

MONTHLY STAFF REPORT

February 10, 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 2004 are projected at an annual total of 2500.

II. NORTHWEST COLORADO

Attached are newspaper articles of local interest. (["GarCo knows the drill...."](#), ["Glenwood Springs Paper"](#))

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

The last meeting of the Forum was on Monday, February 9, 2004 at the Garfield County Fairgrounds in Rifle. The date of the Forum was scheduled 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. Agenda items at the Forum included:

- Introduction of State of Colorado Oil and Gas Commissioners
- State, Federal, County, and Industry Updates on Northwest Colorado Oil and Gas Activity
- Discussion of Federal Unit Contraction
- Open Public Comment/Q&A Period About Issues of Local Concern

The next meeting of the Forum, which is co-chaired by COGCC Deputy Director Brian Macke and Garfield County Commissioner Larry McCown and consists of representatives from federal, state and local government, the oil and gas industry and all interested citizens, is tentatively scheduled for Thursday, May 20, 2004 from 10:00 a.m. until approximately 2:00 p.m. at a location to be determined.

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 May 7, 2004.

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. The meeting frequency may be increased depending on the outcome of current discussions with Garfield County representatives and citizens. 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 increased its field presence in Garfield County to address the dramatic increase in the number of drilling rigs and active wells in the area

during the past year. Previously, the COGCC leased a small office space in the strip mall in Battlement Mesa. COGCC field staff Jaime Adkins, who resided in the Loma area west of Grand Junction, and Jay Krabacher, who resides in Grand Junction, occupied this leased space intermittently. The records from the Battlement Mesa office demonstrate that the public was very seldom making personal visits to the office to meet with staff, and that most meetings with the public and the industry occurred either in the field or at other locations. The COGCC decided that it was necessary to have a home-based field office in the Garfield County area, instead of the leased office.

The COGCC has relocated Jaime Adkins from Loma to Battlement Mesa in Garfield County, and has replaced the leased space with Mr. Adkins' 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 Garfield County office will continue to have the same telephone number, (970) 285-9000, to ensure continuity in contact for COGCC customers. The industry and the public can make arrangements for personal meetings with staff in the Garfield County area by calling the number above. Complaints from the public may be registered in the same way. 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. NORTHEAST COLORADO

.. Leyden Closure Report

The Leyden quarterly closure report was submitted by Public Service on January 20, 2004. The City of Arvada has begun to inject water into the cavern and had injected 300 acre-feet of the estimated 2100 acre-feet of water required to fill the cavern. This report is on our website.

IV. SOUTHWEST COLORADO

.. Next GORT Meeting

The next GORT meeting is tentatively planned for May of this year. This month, COGCC staff polled the GORT members, La Plata County, the BLM, the Southern Ute Indian Tribe, and industry, and none of the members identified a reason to convene a meeting until then. The last GORT meeting was held October 12, 2002.

V. 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 classifications for ground water, COGCC staff Loren Avis, Debbie Baldwin, Bob Chesson, and Ed DiMatteo continue to work with staff from both agencies. A new ruling 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). The rulemaking hearing is scheduled for March 9, 2004 at CDPHE offices in Denver.

® 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.

VI. ORGANIZATION

® Staff Organization

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

VII. PLANNING/ADMINISTRATION/OTHER

® Penalties Status

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

® March Hearing Docket

A preliminary docket for the March 15th and 16th, 2004 hearing has been provided. Hearing dockets are available on the COGCC website by clicking on "Hearings". 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.

® 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 industry representatives, met most recently on February 5, 2004 to discuss gathering line issues and develop a rulemaking proposal to jointly bring to the COGCC. This model was used successfully last 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 April 2004 COGCC hearing.

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

· Cost Savings Ideas

See the [attached](#) spreadsheet for the current status of our cost savings ideas.

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

The staff resources we have spent on the CMP as of 12/31 were 2,038 hours valued at \$100,204. As staff time on the CMP has declined significantly, we'll no longer track or report it.

