

MONTHLY STAFF REPORT

October 27, 2003

I. STATISTICS

Our monthly statistics report is attached ([page 1](#), [page 2](#), [page 3](#)). The approved Applications for Permits-to-Drill ("APDs") for calendar year 2003 are projected at an annual total of 2200.

II. NORTHWEST COLORADO

Attached are newspaper articles of local interest. (["Gas-well permits..."](#), ["Methane wells..."](#), ["Roan plan..."](#))

® Northwest Colorado Oil and Gas Forum

Approximately 60 people attended the last meeting of the Forum, which was held on October 9, 2003 in Rifle. Agenda items included:

- Updates on current Northwest Colorado oil and gas activity by COGCC and industry representatives.
- An update by BLM staff on local permitting activity and the Roan Plateau planning process.
- A report by COGCC staff on the 2002 Outstanding Operations Awards recipients.
- A report by Garfield County staff about positive financial impacts to Garfield County from oil and gas development and a presentation of the comparisons of Rocky Mountain coalbed methane basins.
- A discussion of hydrogeology and beneficial use of coalbed methane produced water in Colorado by Division of Water Resources Staff Dick Wolfe and Glenn Graham.
- A discussion about Colorado severance tax collection issues led by Steve Colby with the Department of Local Affairs and Jim Evans with Associated Governments of Northwest Colorado.
- A presentation on the basics of directional drilling by Williams Production Company staff.
- A discussion of local issues of concern by the public.

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, February 12, 2004 from 10:00 a.m. until approximately 2:00 p.m. in Rifle at the RE-2 School District Office in the downstairs Learning Opportunities Center located at the corner of 9th Street and East Avenue.**

Directions are as follows: drive north on Railroad Ave. turn right at 9th St., drive one block and turn right on East Ave., access parking lot from East Ave. (alternative parking is off of the north side of 9th St.), enter the building from the parking lot and the meeting room is down the hall and to the left.

The meetings are generally held three times during the year, including winter and late

spring meetings 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.

® AIPG 2003 Annual Meeting and RMAG Piceance Basin Field Symposium

The American Institute of Professional Geologists held their annual meeting in Glenwood Springs on October 5-9, 2003 in conjunction with a Rocky Mountain Association of Geologists Piceance Basin Field Symposium. COGCC staff Brian Macke and Bob Chesson attended the Field Symposium which included an informative and well-run field tour of the Piceance Basin, with an emphasis on the Mesaverde and Wasatch Formations which are productive in the region. Steve Cumella, with Williams Production Company, and Rex Cole, from Mesa State College, conducted the field tour. COGCC staff Brian Macke and Tricia Beaver attended the AIPG sessions, with Mr. Macke providing a presentation and serving on a panel titled "Living With Resource Development" that also included BLM, industry, legal, and local citizen representatives.

III. NORTHEAST COLORADO

.. National Association of Royalty Owners - Rocky Mountain Chapter Annual Convention

The National Association of Royalty Owners - Rocky Mountain Chapter held their annual convention in Greeley on September 19-20, 2003. The meeting was well attended by a diverse collection of royalty owner interests from across Colorado and the Rocky Mountain region. Brian Macke provided a morning keynote address that included an overview of oil and gas activity in Colorado and a discussion of current issues, and also gave presentations and served on panels that discussed coalbed methane development in the Rockies and Federal Units. Other participants included geologic and legal professionals, and BLM and private royalty owner representatives. The meeting was a good opportunity for outreach to a number of parties, and positive feedback about the program was received.

® Leyden Gas Storage Facility Closure Activities

On October 15, 2003, Public Service Company of Colorado ("PSCo") submitted its Quarterly Report of Closure Activities and Monitoring of the Leyden Gas Storage Facility as required by the Certificate of Closure issued by the COGCC. The quarterly report includes an updated Pressure-Volume Plot, soil gas monitoring data, and monitoring data from Leyden observation wells. This information will soon be posted on the COGCC website.

Since the certificate of closure was issued in August, Well #13 has been plugged and abandoned and Well #12 has been worked over in preparation for water injection. Water injection may begin as early as the end of October.

The COGCC Order to close the Leyden Gas Storage Facility required PSCo to locate an additional 20 soil gas monitoring sites. On September 16, 2003 staff met with representatives of PSCo and Mr. Greg Murray to discuss potential gas monitoring sites. After the meeting, PSCo secured access to the areas where the additional monitoring sites were to be located. On October 8, 2003, staff met on-site with PSCo and Mr. Murray to discuss the location of the soil gas monitoring sites. Twenty-one sites were located and

PSCo estimates the monitoring sites will be installed within the next few weeks.

IV. SOUTHEAST COLORADO

® Raton Basin Project

Three Raton Basin reports are available on our website; the overview of the Raton Basin Study given at the July Commission hearing; the coal mine inventory, and the ground survey for methane seeps. The overview is a compilation of hundreds of samples taken over the years and analyzed by contractor Anthony Gorody.

