

MONTHLY STAFF REPORT

July 14, 2003

I. STATISTICS

Our monthly statistics report is attached ([page 1](#), [page 2](#), [page 3](#)). The approved Applications for Permit-to-Drill ("APDs") for calendar year 2003 are on track for an annual total of 2000.

II. NORTHWEST COLORADO

® Northwest Colorado Oil and Gas Forum

The last meeting of the Forum was held on June 19, 2003 at the Garfield County Fairgrounds in Rifle and was co-chaired by Garfield County Commissioner John Martin and COGCC Deputy Director Brian Macke. The meeting, which was attended by approximately 95 people, was primarily an educational forum about numerous aspects of natural gas development with a focus on active Piceance Basin development in Garfield County. This format was in response to the request at the February meeting for a basic gas development informational session. Agenda items at the meeting included:

- Updates from the COGCC, the BLM, and industry about northwest Colorado oil and gas activity.
- An overview of Colorado Oil and Gas Commission regulations by COGCC staff.
- A Garfield County oil and gas overview by Garfield County Local Governmental Designee Doug Dennison.
- A discussion of local geology by United States Geological Survey staff member Ron Johnson.
- An operations update by EnCana representatives Joel Fox and Tim Baer.
- A presentation about natural gas transmission pipeline planning and construction by TransColorado representative Wally Taylor.
- A presentation about the Rulison Field 4-D seismic research project by Colorado School of Mines representative Bob Benson.
- A presentation about the Colorado Geological Survey oil and gas educational CD-ROM by Williams Production representative Steve Soychak.

COGCC and Garfield County staffs have received positive feedback about the meeting.

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 scheduled for Thursday, October 16, 2003 from 10:00 a.m. until approximately 2:00 p.m. at a location to be determined. The meetings are generally held three times during the year, including a winter and late spring meeting during the Legislative session and a meeting in the fall. Co-chairs Brian Macke and Larry McCown have 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

newspaper articles of local interest. (["GarCo gas wells.."](#), ["Forum..."](#))

.. IOGCC "Staffers to States" Congressional Staffers' Oil and Gas Tour

An oil and gas facilities tour for U.S. Congressional Staffers was conducted in the Uinta – Piceance basin areas of western Colorado and eastern Utah from June 30th to July 3rd. The "Staffers to States" tour was developed by the Public Lands Committee of the Interstate Oil and Gas Compact Commission ("IOGCC") to educate congressional staffers who have limited familiarity with oil and natural gas development, especially development in the Rocky Mountain region. Fourteen staffers attended the tour from a wide variety of states including North Carolina, Virginia, Pennsylvania, Wisconsin, Tennessee, Oregon, California, and Connecticut. Also present on the tour were Brian Macke and Bob Chesson with the COGCC, John Baza, Associate Director of the Utah Division of Oil, Gas & Mining, and Lynn Helms, Director of the North Dakota Oil and Gas Industrial Commission. Ms. Helms is also the Chairman of the IOGCC Public Lands Committee. The tour included natural gas facilities operated by EnCana Oil and Gas and Williams Production Company in the Mamm Creek and Grand Valley fields in Garfield County, as well as oil and gas and coalbed methane operations in Utah. During the first day and evening portion of the tour in Colorado the staffers were given presentations about oil and gas operations and regulation from Brian Macke as well as Williams Production Company and EnCana Oil and Gas representatives.

The congressional staffers who attended the tour provided feedback that the information they were provided was extremely useful in understanding what the true impacts of oil and gas development are and the effectiveness of state oil and gas regulation. We would like to sincerely thank the oil and gas operators and trade associations who provided funding and assistance for the tour, including the Colorado Oil and Gas Association, the Independent Petroleum Association of Mountain States, Williams Production Company, EnCana Oil and Gas, Tom Brown, Inc., ChevronTexaco, Shell Exploration and Production Company, and many others.

.. Williams Production Company Federal Land 10-Acre Increased Density Application

Williams Production Company has filed an application for 10-acre downhole increased well density on approximately 16,000 acres of federal land north of the Colorado River and Interstate 70 in the Rulison, Parachute, and Grand Valley fields in Garfield County. The lands are adjacent to the approximately 11,000 acres of private land that was approved for 10-acre downhole increased well density during the April 2003 hearing. The application specifies that the increased density wells would be directionally drilled from existing 20 and 40-acre well pads. The application has been docketed for the August 2003 COGCC hearing. Attached is a newspaper article about the application. (["Natural-gas operator..."](#))

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

Since the June 2003 hearing, the COGCC has received no new APDs for the 20-acre infill area. Of note has been the receipt of the first two 10-acre APDs (two wells off the same well pad) in the recently approved 10-acre density order area.

COGCC staff continues to work closely with Williams permitting staff and Garfield County to ensure that the requirements of the 20-acre density order adopted during the October 2000 hearing and the 10-acre density order adopted during the April 2003 hearing are met

in an efficient manner. To date, the COGCC has received and reviewed 133 APD's submitted by Williams for the 20-acre well density area.

III. **SOUTHEAST COLORADO**

® **Raton Basin Project**

A draft of the final report regarding the Raton Project is being reviewed and edited. This report will appear on our website. An executive summary will also be published in the Oil & Gas Journal.

A presentation of the Raton Basin Project Report will be made at today's hearing to the Commission by Anthony Gorody, the contractor tasked to compile and analyze data for this project.

IV. **SOUTHWEST COLORADO**

® **3M Project**

The Monitoring Well Construction Report and the June 2003 Monthly Monitoring Report are now available on the COGCC website. To access these reports click "Library" on the website navigation bar, then "Studies in the San Juan Basin – 3M Project Reports."