· 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	81
December	31

Total(12/31) 553

As email messages on the CMP have declined significantly, I'll no longer report them.

® Draft Budget Requests

This information is provided in response to the interest you have shown in our requests for approval of additional budget resources to meet the historically unprecedented level of oil and gas development activity in Colorado projected for 2004 and beyond. A brief summary

of our draft request 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 was requested for a permitting technician
- \$40,000 was requested in temporary services funding for document processing
- 1 additional leased vehicle from Fleet Management was requested to replace the vehicle that we were recently required to give up

The Office of State Planning and Budgeting (OSPB) has approved the request as a budget amendment for FY 2004-05 only, not as a supplemental budget request for FY 2003-04. The OSPB approved request is as follows:

- Total Funds = \$97,397
- 1.0 FTE for a permitting technician
- \$30,000 in temporary services funding for document processing
- 1 additional leased vehicle from Fleet Management

The budget amendment request has been forwarded to the Joint Budget Committee for their consideration. The funding source for these draft requests is proposed as the Operational Account of the Severance Tax Trust Fund.

® Leased Space Status

In response to your interest in our office space status, the lease on our existing space at the Chancery building expires August 31, 2004. We requested approval of the Department of Natural Resources Executive Director's Office ("EDO") to initiate the process of renewing our lease at the Chancery or finding alternate office space in April of 2003. We were denied that approval by EDO on April 25, 2003. The potential for the Department of Natural Resources Core Mission Project consolidation of all the Divisions into one office space facility was cited as the reason we could not proceed with securing COGCC office space. Since the office space consolidation is no longer being pursued, our efforts to secure office space have since been given approval by EDO to proceed.

A recent Governor's Office Executive Order requires that state agencies obtain approval from the State Office of Budgeting and Planning ("OSPB") to begin the process of negotiating any new leases for office space. The request for the OSPB approval has been submitted and we are currently waiting for their approval to allow State Buildings to begin the office space lease negotiation process.

® 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 its 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).

- § The database cleanup project has been halted, with almost 35,000 historic well records updated. The project was stopped due to funding availability. There are a little less than 28,000 well records that have not been 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. It is anticipated that this system will be deployed in February 2004. This system will consist of Internet applications, form processor and other specific tools necessary for field staff to automate data collection and information requirements on a laptop or tablet computer.

- Electronic Business

- There are approximately 175 operators reporting production electronically.

- An Internet available production report application that uses an XML data transfer mechanism is being tested by staff and will soon be available to industry. The XML file structure is the same as that in use 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 March 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. These issues will be resolved and the system will be more functional in the near future.
- The website was moved to a new multi-server web farm environment on December 13, 2003. Several problems have caused periodic outages; Microsoft has designated this a priority problem and is helping with both funding and technical resources.
- The department has updated the web servers over the last few months causing some periodic outages. The change has been stabilized and performance appears to be improved.

VIII. VARIANCES

Dominion Energy was granted a Rule 502.b. variance to Rule 1004. for the State #1-36 Well located in the SW $\frac{1}{4}$ NE $\frac{1}{4}$, Section 36, Township 8 North, Range 88 West, 6th P.M. Dominion Energy entered into an agreement with the surface owner regarding topsoil protection and reclamation of the land in accordance with Rule 1001.c.

