

DEPARTMENT OF NATURAL RESOURCES

Bill Owens, Governor

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TO: COGCC Commissioners

FROM: Brian Macke

DATE: October 31, 2005

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General Email List

MONTHLY STAFF REPORT

I. STATISTICS

Our monthly statistics report is attached. Based on data available to date, 3,317 Applications for Permits-to-Drill ("APDs") were approved as of October 21, 2005. At that pace, it is estimated that approximately 4,150 APDs will be approved in calendar year 2005. This represents a 42% increase over the previous record high at 2,917 APDs approved in 2004, which was nearly 30% higher than the 2,249 APDs approved in 2003.

The 2005 drilling permit totals for the top six counties as of October 21st are:

County	2005 (% of Total)	2004	2003
Garfield	1113 (34%)	796	566
Weld	710 (21%)	832	757
Yuma	552 (17%)	237	138
Las Animas	326 (10%)	332	180
Mesa	114 (3%)	54	27
Rio Blanco	110 (3%)	154	179
La Plata	97 (3%)	102	162

II. NORTHWEST COLORADO

Attached are newspaper articles of local interest.

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 Wednesday, December 7, 2005, at the Garfield County Fairgrounds in Rifle. 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 Jaime Adkins at 970-285-9000 or via email to: jaime.adkins@state.co.us.

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

There is continued improvement in both water quality and aerial extent, and decreasing concentrations of thermogenic methane in the shallow ground water aquifer in the seep area. This improvement is attributable to the remediation actions taken to address the upset conditions at the Schwartz 2-15B Well (responsible for the seep), and enhanced ground water remediation (air sparging) along the impacted part of West Divide Creek.

EnCana continues to sample 28 domestic water wells, 2 irrigation wells, 4 ponds, 3 springs, 3 creeks, and 27 ground water monitoring wells (along West Divide Creek) as part of this investigation. With the exception of the ground water monitoring wells along the creek, none of the sampled features have had detections of benzene, ethylbenzene, or xylenes. EnCana continues to supply water to area residences. As reported in last month's staff report update, the Schwartz Monitoring Well continues to have no detection of either benzene or toluene. Investigation of the earlier benzene occurrence in the Schwartz Monitoring Well is continuing.

Local Project Status Update

URS Corporation ("URS") has continued work on the Hydrogeological Characterization Project in Garfield County south of Rifle and Silt. Measured sections at five (5) outcrops of the Wasatch Formation were completed to define principal lithofacies present in the subsurface and evaluate lateral continuity of major sandstone units. Evaluation of water quality data provided by COGCC and the USGS has begun to establish the primary water chemistry types in the streams and domestic water wells in the area. Drilling logs for approximately 500 water wells were reviewed and information regarding lithologic characteristics, screened material, depth to water, and well yield were input to a database for additional analysis. Mapping of regional geologic structures from lineament analysis, published aeromagnetic data, and other published studies in the southern Piceance Basin is underway. Database queries to the COGCC database and links to the GIS mapping system were established to begin evaluation of gas well completion trends across the study area.

COGCC staff has provided URS with information in a database format for all of the oil and gas wells located in the study area. In addition, COGCC staff has provided URS with all of the information contained in our water quality database for approximately 464 water resources within the study area. This includes additional water quality information that EnCana and Bill Barrett Corporation recently provided to the COGCC on approximately 110 water wells that

they have sampled on a voluntary basis. This project is expected to be completed by year end.

III. SOUTHWEST COLORADO

◆ Coalbed Methane Stream Depletion Assessment Study

In September the COGCC, in conjunction with the Colorado Geological Survey ("CGS") and the State Engineer's Office Division of Water Resources ("DWR"), awarded a contract to S.S. Papadopulos and Associates of Boulder, Colorado to conduct a stream depletion study in the San Juan Basin. This study is a joint effort between the COGCC, the CGS, and the DWR with the purpose of developing a quantitative assessment of the levels of stream depletion or reduction in formation outflows (spring flows or flowing stream systems gaining from contact with formations) that may be occurring as a result of the removal of water by coalbed methane wells, in addition to defining areas where the Fruitland Formation is tributary or non-tributary to the surface water flow system.

A public meeting was held at the Durango Community Recreation Center on October 24, 2005 from 5:00 p.m. to 8:00 p.m. The purpose of the meeting was to describe the scope of the study and to solicit input and answer questions from interested parties.

◆ Gas and Oil Regulatory Team (GORT) Meeting

The next GORT meeting is scheduled for March 9, 2006 at 8:30 a.m. and will be held at the La Plata County Fairgrounds.

Ongoing Investigation, Reclamation, and Mitigation of Explosion in Bondad, Colorado Area

Additional excavation and preliminary work on the Bryce 1-X Well is scheduled for November 1 and 2, 2005, in support of developing our plan for remediation of this well and site. The report of the results of the excavation and the uncovering of the Bryce 1-X Well has been provided to the Commission and is available on our website under Library, Studies in the San Juan Basin, Bondad, Colorado Reports.

