

MONTHLY STAFF REPORT

January 5, 2004

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. (["GarCo pipeline..."](#), ["Pipeline to carry...."](#))

® Northwest Colorado Oil and Gas Forum – *Important Notice of Time and Location Change*

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 **Monday, February 9, 2004 from 3:30 p.m. until approximately 6:00 p.m. in Rifle at the Garfield County Fairgrounds in the South Hall (which is a change of date and location from what was discussed at the October 9 meeting).** The Garfield County Fairgrounds are on the west side of Railroad Avenue north of downtown Rifle, and the South Hall is located underneath the grandstand area.

The time and date has been changed to coincide with a Colorado Oil and Gas Conservation Commission field hearing scheduled for February 9 and 10, 2004 in Garfield County to provide an opportunity for the Oil and Gas Commissioners to attend the Northwest Colorado Oil and Gas Forum. The time period for the discussion of issues of concern to local citizens will be scheduled for 5:00 p.m. ***All parties wishing to be placed on the agenda for presentations need to contact Brian Macke at 303-894-2100 x122 or brian.macke@state.co.us by January 23, 2003.***

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.

.. COGCC Increases its Garfield County Field Presence by Converting the Battlement Mesa Field Office to a Locally Occupied Home Office in Garfield County

Effective January 1, 2004, the COGCC is increasing its field presence in Garfield County to address the dramatic increase in the number of drilling rigs and active wells in Garfield County during the past year. Previously, the COGCC had leased a small office space in the strip mall in Battlement Mesa. COGCC field staff Jaime Adkins, who had resided in the Loma area west of Grand Junction, and Jay Krabacher, who resides in Grand Junction, occupied this space intermittently. The records from the Battlement Mesa office demonstrate that the public was very seldom making any personal visits to the office to meet with COGCC staff, and that most meetings with the public and the industry occurred either in the field or in other locations. The COGCC decided that it is necessary to have a

home field office in the Garfield County area, instead of the leased office.

The COGCC has relocated Jaime Adkins from Loma to the Battlement Mesa area in Garfield County, and has replaced the leased space with the home-based office. Mr. Adkins will be able to more efficiently perform COGCC inspection and enforcement duties, respond to local concerns about oil and gas activity in the Garfield County area, and make the COGCC more available to the local community. The industry and the public can make arrangements for personal meetings with COGCC staff in the Garfield County area by calling the newly relocated Battlement Mesa office. Complaints by the public may be registered in the same way. The Garfield County office will continue to have the same telephone number, (970) 285-9000, to ensure continuity in contact for COGCC customers. Jay Krabacher, who has not been relocated, will continue to perform inspection and enforcement activity in Garfield County, as well as other locations in Northwest Colorado.

III. ENVIRONMENTAL ISSUES

® 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 continues to work with staff from both agencies.

A new rule was approved by the WQCC on December 8, 2003. The new rule 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).

Another new rule has been proposed that applies to the Middle Oil Sand zone of the Wasatch Formation at Hiawatha Field in Moffat County (proposed WQCC Rule 53). A prehearing conference regarding this proposed rulemaking will be held on February 4, 2004 at 1:00 p.m. at the CDPHE offices in Denver. The rulemaking hearing is scheduled for March 9, 2004.

® Front Range Ozone Non-attainment Status Designation (EPA)

As requested by Weld County Commissioner Glen Vaad, COGCC staff Randall Ferguson and Bob Chesson attended the November 21, 2003 presentation on proposed emission control strategies by the Air Pollution Control Division ("APCD"). The APCD is considering various emission control strategies in order to avoid EPA designation of the Denver Metropolitan Area as an ozone "non-attainment" area. The State is required by the EPA to enter into an Early Action Compact ("EAC") with stakeholders in order to delay designation of the non-attainment status. Current signatories of the EAC include the Denver Regional Council of Governments, the Colorado Department of Transportation, the Air Quality Control Commission, the Colorado Department of Public Health and Environment and the EPA. Additional EAC signatories from stakeholders from Weld, Larimer and Morgan counties have been solicited. As part of the EAC, a State Implementation Plan ("SIP") is required which outlines details and a schedule for the implementation of emission controls to reduce ozone concentrations to a level below the EPA's ozone standard.

The APCD studied the Denver Planning Area, which includes all or parts of Larimer, Weld,

Morgan, Denver, Douglas, Arapahoe, Adams, Boulder, Jefferson and Broomfield counties. The study found that, based on computer air shed modeling, the entire South Platte River drainage contributes air emissions considered to be precursors for ozone formation in the Denver Planning Area. Computer fate and transport modeling identifies the main ozone precursor in the South Platte River air shed to be non-methane VOC "flashing" emission from oil and gas wells (mainly in the Wattenberg Field). The APCD is proceeding with implementation of emission control requirements for these "stationary" sources which would require engineering controls on individual wells and/or tank batteries. Other source controls are under consideration, such as mandating use of lower volatile gasoline, expanding the Denver Metro area auto emissions control program into the South Platte River drainage air shed, and additional emissions controls on existing industrial facilities. Because of a very tight EAC schedule, a draft SIP was approved for submittal to the EPA by the Regional Air Quality Council on December 4, 2003. A public meeting on the proposed SIP is scheduled for March 11, 2004. The adopted SIP will undergo State Legislative review in early 2004 with the final plan submittal to the EPA by December 31, 2004. Implementation of emission controls is required by December 31, 2005 and success must be demonstrated to the EPA by December 31, 2007 to maintain "attainment" status.