The raw data for the project and the ESN Rocky Mountain and Seacrest Group reports of the most recent data from gas wells and water wells is now available on the website. Staff analysis of the Raton baseline data has been completed and a summary of COGCC staff conclusions is included with the consultant's reports and raw data on the website.

V. ENVIRONMENTAL ISSUES

® Annual Report to the WQCC/WQCD

As required by SB-181 the COGCC environmental staff has submitted our annual written report to the Water Quality Control Commission ("WQCC") and Water Quality Control Division ("WQCD"). A summary of the report will be presented to the WQCC at its November 10, 2003 hearing at 1:15 p.m. Copies of the report have been provided to the COGCC Commissioners and the report is also available on our website.

® Colorado Ground Water Quality Protection Council Meeting

The next meeting of the Colorado Ground Water Quality Protection Council will be held on October 24, 2003 at 9:00 a.m. in the COGCC conference room. Representatives of all of the SB-181 implementing agencies, the WQCD, WQCC, and the EPA will be attending.

® 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, COGCC staff Loren Avis, Debbie Baldwin, and Ed DiMatteo continue to work with staff from both agencies.

A new ruling has been proposed that applies to the Morrow Formation in Speaker, Bledsoe Ranch, Mount Pearl, Sorrento, Arapahoe NW, Arapahoe, Frontera and Second Wind Fields in Kit Carson and Cheyenne Counties (proposed WQCC Rule 52A & 52B). The prehearing conference is scheduled for November 17, 2003 in the Snow Room of the Colorado Department of Public Health and Environment, 4300 Cherry Creek Drive South, Denver. The hearing for the new ruling is scheduled for December 8, 2003. A specific time for the hearing will be determined at the WQCC November 10, 2003 regular meeting.

VI. ORGANIZATION

® Staff Organization

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

The application submittal period for the vacant Permitting Technician position has closed. Accepted applicants have been tested and the final three names will be received for interview scheduling by the end of October.

VII. PLANNING/ADMINISTRATION/OTHER

® Penalties Status

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

® December Hearing Docket

A preliminary docket for the December 1st and 2nd, 2003 hearing has been [provided](#). 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 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 and related issues in the state. The page also contains phone lists and areas of responsibility for staff. A link to the Utility Notification Center of Colorado's Dig Safely Program has recently been added.

○ 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 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 shows the last 12 months of approved permits and current pending permits; it may be filtered by county.
- Database
 - § This application enables 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.
 - § The spacing orders are being evaluated and posted on the maps, with approximately one third of the state having been reviewed.
- 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 is connected to the Centennial Building at 1313 Sherman Street by a wireless interface; this connection provides access to the Internet and other state services. 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 almost 30,000 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.
- Electronic Business
 - There are approximately 175 operators reporting electronically.
 - At the end of next month it is expected that there will be an Internet available production report application that uses an XML data transfer mechanism. The XML file structure is the same one that is being used by Montana, Utah, Nebraska, New York and Pennsylvania. This application was funded by the Ground Water Protection Council using a Department of Energy grant.
 - COGCC, GWPC, BLM, MMS, API and agencies from several other states have been working together to establish an XML file format for permitting wells and reporting their completions. The group has completed a business case for this project and is anticipating work to begin in January 2004.
- Problems
 - The COGCC had an intermittent connection problem most of the month with its wireless interface to the Internet; this has caused a few database blackouts.
 - The equipment used to serve document images on the Internet is antiquated and suffers from failure or slow response from high usage. New servers have been purchased, are currently being configured, and should be online in the near future.
 - The report server has been unavailable due to configuration issues with the new security systems. It is planned to resolve these issues and make the system more functional in the near future.

VIII. VARIANCES

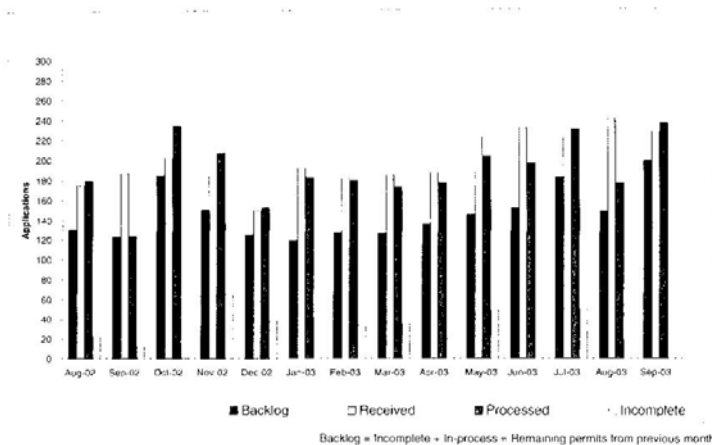
Patina Oil & Gas Corporation has been granted a Rule 502.b. variance to Rule 1004.a. requiring reclamation of the former Keenesburg Compressor Station located in the SE¼ SE¼ of Section 14, Township 2 North, Range 64 West. The landowner has requested that the perimeter fencing, gravel access road, metal framed building and building pad, various

concrete pads and structures, and all electrical service equipment at the former facility be left in place for future re-use.