IV. SOUTHEAST COLORADO

Primero School Gas Survey

A follow-up survey was conducted at the Primero School by LT Environmental, Inc. on August 31, 2005, and a draft report was received by the COGCC on September 29, 2005. During the August survey, 41 field measurements of subsurface gas concentrations were taken and an ambient air monitoring survey of the interior of the bus garage was conducted. Methane was detected in nine of the 41 points, with concentrations ranging from 1,000 parts per million (ppm) to 610,000ppm (61%). No combustible gases were detected during the ambient air survey of the bus garage interior. The COGCC plans to continue monitoring the subsurface methane and is evaluating whether a combustible gas monitor and alarm system should be installed at the bus garage as a precautionary measure.

V. ORGANIZATION

◆ <u>Staff Organization</u>

Our current organizational chart is attached.

Sharon Tansey is retiring at the end of November after more than 30 years with the Commission. Sharon has worked with the production and levy sections of the Commission since arriving in October of 1975.

During the time Sharon has been with the Commission, she has seen many of the technology changes used in the industry to gather information. It has changed from using an adding machine and entering the figures by pencil in a book to the use of the current COGIS computer system. Sharon's intimate knowledge of the production and levy reporting requirements for the agency was a valuable asset to the technological evolution that occurred during her tenure.

Sharon will be missed by many people in the industry and on staff here at COGCC. We want to wish her the very best in her retirement. Thank you for all of your hard work and help all these years.

Jim Precup joins us as our new field inspector for the Greeley area. He has extensive experience in cementing and stimulation with Dowell Schlumberger, and has also worked in the pipeline and gas sales part of the industry. We are still interviewing candidates for the field inspector position in Rifle.

VI. PLANNING/ADMINISTRATION/OTHER

Public Outreach Opportunities

Bob Chesson provided a presentation on oil and gas development and produced water handling at the Western Colorado Watershed Issues & Impacts Symposium sponsored by the Colorado River Watershed Association at the Two Rivers Convention Center in Grand Junction on September 27, 2005.

Brian Macke and Debbie Baldwin joined staff from the DWR and the Water Quality Control Division ("WQCD") to provide a presentation on produced water associated with oil and gas operations to the Legislative Interim Water Committee on September 28, 2005.

Debbie Baldwin provided a presentation to the Colorado Hazardous Waste Management Society on October 11, 2005. Her presentation covered oil and gas exploration, development, and production trends, jurisdictional control, staff organization and areas of responsibility, and COGCC rules and regulations, with an emphasis on those that apply to the management of exploration and production wastes and protecting public health, safety, welfare, and the environment.

Brian Macke provided a presentation on oil and gas development in Colorado and COGCC regulation to the Weld County Planning Commission in Greeley on October 18, 2005.

◆ <u>2005 Outstanding Oil and Gas Operations Awards</u>

We would like to encourage all parties to begin to submit nominations for the ten-year anniversary COGCC 2005 Outstanding Operations Awards, which will be presented in the summer of 2006. These nominations should be for oil and gas operations that occurred during calendar year 2005. The nomination form for the awards is available on the COGCC web site http://oil-gas.state.co.us/Library/OperationsAwardsForm 2005.pdf.

Stormwater Regulations for Oil and Gas Construction Activities

On October 5, 2005, Brian Macke and the COGCC environmental staff met with the CDPHE-WQCD staff as part of routine communications between the two agencies. During the meeting, extensive discussions concerning the proposed changes to CDPHE's stormwater regulations for oil and gas sites that disturb one acre and less than five acres or less (1-5 acre sites) were conducted. The proposal to modify WQCD regulations for stormwater construction activities at oil and gas facilities will be heard at the January 9, 2006 WQCC hearing. COGCC and WQCD staff are currently working together to develop a draft plan on program implementation, enforcement and oversight coordination. It is estimated that a new Memorandum of Agreement will be developed to address these issues. COGCC rules specifically referenced in the draft WCQD proposal are:

- Rule 324A. a. and b., Pollution
- Rule 303. c., d. (1). and e., Application for Permit-To-Drill
- Rule 603. e. (10), (12), (13), (15) and j., Drilling and Well Servicing
- Rule 906. a. and e., Spill/Release Reporting
- Rule 1002. c., d., e. and f., Site Preparation
- Rule 1003. a., b., e. and f., Interim Reclamation
- Rule 1004. a. and c., Final Reclamation
- Rule 1101. d., Flowline Regulations

A brief description of the process and tasks to be completed prior to hearing are summarized below:

- November 1: Filing for party status which allows for a more formal participation with parties being able to cross examine. The COGCC will serve as a witness rather than request formal party status.
- November 2: Additional planning and organizational meeting with COGCC and WQCC.
- November 8: Proponent statements to be submitted. The WQCC will submit a statement in favor of proposal.
- December 6: Responsive pre-hearing statements to be submitted.
- December 14: Pre-hearing Conference.
- December 28: Written rebuttals.
- January 9, 2006: Hearing for consideration of potential revisions to the Colorado Discharge Permit System Regulations, Regulation #61 (5 CCR 1002-61).

