

TO: COGCC Commissioners

cc: Russ George

FROM: Brian Macke

Carol Harmon

DATE: September 20, 2004

Shane Henry

Jennifer Claypool

Alexis Senger

Scott Grosscup

David Beaujon

Division Directors

OGCC Employees

MEGA

Board

Representatives

Monthly

Report

Mailing List

MONTHLY STAFF REPORT

I. STATISTICS

Our monthly statistics report is attached ([Permits](#), [Other](#)). Based on approvals to date, the approved Applications for Permits-to-Drill ("APDs") for calendar year 2004 are projected at an annual total of 2,700.

II. NORTHWEST COLORADO

[Attached are newspaper articles of local interest.](#) ([Weld County gas and Oil prices impact article](#)).

® Northwest Colorado Oil and Gas Forum

The last meeting of the Northwest Colorado Oil and Gas Forum was held on August 26, 2004 at the Garfield County Fairgrounds in Rifle. Approximately 65 people attended the meeting.

Agenda items at the meeting were as follows:

- Activity updates by the COGCC, local oil and gas industry representatives, the Bureau of Land Management, and Garfield County.
- Update on the Divide Creek Natural Gas Seep by EnCana representatives.
- Presentation of compressor noise issues by a local citizen.
- A presentation about Garfield County Oil and Gas Revenues by Garfield County Commissioner John Martin.
- A presentation of the video "From Drillbit to Burner Tip" by producer Linda Flis
- An open public comment/question and answer period.

The next meeting of the Northwest Colorado Oil and Gas Forum will be held from **10:00 a.m. until 2:00 p.m. on Thursday, November 18, 2004 at the Garfield County Fairgrounds in the new indoor arena meeting facility.**

The Forum, which is co-chaired by COGCC Director Brian Macke and Garfield County Commissioner Larry McCown, consists of representatives from federal, state and local government, the oil and gas industry and all interested citizens. The meetings are currently being held four times during the year. The meeting frequency may be adjusted if changing circumstances create a need to do so.

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.

® Severance Tax Payments Increase in Garfield and Mesa Counties

- Attached is a letter ([Severance Taxes](#)) from Jim Evans, the Executive Director of the Associated Governments of Northwest Colorado regarding Severance Tax Payments recently received by local governments in Garfield and Mesa Counties that are being impacted by the recent increase in natural gas drilling in the area. The 2004 payments reflect an increase of approximately \$2.3 million in Garfield County (from \$382,976 in 2003 to \$2,679,072 in 2004) and an increase of \$2.0 million in Mesa County (from \$419,564 in 2003 to \$2,445,699 in 2004). These payments are based on a count of full time employees attributable to each county. Mr. Evans credits the Northwest Colorado Oil and Gas Forum as being instrumental in starting the process to make sure that all of the local area employees were being properly counted.

® Mamm Creek Gas Field - West Divide Creek Gas Seep Investigation Update

COGCC and EnCana's investigation of the gas seep in West Divide Creek continues. Previous observations by COGCC staff of the diminished aerial extent, volume, and activity of the seep, since the remedial cementing of the Schwartz 2-15B Well on April 5, 2004, continue to be confirmed by ongoing inspections of the seep area by representatives of the COGCC, Garfield County, and EnCana. Benzene, toluene, ethylbenzene, and xylenes (BTEX) have not been detected in any of the samples collected at EnCana's six surface water monitoring locations since late April, 2004. Because no BTEX compounds have been detected in surface waters of West Divide Creek since late April, 2004, EnCana requested permission to remove both the air sparge system and activated charcoal booms from the gas seep area. Approval was granted on September 7, 2004 by both Water Quality Control Division (WQCD) of the Colorado Department of Public Health and Environment (CDPHE) and the COGCC staff with the condition that any reappearance of BTEX compounds in West Divide Creek surface water would trigger installation of appropriate remediation system(s).