IV. ORGANIZATION

® Staff Organization

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

V. PLANNING/ADMINISTRATION/OTHER

® Penalties Status

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

® February Hearing Docket

A preliminary docket for the February 9th and 10th, 2004 hearing has been [provided](#). Hearing dockets are available on the COGCC website by clicking on "Hearings", then "2004 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.

The Colorado Oil and Gas Conservation Commission will be available at 9:00 a.m. on February 10, 2004, prior to the start of its docketed hearing matters at 10:00 a.m., for an informal discussion on any items of interest from anyone who wishes to meet with the Commission. Please notify Tricia Beaver at (303) 894-2100 ext. 115 or tricia.beaver@state.co.us if you would like to be scheduled during the one hour time slot. The Commission plans to hold this type of discussion prior to each of its hearings on the first day of each hearing, provided there is interest from the public. Please note that if you wish to speak to the Commission regarding a docketed hearing matter, there will be an

opportunity during the presentation of the specific hearing matter.

® Joint COGA – CCI Gathering Line Regulation Work Group

A workgroup consisting of representatives from the Colorado Oil and Gas Association and local governments working through Colorado Counties, Inc. has been convened to jointly develop proposed COGCC regulations for gathering lines. The workgroup, which includes representatives from Garfield, Mesa, and Gunnison counties as well as the industry representatives, have met on October 15 and November 14 to discuss gathering line issues and develop a rulemaking proposal to jointly bring to the COGCC. This model was used successfully earlier this year to bring proposed rulemaking to the COGCC to address local government involvement in COGCC processes. Brian Macke has been included in the meetings to serve solely as a resource and to answer questions about COGCC regulation that arise in the discussions. At this time it is expected that a proposal for gathering line rulemaking will be completed in time for the March 2004 COGCC hearing.

® One Call / Dig Safely Website Link

A link has been added to our web site under "Contacts" to the One Call program at the Dig Safely "Utility Notification Center of Colorado" website. This site is a resource for those excavating near buried flowlines, gathering lines, or other pipelines to have the operators of those lines alerted to mark the location of the lines so they can be safely avoided during excavation.

® Average Weekly Drilling Rig Count:

The four attached bar charts show the average number of drilling rigs running in Colorado in 2003 by [county](#), [operator](#), [contractor](#) and [total drilling rigs](#) each week.

® Status of DNR Core Mission Project (CMP) Issues Related to the COGCC

This [information](#) is being provided in response to your interest in the status of any CMP ideas, reviews, proposals, or initiatives potentially involving the COGCC and staff resources spent on the CMP following your extensive discussion of the CMP with DNR Assistant Director Shane Henry at the 10/27 COGCC hearing:

· Cost Savings Ideas

There are six ideas showing a total projected cost savings of \$64,800 (as presented by the Executive Director's Office ("EDO") to the Colorado Legislative Joint Budget Committee 12/2/03). Our projected cost savings for these same six ideas as of 1/5/03 is \$22,400 (as shown on the attached spreadsheet). A few of these ideas have some very modest fractional FTE savings which would likely be re-deployed within the COGCC toward meeting demands associated with the historically unprecedented level of oil and gas development activity in Colorado.

· Revenue Generating Ideas

None viable

· Investment Project Ideas

None viable

· Proposed Consolidation of COGCC, DMG, and CGS

No response to or comments on your letter to Greg Walcher of 11/6/03 entitled "Core Mission Project – Formation of DMEG" as requested of you by DNR Assistant Director Shane Henry at the 10/27/03 COGCC hearing.

- Proposed IT Reorganization and Staff Reporting Changes

No response to or comments on my memo to Greg Walcher of 12/12/03 entitled "Status of COGCC CMP Ideas – Correspondence to You regarding other CMP Issues (copied to you - this memo and the attached spreadsheet were removed from our website at the direction of EDO), my email to Greg Walcher of 11/6/03 entitled "Core Mission Project IT Group – DNR IT Consolidation Discussion During DD Meeting of 10/30" (w/ 5 attachments - copied to you) or to your resolution of 11/18/03 Re: DNR EDO IT Consolidation. COGCC Information Manager Thom Kerr continues to attend many meetings related to the DNR CMP IT Consolidation.

- Review of Alternatives for DNR Accounting Organization

The current stage of this review was initiated 10/30/03 by the DNR EDO to get input from each DNR Division as to how they might address their accounting and related needs if the currently centralized DNR accounting and related functions were transferred to each of the Divisions within DNR. We have responded to an initial questionnaire. I would continue to characterize this CMP review as preliminary in nature. A preceding stage of the CMP review of the DNR accounting organization apparently did not turn up significant savings potential.

- Staff Resources Spent on CMP (Employee Hours and \$ Value)

The cumulative staff resources we have spent on the CMP as of 11/30/03 were 1,927 hours valued at \$97,364.

- Other Measures of CMP Activity

A count of email messages related to the CMP by month from my MS Outlook Inbox and Sent files are listed by month as follows:

June	8
July	120
August	103
September	97
October	113
November	79

Total (10/31/03)	520
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®

Draft Budget Requests

The initial step of review and approval by the Governor's Office of State Planning and Budgeting has left our budget requests for FY 04-05 in good shape. They are summarized briefly as follows:

- Total Funds requested = \$132,269 (\$28,152 in a supplemental budget request for FY 2003-04 and \$104,117 in a budget amendment for FY 2004-05)

- 1.0 FTE is requested for a Permitting Technician

- \$30,000 is requested in temporary services funding for document processing
- 1 additional leased vehicle from Fleet Management is requested to replace the vehicle that we were recently required to give up

The funding source for these draft requests is proposed as the Operational Account of the Severance Tax Trust Fund.