Last winter it was confirmed that the modems and cellular phone transceivers used to transmit monitoring well data were not functioning properly in cold weather, so in late May 2003 new components were installed at all four locations. The data loggers had operated properly during the entire winter period, so no break in pressure measurement recording occurred. Proper operation of the new communication systems was confirmed by dial-up testing and downloading of data.

® **Gas Revenues Lower Property Taxes**

The [attached](#) Durango Herald article indicates that oil and gas production provides 61% of property taxes in La Plata County.

V. **ENVIRONMENTAL ISSUES**

® **Semi-Annual WQCC/WQCD/COGCC Meeting**

Future meetings of the Water Quality Control Commission ("WQCC"), Water Quality Control Division ("WQCD"), and COGCC will be held on a semi-annual basis. The last meeting was held February 11, 2003 at the COGCC office. A representative from the Division of Water Resources was present and Commissioner Klish represented our Commission. The new WQCD Director is Mark Pifher, an attorney who has been involved in numerous water quality and water rights matters. Martha Rudolf is the current WQCC Commissioner Representative. The next meeting will be scheduled sometime in the summer. Our annual presentation to the WQCC is scheduled for November 10, 2003.

® **Oil and Gas Industry Stormwater Discharge Construction Permitting**

The EPA issued a final rule (March 10, 2003 Fed. Reg., Volume 68, Number 46, pages

11325-11330) to delay by two years the 1-5 acre construction permitting requirement for oil and gas facilities, based on the EPA having not sufficiently considered the potential economic impact during the original rule-making. The deadline was changed to March 10, 2005. The Colorado Oil & Gas Association and the Colorado Petroleum Association petitioned the WQCC for a revision to the Colorado Discharge Permit System Regulations, Regulation #61 (5CCR 1002-61) to add Section 61.4(3)(a)(xv), reflecting the new federal deadline. At the April 14, 2003 rule-making hearing, the WQCC voted to incorporate the new federal deadline into the Colorado regulation. The revision will be published in the June 2, 2003 Colorado Register, and will go into effect on June 30, 2003. Shortly before that time, the WQCD will notify the affected permittees of their options regarding existing permit certifications.

To find out more about the Stormwater regulation, to be added to the Phase II mailing list, or for more information about the Stormwater Program, including Phase II, please contact Nathan Moore at (303) 692-3555; email: nathan.moore@state.co.us; or Kathy Dolan at (303) 692-3596; email: kathy.dolan@state.co.us of the WQCD.

VI. ORGANIZATION

® Staff Organization

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

Monday July 7th marked the deadline for DNR staff to submit applications for the vacant Permitting Supervisor position, as well as the deadline for application submittal for our two vacant Administrative Assistant I positions. It is anticipated that these three positions will be filled within the next month.

VII. PLANNING/ADMINISTRATION/OTHER

® NGPA Well Determinations

Colorado received and processed 1090 NGPA well determination applications and sent 940 applications to FERC recommending approval. Colorado did not receive any filings for new area designations. Congress did not vote on the Energy Bill prior to the December 31, 2002 tax credit expiration so the program has once again been terminated.

® Penalties Status

[Attached](#) is a revised table showing the status of penalties paid and penalties pending collection.

® August Hearing Docket

A preliminary docket for the August 18-20, 2003 hearing has been [provided](#). The hearing will be held at the Colorado School of Mines in Golden in Petroleum Hall on Monday and Metals Hall on Tuesday and Wednesday. Any matters protested will be continued to the September hearing, as the entire August hearing will be dedicated to the Leyden Underground Natural Gas Storage Facility closure application. Hearing dockets are available on the COGCC website by clicking on "Hearings", then "2003 Hearing Schedules, Dockets, Agendas and Minutes". Links to the hearing applications and notices are available

from the Docket by clicking on the Applicant and the Docket Number, respectively.

To sign up for e-mail notification of hearing notices and applications please see the announcement and instructions on our main web page.

® Colorado Oil and Gas Information System ("COGIS")

The COGCC information system, COGIS, is made up of many different components that are used by the Commission, staff, industry, other government agencies and many others.

· Internet

The COGCC determined that it was most cost effective to develop applications and information in an Internet available format. This allows for the same tools to be utilized in different environments thus eliminating the re-creation of applications. The Internet connection was moved to a new network structure which provides a much more secure environment. The following are tabs on the Internet menu bar.

○ General

- This page has links to basic information concerning the Commission, its function, and oil and gas development in Colorado. The annual statistics and the weekly/monthly statistics are available here.

○ Contacts

- § This page has links to people and agencies that are involved with oil and gas regulation in the state. It also contains phone lists and areas of responsibility for staff.

○ Library

- § This page contains links to documents resulting from Commission studies, activity reports, and statistical downloads.

○ Hearings

- § This page has links to the current and previous hearing schedules, which allow for review of the dockets, agendas, applications and their outcome. It also has information that is useful when considering an application for hearing or finding information about the Commissioners.

○ Rules

- § This page contains links to the Commission statute, Rules and Regulations, and policies.

○ Orders

- § This application provides searchable capability to the Commission's orders. The search by location is still under construction as we create the map layer for all spacing orders.

○ Forms

- § These are Adobe Acrobat documents that can be downloaded, completed, printed and mailed. Some example and instruction documents are viewable. Eventually, online forms will be available here, but the exact time frame is unknown.

○ Staff Report

- § Current and previous staff reports, with attachments, are viewable here.

○ Permits

- § This application will show the last 12 months of approved permits and current pending permits; it may be filtered by county.

○ Database

- § This application enable users to query well, production and operator information. These queried databases contain the most current set of data

and are updated throughout the day.