EnCana continues to sample twenty-nine domestic water wells, 4 irrigation wells, 11 ponds, and 4 springs as part of this investigation. BTEX has not been detected in any of the water samples collected from these features. EnCana now is collecting water samples from these sites on a monthly basis, except for 3 domestic water wells where high concentrations of biogenic methane have been observed, which are being sampled on a weekly basis. EnCana continues to supply water to area residences, as requested.

Based on the initial ground water sampling results of the initial 9 monitoring wells installed

at the seep during June and July, 2004, EnCana submitted a plan for Phase II which will include the installation of up to 14 additional ground water monitoring wells in the alluvium of West Divide Creek adjacent to the gas seep. EnCana will use these monitoring wells to further investigate the extent of BTEX impact to shallow ground water along West Divide Creek. These proposed additional monitoring wells have been approved by COGCC staff and EnCana is in the process of implementing this phase of the ground water investigation.

On August 31, 2004 EnCana submitted a work plan for another component of the Phase II investigation, a gas seep survey and gas characterization for an approximately 9 square mile area around the Schwartz 2-15B Well and West Divide Creek gas seep area. COGCC staff has reviewed and approved the work plan which is scheduled to begin the week of September 13, 2004 contingent on receiving permission from numerous landowners (approximately eighty) to access their property.

During the August 16-17, 2004 Commission hearing in Glenwood Springs, Colorado, EnCana stipulated to an amended Order Finding Violation finding EnCana responsible for numerous violations of the COGCC rules and regulations that resulted in the release of natural gas and other related compounds from the Williams Fork Formation to West Divide Creek from the Schwartz 2-15B Well. The subsequent fine levied by the Commission and agreed to by EnCana was \$371,200. At its September 20-21, 2004 hearing, the Commission will consider using the fine levied to finance suggested public projects.

III. SOUTHWEST COLORADO

- ® Methane in Ground Water, San Juan Basin, La Plata County Colorado: Analysis of Data Submitted in Response to COGCC Orders 112-156 and 112-157 and 3M Monitoring Wells Summary Report – June, 2004

- The above-named reports are now available on our website by clicking “Library” then “Studies in the San Juan Basin”.

SOUTHEAST COLORADO

- ® Las Animas County Natural Gas Industry Assessed Property Valuation Increase

- The oil and gas industry now accounts for 70 percent of the county’s total assessed valuation, which has increased from \$270 Million in 2003 to \$416 Million in 2004. Attached is a Trinidad Times Independent newspaper article regarding the recent dramatic increase in oil and gas assessed property valuation in Las Animas County ([attached](#)).

IV. ORGANIZATION

- ® Staff Organization

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

Brian Macke has been appointed as Director by Department of Natural Resources Executive Director Russell George after the completion of a competitive process to fill the position.

V. PLANNING/ADMINISTRATION/OTHER

⑧ Enforcement of Requirements for Survey Plats Submitted With Applications for Permit-to-Drill ("APDs")

It has recently been brought to the attention of the COGCC by a concerned member of the surveying community that the COGCC was not sufficiently checking for all of the detailed rule requirements for survey plats submitted with APDs.

As a result, a new step has been added to the COGCC drilling permit application review process. The permitting staff has developed a detailed checklist ([attached](#)) that includes 26 COGCC rule requirements for the survey plats. If a survey plat does not meet all of the COGCC rule requirements, a copy of the deficient checklist is attached to the copy of the approved permit to drill that is sent back to the operator. The checklist has the following permit condition items listed at the bottom:

- A notification to the operator that the survey plat that was submitted with the APD was found to be in non-compliance with Rule 303.c., as per the checklist.
- A requirement to submit a revised survey plat.
- A notice that from August 26, 2004 to September 30, 2004 the COGCC is granting an automatic variance to Rule 303.c. (with the above requirement that a revised survey plat will be submitted.)
- A statement that after October 1, 2004 no additional variances to Rule 303.c will be granted. Beginning on October 1, 2004, if a survey plat is not in compliance with Rule 303.c. the operator will be notified and the permit will be placed on hold until an adequate replacement is supplied to the COGCC.