Sediment in Creek Draws Concern from Land Owner

Based on a complaint from a land owner concerning sediment in a creek, the COGCC prepared two Notices of Alleged Violation ("NOAV") for two separate sites where sediment from access roads and/or well site construction activities had impacted a stream. During data review and development of the NOAVs, COGCC staff held several conversations with WQCD staff concerning stream classification and water quality standards and to decide which agency should move forward with enforcement. Initially, it was not clear whether COGCC had a strong case for enforcement, since COGCC rules provide guidance on construction goals and/or practices and relate back to water quality standards, whereas CPDHE stormwater regulations are basically technology driven and not water quality standards. However, COGCC proceeded with the NOAVs and both sites have been remediated at this time.

Onsite Inspection Policy

Under the recently adopted Policy For Onsite Inspections On Lands Where The Surface Owner Did Not Execute a Lease Or Is Not A Party To A Surface Use Agreement, which was effective for Applications for Permits-to-Drill ("APD") submitted after February 15, 2005, the COGCC has received to date a total of twenty-six (26) requests for onsite inspections. Twelve (12) requests were withdrawn, seven (7) onsite inspections have been conducted, and seven (7) onsite inspections are pending and will be scheduled, if necessary, after the APD is received, or after issues related to local governmental designee consultation, location change, or surface use agreements are resolved.

December Hearing Docket

A preliminary docket for the December 2005 hearing has been provided. 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 the new Survey Rules and requested changes, the APD, Form 2, the Sundry Notice, Form 4, the Drilling Completion Report, Form 5, and the Completed Interval Report, Form 5A, have been modified. The new versions of the forms are available as Adobe™ PDF files and Excel spreadsheets downloadable from the COGCC website (http://www.oil-gas.state.co.us) on the forms page. Forms will be mailed upon request by calling (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:

o 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 filing 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.

o Forms

• All are available as Adobe Acrobat documents that can be downloaded, completed, printed and mailed; some are available as Excel and Word documents. 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.
- A statewide water wells map layer was added to the Internet on August 5, 2005.
 Many thanks to the Division of Water Resources for allowing us to display it's data.

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 and contacts).

Imaging

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

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 data downloads.

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

There are approximately 200 operators reporting production electronically.

COGIS Projects, Updates and Changes

Hearing and Environmental File Indexing Project

Indexing of the hearing files is complete, with the hearing files boxed and moved to archives. Three people are currently working on indexing the environmental files, which was not completed by June 30, 2005 due to personnel retention and training issues. Reclamation project files have been scanned and indexed. The spill and complaint reports are 90% indexed and the pit data is 50% indexed.

LAS File Upload

This project provides operators with a method to submit digital well logs to the COGCC over the Internet. This application is available from the "Forms" page on COGCC web site http://www.oil-gas.state.co.us. COGCC staff is working with operators and logging companies to gain compliance with the digital log submission requirement. The digital logs are beginning to show up on the web; the type of file precedes the log type in the document name. In addition to LAS files, there are PDS and PDF files which provide an easy-to-view graphical representation of the logs; these graphical files do not eliminate the LAS file requirement.

Delinquent Operations Report

This project will create an application to identify forms/reports that may be required and are missing from the COGCC database. The software is being used, but is still lacking the automated settings in the database to review data on a monthly basis and revaluate when well data is modified. The data cleanup is underway but will take several months. Oil and gas operators are being asked to review a list of forms/reports that have not been submitted and either provide the form/report, or provide information substantiating why it is not required.

Mapping Directional Wellbores Project

This is an industry-sponsored project to make the directional wellbores visible on the Internet map. The project is underway with the application development nearing completion for the GIS and database pieces. There is a need to establish a format for electronic submission of directional survey data, and the logging companies are being surveyed so that a proposed format can be created for review by the logging companies. Once a format is established, an application will be created to submit the directional surveys electronically. Many thanks to Mr. Dewey Gerdom of Petroleum Development Corporation for his insight regarding the need for such a data set.

Spacing Orders Project

The spacing orders are being evaluated and posted on the maps, with over seventy-five percent (75%) of the state having been reviewed. The Wattenberg Field in northeast Colorado is the only area remaining to be completed.

Database Cleanup Project

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 just under 28,000 well records that have not been updated.

US Standard XML Reporting Project

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 well completions. The group has completed a business case for this project and a DOE grant request has been submitted to fund the development. This project is currently being tested in California with a prototype standard that has been published, and is in the review process prior to becoming a national standard.

Reports Online Project

This project has been delayed for a long time due to security configuration issues related to server access, most of which have now been resolved. Remaining issues with communications between applications used to deliver the reports are still being worked through.

VII. <u>VARIANCES</u>

A variance under Rule 502.b. was granted to Williams Production RMT Company for a Wasatch Formation recompletion in the Federal PA 42-31 Well. Nine of the offsetting mineral owners in the SE¼ of Section 31, Township 6 South, Range 95 West, 6th P.M. signed waivers to allow the recompletion. Two offset mineral owners did not execute waivers, and did not respond to the request for waivers within 30 days.