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

	Backlog	Received	Processed	Withdrawn	Rejected	Incomplete	In-Process	Remaining
Drilling								
Aug-02	129	167	177	3	0	17	99	116
Sep-02	116	170	117	1	0	10	168	168
Oct-02	168	188	209	3	0	14	130	144
Nov-02	144	146	170	2	0	61	50	120
Dec-02	120	143	144	3	0	37	79	116
Jan-03	118	160	174	1	0	39	82	121
Feb-03	121	163	168	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	198	184	12	0	48	93	141
Jun-03	141	180	171	1	0	40	119	150
Jul-03	159	189	201	12	0	49	96	145
Aug-03	145	227	166	14	0	18	174	192
Sep-03	192	195	209	8	0	12	160	172
Recompletion								
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	38	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	40	24	4	0	0	22	22
Jul-03	22	21	28	13	0	0	2	2
Aug-03	2	12	9	0	0	0	5	5
Sep-03	5	31	26	1	0	0	9	9
Total								
Aug-02	131	175	180	3	0	22	101	123
Sep-02	123	187	124	1	0	12	173	185
Oct-02	165	202	231	3	0	16	134	150
Nov-02	150	184	207	2	0	65	60	125
Dec-02	126	149	152	3	0	38	81	119
Jan-03	119	191	182	1	0	40	87	127
Feb-03	127	181	170	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	221	202	12	0	48	103	151
Jun-03	151	230	195	5	0	40	141	181
Jul-03	181	220	229	25	0	49	98	147
Aug-03	147	239	175	14	0	18	179	197
Sep-03	197	228	235	7	0	12	160	181

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



Colorado Oil Gas Conservation Commission
Monthly Statistics

YEAR	MO	Baker - Hughes rig count	Permits				Unedited				Well			
			Drilling		Recompletion		Injection		Pits		Active		Public Visits	
			Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd	Wells	Records	Data	Office
2000	Total	1533	1755	187	155	187	12	21	328	305	8	1264	1844	46136
2001	JAN	26	203	224	49	38	5	2	26	8	22240	89	136	6974
	FEB	29	193	196	5	7	0	0	16	18	22225	75	113	4900
	MAR	26	192	136	10	12	0	2	3	41	22487	78	107	6448
	APR	32	242	269	16	11	1	2	4	5	22714	87	143	6110
	MAY	36	241	236	8	8	0	2	0	7		72	157	6693
	JUN	36	194	256	12	14	2	3	10	49	22712	65	106	6090
	JUL	35	216	178	8	15	4	2	23	3	22742	81	116	10473
	AUG	37	176	152	22	12	3	4	25	18		67	75	12727
	SEP	38	109	173	6	15	3	0	83	27	22795	60	69	10416
	OCT	36	202	142	8	8	3	3	2	3	22824	84	105	11943
	NOV	33	122	154	16	8	0	0	18	24		63	78	11542
	DEC	24	181	185	4	4	1	2	25	43	22879	104	101	10508
2001	Total	2271	2301	164	152	22	22	235	246	27	22873	925	1306	104824
2002	JAN	25	162	178	4	4	2	0	43	27	22873	73	95	11673
	FEB	27	164	210	9	7	2	1	9	25	22911	76	68	13679
	MAR	25	194	173	8	12	2	3	31	11	22930	58	55	13184
	APR	28	175	177	11	12	3	4	2	26	23040	65	67	12935
	MAY	33	173	202	15	26	6	7	41	10	23098	64	90	14492
	JUN	34	183	124	27	19	0	1	1	5	23156	57	69	13747
	JUL	31	140	171	20	16	2	1	7	30	23242	51	105	14801
	AUG	30	177	167	3	8	1	1	36	14	23273	50	71	15554
	SEP	24	117	170	7	17	2	3	13	37	23352	65	46	15810
	OCT	25	209	188	25	14	5	4	12	11	23488	45	59	18423
	NOV	24	170	148	37	36	3	0	8	31	23608	63	68	15932
	DEC	27	144	143	8	6	2	0	49	2	23711	51	81	15460
2002	Total	2008	2051	174	177	30	25	252	229	15	23963	718	874	175690
2003	JAN	31	174	180	8	11	2	2	3	15	23963	82	88	16623
	FEB	32	158	163	21	18	1	0	1	3	24118	62	77	19140
	MAR	30	167	180	5	4	1	2	15	9	24212	51	55	18922
	APR	35	172	179	4	7	2	7	5	24	24363	63	123	21679
	MAY	37	184	199	18	23	3	0	29	132	24445	52	99	22307
	JUN	37	171	190	24	40	0	0	32	21	24489	59	65	20883
	JUL	40	201	199	28	21	0	1	136	17	24589	50	48	22779
	AUG	43	166	227	9	12	0	2	2	3	24655	53	43	17900
	SEP	48	209	195	26	31	0	2	13	5	24808	41	31	22718
2003	Total	1602	1711	143	167	9	16	236	229	513	629	182951	2650	