- Local Gov
 - § This application provides database searches for local government contact information and oil and gas activity within a selected area.
- Images
 - § This application is an interface to the COGCC's historical paper files. All well files, logs and hearing files have been scanned. This application is not user friendly and the preferred method is to use the database queries and click on the "docs" icon for wells and other facilities, or to use the Orders application.
- Maps
 - § This interactive map application allows the user to zoom, pan and select types of information to display. This application will also display the database information for wells by selection tools or double clicking on a single item. There are also tools to allow annotations and to save reusable map files.
- Reports
 - § This area is still in development; only a few reports are currently available. The application does malfunction from time to time. The goal is to have selectable data sets and statistical queries.

· Local Area Network

The COGCC staff is connected to services by a Local Area Network ("LAN") connection which provides e-mail and data sharing capabilities. The LAN recently moved behind the Department of Natural Resources firewall which will provide a much more secure environment. The move has caused a delay in releasing new information to the image system and some interruption in e-mail availability. Staff utilizes the same applications in their work as Internet users, in addition to others outlined below.

- Database
 - § The COGCC maintains a comprehensive database of regulated facilities (wells, pits, injection sites), incidents (inspections, complaints, spills), and affiliations (companies, contacts, staff).
 - § A database cleanup project is currently underway, with more than 23,000 historic well records updated.
- Form Processor
 - § This set of applications allows users to input, route, edit, and update regulatory reports submitted by oil and gas operators.
- Geographic Information Systems (GIS)
 - § These applications provide the COGCC capability to create custom maps, convert survey calls to geographic coordinates, and convert and utilize geographic positioning system (GPS) data.
 - § The GIS Administrator creates daily updates for the Internet map application.
- COGIS Tools
 - § This set of applications allows the staff to correct data in the database in addition to performing specialized workflow administration.

· Remote Users

This is the final component of the COGIS system. It has yet to be implemented. This system will consist of Internet applications, form processor and other specific tools necessary for the field personnel to automate their data collection and information requirements running on a laptop or tablet computer. This project continues to receive high marks in the budget process but has been delayed due to budget constraints.

VIII. VARIANCES

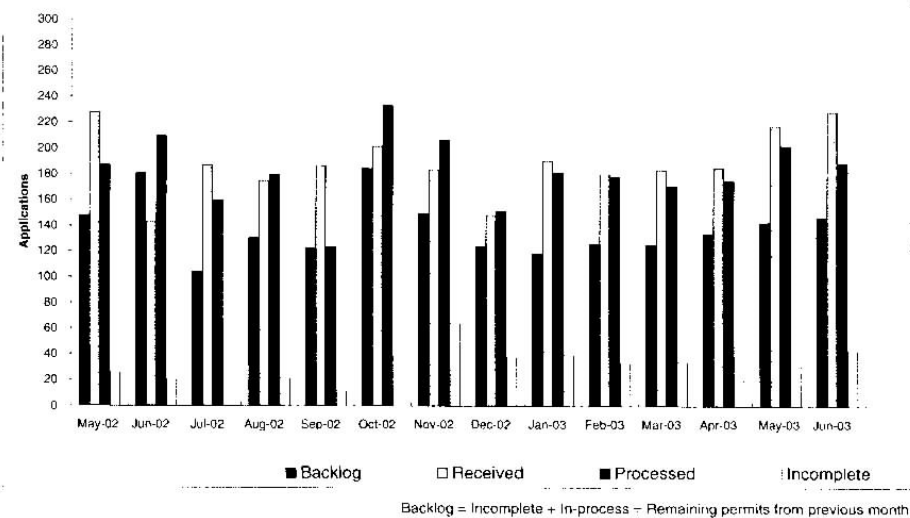
A variance was granted to Rule 1004.a. (final reclamation) for Energy Search Company for the Hardaway #1 and #4 Wells located in the SW¼ of Section 28, Township 1 South, Range 67 West, 6th P.M. in Adams County. Based on a waiver granted by Gateway American Properties, LLC. to Energy Search Company, it appears that Gateway's proposed alternate land use (residential subdivision development) will not be in conflict with the basic intent of the Oil & Gas Conservation Act, and that it is appropriate to grant a variance to COGCC Reclamation Rule 1004.c.(2).

Colorado Oil & Gas Conservation Commission

Monthly Breakout of Drilling and Recompletion Permits

	Backlog	Received	Processed	Withdrawn	Rejected	Incomplete	In-Process	Remaining
Drilling								
May-02	143	202	173	6	0	24	142	166
Jun-02	166	124	183	9	0	16	82	98
Jul-02	98	171	140	0	0	33	96	129
Aug-02	129	167	177	3	0	17	98	116
Sep-02	116	170	117	1	0	10	158	168
Oct-02	168	188	209	3	0	14	130	144
Nov-02	144	148	170	2	0	61	59	120
Dec-02	120	143	144	3	0	37	79	116
Jan-03	116	180	174	1	0	39	82	121
Feb-03	121	163	158	3	0	33	90	123
Mar-03	123	180	167	3	0	35	98	133
Apr-03	133	179	172	1	0	20	119	139
May-03	139	196	185	8	4	46	92	138
Jun-03	138	191	166	1	0	43	119	162
Recompletion								
May-02	5	26	15	1	0	2	13	15
Jun-02	15	19	27	1	0	4	2	6
Jul-02	6	16	20	0	0	2	0	2
Aug-02	2	8	3	0	0	5	2	7
Sep-02	7	17	7	0	0	2	15	17
Oct-02	17	14	25	0	0	2	4	6
Nov-02	6	36	37	0	0	4	1	5
Dec-02	5	6	8	0	0	1	2	3
Jan-03	3	11	8	0	0	1	5	6
Feb-03	6	18	21	0	0	0	3	3
Mar-03	3	4	5	0	0	0	2	2
Apr-03	2	7	4	0	0	0	5	5
May-03	5	23	18	0	0	0	10	10
Jun-03	10	39	24	4	0	0	21	21
Total								
May-02	148	228	188	7	0	26	155	181
Jun-02	181	143	210	10	0	20	84	104
Jul-02	104	187	160	0	0	35	96	131
Aug-02	131	175	180	3	0	22	101	123
Sep-02	123	187	124	1	0	12	173	185
Oct-02	185	202	234	3	0	16	134	150
Nov-02	150	184	207	2	0	65	60	125
Dec-02	125	149	152	3	0	38	81	119
Jan-03	119	191	182	1	0	40	87	127
Feb-03	127	181	179	3	0	33	93	126
Mar-03	126	184	172	3	0	35	100	135
Apr-03	135	186	176	1	0	20	124	144
May-03	144	219	203	8	4	46	102	148
Jun-03	148	230	190	5	0	43	140	183