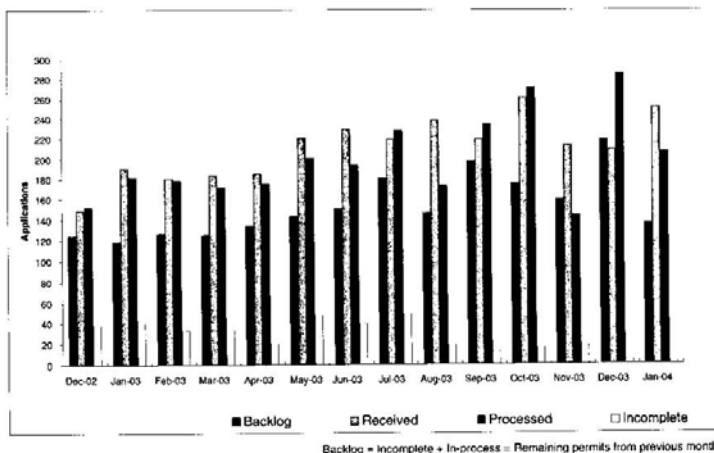
SG Interests I, Ltd. was granted a Rule 502.b. variance for the Schofield Auto #41-6-4 Well, a La Plata County Fruitland Coal well located in the NE $\frac{1}{4}$ NW $\frac{1}{4}$, Section 6, Township 32 North, Range 7 West, N.M.P.M. The property line is 119' instead of 150' from the proposed wellhead. The encroached upon landowner and the operator could not come to an agreement to negotiate a waiver, so SG Interests requested a variance to Rule 603.a.(2). The location requested is an existing location, which would minimize surface disturbance for the farming operations of the surface owner. Topographical reasons make it imprudent to move in other directions.

EnCana Oil and Gas (USA) was granted a Rule 502.b. variance removing conditions of permit approval, to the extent it is infeasible for EnCana to comply, placed on three (3) Wandell wells located in Section 7, Township 2 North, Range 67 West, 6th P.M. in Order No. 1-104, to address safety concerns. EnCana has proposed alternative safety measures which adequately address the Commission's concerns.

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

	Backlog	Received	Processed	Withdrawn	Rejected	Incomplete	In-Process	Remaining
Drilling								
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	165	14	0	18	175	193
Sep-03	193	188	209	6	0	12	154	186
Oct-03	166	228	244	6	0	16	128	144
Nov-03	144	204	141	5	0	18	184	202
Dec-03	202	192	259	5	0	4	126	130
Jan-04	130	242	195	3	0	2	172	174
Recompletion								
Dec-02	5	6	8	0	0	1	2	3
Jan-03	3	11	9	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	32	26	1	0	0	10	10
Oct-03	10	34	28	0	0	0	16	16
Nov-03	16	10	4	5	0	0	17	17
Dec-03	17	17	27	0	0	0	7	7
Jan-04	7	10	12	2	0	0	3	3
Total								
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	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	174	14	0	18	180	198
Sep-03	198	220	235	7	0	12	164	176
Oct-03	176	262	272	6	0	16	144	160
Nov-03	160	214	145	10	0	18	201	219
Dec-03	219	209	286	5	0	4	133	137
Jan-04	137	252	207	5	0	2	175	177

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	Recompletion Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd			Data	Office	Internet	
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	502
	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	461
	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	414
	AUG	43	165	227	9	12	0	2	2	32	24655		53	43	17900	245
	SEP	48	209	188	26	32	2	2	13	30	24808		41	31	22718	231
	OCT	46	244	228	28	34	2	1	5	54	24901		41	38	29413	392
	NOV	44	141	204	4	10	1	0	6	13	24911		22	38	27961	190
	DEC	44	259	192	27	17	2	1	115	31	25042		34	50	21631	218
2003	Total		2245	2328	202	229	18	19	362	381			610	755	261956	3558
2004	JAN	45	195	242	12	10	0	0	33	6	25283		37	49	31236	210
2004	Total		195	242	12	10	0	0	33	6			37	49	31236	210

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, Cmpt = Complaint, Comp = Completed