Apvd = Approved, Rcvd = Received, Ind = Individual, Bkr = Baker, App = Application for Hearing, NCNV = Notice of Alleged Violation, ADC = Administrative Order of Consent, OCV = Order Finding Violation, Crcvt = Complaint, Comp = Completed

And = Approved, Rcvd = Received, Ind = Individual, Bmt = Bar/ret, Apts = Application for Hearing, NDAV = Notice of Alleged Violation, MCC = Administrative Order of Consent, QIV = Order Finding 'Violence', Cmp = Complaint, Comp = Completed

GRAND JUNCTION "DAILY SENTINEL"
OCTOBER 10, 2003

Gas-well permits headed for all-time high in GarCo

By MIKE MCKIBBIN
The Daily Sentinel

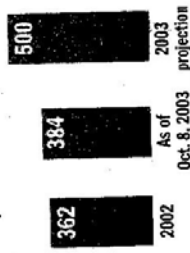
RIFLE — In the past nine months, more natural-gas-well drilling permits were issued in Garfield County than in all of last year, a Colorado Oil and Gas Conservation Commission official said Thursday in Rifle.

Deputy Director Brian Macke told the Northwest Colorado Oil and Gas Forum he expected the county to see a likely all-time high by the end of the year.

Through Wednesday, the commission had issued 384 drilling permits in Garfield County, compared to 362 in all of last year. The county has seen more permits issued in each of the last six years, Macke said.

"We expect that by the end of the year, Garfield County will be at about 500 permits," he said. "That's pretty remarkable."

2003 natural-gas well permits Garfield County already 22 permits ahead of 2002



As of Oct. 8, 2003 projection
Source: Colorado Oil and Gas Conservation Commission

Macke attributed the increased permits and associated drilling activity to higher natural-gas prices.

Other area counties included

See PERMITS, page 5A

PERMITS: State could reach about 2,200 permits this year

Continued from Page One

Rio Blanco with 168 permits, also more than in all of 2002. Mesa County had 23 permits. Weld County was the most active with 539 permits issued through Wednesday.

The state as a whole could reach about 2,200 permits by the end of the year, Macke said. That would be the second-highest total since 1988. In 2001, 2,273 permits were approved.

Most of the Garfield County permits were issued to EnCana Oil and Gas, which is on pace to drill 300 wells this year. The company operates south of Rifle and Silt in the areas of Mamm Creek, and Grass and Hunter mesas.

"Our 24-inch pipeline should be operational in a few weeks," Field Superintendent Jeff Reale said.

The pipeline runs from the

company's Pumba compressor station on Hunter Mesa under Interstate 70, the Colorado River and railroad tracks to a West Rifle treating facility. It will replace a 12-inch pipeline and carry gas to transportation pipelines that deliver the gas to market.

Williams Production, the Parachute-area operator, has recently increased the number of its drilling rigs from one to six, District Manager Steve Soychak said.

"We think by the end of the year we'll have drilled 50 wells," he said. "For next year, we plan to average 10 rigs and drill about 200 wells."

Along with strong gas prices, Soychak said a better financial condition for the Williams Cos. has allowed the extra activity.

Mike McKibbin can be reached at mmckibbin@gjds.com.

SEPT. 30, 2003

Methane wells pose no risk to mesa water, study says

GRAND JCT., SENTINEL
By AARON PORTER
The Daily Sentinel

DELTA — Four coal-bed methane exploration wells will not spoil the waters that green the south flank of Grand Mesa, the south flank of Grand Mesa, concluded a hydrologic study commissioned by Delta County.

The report, issued last week, concludes the four wells being drilled by Gunnison Energy

See WATER, page 5A

Continued from Page One

Corp. will not deplete or contaminate water sources. Its principal author was Geoffrey Thayne, associate research professor at the Colorado School of Mines.

It shows the design of the wells provides sufficient protection to water sources providing irrigation and potable water to a sizable portion of the county, a Delta County official said.

"What this is showing is that the design of those wells, to protect those surface intervals down to 1,500 to 2,000 feet, appears to provide the protection for water that we need at this point in time, at least for those four wells," said Bruce Bertram, the county's liaison for oil and gas development.

The study will provide a vital resource for county planning, Bertram said.

"People can get answers here real quick, and they're good answers. If Gunnison Energy went away and a year later we got a new operator, then we'd know how to approach it," he said.

