	\$20,750	n/a
96-97	13	\$79,500	8	\$29,500	0	\$0	n/a
97-98	30	\$140,500	22	\$74,750	0	\$1,000	n/a
98-99	19	\$74,000	18	\$66,500	2	\$25,000	n/a
99-00	23	\$110,500	12	\$59,480	0	\$3,000	2
00-01	18	\$85,500	16	\$30,500	0	\$6,000	0
01-02	10	\$38,000	5	\$23,000	0	\$0	0
Totals	168	\$1,155,975	116	\$603,315	9	\$194,750	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 11/01/95	Yes
1V-93	11/21/95	Tipps Drilling Co.	\$60,000	Rules 604 a.4., 902 a.8f.	\$30,000 bond claimed 11/95/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 i., APD	District Court decision entered/\$10,000 bond claimed 12/96/	Yes
1V-124	07/01/97	Nerdilic 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 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 claimed	Yes
1V-175	08/19/99	McCormick Oil & Gas Co.	\$18,000	Rules 1004, 319 b.(3), 326 b., 206, 309.	McCormick in bankruptcy-Bond claimed	Yes
1V-177	08/19/99	Faith Energy Exploration, Inc.	\$3,500	Rules 308A, 308B, 326 b.	Bond Claimed	Yes
1V-183	12/02/99	Gopher Drilling Company	\$2,000	Order No. 1C-3	Bond claimed	Yes
1V-191	02/15/00	Cascade Oil	\$1,000	Rule 326 b (1)	Bond claimed	Yes
1V-202	11/30/00	Robert Ziegler	\$2,000	Rule 326 b.	Bond claimed	Yes
1V-204	12/19/00	Allen Oil & Gas, LLC	\$60,000	Rule 326 b., 324A a., 904, 905, 906 b (1), 906 a.	Bond claimed	Yes
1V-212	05/31/01	Sierra Production	\$500	Rule 302 a.		Yes
1V-213	05/31/01	Caprice Oil & Gas Co.	\$500	Rule 302 a.		Yes
Total penalties pending collection			\$233,500			

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-52	11/22/93	12/14/93	Richmond Petroleum Inc.	\$47,608	Rules 317 f., 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-123	05/20/97	05/30/97	Planet Associates, Inc.	\$4,000	Rules 319 b., 326 b.	\$10,000 bond claimed 5/97. State Central Collections recommends write-off. Company is out of business
1V-127	08/04/97	08/13/97	Pont Lookout Drilling	\$28,750	Rules 210, 308, 312, et al	\$30,000 bond claimed 9/97. State Central Collections recommends write-off
1V-134	02/05/98	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				\$104,105		

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No.	Cause	Applicant/Attorney or Representative	Date Rec'd	Field Formation County	Matter	Remarks
0208-SP-10	34	Sandlin Oil Corporation/ Gary Sandlin	6/27/2002	Greenwood Topeka/Lansing Baca	Request for an order to remove certain lands in Townships 33 and 34 South, Range 41 West, 6th P.M. from Order No. 34-1	
0208-SP-11	479 and 510	Williams Production Co./ William Keefe	6/28/2002	Grand Valley Williams Fork Garfield	Request for an order to allow the drilling of additional wells to be located in portions of Sections 1, 2, 11, and 12 in Township 7 South, Range 96 West, 6th P.M. for the production of gas and associated hydrocarbons from the Williams Fork Formation.	
0208-OV-08	1V	Staff Recommendation	7/8/2002	Weld	OFV-Rule 326.b., failure by BIC Petroleum, Inc. to perform a mechanical integrity test within two (2) years of the initial shut-in date for the Cottonwood State #1 Well located in the SE¼ NW¼ of Section 16, Township 9 North, Range 56 West, 6th P.M.	
0208-GA-08	1	Midwest Enterprises, Inc/ Lyle Rising	7/9/2002	Kiowa	Request for an order to release the \$30,000 Bond on the Fenton 2-31 Well located in Section 31, Township 20 South, Range 42 West, 6th P.M.	