Colorado Oil Gas Conservation Commission Monthly Statistics

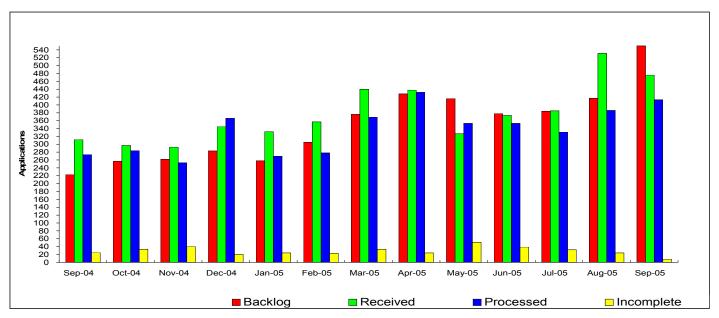
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Colorado Oil Gas Conservation Commission Monthly Statistics

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	10	9	6	-	တ	0	0	-	-	10	0	5	9	8	0	-	398
	10	က	2	က	8	0	0	_	NA	19	ΑN	¥	4	13	80	9	417
	105	63	55	36	118	0	2	62	20	235	29	3	154	230	53	09	7716
EB EB	10	3	3	7	10	0	-	7	3	18	0	-	12	20	0	9	620
	80	9	4	2	13	0	-	9	9	9	0	0	Ξ	23	7	17	529
MAR	80	10	ω	က	12	0	0	3	5	9	0	0	19	21	9	S	726
APR	10	5	7	4	13	0	0	7	4	30	0	-	24	21	2	20	425
MAY	6	2	7	2	14	0	-	NA	NA	15	NA	ΑN	10	34	0	က	692
NOS	15	F	2	5	14	0	0	7	7	50	က	0	12	33	2	0	650
JUL	14	6	7	2	14	0	0	9	4	37	0	0	2	27	0	0	535
AUG	2	2	-	2	9	0	0	4	2	34	0	0	13	27	7	0	540
SEP	17	2	7	2	12	0	0	က	2	4	0	0	8	56	∞	0	200
2005 Total	101	56	46	38	108	0	က	43	33	180	3	2	140	238	22	51	5217

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

D ::::	Backlog	Received	Processed	Withdrawn	Rejected	Incomplete	In-Process	Remaining
Drilling								_
Sep-04	212	295	258	4	0	25	220	245
Oct-04	245	281	268	8	0	32	218	250
Nov-04	250	284	242	18	0	39	235	274
Dec-04	274	334	348	4	0	20	236	256
Jan-05	256	296	263	13	0	24	252	276
Feb-05	276	343	249	8	0	23	339	362
Mar-05	362	413	336	18	0	33	388	421
Apr-05	421	413	418	17	0	24	375	399
May-05	399	319	340	12	0	42	324	366
Jun-05	366	364	340	14	0	38	338	376
Jul-05	376	362	312	20	0	31	375	406
Aug-05	406	504	377	12	0	24	495	521
Sep-05	521	460	389	26	0	8	558	566
Recompletion								
Sep-04	11	17	16	0	0	0	12	12
Oct-04	12	16	16	0	0	1	11	12
Nov-04	12	9	11	1	0	1	8	9
Dec-04	9	11	18	0	0	0	2	2
Jan-05	2	36	7	2	Ō	0	29	29
Feb-05	29	14	29	0	0	0	14	14
Mar-05	14	27	33	1	0	0	7	7
Apr-05	7	25	14	1	0	0	17	17
May-05	17	8	13	Ô	Ō	9	3	12
Jun-05	12	9	13	0	0	1	7	8
Jul-05	8	23	19	1	Ō	1	10	11
Aug-05	11	27	9	0	0	0	29	29
Sep-05	29	16	24	1	Ö	Ö	20	20
Total				•	ŭ	ŭ		
Sep-04	223	312	274	4	0	25	232	257
Oct-04	257	297	284	8	0	33	229	262
Nov-04	262	293	253	19	Ö	40	243	283
Dec-04	283	345	366	4	Ö	20	238	258
Jan-05	258	332	270	15	0	24	281	305
Feb-05	305	357	278	8	0	23	353	376
Mar-05	376	440	369	19	0	33	395	428
Apr-05	428	438	432	18	0	24	391	416
May-05	416	327	353	12	0	51	327	378
Jun-05	378	373	353	14	0	39	345	384
Juli-05 Jul-05	376 384	385	331	21	0	39 32	345 385	30 4 417
Jui-05 Aug-05	36 4 417	531	386	∠ i 12		32 24	524	550
		476	366 413	27	0 0	24 8	52 4 578	586
Sep-05	550	476	413			that have missing or i		



Backlog = Incomplete + In-process = Remaining permits from previous month

EnCana praised for extra environmental studies

Monday, October 10, 2005 By Mike McKibbin The Daily Sentinel

PARACHUTE — A natural-gas operator often criticized — and fined — in western Garfield County is now being praised by regulators and conservationists for an unprecedented series of environmental studies and projects on a 44,000-acre parcel of land north of Parachute.

EnCana Oil and Gas wants to shift some of its focus from more populated areas such as Grass Mesa and West Divide Creek south of Rifle and Silt to the former Unocal property it acquired last year with their buyout of Tom Brown Inc, another gas operator.