The study will provide basic knowledge of the area's water systems for future housing development, particularly where domestic wells are tapped, Bertram said.

Wright Water Engineers drew the same conclusions in a water study last year, Bertram said. It was financed by Gunnison Energy.

"We're not surprised by that, because we put a lot of time and effort into our own study and looked at a lot of data. We were very comfortable with the conclusions drawn out of our study," said Tony Gale, company vice

WATER: Wells will 'have minimal effect' on aquifer

likely withdraw less water from coal seams than the amount recharged back into the alluvial aquifer every year, the study reported. Each well was expected to produce zero to 150 barrels of water per day, which is considered "very low," it said.

Natural faults are sealed by the weight of the overlying strata, Bertram said. The study shows the exploration wells would not contaminate or tap into neighboring aquifers through those faults, he said.

"While it is possible that the mapped faults could conduct fluids, there is no convincing evidence that this is the case," the report said.

In the study's model, pumping water from the coal-bed methane exploration wells "produced no significant impacts (drawdown) on the shallow aquifer," the report said. It impacted the Mesa Verde formation, including the target Rollins sandstone, no more than 3,000 feet from the wells during long-term pumping, it said.

The report recommends further study if the test wells show production is feasible on Grand Mesa.

"The challenge is to keep it up," Bertram said.

The county has approached the U.S. Geological Survey and School of Mines for assistance in keeping the data up to date and reliable for future planning decisions. It may seek grant money to extend the program, Bertram said.

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

president.

Grand Mesa Citizens Alliance contested that study, claiming coal-bed methane development puts the county's water supply on Grand Mesa at risk.

The Delta County Commission denied four exploration wells proposed by Gunnison Energy last year. It cited uncertainty about the potential effects of coal-bed methane development on local water supplies.

It reversed the decision in April, after a judge ruled the county commission had overstepped its authority.

"I think if there was something that came from the denial of those wells, it provided a time frame for this (study) to happen," Bertram said.

Coal-bed methane is a gas trapped in waterlogged coal seams. The gas is released by draining water from the coal. Gunnison Energy is exploring for gas in largely sandstone formations that also contain coal seams, Gale said.

The Colorado School of Mines modeled the effects of the four exploration wells.

The primary aquifer that supplies domestic wells and recharges surface waters lies in the alluvium, a rocky debris, deposited on the mountain's flank by erosion.

The study shows the wells will "have minimal effect" on the alluvial aquifer that accounts for 99 percent of groundwater flow in the watershed. The wells tap in to the deeper Mesa Verde rock formation, which contributes less than 1 percent of the recharge to surface waters.

The four exploration wells will

GLENWOOD SPRINGS
POST/INDEPENDENT
SEPT. 22, 2003

Roan plan: Better, or worse, than nothing?

State proposes allowing limited drilling on plateau

BY DENNIS WEBB
GSP/News Editor

The state Department of Natural Resources is being alternately praised and criticized for recommending limited gas drilling on the Roan Plateau. The DNR recently called for the U.S. Bureau of Land Management to allow drilling pads to be spaced more densely than one every 160 acres, and to prefer to see no development on the plateau.

"There's a lot of groups that would prefer to see no development on the Roan Plateau," Greg Schnacke, located north-west of Rifle, Colorado Oil & Gas Association, said. "Such spacing limits would break new ground for the BLM."

However, groups on opposing sides of the issue took as much notice of the fact that the state has endorsed drilling on the plateau at all.

Greg Schnacke, executive vice president of the Colorado Oil & Gas Association, called it "good news" that the recommendation contemplates drilling on the plateau.

"There's a lot of groups that would prefer to see no development on the Roan Plateau," he noted. One of those groups is the Colorado Environmental Coalition, which is lamenting DNR's stance.

"The DNR comments are not adequate to give the Roan Plateau the protection it

ROAN: see page 6

Reasonable by comparison?

ROAN: from page 1

needs," said Pete Kolbenschlager, Western Slope field coordinator for the CEC.

"It's been pretty clear that people don't want drilling up on top," he said.

Then again, Kolbenschlager believes the 160-acre restriction "is better than what the BLM is planning for."

Reasonable by comparison

Kolbenschlager believes the Bush administration's desire to drill on the plateau will result in far more well pads for drilling, which can be up to an acre in size.

"I think what the administration is going to go for on the Roan Plateau is going to make the Department of Natural Resources comments look reasonable," he said.

The DNR proposal would result in about 275 surface well pads on the Roan Plateau.

It is signed by representatives of DNR agencies including the Division of Wildlife, Division of Parks and Outdoor Recreation, and Colorado Oil and Gas Conservation Commission.

The comments are being considered by the BLM as it prepares a draft environmental impact statement for future management of the plateau. The document has encountered some delays and now is expected to be released in November.