® Leased Space Status

The lease on our existing space at the Chancery building expires August 31, 2004. We are continuing the process of securing office space.

® 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, 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; the application malfunctions. 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. COGCC staff utilize 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 over 34,000 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 COGCC 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 and will be implemented either this month or next. 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.

· Electronic Business

- There are approximately 175 operators reporting electronically.
- An Internet available production report application that uses an XML data transfer mechanism is being tested by staff and is expected to soon be available to industry. 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 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.
- The website was moved to a new multi-server web farm environment on December 13, 2003. There have been several problems that have caused periodic outages; Microsoft has designated this as a priority problem and is helping to solve this with both funding and technical resources.

VI. VARIANCES

A variance was granted to Williams Production Company for Order No. 440-12 to allow all existing wells and future wells in the E½ of Section 32, Township 6 South, Range 95 West, 6th P.M. to be produced on 160-acre drilling and spacing units consisting of the NE¼ and SE¼ of Section 32, based on an existing communitization agreement in the NE¼ and an existing pooling declaration in the SE¼. Revenue and costs for all wells drilled in these quarters have been and will continue to be handled on a 160-acre basis.

A variance was granted to EnCana Energy Resources, Inc. under Rule 502.b. to Rule 603.a.(1) and (2) to allow the surface locations of the Wandell No. 14-7, 23-7 and 24-7 Wells to be located in the SW¼ of Section 7, Township 2 North, Range 67 West, 6th P.M., less than 150 feet from a public road and from a surface property line to utilize an existing well pad for directional drilling.

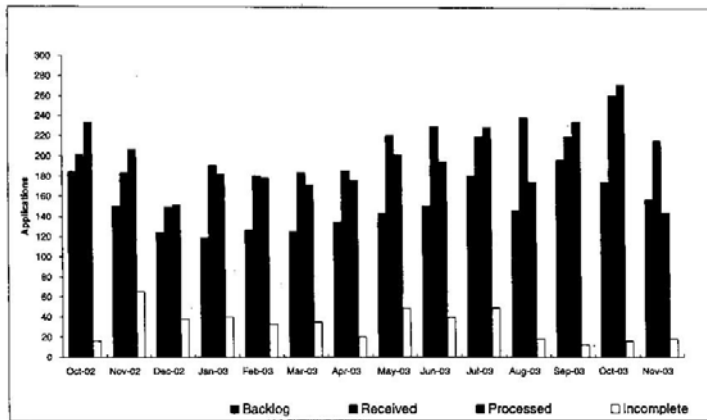
A variance was granted to BP America Production Company under Rule 502.b. to

Commission Order No. 112-85 requiring production casing to be cemented to the surface in the State of Colorado AW #3 Well located in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 36, Township 35 North, Range 7 West, La Plata County. The State of Colorado AW #3 Well is a Fruitland Coal well and is required by Commission Order No. 112-85 to have cement circulated outside the production casing from total depth to the surface. Surface casing in the State of Colorado AW #3 Well is set at 582' and the top of production casing cement is at 630'. BP America will monitor the bradenhead for pressure with yearly bradenhead tests instead of performing remedial cementing work.

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

	Backlog	Received	Processed	Withdrawn	Rejected	Incomplete	In-Process	Remaining
Drilling								
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	198	184	12	0	48	93	141
Jun-03	141	190	171	1	0	40	119	159
Jul-03	159	199	201	12	0	49	96	145
Aug-03	145	227	166	14	0	18	174	192
Sep-03	192	188	209	6	0	12	153	165
Oct-03	165	228	244	6	0	16	127	143
Nov-03	143	206	141	5	0	18	185	203
Recompletion								
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	6
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	32	26	1	0	0	10	10
Oct-03	10	33	26	0	0	0	15	15
Nov-03	15	10	4	5	0	0	16	16
Total								
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	185	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	220	235	7	0	12	163	175
Oct-03	175	261	272	6	0	16	142	158
Nov-03	158	216	145	10	0	18	201	219

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	Drilling		Recompletion		Permits			Pits		Active Wells	Unedited Historic Records	Public Visits			Well Oper Change
			Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd	Ind	Apvd	Rcvd			Data	Office	Internet	
2000	Total		1533	1755	155	187	12	21		328	305			1264	1844	48136	3026
2001	JAN	26	203	224	49	38	5	2		26	8	22240		89	136	6974	273
	FEB	29	193	196	5	7	0	0		16	18	22225		75	113	4900	461
	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	662
	MAY	36	241	236	8	8	0	2	0	7				72	157	6693	460
	JUN	36	194	256	12	14	2	3	10	49	22712			65	106	6090	663
	JUL	35	216	178	8	15	4	2	23	3	22742			81	116	10473	805
	AUG	37	176	152	22	12	3	4	25	18				67	75	12727	2133
	SEP	38	109	173	6	15	3	0	83	27	22795			60	69	10416	166
	OCT	36	202	142	8	8	3	3	2	3	22824			84	105	11943	214
	NOV	33	122	154	16	8	0	0	18	24				63	78	11542	171
	DEC	24	181	185	4	4	1	2	25	43	22879			104	101	10508	201
2001	Total		2271	2301	164	152	22	22		235	246			925	1306	104824	6413
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	209
	MAR	25	194	173	8	12	2	3	31	11	22930			58	55	13184	183
	APR	28	175	177	11	12	3	4	2	26	23040			65	67	12935	737
	MAY	33	173	202	15	26	6	7	41	10	23098			64	90	14492	207
	JUN	34	183	124	27	19	0	1	1	5	23156			57	69	13747	499
	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	184
	OCT	25	209	188	25	14	5	4	12	11	23488			45	59	18423	539
	NOV	24	170	148	37	36	3	0	8	31	23608			63	68	15932	348
	DEC	27	144	143	8	6	2	0	49	2	23711			51	81	15460	241
2002	Total		2008	2051	174	177	30	25		252	229			718	874	175690	4555
2003	JAN	31	174	180	8	11	2	2	3	15	23963			82	88	16623	501
	FEB	32	158	163	21	18	1	0	1	3	24118			62	77	19140	190
	MAR	30	167	180	5	4	1	2	15	9	24212			51	55	18922	178
	APR	35	172	179	4	7	2	7	5	24	24363			63	123	21679	198
	MAY	37	184	198	18	23	5	0	29	132	24445			52	99	22307	460
	JUN	37	171	190	24	40	0	0	32	21	24489			59	65	20883	339
	JUL	40	201	199	28	21	0	2	136	17	24589			50	48	22779	416
	AUG	43	166	227	9	12	0	2	2	32	24655			53	43	17900	246
	SEP	48	209	195	26	31	1	2	13	30	24808			41	31	22718	226
	OCT	46	244	228	28	32	2	0	5	54	24901			41	38	29413	283
	NOV	44	141	206	4	10	1	0	4	10	24911			22	38	27961	171
2003	Total		1987	2145	175	209	15	17		245	347			576	705	240325	3208