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



Colorado Oil Gas Conservation Commission
Monthly Statistics

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YEAR	MO	Baker - Hughes rig count	Drilling		Permits		Injection		Pits		Active Wells	Unedited Historic Records	Public Visits			Well Oper Change
			Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd			Data	Office	Internet	
2000	Total		1533	1755	155	187	12	21	328	305			1264	1844	46136	3105
2001	JAN	26	203	224	49	38	5	2	26	8	22240		89	136	6974	275
	FEB	29	193	196	5	7	0	0	16	18	22225		75	113	4900	502
	MAR	26	192	136	10	12	0	2	3	41	22487		78	107	6448	204
	APR	32	242	269	16	11	1	2	4	5	22714		87	143	6110	686
	MAY	36	241	236	8	8	0	2	0	7			72	157	6693	484
	JUN	36	194	256	12	14	2	3	10	49	22712		65	106	6090	651
	JUL	35	216	178	8	15	4	2	23	3	22742		81	116	10473	793
	AUG	37	176	152	22	12	3	4	25	18			67	75	12727	1640
	SEP	38	109	173	6	15	3	0	83	27	22795		60	69	10416	168
	OCT	36	202	142	8	8	3	3	2	3	22824		84	105	11943	211
	NOV	33	122	154	16	8	0	0	18	24			63	78	11542	170
	DEC	24	181	185	4	4	1	2	25	43	22879		104	101	10508	202
2001	Total		2271	2301	164	152	22	22	235	246			925	1306	104824	5986
2002	JAN	25	162	178	4	4	2	0	43	27	22873		73	95	11673	1000
	FEB	27	164	210	9	7	2	1	9	25	22911		76	68	13679	207
	MAR	25	194	173	8	12	2	3	31	11	22930		58	55	13184	185
	APR	28	175	177	11	12	3	4	2	26	23040		65	67	12935	731
	MAY	33	173	202	15	26	6	7	41	10	23098		64	90	14492	219
	JUN	34	183	124	27	19	0	1	1	5	23156		57	69	13747	494
	JUL	31	140	171	20	16	2	1	7	30	23242		51	105	14801	199
	AUG	30	177	167	3	8	1	1	36	14	23273		50	71	15554	209
	SEP	24	117	170	7	17	2	3	13	37	23352		65	46	15810	189
	OCT	25	209	188	25	14	5	4	12	11	23488		45	59	18423	523
	NOV	24	170	148	37	36	3	0	8	31	23608		63	68	15932	347
	DEC	27	144	143	8	6	2	0	49	2	23711		51	81	15460	243
2002	Total		2008	2051	174	177	30	25	252	229			718	874	175690	4546
2003	JAN	31	174	180	8	11	2	2	3	15	23963		82	88	16623	497
	FEB	32	158	163	21	18	1	0	1	3	24118		62	77	19140	193
	MAR	30	167	180	5	4	1	2	15	9	24212		51	55	18922	176
	APR	35	172	179	4	7	0	6	5	24	24363		63	123	21679	175
	MAY	37	185	196	18	23	1	0	28	18	24445		52	99	22307	420
	JUN	37	166	191	24	39	0	0	32	18	24489		59	65	20883	226
2003	Total		1022	1089	80	102	5	10	84	87			369	507	119554	1687

Apvd = Approved, Rcvd = Received, Ind = Individual, Blnk = Blanket, Apps = Application for Hearing, NOAV = Notice of Alleged Violation, AOC = Administrative Order of Consent, OFV = Order Finding Violation, Cnplt = Complaint, Comp = Completed