Joe Clugston, who just finished his second term on Rifle's City Council, called the DNR proposal "about the best we can hope for."

"If they went for 160 acres of directional drilling, I wouldn't oppose them. But it's not just that

It's surface preparation, it's roads, it's destruction — oh, I shouldn't say that — it's disruption of surface habitat."

DNR contends that directional drilling will reduce surface problems by locating one multi-well pad per 160 acres.

A proven technology

In an eight-page letter outlining its views, DNR said it "recognizes that its proposed requirements and limits on the density of surface multi-well sites are unprecedented in BLM leasing practices."

But it adds, "The BLM should recognize that the application of recently proven directional drilling technology and practices is essential to limiting impacts upon wildlife and various multiple-use activities."

"... Many significant rapid recent advances in directional drilling are being applied on lands adjacent to the Roan Cliffs, and the DNR believes this technology could be applied successfully to the top of Roan Plateau as well."

Greg Goodenow, a land use planner for the BLM's Glenwood Springs Resource Area, confirmed that limiting drilling density hasn't been the agency's approach to managing surface impacts in the past. But it could happen in the future, he said.

"It has been a concern of ours to limit disturbance, and I guess the issue is exactly how we do that," he said.

Up to now, the BLM has not used its regulatory authority to restrict well densities to one per 40 acres, he said.

"There is no density restriction on BLM land already being drilled,



Photo courtesy of the Colorado Environmental Coalition/KURT KUNKLE
The state of Colorado has proposed 160-acre well pad spacing for oil and gas drilling on the Roan Plateau, part of which is pictured above.

on the south slope of the plateau, Goodenow said. Instead, due to concerns about visual impacts along the Interstate 70 corridor, the agency has required drilling sites to be located in areas where the topography or vegetation provide screening.

The BLM doesn't guarantee even one well pad per 160 acres, but the density on the south slope probably will be closer to one per 40 acres, Goodenow said.

Directional drilling's limits

Schnacke said directional drilling may not reduce surface impacts on the Roan Plateau.

"The topography up there is different from some of the flat areas around the region where they're doing directional drilling," he said.

That may result in wells being located even farther from the targeted drilling area.

"Suddenly your directional string is very long and very expensive. It may not be economically feasible," Schnacke said.

As a result, 160-acre directional drilling could result in less gas being recovered than the DNR

assumes possible, he said.

The DNR estimates that the 44,000-acre plateau holds 7 trillion cubic feet of natural gas in the underlying Williams Fork geological formation, with about 5.5 trillion cubic feet being recoverable.

The recoverable gas has a rough potential value of \$22 billion. This would produce \$2.75 billion in federal royalties, which would be split 50-50 between the state and federal government after certain cost deductions.

The wildlife factor

Other economic considerations also are at work. DNR estimates that hunting brings in \$3.8 million a year to the local economy, or more than \$200 million over the time it would take to develop the plateau's energy resources.

"It is crucial that these values are protected and factored into the Roan Plateau planning document," the DNR wrote.

It contends that 160-acre spacing will minimize habitat fragmentation and reductions in critical habitat.

To further protect wildlife, the

DNR recommends against locating well sites in critical wildlife migration corridors, in winter and calving habitat used by elk and deer, and along river corridors and riparian areas, where there are unique native strains of Colorado River cutthroat trout.

Said Schnacke, "I think the industry fully understands that there's going to be areas off limits."

The DNR also recommends off-site habitat protection as a means of making up for habitat lost to drilling.

Kolbenschlager doesn't like that idea if it means protection of habitat somewhere other than the plateau.

"People want the Roan Plateau protected. They don't want something else off the plateau protected," he said.

Steve Smith, a field representative for the Western Colorado Congress environmental organization, praised the DNR's wildlife recommendations. In effect, he added, they are Garfield County's as well, because the county deferred to the state for comment on the issue of possible wildlife impacts from plateau drilling.