Colorado Oil Gas Conservation Commission
Monthly Statistics

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YEAR	MO	Bonds														Remediation				Field
		Operators		Release		Replace	Claim		Hearings		Violations				Projects					
		New	Inactive	Ind.	Blnt		Ind.	Blnt	Apps.	Order	NOAV	AOC	OFV	Cmplt	Spills	Rcvd	Comp			
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	10	1	0	8	16	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	24	0	1	22	17	6	1	645		
	MAY	5	3	2	5	10	0	0	NA	NA	7	NA	NA	14	17	5	3	832		
	JUN	3	6	2	3	8	3	0	7	4	2	1	0	19	20	5	9	690		
	JUL	5	6	3	2	15	0	0	1	0	16	0	0	16	23	3	1	517		
	AUG	6	7	4	1	8	0	0	6	7	12	2	0	8	14	5	2	595		
	SEP	8	12	10	0	10	0	0	3	2	16	0	0	13	22	4	1	690		
	OCT	10	7	6	7	12	0	0	2	2	3	0	1	13	24	13	7	566		
	NOV	5	3	2	3	12	0	0	NA	NA	7	NA	NA	7	18	23	8	363		
	DEC	9	3	5	0	14	0	0	5	2	9	1	0	12	15	2	3	389		
2003	Total	81	72	58	31	124	3	0	45	31	140	7	2	150	223	78	45	6988		
2004	JAN	5	10	8	7	5	0	0	9	8	8	4	0	5	19	3	2	378		
2004	Total	5	10	8	7	5	0	0	9	8	8	4	0	5	19	3	2	378		

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

GRAND JUNCTION "DAILY SENTINEL" JAN 12, 2004

GarCo knows the drill

County issues gas well permits at record pace

By MIKE MCKIBBIN
The Daily Sentinel

RIFLE — Garfield County ranked second in Colorado last year with a record 566 natural-gas well-drilling permits issued, state figures show.

Only Weld County's 756 permits outnumbered what the Colorado Oil and Gas Conservation Commission approved for Garfield County, which had the largest one-year increase — 204 more permits — from 2002.

"I'd say it's due to the increased interest in drilling in the Piceance Basin of northwestern Colorado," commission Deputy Director Brian Macke said of the increase.

"We expect the county will have at least as many permits this year, or more."

The two largest gas operators in the county, EnCana Oil and Gas and Williams Production, have plans that would put the county at a similar level of drilling activity this year.

EnCana spokeswoman Sherry Long said the company plans to drill close to 300 wells in the Mamm Creek field south of Rifle and Silt in 2004.

Williams Production's Parachute District Manager Steve Soychak said a little more than 200 wells are planned this year in the Rutison and Grand Valley fields from Rifle to Parachute.

Macke said 1,619 active wells had been drilled in the county over the years, and 1,465 of those were considered producing wells. The rest were either shut in as nonproducing wells or need completion work to be put into production.

Rio Blanco County also had a sharp increase last year in drilling permits, 179, compared to 105 in 2002. That was enough to tie the county with Las Animas County for the third-highest total in the state.

Mesa County saw a slight drop last year,

going from 30 to 27.

The northwest Colorado region accounted for 49 percent of all drilling permits last year, Macke said.

Statewide, 2,245 permits were issued in 2003, marking the third-highest year and 238 more than 2002.

The state record is 2,378 permits in 1980. The second-highest total, 2,273 permits, came in 2001.

A record 2,500 drilling permits are predicted to be granted this year in Colorado, Macke said. The forecast was based on a survey of 600 gas operators in the state.

Macke said strong natural-gas prices and a move at the federal level to make more public lands available for drilling are some of the reasons for the increased activity.

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

GLENWOOD SPRINGS
POST/INDEPENDENT
Tuesday, January 13, 2004

GLENWOOD SPRINGS
POST/INDEPENDENT
A6 • Friday/Saturday, January 2 - 3, 2004

Colorado posts third-busiest year in natural gas drilling

RIFLE (AP) — There were 2,245 permits issued to drill natural gas wells in Colorado last year, the third-highest total ever, and state officials say they expect a record this year.

Some 2,500 drilling permits are expected to be granted this year, said Brian Macke, deputy director of the Colorado Oil and Gas Conservation Commission. The forecast was based on a survey of 600 gas operators.

The record is 2,378 permits in 1980, followed by 2,273 in 2001.

Macke said strong natural gas prices and a government push to open more public land to drilling are some of the reasons for the increased activity.

The top two counties for drilling activity were Weld and Garfield.

There were 756 permits issued in Weld County last year, while Garfield County had 566.