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


**Colorado Oil Gas Conservation Commission
Monthly Statistics**

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YEAR	MO	Operators		Release		Bonds		Claim		Hearings		Violations				Remediation Projects			Field Insp.
		New	Inactive	Ind.	Blnt	Replace	Ind.	Blnt	Apps.	Order	NOAV	AOC	OFV	Cmplt	Spills	Rcvd	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	11	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	14	2	2	654	
	SEP	4	5	8	3	8	0	0	17	16	20	0	14	21	13	5	2	369	
	OCT	3	12	8	6	5	0	0	3	2	10	0	0	17	10	7	7	346	
	NOV	5	3	3	0	15	0	0	NA	NA	1	NA	NA	15	12	4	3	377	
	DEC	3	6	11	4	5	0	0	6	4	5	1	0	14	12	3	5	366	
2002	Total	63	97	62	58	98	2	1	63	52	280	5	21	176	206	80	58	6499	
2003	JAN	8	6	8	3	5	0	0	3	4	26	1	0	5	20	5	1	510	
	FEB	10	7	2	2	10	0	0	4	2	8	1	0	8	15	3	8	549	
	MAR	6	8	5	4	13	0	0	7	3	8	1	0	13	17	4	1	642	
	APR	6	4	9	1	7	0	0	7	5	23	0	1	22	17	6	1	645	
	MAY	5	3	2	5	10	0	0	NA	NA	7	NA	NA	14	17	4	3	832	
	JUN	3	6	2	3	8	3	0	7	4	2	1	0	19	20	5	9	693	
	JUL	5	6	3	2	15	0	0	1	0	15	0	0	16	23	3	1	516	
	AUG	6	7	4	1	8	0	0	6	7	12	2	0	8	14	5	2	585	
	SEP	8	12	10	0	10	0	0	3	2	14	0	0	13	22	4	1	645	
	OCT	10	7	6	7	12	0	0	2	2	2	0	1	13	23	13	7	522	
	NOV	5	3	2	3	12	0	0	NA	NA	6	NA	NA	6	15	5	8	351	
2003	Total	72	69	53	31	110	3	0	40	29	123	6	2	137	203	57	42	6490	

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, Cmplt = Complaint, Comp = Completed





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News

12.15.03 GarCo pipeline regs considered

By MIKE McKIBBIN The Daily Sentinel

GLENWOOD SPRINGS — New regulations to better govern natural-gas and other pipelines have been recommended for adoption to the Garfield County Commissioners.

The county planning and zoning commission has approved an amendment to county zoning regulations that defines a pipeline in need of a special-use permit as one that is at least 10 inches in diameter, Planning Director Mark Bean said. The amendment includes a hearing process.

"It was a contentious issue," Bean said. "The industry felt the 10-inch definition was unrealistic, but the commission stayed with that in their recommendation."

The commissioners are scheduled to consider the pipeline amendment on Jan. 19.

Bean said the amendment resulted partly from an informal policy to not require county permits for gathering pipelines, which transport natural gas from well head to large transportation pipelines that take the gas to market.

"No body other than local governments can regulate them across private property once they leave the well site until they reach a transportation line, which is regulated by the federal government," Bean said.


Recently, EnCana Oil and Gas installed a 24-inch gas pipeline from Grass Mesa south of Rifle to a West Rifle compressor facility without a county permit, Bean said. Another company did the same thing for a pipeline between Parachute and Rifle.

"They said we didn't have a definition of a pipeline and and they were right," Bean said. "That's why we undertook this process."

The Colorado Oil and Gas Conservation Commission is scheduled to consider proposed pipeline regulations in March that perhaps could take precedence over the county regulation, Bean said.

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

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RIFLE "CITIZEN TELEGRAM" DEC. 27, 2003 Pipeline to carry natural gas from West Rifle to Parachute

EnCana line to connect with Williams transmission line for national distribution

By Heidi Rice

Telegram Staff Writer

You won't be able to see it, smell it or hear it.

In fact, if you don't already know about it, you'll never know it's there, according to officials from EnCana Oil and Gas.

The Canadian-based company is currently in the process of constructing a nearly 79,000-foot, underground gas-gathering pipeline that stretches from West Rifle to Parachute.