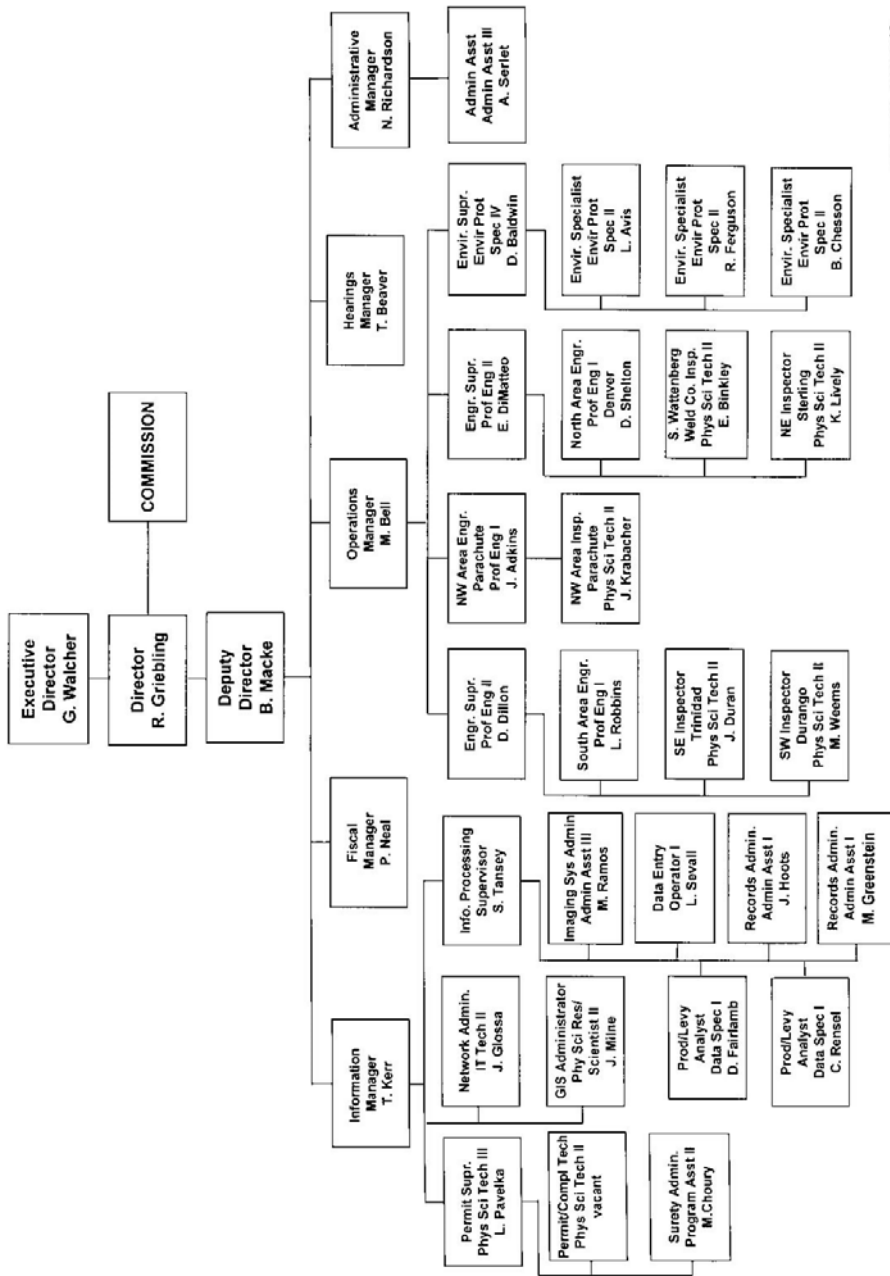
"I think BLM needs to look at them very carefully and give them full attention," he said of the DNR comments.

Due to fears about erosion and visual scarring, the DNR also wrote that it "strongly supports measures that would prevent development from taking place on the highly visible slopes of the Roan Plateau."

"We support the local communities in their belief that the cliffs and slopes of the Roan Plateau are an important visual resource worthy of protection," it stated.

Contact Dennis Webb: 945-8515, ext 516
dwebb@postindependent.com

COLORADO OIL & GAS CONSERVATION COMMISSION ORGANIZATION



Version 66 -9/03/2003

PENALTY PAYMENT STATUS
10/17/03

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 Uncollectible
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	\$263,808	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	\$68,500	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	25	\$59,250	9	\$35,750	0	\$0	0	\$0
Totals	199	\$1,215,225	126	\$639,065	9	\$194,750	2	\$115,105