Colorado Oil Gas Conservation Commission

Monthly Statistics

YEAR	MO	Operators		Bonds				Claim		Hearings		Violations				Remediation			Field Insp
		New	Inactive	Release Ind.	Release Blnt	Replace	Ind.	Blnt	Apps.	Order	NOAV	AOC	OFV	Cmplt	Spills	Projects Rcvd	Projects Comp		
2000	Total	76	89	65	45	55	2	0	47	35	254	13	7	246	283	145	140	7700	
2001	JAN	7	8	6	3	10	0	0	12	8	14	1	0	10	35	17	8	717	
	FEB	6	2	3	1	3	1	0	2	4	9	1	0	10	7	4	7	792	
	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	541	
	MAY	7	4	2	4	8	0	1	1	3	7	0	2	30	17	13	19	761	
	JUN	7	9	0	5	4	0	0	NA	NA	9	NA	NA	17	17	8	6	414	
	JUL	5	2	1	2	14	0	0	9	7	18	4	0	13	16	8	10	578	
	AUG	4	6	1	3	10	0	0	4	3	25	0	0	45	20	4	3	760	
	SEP	10	8	7	4	3	0	0	2	NA	40	0	0	14	20	8	10	311	
	OCT	5	6	5	3	9	0	0	5	4	45	0	0	22	17	8	12	717	
	NOV	5	0	0	0	12	0	0	NA	NA	14	NA	NA	20	12	8	6	410	
	DEC	8	2	0	3	10	1	0	7	1	17	0	0	13	16	3	8	385	
2001	Total	77	57	33	28	104	2	1	53	40	259	9	2	217	202	97	98	7240	
2002	JAN	7	9	3	3	6	0	0	6	7	19	1	2	16	20	17	0	415	
	FEB	10	4	1	0	5	0	0	6	4	34	0	1	11	29	6	6	449	
	MAR	6	8	3	3	10	0	0	3	2	19	0	2	5	32	8	5	572	
	APR	7	10	8	3	10	1	0	5	4	28	0	0	10	11	9	10	353	
	MAY	5	11	6	14	6	0	0	NA	NA	29	NA	NA	16	19	4	7	805	
	JUN	5	12	3	10	8	0	1	6	4	17	0	1	8	20	5	8	857	
	JUL	2	6	2	7	12	1	0	6	5	26	2	0	23	14	10	3	936	
	AUG	6	11	6	5	8	0	0	5	4	72	1	1	17	13	2	2	654	
	SEP	4	5	8	3	8	0	0	17	16	20	0	14	20	12	5	2	369	
	OCT	3	12	8	6	5	0	0	3	2	10	0	0	14	10	7	7	346	
	NOV	5	3	3	0	15	0	0	NA	NA	1	NA	NA	14	11	4	3	377	
	DEC	3	6	11	4	5	0	0	6	4	5	1	0	12	12	3	5	366	
2002	Total	63	97	62	58	98	2	1	63	52	280	5	21	166	203	80	58	6499	
2003	JAN	8	6	8	3	5	0	0	3	4	25	1	0	5	19	6	1	509	
	FEB	10	7	2	2	10	0	0	4	2	6	1	0	8	14	1	8	547	
	MAR	6	8	5	4	13	0	0	7	3	5	1	0	7	17	3	1	641	
	APR	6	4	9	1	7	0	0	7	5	16	0	1	11	17	0	1	637	
	MAY	5	3	2	5	10	0	0	NA	NA	6	NA	NA	11	15	0	3	394	
	JUN	3	6	2	3	8	3	0	7	4	2	1	0	10	14	0	9	439	
2003	Total	38	34	28	18	53	3	0	28	18	60	4	1	52	96	10	23	3167	

Apvd = Approved, Rcvd = Received, Ind = Individual, Blnt = Blanket, Apps = Application for Hearing, NOAV = Notice of Alleged Violation, AOC = Administrative Order of Consent, OFV = Order Finding Violation, Cmpit = Complaint, Comp = Completed

Sentinel online: www.gjsentinel.com

GRAND JUNCTION
GarCo "DAILY SENTINEL"
 JUNE 25, 2003

gas wells on pace for record

210 drilling permits
OK'd as of June 16

By **MIKE MCKIBBIN**
 The Daily Sentinel

RIFLE — Garfield County is on pace for a fifth straight record year for natural-gas wells, according to a state official.

And a recent U.S. Geological Survey assessment estimated 21 trillion cubic feet of natural gas may lie underneath the Uinta-Piceance Basin that includes the county, northwestern Colorado and northeastern Utah.

As of June 16, the Colorado Oil and Gas Conservation Commission had approved 210 drilling permits in Garfield County, said Deputy Director Brian Macke.

"Last year we had 362, so we're on pace to exceed that this year," he said.

Macke estimated between 400 and 450 permits will be granted by the end of the year. Last year, Garfield County had 362 permits approved, the most since at least 1988 and perhaps earlier, Macke said.

He also predicted Rio Blanco County could see a sizable increase over the 105 permits issued last year. Through the middle of June, 69 permits had been approved in Rio Blanco County.

Another indicator of drilling activity — the number of drilling rigs operating — shows almost half of the 47 operating statewide to be based in Garfield County, Macke said. Nearly 20 rigs are

RECORD: Basin may contain 5.5 trillion feet of natural gas

► Continued from **Page One**

designated to EnCana Oil and Gas, which is drilling up to 250 wells south of Rifle and Silt this year.

The 6,000-square-mile Piceance Basin may contain 5.5 trillion cubic feet of natural gas, Garfield County Oil and Gas Auditor Doug Dennison said. The remaining 15.5 trillion cubic feet may lie under the Uinta Basin in Utah.

A cube with a volume of 21 trillion cubic feet would be about 5¼ miles high, wide and deep.

USGS researcher Ron Johnson said last year's assessment also estimated a mean of 60 million barrels of undiscovered oil in the two basins.

"We believe the gas is pro-

duced by the continual generation from coal and organic-rich oil shale," he said. "It's likely being kept underground by impermeable rocks and the tight sands" common to the area.

Dennison wasn't sure what the USGS assessment will mean for future natural-gas activity in the basin.

Conservationists have taken issue with past estimates of as much as 100 trillion cubic feet of gas under the two basins. They note the price of gas and available drilling and recovery technology means much less gas will likely be produced in the area.

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

See **RECORD**, page 6A ►

GRAND JUNCTION "DAILY SENTINEL"

JUNE 20, 2003

Forum addresses gas development, Roan Plateau

By **MIKE McKIBBIN**
The Daily Sentinel

RIFLE — The removal of what was perceived to be the most popular management choice for the Roan Plateau west of Rifle doesn't mean it will be opened up to large-scale natural gas development, a Bureau of Land Management official said Thursday.

Meanwhile, an EnCana Oil and Gas official told those at the Northwest Colorado Oil and Gas Forum meeting that his company still does not believe coal-bed methane is a commercial option in Garfield County.

Steve Bennett, associate field manager in the BLM Glenwood Springs Field Office, said the provisions in alternative F, a preliminary Roan Plateau management alternative, are included in the four options now under review.

"As we move toward the final alternative, we can pull parts from any of the four to come up with the chosen alternative," Bennett said. "We can mix and match and blend things together, even come up with another one."

Grass Mesa resident Garland Anderson said many people have talked about "how fishy it smells when the overwhelming popular choice was removed and blended with the others."