Construction of the line began in November and is slated for completion by early January.

The 24-inch pipeline, which will be buried under 48 inches of ground cover, starts about 1.5 miles west of Rifle, and will gather the gas collected by EnCana in the Rifle area. EnCana is drilling about 300 wells this year south of Rifle



A 24-inch pipeline is under construction by EnCana Oil and Gas that will carry natural gas from 1.5 miles west of Rifle to Parachute where it will link up with Williams Production's transmission line.

and Silt in the Mamm Creek, Grass Mesa and Hunter Mesa areas.

Replacing a former 12-inch line, the larger pipe will be used to handle the increasing amounts of gas collected around Rifle as well as accommodating future gas production.

"The Piceance Basin has one of the most prolific natural gas reserves in the United States," Smith said. "We put in a large line that was enough

to handle the current production and any future production. We don't want to come back and disturb things again. We wanted to do it right the first time."

Once transported to Parachute via the pipeline, the gas will then be transferred to a transmission line operated by Williams Production and eventually distributed throughout the country.

"Right now we're in the last

phases of construction," said Jimmy Smith of Wagon Wheel Consulting in Rifle, who was hired by EnCana to oversee the pipeline project. "We'll begin to prep the line for testing and complete that by January 1."

The pipeline begins at the Mamm Creek Conditioning Facility which sits on 113 acres of property purchased by EnCana last spring. Permits for the use of right-of-ways to lay the pipe were also obtained from Garfield County, the Bureau of Land Management (BLM) and the Colorado Department of Transportation (CDOT).

After being collected at the west Rifle site, the gas is depressurized and conditioned to conform with state specifications. Smith emphasizes that the entire operation is safe and poses no hazard to the public.

"There is no danger to the city whatsoever," Smith said. "This is constructed under the Department of Transportation specifications and have met or exceeded all

PIPELINE on page 4

Pipeline will run under I-70 and Colorado River

PIPELINE from page 1

those areas."

Smith employs about five inspectors who routinely check the pipeline to make sure the contractors meet all of EnCana's specifications.

The pipeline is 1/2-inch thick and the portions that run under Interstate 70 and the Colorado River are enveloped in casings to further protect the line.

However, at least one Rifle City Council member has expressed concern about the aesthetics of the decompressor pipes that sit above ground and, while not in city limits, are within the city's three-mile urban growth boundary.

"My real concern is the permanent, above-ground compressor fixtures," said Councilor Alan Lambert. "In our growth master plan, that would be a future commercial site. To me, they're in a developable area — a prime area to Rifle. It's out of our jurisdiction, but it's in our influence area."

Because the project is not within the city's jurisdiction, no permission or permits were required from the city.

"My question is, how do we

have something to say about it?" Lambert asked. "It's hampering our ability to grow. We consider the western interchange to be the western entrance to the community. It doesn't lend itself to visuals in attracting people into town."

According to Smith, the above-ground compressor pipes will be painted a desert tan to match the background terrain and will be hard to detect.

"It will all be painted the same color as the background and it will be very hard to see it," Smith said. "It will be painted to blend in with the terrain."

EnCana strives to be a good member of the community and build safe, quality projects that have the least amount of visual impact, Smith said.

EnCana employees are currently in the process of covering up the pipe with dirt and then will reclaim the area with seed and vegetation.

"There will actually be grass where there wasn't any before," Smith said. "The landowners like it for their livestock. And it's also good for the wildlife. People need to consider that people building and operating these pipelines live around the

pipelines, too. They want to build safe and aesthetically correct projects because we live around here also. We try to put the pipelines in areas with the least amount of visual impact."