II. DELINQUENT PENALTIES

Order Number	Date Issued	Violating Entity	Penalty Assessed	Violations	Status	Referred to Collections
IV-58	03/15/93	Gear Drilling Company	\$2,000	Rule 305, 319 a (2)	Work completed per order	Yes
IV-73	08/23/94	Western Oil Company	\$2,300	Rule 317 a 8	Bond forfeited 11/01/95	Yes
IV-82	06/19/95	Joseph V. Dodge	\$14,000	Rules 210 b, 305, 307, 317 b (3), 604 a (4)	\$30,000 bond claimed 11/96/penalty unpaid/No assets.	Yes
IV-93	11/21/95	Tips Drilling Co.	\$60,000	Rules 604 a, 902 e & f	AOC negotiated	Yes
IV-110	05/21/96	Kana Resources, Inc.	\$3,500	Rules 303 a, 306, 317 b 1	District Court decision entered \$10,000 bond claimed	Yes
IV-114	09/04/96	Mr. Jim Snyder	\$10,000	Rules 308, 317 i, APD		Yes
IV-124	07/07/97	Nerdline Company Inc.	\$9,000	Rules 326 b (1), 319 b, 210 b		Yes
IV-132	11/24/97	Eros, Inc.	\$24,000	Rule 326 b	\$30,000 bond claimed 5/98	Yes
IV-167	01/05/99	Pacific Midland Production	\$1,000	Rule 326 b	Bond claimed	Yes
IV-170	03/25/99	Allen Oil & Gas, LLC	\$12,000	Rules 904, 905, 603 g, 906 909 b (2) & (5), 911 Work to be completed by July 1, 1999.	Yes	Yes
IV-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
IV-177	08/19/99	Faith Energy Exploration, Inc.	\$3,500	Rules 308A, 308B, 326 b	Bond Claimed	Yes
IV-191	02/15/00	Cascade Oil	\$1,000	Rule 326 b (1)	Bond claimed	Yes
IV-202	11/30/00	Robert Ziegler	\$2,000	Rule 326 b	Bond claimed	Yes
IV-204	12/19/00	Allen Oil & Gas, LLC	\$60,000	Rule 326 b, 324A a, 904, 905, 906 b (1), 906 Bond claimed	Yes	Yes
IV-211	05/31/01	Sierra Production	\$500	Rule 302 a		Yes
IV-212	05/31/01	Caprice Oil & Gas Co.	\$900	Rule 302 a		Yes
IV-216	01/11/02	Rocky Mtn. Operating Co.	\$2,000	Rule 326 b (1)		Yes
IV-219	01/11/02	Rocky Mtn. Operating Co.	\$1,000	Rule 326 b (1)		Yes
IV-220	02/25/02	Woodley Oil Company	\$6,000	Rule 326 b		Yes
IV-221	03/25/02	Donmar Oil & Gas, Inc.	\$6,000	Rules 302, 304, 319 b, 709		Yes
IV-227 - IV-236	09/21/02	DJ Production Svcs, Inc.	\$14,000	Rule 309, 310A, 319 b (1), 319 b (3), 326 b		Yes
IV-237	09/21/02	DJ Production Svcs, Inc.	\$1,500	Rule 326 b		Yes
IV-239	09/21/02	DJ Production Svcs, Inc.	\$500	Rule 309		Yes
IV-240	09/21/02	DJ Production Svcs, Inc.	\$1,500	Rule 324A a, 907 a, 910 a		Yes
IV-245	05/02/03	Fredrick Shaffer	\$4,000	Rule 326 b		Yes
Total Penalties Pending Collection			\$295,900			

No.	Cause	Applicant/Attorney or Representative	Date Rec'd	Field Formation County	Matter	Remarks
0312-UP-05	139	Tom Brown, Inc./ Carleton L. Ekberg	10/14/2003	Rulison Williams Fork Garfield	Request for an order to pool all non-consenting owners in the 640-acre drilling and spacing unit consisting of Section 11, Township 7 South, Range 94 West, 6th P.M. for the drilling of the Federal #11-14 Well, the Federal #11-13 Well, the Federal #11-24 Well and the Federal #11-23 Well.	Application Withdrawn
0312-EX-05	112	CDX Gas, LLC/ Michael J. Wozniak	10/14/2003	Ignacio-Blanco Fruitland Coal La Plata	Request for an order allowing an exception to the permitted locations for the Secord 17U-34-6 #1 Well, a horizontal production well, and the Secord 17U-34-6 #1X Well, a service well, to be located in the NW1/4 SW1/4 of Section 17U, Township 34 North, Range 6 West, S.U.L., N.M.P.M. and include horizontal production legs to extend no closer than 660 feet from the exterior boundaries of Section 17U.	ORDER NO. 112-170
0312-AW-13	318	Noble Energy, Inc./ Carleton L. Ekberg	10/15/2003	Republican Niobrara Yuma	Request for an order to allow up to four wells to be drilled in the existing 160-acre drilling and spacing units in Sections 14 and 32 and the N1/2 and SW1/4 of Section 21, Township 1 North, Range 45 West, 6th P.M.	ORDER NO. 318-7
0312-GA-06	1	City of Longmont/ Phillip D. Barber	9/23/2003	Weld	Request for a variance to 303.d. to allow the Local Governmental Designee to ask for a hearing under 303.k. seeking denial of TOP Operating Company's Applications for Permit-to-Drill or establishing appropriate boundaries or setbacks.	Application withdrawn
0312-GA-07	1	Monument Gas Marketing, Inc./ Delwyn Haroldson	10/21/2003	Kiowa	Request for a hearing regarding financial assurance under Rule 304.	Application withdrawn
0312-OV-08	1V	Staff Recommendation	9/3/2003	Mesa	OFV - Rules 326.b., 326.d., and 1004.a., failure by Rocky Mountain Operating Co. to pass a Mechanical Integrity Test on several wells, failure to repair or plug and abandon the wells that failed the MIT and failure to reclaim the Nichols 1-23 Well, located in the SW1/4 NE1/4 of Section 23, Township 10 South, Range 97 West, 6th P.M.	ORDER NO. 1V-249