Anderson referred to several hundred specific comments and about 10,000 e-mail messages from environmental activists that supported alternative F, the most restrictive in terms of gas wells.

Resolutions or letters from each town and city in Garfield County also supported limited natural gas development of the plateau. However, the Rio Blanco County Commission recently approved comments that state "first and foremost (we) support energy

development in general and specifically on the top of the Roan Plateau."

The plateau is one of 10 areas across the country the Bush administration wants to "fast track" through the federal process to expedite energy development.

Bennett said a draft environmental impact statement and resource management plan for the plateau is scheduled for release by the end of August, followed by a 90-day comment period. A final decision by the state BLM director could be made in May of next year.

Meanwhile, Joel Fox, team leader for EnCana's gas operations in the Mamm Creek field south of Rifle and Silt, said final results from coal-bed methane test wells drilled in the Divide Creek area are still out.

"We don't have any commercial production in coal-bed methane yet," he added. "It's a big risk, a big uncertainty."

Area residents wondered why EnCana planned to construct a water pipeline from the Divide Creek area to EnCana's water treatment plant on Hunter Mesa. Coal-bed methane wells produce large amounts of groundwater.

"Some of the wells out there, even the (standard natural gas wells), could produce up to 2,000 barrels a day of groundwater," Fox said. "Hauling that much water out by truck would just be unfeasible, it would be very unbearable."

He also noted the price of natural gas is not the biggest barrier to coal-bed methane wells in the area. "It's just getting the gas to flow" through the tight sands and impermeable rocks.

GRAND JUNCTION "DAILY SENTINEL" JULY 2, 2003

Natural-gas operator applies for 10-acre well spacing

By MIKE MCKIBBIN
The Daily Sentinel

PARACHUTE — A natural-gas operator has filed an application for 10-acre downhole spacing on some 16,000 acres of federal land in the western end of Garfield County.

Williams Production is seeking approval from the Colorado Oil and Gas Conservation Commission to directionally drill up to 500 wells from current 20- and 40-acre well pads on land north of the Colorado River and Interstate 70,

according to Parachute District Manager Steve Soychak.

"We're basically expanding our 10-acre downhole drilling from the 11,000 acres of private lands the commission approved" in April, he said.

The wells would be drilled over a seven to 12-year period, Soychak said, and Williams could begin late this summer or early fall.

All the wells are planned in the Rutson and Parachute areas.

"We're trying to increase our recovery rate from the (Williams Fork) reservoir"

with the application, he explained.

Williams conducted a pilot 10-acre spacing project a few years ago and found those wells recovered up to 80 percent of the natural gas compared to only 40 or 45 percent from 20-acre wells.

"This is probably as dense as we'll need to go," Soychak said.

If approved by the oil and gas commission at its Aug. 18-19 hearing, Williams will still have to seek permits for each well from the Bureau of Land Management.

Steve Bennett, associate manager in

the BLM's Glenwood Springs field office, said the area includes all of Williams' federal leases, including those granted in 1999 in the former Naval Oil Shale Reserves No. 8.

"It's a higher downhole density in the Roan Plateau planning area than what we had so far, so we're putting new estimates into the draft management plan before we release it," Bennett said. "All the leases are at the foot of the cliffs."

Soychak also said the 10-acre downhole spacing will result in about 44 jobs per drilling rig, and he expects to have

between five to seven rigs running by the end of the year.

Combined with EnCana Oil and Gas USA's plans to drill up to 250 wells this year south of Rifle and Silt, Soychak said around 1,000 people could be working in the county's natural gas industry by the end of the year.

The wells also generate millions of dollars in federal royalties and tax revenues to the state and county, he said.

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

Homeowners' property-tax bills drop with higher gas prices

By Tom Sluis
Herald Staff Writer

As the price of natural gas rises, so do utility bills for La Plata County consumers. But there is a countervailing force. Higher natural-gas prices also lower homeowners' property-tax bills and provide money for schools and fire districts.

Because of a supply shortage nationwide, prices have doubled from a year ago. In Durango, gas distributor Atmos Energy has had to raise prices three times since November to keep up with the market, from 49 cents per hundred cubic feet to 76 cents.

The average monthly bill has increased from \$33 to \$51.

"Prices are typically much lower in the summer because of reserves in storage, but not this year," said Atmos spokeswoman Karen Wilkes.

Gas prices in the fall will depend largely on summer demand, she said. A hot summer means more air conditioners cranked up, which means electricity plants need more natural gas to spin the generators. Reserves needed for winter would be used in the summer, which would put upward pressure on winter's gas prices.

"Now is a good opportunity to think about what might happen in the fall and winter, and to start thinking about energy-efficiency products," she said.

Bayfield and Pagosa Springs residents get their natural gas from Kinder Morgan. Rick Rainey, spokesman for the gas distributor, said that like Atmos, Kinder Morgan buys much of its gas supply during the summer to try to keep gas prices low.

Kinder Morgan's customers pay 48 cents per hundred cubic feet, based on its annual November filing with the Colorado Public Utilities Commission. Atmos' price in November was 49 cents per hundred cubic feet. "We don't have immediate plans for an interim filing given the market conditions," Rainey said.

Beyond residential customers paying more to heat a home, farmers have to pay more for fertilizer, which is made in part from natural gas. But farmers are in a bind because they can't raise the price of their crops to cover the increase, said Lynn Forsberg, general manager of Basin Co-op in Durango.

"Even as the cost of fertilizer increases, farmers are not getting more for their products because prices are controlled by processors," he said. "The cost of production is a very small percentage of the price of a product in a store."