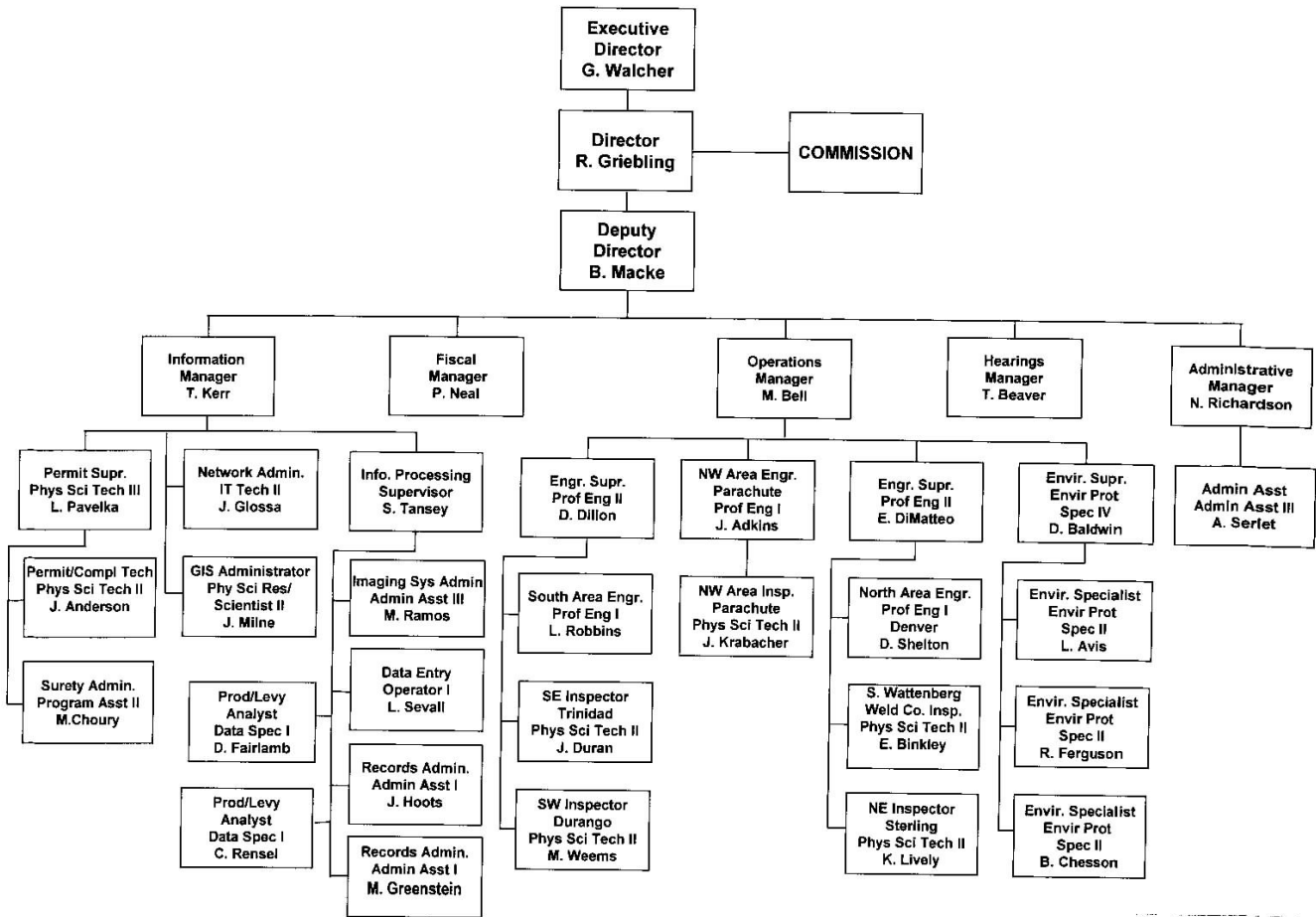
About 80 percent of the pipeline is located along the interstate corridor in the existing CDOT right-of-way.

The total cost of the pipeline project, including construction and materials, is about \$7 million, Smith said.

After completion, the pipeline will be tested with water in early January. Although the line is expected to operate at 1,400 pounds of pressure, it will be tested using 2,160 pounds — one and a half times more than that. The test must result in absolutely no leakage during an eight-hour period.

And a safe and structurally sound project is essential to Smith.

"Credibility and integrity are key in this industry," Smith said. "I do what I say I'm going to do. And one of the things I like about working for EnCana is that they don't necessarily take the low bid for a project. They're more inclined to go with someone with a good reputation."

COLORADO OIL & GAS CONSERVATION COMMISSION ORGANIZATION

Version 69 -11/21/2003

PENALTY PAYMENT STATUS

12/23/03

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	\$63,817	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	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

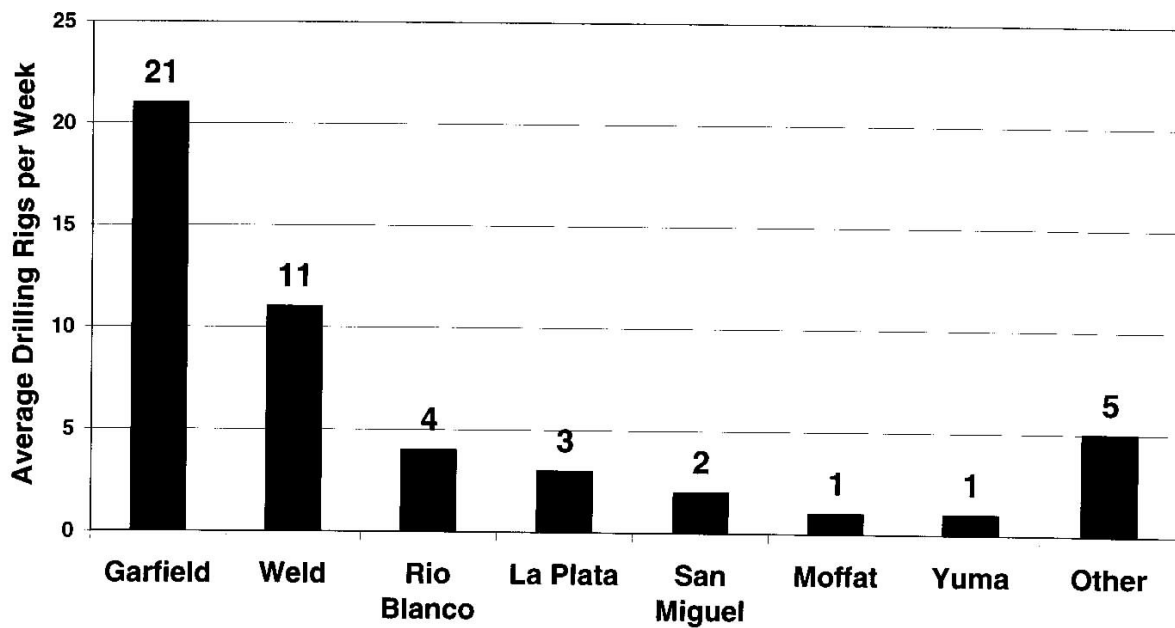
Order Number	Date Issued	Violating Entity	Penalty Assessed	Violations	Status	Referred to Collections
1V-58	03/15/93	Gear Drilling Company	\$2,000	Rule 305, 319 a.(2)		Yes
1V-73	08/23/94	Western Oil Company	\$2,300	Rule 317 a.8		Yes
1V-82	06/19/95	Joseph V. Dodge	\$14,000	Rules 210.b., 305., 307., 317.b.(3), 604.a.(4)	Work completed per order	Yes
1V-83	11/21/95	Tipps Drilling Co.	\$60,000	Rules 604.a.4., 902.e.&f.	Bond forfeited 11/01/95	Yes
1V-110	05/21/96	Kana Resources, Inc.	\$3,500	Rules 303.a., 306., 317 b.1.	\$30,000 bond claimed 11/96/penalty unpaid/No assets.	Yes
1V-114	09/04/96	Mr. Jim Snyder	\$10,000	Rules 308., 317.l., APD	AOC negotiated	Yes
1V-124	07/01/97	Nerdilhc Company Inc.	\$9,000	Rules 326.b.1., 319.b., 210 b.	District Court decision entered/\$10,000 bond claimed	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-236	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
1V-245	06/02/03	Fredrick Shaffer	\$4,000	Rule 326.b.		Yes
Total Penalties Pending Collection			\$255,800			