Waterfalls, trout, deer, elk, turkey and sage grouse dot the landscape of EnCana's North Parachute Ranch, along with the first of hundreds of gas wells planned over the next five years.

"We want to do the right thing in the interest of being an environmentally responsible operator and land owner," said EnCana West Slope Environmental Coordinator Kim Kaal. "This is something that's beyond anything we'd do for an environmental impact statement. I don't think we've left any stone unturned."

Duke Cox, president of the Grand Valley Citizens Alliance, a grass-roots group often critical of area gas operators, was impressed after a recent tour.

"To voluntarily comply with things like storm-water runoff regulations and put in a water circulation system that cuts down on truck traffic, emissions and particulates, I think they're genuinely trying to do the right thing," he said.

EnCana plans to drill approximately 100 wells on the property by the end of this year, 200 wells next year, 325 wells in 2007 and 450 wells in 2008.

The company believes there are 5.3 billion cubic feet of undeveloped gas reserves under the property.

North Parachute Ranch abuts the Roan Plateau, where the BLM developed a controversial draft management plan to address gas development potential. EnCana spokesman Doug Hock said the company wants to be "very careful how we proceed" as the BLM process continues. The company already owns mineral leases on top of the plateau.

Many of EnCana's studies and projects were not requested or required by federal or state regulatory agencies such as the Bureau of Land Management and the Colorado Oil and Gas Conservation Commission, Kaal said.

The oil and gas commission fined EnCana \$371,200 last year, the largest fine against a gas operator in Colorado, for drilling mistakes that led to the West Divide Creek gas seep and area water contamination.

Oil and Gas Commission Director Brian Macke praised EnCana for the voluntary studies.

"That's a beautiful piece of property, and they're to be highly commended for working on ways to help preserve it," he said.

Kaal said some of the extra efforts EnCana has taken on the property were in response to criticism that the company would be able to do whatever it wanted on the property, with fewer eyes watching.

EnCana scientists and consultants, along with nine Colorado State University graduate students, conducted the studies this summer.

They included the installation of two air monitoring stations, groundwater monitoring wells, identification of wetlands, surveys and studies of insects and wildlife and mitigation projects put in place.

The \$3 million to \$4 million effort will last another four years.

EnCana helped form a working group with the Colorado Division of Wildlife and BLM and committed \$60,000 per year for a three-year radio telemetry and population study of the greater sage grouse, a possible candidate for the endangered species list.

"There's a couple leks on top of the mesa, and the vegetation they like to eat is right along the road," Kaal said. "So I put up a yellow warning sign like you see for deer crossings, but with an outline of a sage grouse so truck drivers will slow down."

DOW spokesman Randy Hampton praised EnCana's cooperation on wildlife issues on the property.

"We've had a good working relationship with EnCana and with others in the industry in recent years," he said. "We hope that continues because it hasn't always been that way with the energy companies. Anytime a large landowner works cooperatively with us, it benefits wildlife."

Hampton said special hunts EnCana allowed let first-time hunters have a good learning experience without the crowds and competition from more experienced hunters.

With an average elevation of 7,800 feet, North Parachute Ranch has 28,000 acres of surface and mineral rights owned by EnCana, some Williams Production Co. minerals and BLM property and minerals.

One of the seven drilling rigs now on the property was made in Italy. Italian rigs are shorter, quieter and take up less space than most rigs, Kaal said.

A 4,000-foot directional well, the longest reach yet in the tight sands of the Piceance Basin, was recently drilled, too, Kaal said.

EnCana believes it can drill up to 28 directional wells off one well pad in the years to come, Hock said.

"Tank less" wells and a centralized exploration and production site means fewer site visits and better wildlife mitigation, Kaal said.

Grass Mesa resident Garland Anderson said EnCana's plans to focus on North Parachute Ranch are good news.

"I'm sure owning their property will relieve a lot of the headaches from complaints from folks out here," he said. "I think this will be a win-win for them and for us."

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

Air quality study shows vehicles the main polluters in GarCo

October 7, 2005 By Donna Gray Post Independent Staff

If preliminary results of a countywide air quality survey are any indication, cars and trucks, not oil and gas, are the major contributors to air pollution.

Results of the county-funded study were presented at a public meeting Sept. 28 in Rifle.

Air samples are collected from monitoring stations spread out across the county, from the old high school in Parachute, to the Henry Building in Rifle and the courthouse in Glenwood Springs. Monitors have also been installed near homes directly adjacent to oil and gas operations, county oil and gas liaison Doug Dennison said. Samples are analyzed for two major sources of air pollution, PM10 and volatile organic compounds.

PM10 are particulate matter that is 10 microns in size or greater. It can be dust, dirt, or sand in the air and can cause such health problems as chronic bronchitis.

The Environmental Protection Agency has set air quality standards that should not exceed an average of 50 micrograms per cubic meter of PM10 a month. Concentrations of PM10 should not exceed 150 micrograms per cubic meter in a 24-hour period, Dennison said.

"We've got four months of data and we haven't had any (samples) exceed the 24 hour standard of 150 micrograms per cubic meter, Dennison said. "Nothing even close."