The new checklist, which has been attached to approved APDs since August 26, 2004 has created a lot of attention from operators who have been calling the permitting staff and requesting meetings to become more educated about what is required. The well survey plat checklist will be scanned along with the other permitting documents and will be available on the COGCC web site to demonstrate that the plats were examined for compliance. Attached is a copy of the survey plat checklist.

⑧ COGCC Leased Space Status

- The COGCC's previous office space lease in the Chancery Building will expire on August 31, 2004. As of September 1, 2004, A First Amendment to Lease has been executed by both the Chancery Building management and the State of Colorado. The lease amendment is for an additional two years, which was the maximum lease term allowed by State Buildings Real Estate Programs, with an optional extension of time for an additional year at a slightly higher lease rate. Given that the COGCC would need to re-negotiate the lease with the Chancery Building after the end of the two year term, planning for the process will need to begin by summer of 2005.

® Public Outreach Opportunities

- - The COGCC participated, along with other Department of Natural Resources agencies, in providing and staffing a Colorado oil and gas exhibit display in the DNR building at the Colorado State Fair in Pueblo from August 21, 2004 through September 5, 2004.
- - Brian Macke provided an update about oil and gas development and COGCC activities in Colorado as part of participation in a seminar panel at the National Association of Royalty Owners 2004 National Convention that will be held at the Marriott Denver City Center on September 16-18, 2004. The COGCC will also have its exhibit display at the convention.
- - Brian Macke provided a presentation on state and local oil and gas activity and local government interaction with the COGCC to the Moffat County Land Use Board in Craig on September 13, 2004. The COGCC appreciates the excellent working relationship that it has enjoyed with the Moffat County local government.

® Penalties Status

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

® October Hearing Docket

A preliminary docket for the October 2004 hearing has been provided ([attached](#)). Hearing dockets are available on our 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.

® COGCC Forms Changes

In an effort to meet requirements due to rule changes and to streamline COGCC staff and operator processes, the Application for Permit-to-Drill, Form 2, the Sundry Notice, Form 4 and the Certificate of Clearance and/or Change of Operator, Form 10 have been revised. The new versions of the forms are available as Adobe™ PDF file downloads from the COGCC website (<http://cogcc.state.co.us>) on the forms page. Forms will be mailed upon request, (303) 894-2100 extension 100.

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 geographic areas of responsibility for COGCC staff.
- Library
 - § This page contains links to documents resulting from Commission studies, activity reports, and statistical downloads.
- Hearings
 - § This page has links to the current and previous hearing schedules, which allow for review of the dockets, agendas, applications and their outcome. It also has information that is useful when considering an application for hearing or finding information about 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 seventy-five percent (75%) 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 utilizes 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.

- Imaging

§ This application provides the capability to convert the paper documents received by the Commission to electronically available documents.

§ A new index cleanup project has been started to cleanup and input the document name in the index information in the hearing document images.

§ 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 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 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. The deployment of this system was delayed due to database synchronization problems; laptops have been deployed to COGCC field inspectors and environmental staff. While the application is still buggy, the feedback is that having information available in the field is a tremendous asset. This laptop system consists of Internet applications, and other report tools necessary for COGCC field staff to facilitate data collection and provide information.

- Electronic Business

- A new application to allow for the filing of digital logs on the Internet is being developed to facilitate the collection of these large files. This application is expected to be available in September.

- There are approximately 200 operators reporting production electronically.
- An Internet available production report application that uses an XML data transfer mechanism is being tested by COGCC 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 a DOE grant request has been submitted to fund the development.

Problems

- 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.

VI. VARIANCES

A 502.b. variance was granted to Order No. 146-3 to expand the distance for notice provided by COCGG staff to water well drillers from ½ mile to one mile near the Leyden Gas Storage Facility.