Table 1: Summary of Data			
Category	Sub-category	Value	Unit
A	A1	10	kg
	A2	20	kg
	A3	30	kg
B	B1	40	kg
	B2	50	kg
	B3	60	kg
C	C1	70	kg
	C2	80	kg
	C3	90	kg

Average Rigs Running per Week in 2003 in Colorado by County

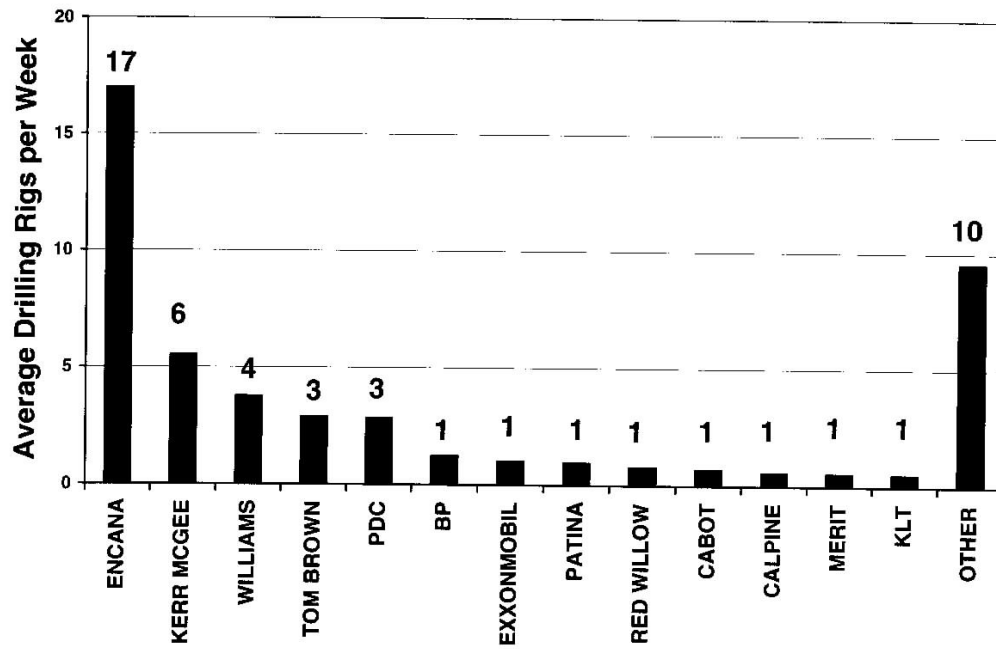
(A weekly average of 48 drilling rigs were running statewide in Colorado in 2003.)

(Data from P/Dwights Drilling Wire - Rocky mountain Region Rotary Report - to subscribe contact IHS Energy)



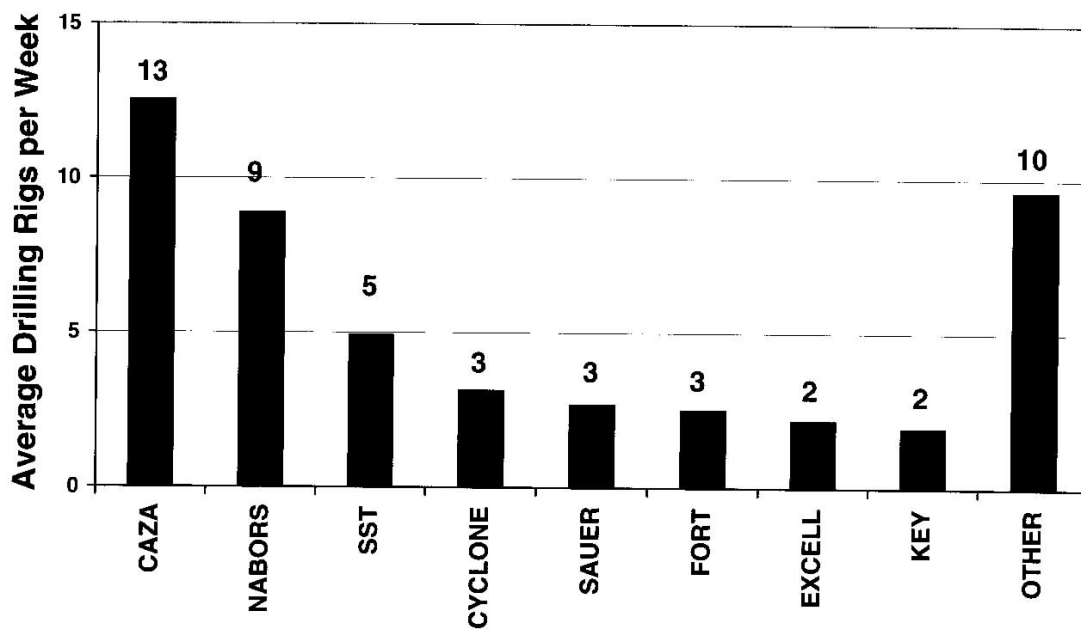
Average Rigs Running per Week in 2003 in Colorado by Operator
(A weekly average of 48 drilling rigs were running in Colorado in 2003.)