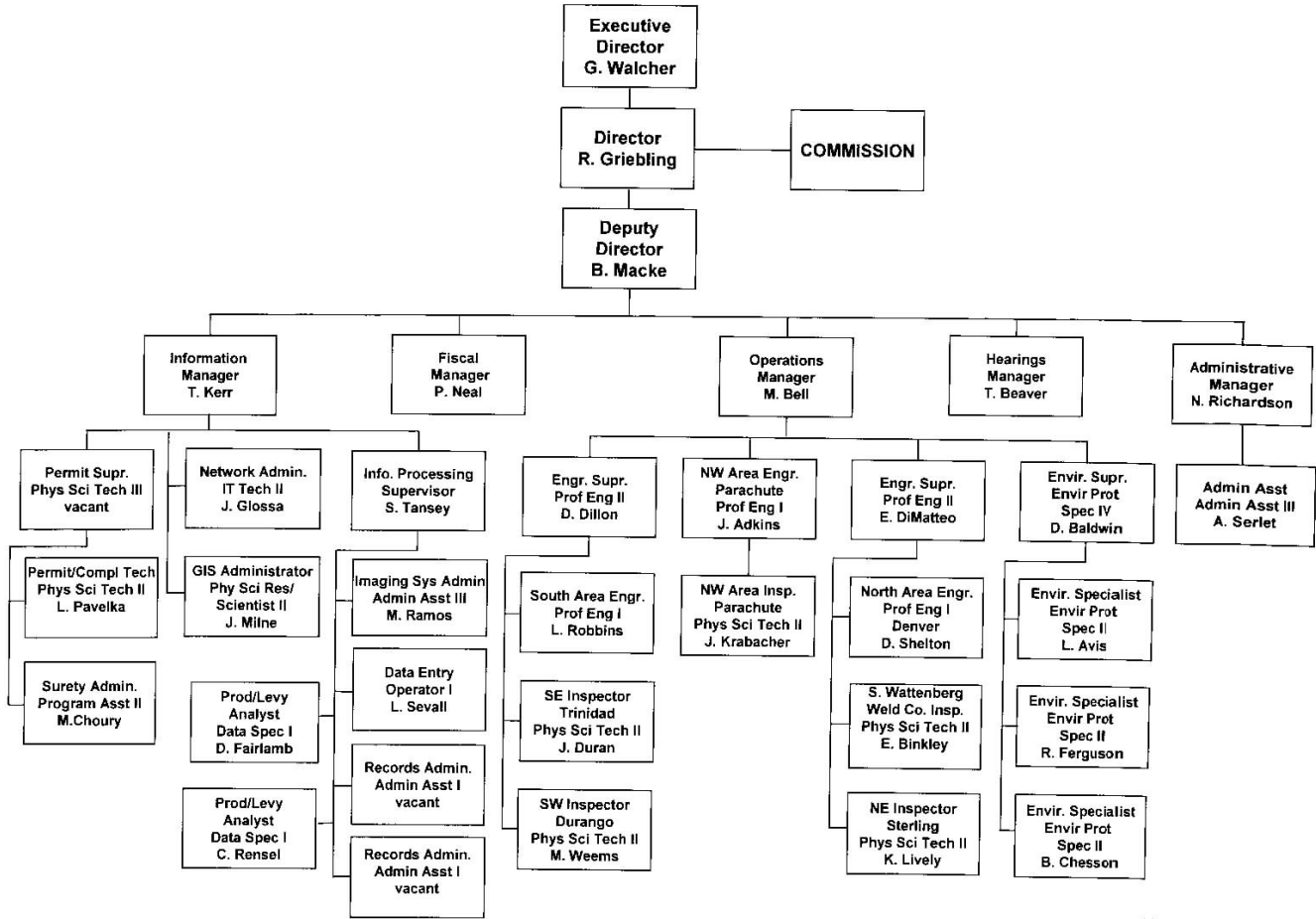
Processing, distribution and manufacturing are the biggest portion of a crop's price tag, he said.

For La Plata County homeowners, rising gas prices will mean savings on property tax bills. About 61 percent of all property taxes in the county are from oil and gas production, or about \$57 million in 2002 for all of the county's taxing districts. Oil and gas properties in the county were valued at \$1.15 billion for 2002.

Without the oil and gas industry's tax contributions, the owner of a \$250,000 house in La Plata County would pay about \$550 in county taxes, versus the \$194 paid now, said Craig Larson, county assessor.

Larson said the volatility of the gas market does not make his job any easier. "It's a roller coaster, and I don't like it," he said.

COLORADO OIL & GAS CONSERVATION COMMISSION ORGANIZATION



Version 67 - 7/08/2003

PENALTY PAYMENT STATUS

07/08/03

I. PENALTIES ASSESSED/PAID

Fiscal Year	# of Orders Issued	\$ Amount Assessed	# of Orders Paid	\$ Amount Paid	# of Orders Waived	\$ Amount of Orders Waived	# of Orders Paid through Collections	\$ Amount of Assessed Penalties Later Uncollectable
90-91	4	\$32,300	4	\$32,300	0	\$0	n/a	\$0
91-92	0	\$0	0	\$0	0	\$0	n/a	\$1,500
92-93	6	\$10,000	2	\$6,500	0	\$0	n/a	\$47,608
93-94	12	\$263,608	7	\$105,000	0	\$0	n/a	\$18,247
94-95	10	\$83,817	4	\$21,805	4	\$139,000	n/a	\$0
95-96	29	\$238,250	19	\$154,000	3	\$20,750	n/a	\$0
96-97	13	\$79,500	8	\$29,500	0	\$0	n/a	\$32,750
97-98	30	\$140,500	22	\$74,750	0	\$1,000	n/a	\$2,000
98-99	19	\$74,000	18	\$66,500	2	\$25,000	n/a	\$2,000
99-00	23	\$110,500	12	\$59,460	0	\$3,000	2	\$11,000
00-01	18	\$85,500	16	\$30,500	0	\$6,000	0	\$0
01-02	10	\$38,000	5	\$23,000	0	\$0	0	\$0
02-03	21	\$40,500	6	\$19,000	0	\$0	0	\$0
Totals	195	\$1,196,475	123	\$622,315	9	\$194,750	2	\$115,105