But western Colorado's Garfield County posted the largest one-year increase, with 204 more permits than in 2002. Macke said the increase is due to increased interest in the gas-rich Piceance Basin of northwestern Colorado and

Garfield County posted the largest one-year increase, with 204 more permits than in 2002.

eastern Utah.

The two largest gas operators in the county, EnCana Oil and Gas and Williams Production, both plan to be busy again this year.

EnCana spokeswoman Sherry Long said the company plans to drill nearly 300 wells in the Mamm Creek field south of Rifle and Silt. A Williams official, Steve Soy-chak, said about 200 wells are planned this year in the Rulison and Grand Valley fields from Rifle to Parachute.

Macke said 1,619 active wells have been drilled in Garfield County over the years and 1,465 of those are considered producing wells.

Rio Blanco County also had a sharp increase in drilling permits last year — 179 compared with 105 in 2002. That was enough to tie the county with Las Animas County for the third-highest total in the state.

Battlement gets gas inspector

Staff Report

A northwest Colorado field representative is moving to Battlement Mesa to increase the Colorado Oil and Gas Conservation Commission's presence in Garfield County.

"This action is being taken to address the dramatic rise in the number of drilling rigs and active wells in Garfield County in the past year," said Brian Macke, deputy director of the oil and gas commission.

Macke said field engineer Jaime Adkins will move from his home in the Grand Junction area to Battlement Mesa, and open a home office there.

Previously, Adkins and field engineer Jay Krabacher shared an office in the Battlement Mesa shopping center. The telephone numbers for Krabacher and Adkins are unchanged, and are:

- Battlement Mesa field office — (970) 285-9000.
- Grand Junction field office — (970) 256-9000.
- Jaime Adkins cell phone — (970) 250-2440.
- Jay Krabacher cell phone — (970) 216-5749.

Krabacher will continue to live in the Grand Junction area, and perform inspection and enforcement duties in northwest Colorado and Garfield County, Macke said.

"Mr. Adkins will be able to more efficiently perform inspection and enforcement duties, and respond more quickly to local concerns about oil and gas activity in the Garfield County area," Macke said.

In recent years, public visits to the Battlement Mesa shopping center office had decreased. "Most meetings between COGCC field staff and the public and industry have occurred either in the field, or at other locations," Macke said.

The Colorado Oil and Gas Conservation Commission is the state agency responsible for the regulation of oil and gas drilling and production in Colorado. Its Web site is www.oil-gas.state.co.us.

PENALTY PAYMENT STATUS
02/02/04

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	6	\$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	29	\$63,250	10	\$36,750	0	\$0	0	\$0
Totals	203	\$1,219,225	127	\$640,065	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.	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	Tippe Drilling Co.	\$60,000	Rules 604.a.4., 902.a.8f.	\$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.l., APD	District Court decision entered/\$10,000 bond claimed	Yes
1V-124	07/01/97	Nerdihc 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, 903.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			

STATUS OF COGCC CORE MISSION PROJECT IDEAS (as of 2/9/04)

IDEA #	IDEA DESCRIPTION	COGCC ESTIMATED 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: <u>Completed</u>	-6.9
4.4	Consolidate DNR office space and equip maintenance functions Updated Status per COGCC: DNR office space consolidation not feasible. <u>Idea should be dropped.</u>	0.0
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
6.13	Cease sending permits to Local Gov Designees by mail or fax Updated Status per COGCC: Implementation dependent upon COGCC Commission rulemaking 4/04.	0.7
6.3	File permits electronically Updated Status per COGCC: Implementation dependent upon on-line forms availability - projected 7/04.	5.6
9.1	Create automated Internet available reports Updated Status per COGCC: <u>Implemented.</u>	0.0
9.13	Require well log submittal in a standard electronic format Updated Status per COGCC: Implementation dependent upon COGCC Commission rulemaking 4/04.	-10.0
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
<u>TOTAL NET \$ IMPACT (000)</u>		<u>22.4</u>

(Note: Any net savings should be reinvested to meet demands of record levels of Colorado oil and gas development.)