(Data from P/Dwights Drilling Wire - Rocky Mountain Region Rotary Report - to subscribe call IHS Energy)



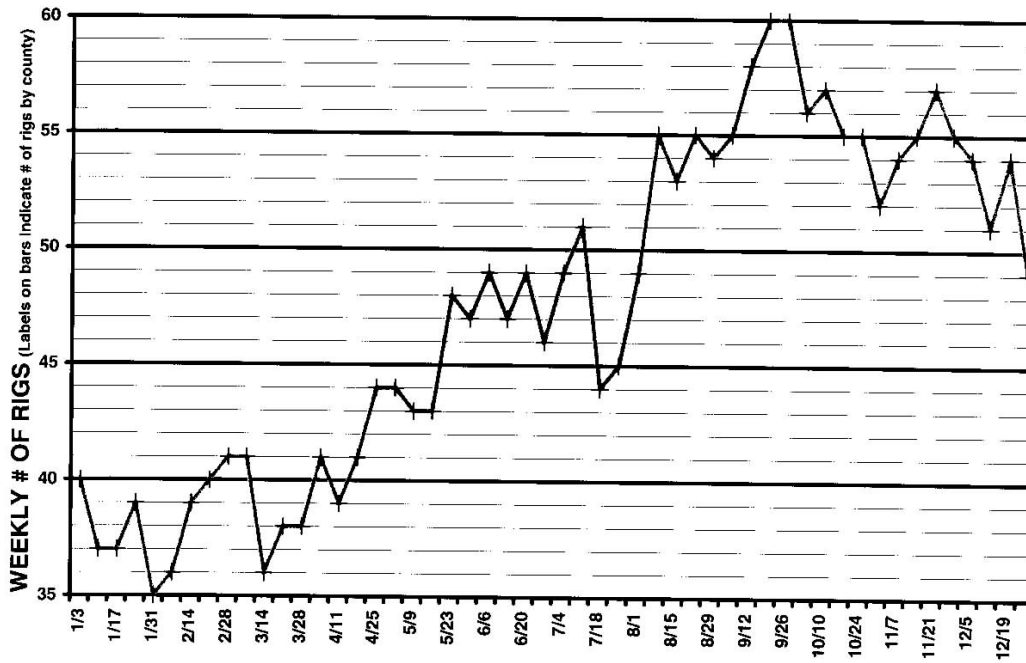
Average Rigs Running per Week in 2003 in Colorado by Contractor
(A weekly average of 48 drilling rigs were running in Colorado in 2003.)

(Data from P/Dwlgths Drilling Wire - Rocky Mountain Region Rotary Report - IHS Energy)



TOTAL DRILLING RIGS RUNNING IN COLORADO EACH WEEK IN 2003

401 - 1000 Feet and Deeper Oil Drilling Wells - Rocky Mountain Region - Rotary Report - Section III - JHS Energy, Inc.



STATUS OF COGCC CORE MISSION PROJECT IDEAS (as of 1/5/04)

(As presented by DNR EDO to JBC 12/2/03 in black)

(Updated status as per COGCC 1/5/04 in red)

DNR Core Mission Project Implementation Planning - Ideas Approved by Steering Committee - @ Oct. 30, 2003

Idea #	Idea Description Short (For Net Dollar Impact Numbers at right, positive numbers indicate net savings, and negative numbers indicate net costs.)	Net Dollar Impact (000)	COGCC Estimated	Idea Predates Core Mission Project
			Net Dollar Impact (000)	
2.22	Combine Idea 2.19A and 2.2. Close Battlement Mesa office and move NW Engineer to Battlement Mesa Updated Status per COGCC: Completed	3.5	-6.9	Yes
4.4	Consolidate DNR office space and equip maintenance functions Updated Status per COGCC: DNR office space consolidation too expensive. <u>Idea should be dropped.</u>	0.0	0.0	NA
4.7	Expand criteria for emergency purchases (combined with 4.6) Updated Status per COGCC: Alternate solution to reduce orphaned well P&A costs being pursued.	33.0	33.0	Yes
6.13	Cease sending permits to Local Gov Designees by mail or fax Updated Status per COGCC: Implementation dependent upon COGCC Commission rulemaking 3/04.	0.7	0.7	Yes
6.3	File permits electronically Updated Status per COGCC: Implementation dependent upon on-line forms availability - projected 7/04.	5.6	5.6	Yes
9.1	Create automated Internet available reports Updated Status per COGCC: Implemented.	16.5	0.0	Yes
9.13	Require well log submittal in a standard electronic format Updated Status per COGCC: Implementation dependent upon COGCC Commission rulemaking 3/04.	5.5	-10.0	Yes
9.4	Consolidate all department scanning functions Updated Status per COGCC: Consolidation of DNR Divisions not feasible. <u>Idea should be dropped.</u>	0.0	0.0	NA
<u>SUMMATION OF TOTAL NET \$ IMPACT (000)</u>		<u>64.8</u>	<u>22.4</u>	

(Note: Net savings recommended by COGCC for reinvestment to meet demands associated with record levels of Colorado oil and gas development.)