II. DELINQUENT PENALTIES

Order Number	Date Issued	Violating Entity	Penalty Assessed	Violations	Status	Referred to 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	\$2,300	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	Tips Drilling Co.	\$60,000	Rules 604 a.4., 902 e.&f.	\$30,000 bond claimed 11/96/penalty unpaid/No assets.	Yes
1V-110	05/21/96	Kana Resources, Inc.	\$3,500	Rules 303 a., 306., 317 b.1.	AOC negotiated	Yes
1V-114	09/04/96	Mr. Jim Snyder	\$10,000	Rules 308., 317 a., APD	District Court decision entered/\$10,000 bond claimed	Yes
1V-124	07/01/97	Nerdilhc 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), 91	Work to be completed by July 1, 1999	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-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), 90	Bond claimed	Yes
1V-211	05/31/01	Sierra Production	\$500	Rule 302 a.		Yes
1V-212	05/31/01	Caprice Oil & Gas Co.	\$500	Rule 302 a.		Yes
1V-218	01/11/02	Rocky Mtn. Operating Co.	\$2,000	Rule 326 b.(1)		Yes
1V-219	01/11/02	Rocky Mtn. Operating Co.	\$1,000	Rule 326 b.(1)		Yes
1V-220	02/25/02	Woosley Oil Company	\$6,000	Rule 326 b.		Yes
1V-221	03/25/02	Domar Oil & Gas, Inc.	\$6,000	Rules 302., 304., 319 b., 709		Yes
1V-227 - 1V-235	09/21/02	DJ Production Svcs, Inc.	\$14,000	Rule 309., 310A., 319 b.(1), 319 b.(3), 326 b.		Yes
1V-237	09/21/02	DJ Production Svcs, Inc.	\$1,500	Rule 326 b.		Yes
1V-239	09/21/02	DJ Production Svcs, Inc.	\$500	Rule 309		Yes
1V-240	09/21/02	DJ Production Svcs, Inc.	\$1,500	Rule 324A a., 907 a., 910 a.		Yes
Total Penalties Pending Collection			\$255,800			

HEARING DOCKET:

August, 2003

prelim

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7/8/2003

No.	Cause	Applicant/Attorney or Representative	Date Rec'd	Field Formation County	Matter	Remarks
0308-AW-08	133	Enlon Operating Co./ Michael Wozniak	6/30/2003	Hawatha West Wasatch Fort Union- Lance-Lewis Moffat	Request for an order to allow up to eight (8) wells to be drilled in the existing 320-acre drilling and spacing unit in Section 26 and the NE 1/4 of Section 36, Township 12 North, Range 101 West, 6th P.M.	
0308-GP-05	139 440 479 510	Williams Production MPT Co./ William A. Keek	6/30/2003	Railton, Parakeite and Grand Valley Williams Fork Garfield	Request for an order to increase well density in certain sections of Township 6 South, Ranges 94-96 West, 6th P.M. and Township 7 South, Ranges 95 and 96 West, 6th P.M.	
0308-GP-06	139 440	Tom Brown, Inc./ William A. Keek	6/26/2003	Railton and Parakeite Williams Fork Garfield	Request for an order to increase well density, the equivalent of 1 well per 20 acres, from the Williams Fork Formation in Section 1, Township 7 South, Range 94 West, 6th P.M.	
0308-GP-07	139 440	Tom Brown, Inc./ William A. Keek	6/26/2003	Railton and Parakeite Williams Fork Garfield	Request for an order to increase well density, the equivalent of 1 well per 20 acres, from the Williams Fork Formation in Section 2, Township 7 South, Range 94 West, 6th P.M.	
0304-GA-02	146	Public Service Company/ William A. Keek and James D. Albright	3/3/2003	Leyden Storage Reservoir Jefferson	Request for an order authorizing the closure of the Leyden Underground Natural Gas Storage Facility in the caverns of the abandoned Leyden Coal Mine.	Continued from April
0308-OV-05	1V	Staff Recommendation	7/8/2003	Carrkiron Logan	AOC - Rules 325a., 210, and 325b., failure by Puckett Energy Co. to obtain written authorization for injection, to install a well sign, and to conduct an MIT on a shut-in well every five (5) years for the Balke #2 Well located in the SW 1/4 SW 1/4 of Section 11, Township 8 North, Range 54 West, 6th P.M.	
0308-OV-06	1V	Staff Recommendation	7/18/2003	Weid	AOC - Rules 306a., 301., 319b.(1), and 1003b., failure by Antelope Energy Co. to submit a Drilling Completion Report, Form 5 within thirty (30) days of the suspension of commenced drilling activities prior to reaching total depth, to provide written notice of intention to change plans previously approved, to obtain approval of the Director for temporarily abandoning the well and failure to close the well to the atmosphere prior to the temporary abandonment and to reclaim the location within twelve (12) months after drilling operations for the Maddy #1 Well located in the SE 1/4 SW 1/4 of Section 31, Township 10 North, Range 57 West, 6th P.M.	
0307-GP-04	232 407 499	CFG Energy, Inc. and Bldy Oil Company/ J. Michael Morgan	5/23/2003	Wattenberg and Code II/Niobrara Spaced Area J. Sand, Code II, Niobrara, Dakota Weld	Request for an order to amend the drilling and spacing unit in Section 32, Township 5 North, Range 63 West, 6th P.M. by establishing 80-acre drilling and spacing unit in the W1/2 SE1/4, SW1/4, NE1/4, and NW1/4 and establishing 40-acre drilling and spacing unit in the E1/2 SE1/4.	