Volatile organic compounds, including hydrocarbon chemicals emitted in natural gas production, are toxic air pollutants from autos, petroleum industries, dry cleaning, fire places, and natural combustion, among other sources.

Six locations in the county were sampled for VOCs.

Dennison said the VOC monitors were located in places where he received complaints from residents about odors from oil and gas operations or where people have reported health problems they believe are related to oil and gas operations. VOCs are emitted from condensate tanks which separate hydrocarbons from the natural gas.

Also a significant source of VOCs are the hydrocarbons emitted "every time we start our cars," Dennison added.

VOC monitors are now sampling air in the areas of the county where gas drilling is most active — Grass Mesa, Dry Hollow and Divide Creek, as well as the county landfill near Anvil Points.

"We can't do it everywhere because we don't have the money or the resources to do it," Dennison said.

He also explained there are no set standards for VOC levels as there are for PM10. Samples are

evaluated "on a health risk basis where concentrations are compared to established risk levels" for cancer, he said. Below a given level the risk index for cancer is insignificant. A middle level indicates the concentration of VOCs bears watching, and above a certain level, action must be taken because of a serious health risk.

"Most samples were below the level of concern. We had a coupe hits (in the middle level), but there was nothing close to the level of concern."

The higher results, Dennison said, came not from locations close to oil and gas activities but in more populous areas where vehicle emissions contribute hydrocarbons to the air.

"We're trying to structure the program to look at both these sources," Dennison said.

Next year, ozone monitoring will be added to the sampling program. Ground-level ozone poses a significant health risk, especially for children with asthma and it's a main ingredient of urban smog. Data from the air quality survey will also be evaluated in conjunction with the health risk assessment survey now under way in the county.

Drilling is hot, as is its debate Energy output sets state record

September 25, 2005
By Theo Stein and Kim McGuire
Denver Post Staff Writers

From the Front Range to the Western Slope, energy development in Colorado is escalating at a record pace that will generate more than \$8 billion in revenue this year - a 60 percent increase in just two years.

The projected 3,950 new drilling permits - up by a third since last year - and nearly 29,000 operating wells in 2005 are both records, the Colorado Oil and Gas Conservation Commission says.

"This is the first time that we've had oil and gas production from one end of the state to the other," said state Department of Natural Resources director Russell George.

"The real question for us as public managers is, 'How do we manage and balance all of the effects?" George said.

The drilling has drawn opposition from groups as diverse as Weld County housing developers concerned that well pads are gobbling up prime real estate, and La Plata County hunting guides worried that development will harm forests. Gas seeps, linked to drilling in Garfield County, have released methane and benzene into creeks and wells and pushed residents to demand a study of possible health impacts.

With the increasing national reliance on natural gas, experts expect the industry to have a big presence in Colorado for three or four more decades.

"When I drive home to Longmont, I can see drilling rigs in every direction," said Jim Martin, director of Western Resource Advocates, a Boulder environmental group. "Do we want to drill in everyone's backyard?"

There are now 28,300 working wells in Colorado. The U.S. Energy Information Agency estimates that Saudi Arabia has 1,000 oil and gas wells.

The drilling is being spurred by the soaring value of natural gas, which rose to \$12.79 per thousand cubic feet Friday afternoon on the New York Mercantile Exchange. In 2001, it sold at \$1.83.

On Friday, the state Oil and Gas Conservation Commission issued its 2,917th permit, the same number as in all of 2004.

Since 2000, natural-gas production in the state has risen by 70 percent to 1.3 trillion cubic feet. Oil production is up 16 percent, to 22.3 million barrels, the Colorado Geological Survey says.

Among Western states, only Wyoming has seen more activity, with a projected 10,216 drilling permits this year and production of 1.9 trillion cubic feet of gas and 27 billion barrels of oil, according to the Wyoming Oil and Gas Commission.

The scramble has drawn companies from across the continent, such as Canadian giant EnCana Corp. and Tulsa, Okla.- based Williams Cos. Inc.

"There's no doubt natural gas has been a valuable resource to Colorado's economy, and at its current price, it's an even more valuable resource," said Greg Panagos, director of investor relations at Noble Energy Inc., the largest operator in Colorado.

"But ultimately it's up to state and local governments to determine what the right balance is between resource development and urbanization," Panagos said.

The balancing act is complex. On one side is the energy industry - which provides more than 15,000 direct jobs, 40,000 in indirect employment and about \$500 million in state and local tax revenue, according to estimates by the Colorado Oil and Gas Association.

On the other side are homeowners worried about their property values and health, developers competing for land, and environmentalists worried that some of the state's wildest reaches will be marred forever.

In Weld County, which already has a state-high 40 percent of all operating wells, Noble and Kerr-McGee Rocky Mountain Corp. want to add thousands more wells by increasing well-field density.

Farmers, ranchers and real- estate developers have banded together to oppose the plan.

"Why do we need wells every 20 acres when companies haven't finished drilling every 40 acres yet?" asked T.R. Rice, an attorney for landowners. "I think it's an effort to stymie landowners from developing acreage that operators think they might want to use in the future."

An oil and gas commission hearing on the Weld County proposal is set for November.

Weld County isn't the only place where energy companies are seeking to increase well density - a technique for extracting more gas from the most lucrative fields.

In La Plata County, the state's production leader with 1.3 billion cubic feet of coal-bed methane pumped out each day, BP America and Tulsa-based Samson Resources Inc. want to double the well density across more than 100 square miles.

Two weeks ago, BP signed an agreement with county commissioners requiring it to drill from existing pads only, pay a hefty road-damage fee and reduce noise from compressors.

In return, county commissioners will not oppose the down spacing request before state regulators at a hearing Monday.

Both companies have said they expect to return with more down-spacing proposals.

"We know there is gas in the Rocky Mountain West, and we know how to get it out," BP spokesman Dan Larson said. "And we think we can do it in a way that minimizes the impact on our neighbors in La Plata County."

The impact of drilling has been softened by techniques such as directional drilling, which allows several wells to be drilled from a single pad, said Brian Macke, director of the state oil and gas commission.

There were 83 drilling rigs working in Colorado last week and more on the way, Macke said.

"The demand dynamics we're seeing right now leads us to believe this increase in activity will be fairly long-term," he said.

In the Western Slope's Garfield County, which this year overtook Weld County as tops for new drilling permits and has the second-largest number of working wells, residents are concerned that government agencies are losing control.

Real-estate ads in the Glenwood Springs Post-Independent newspaper note drilling bans as a selling point for a property.

"People here are being steamrolled in a way that you might expect to see in a Third World country," said Duke Cox, president of the Grand Valley Citizens Alliance. "The energy industry seems to have a blank check to do whatever they want to do."

In August, facing a meeting filled with concerned Garfield residents, the state oil and gas commission agreed to study whether drilling was creating health risks.

The two-year study is being financed by a \$371,000 environmental fine levied against EnCana for a gas seep that released benzene into a creek south of Silt this year.

Officials from EnCana and Williams Cos. Inc., the two big players in the basin, say they have been able to negotiate agreements with almost every surface owner that doesn't own gas reserves below their properties to compensate them for disruption and damage.

The county is also conducting a study to see if drilling is hurting property values, as many residents have claimed.

Williams, which was near bankruptcy three years ago and has made a comeback with drilling in Colorado, has contracted for an additional 10 rigs and plans to increase its drilling by 50 percent to 4,600 wells in the next 10 years. This month, Williams passed EnCana to become the permit leader in 2005.

To offset the impact of drilling, Williams has leased new, quieter rigs that can drill almost two dozen wells from a single pad and recycles drilling mud that was stored in open pits.

"We've been here a long, long time," said Joe Jaggers, Williams' vice president of exploration and production. "We're going to be a here a long, long time."

EnCana, which was created by a merger of two Canadian energy companies in 2002 and is the largest company in that country, has drilled 1,000 wells in the past three years and projects it will add 400 to 500 wells a year in the future.

"Colorado is the No. 2 state for us in gas production behind Wyoming," said Eric Marsh, vice president of EnCana Oil and Gas USA. "Both states are absolutely critical to our future."

On Colorado's Eastern Plains, Yuma County, which is third in the state in new permits this year, with 475, is grappling with oil and gas expansion.

Oil and gas provides 40 percent of Yuma County's tax revenues, or about \$5.8 million.

County Commissioner Dean Wingfield said many small- farm operators are leaving agriculture to find better- paying jobs in the oil and gas field.

While that trend has helped spur the local economy, Wingfield said he worries that residents may become too dependent on a commodity that can wildly fluctuate.

"Back in the '60s, we never thought we could run out of water," he said. "Many of our irrigation wells have now gone dry and left many farmers in bad shape. But that's what happens when you rely on a nonrenewable resource."

Staff writer Theo Stein can be reached at 303-820-1657 or tstein@denverpost.com.

Oil and gas permits reach record high this year

September 23, 2005
Bill Jackson, (Bio) jackson@greeleytrib.com
Greeley Tribune

Oil and gas permits issued by the Colorado Oil and Gas Conservation Commission will reach record highs this year and that trend is expected to continue, especially if a new spacing request for wells is approved.

Tricia Beaver, hearings manager with the commission, told participants at the Northern Colorado Energy Summit Thursday afternoon that more than 4,000 permits will be issued by the end of the year.

The summit was organized by the Greeley/Weld Economic Development Action Partnership, the city of Greeley and Weld County government. It drew about 125 people to the University of Northern Colorado.

Three companies -- Kerr McGee Rocky Mountain Corp., EnCana Oil & Gas (USA) Inc., and Noble Energy Production Inc. -- filed an application with the commission in June asking approval to expand the number of wells they can drill in a specific parcel of land.

Currently, the law allows companies to have five drilling windows in a quarter section -- 160 acres -- of land within the Wattenburg Field, a basin that holds most of Weld County's oil and natural gas reserves.

Ken Wonstolen, senior vice president and legal counsel with the Colorado Oil and Gas Association, said there are 12,000 wells in the Wattenburg Field, which produce two to three barrels of oil per day. Wells in the Middle East, he said, typically produce between 2,000 and 4,000 barrels per day.

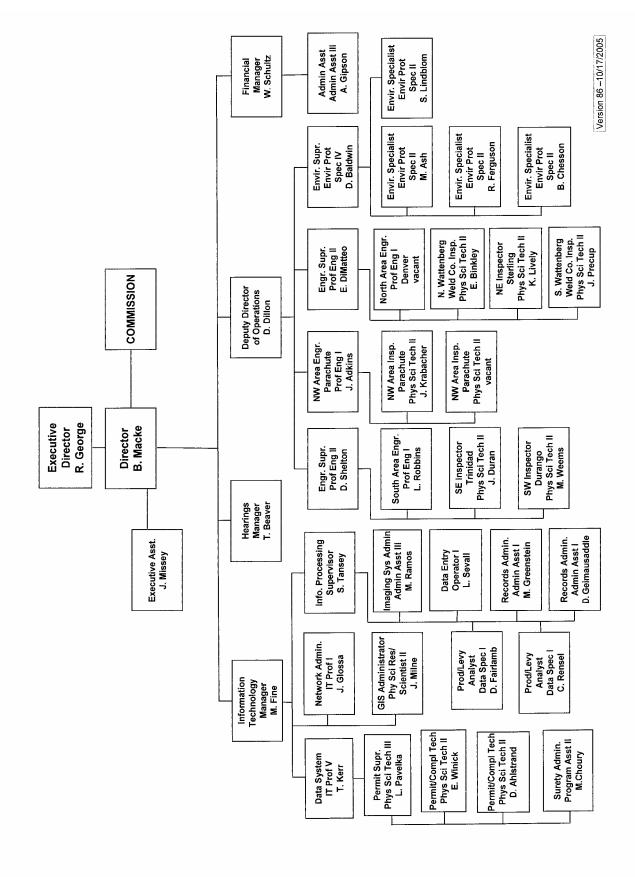
"The Wattenburg is a tight sandstone formation that doesn't give up production easily," Wonstolen said. But one deep well in the field is capable of producing enough natural gas to provide 600 homes with the gas they need for 10 years.

If the application by the three companies is approved -- the commission has scheduled a hearing Nov. 17 on the proposal -- they would be allowed to drill eight wells on a quarter section.

Beaver said Weld has issued 832 permits, 28.5 percent of all those issued in the state. As of Sept. 1, Weld trailed only Garfield County in the number of new permits.

-- Bill Jackson

COLORADO OIL & GAS CONSERVATION COMMISSION ORGANIZATION



HEAR	NG	HEARING DOCKET:	Decei	December, 2005		PRELIMINARY
						10/25/2005
		Applicant/Attorney	Date	Field Formation	77	1
No.	Cause	or Representative	Recid	County	Watter	Kemarks
0509-SP-11	376	South Oil, Inc./ Jan Harris	8/8/2005	Whitewater Dakota/Morrison Mesa	Request for an order vacating certain 320-acre drilling and spacing units from the provisions of Order No. 376-1.	Continued from September.
0512-UP-06	477	RDT Properties Inc./ William A. Keefe	10/17/2005	Harker Ranch Morrow Sand Cheyenne	Request for an order to approve the Harker Ranch Morrow Sand Unit Agreement and the Harker Ranch Morrow Sand Unit Operating Agreement as a plan for unitized operations and development for the Morrow Sand formation and providing for the pooling of all interests within various lands in Township 13 South, Range 43 West, 6th P.M.	
0512-UP-07	112	Energen Resources Corp./ Michael Wozniak	10/17/2005	Ignacio Blanco Fruitland Coal La Plata	Request to pool the 320-acre drilling and spacing unit consisting of the E½ of Section 15, Township 32 North, Range 6 West, N.M.P.M. for the Quintana 32-6 Well.	
0512-SP-12	510	Piceance Gas Resources, LLC & Petroleum Development Corporation/ Michael Wozniak	10/17/2005	Grand Valley Williams Fork Garfield	Request for an order to allow to establish 320-acre drilling and spacing units, to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary, for certain lands in Townships 5 and 6 South, Ranges 96 and 97 West, 6th P.M.	
0512-SP-16	510	Williams Production RMT Company/ William A. Keefe	10/17/2005	Grand Valley Mesaverde Garfield	Request for an order to establish the S½ of Section 28, Township 7 South, Range 96 West, 6th P.M., as a 320-acre drilling and spacing unit, to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary.	
0512-AW-20	429	Laramie Energy, LLC./ Carleton Ekberg	10/19/2005	Brush Creek Mesaverde Mesa	Request for an order to allow up to three additional wells to be drilled and completed in the 160-acre drilling and spacing unit consisting of the SE¼ of Section 2, Township 9 South, Range 94 West, 6th P.M.	
0512-AW-21	166	Laramie Energy, LLC./ Carleton Ekberg	10/19/2005	Plateau Mesaverde Mesa	Request for an order to allow three additional wells in each 160-acre drilling unit, for a total of four wells, with the permitted well to be located no closer than 600 feet from any lease line or 1200 feet from any producible well in certain lands in Townships 9 and 10 South, Ranges 94 and 95	