

April 27, 2004 Update – West Divide Creek Seep Investigation

On April 17, 2004, EnCana's consultant, Cordilleran Compliance Services, Inc (Cordilleran) collected five 24-hour air toxics samples from locations adjacent to the West Divide Creek seep area and two adjacent residences. These samples were submitted to Air Toxics Ltd. of Folsom, California for analysis by EPA SW-846 method TO-15 using gas chromatography/mass spectrometry (GC/MS). Sample results received on April 22, 2004 showed very low air concentrations of the chemical compounds ethanol, hexane, cyclohexane, and heptane for some of the sample sites. Currently, EnCana is having the analytical results reviewed by an industrial hygienist.

On April 19, 2004 and April 20, 2004, Bob Chesson, COGCC Environmental Protection Specialist, and Jaime Adkins, COGCC Northwest Colorado Area Engineer, collected additional samples as part of our ongoing investigation of potential impacts from this event. A sample from a domestic water well was collected for characterization of dissolved methane gas (both composition and stable isotope) and a gas characterization sample was collected from the bradenhead of the EnCana operated Arbany 3-15C gas well on the P3 wellpad. Both samples were submitted to Isotech Laboratories, Champaign, Illinois for rush analyses. Preliminary results from the domestic water well were received on April 23, 2004 and show the presence of thermogenic gas; however, the isotopic signature of this gas is different than other gas samples collected for the West Divide Creek seep investigation. As of April 27, 2004 the analytical results for the bradenhead sample from the Arbany 3-15C well have not been received. The COGCC is continuing to investigate the presence of methane gas in area water wells.

On April 20, 2004, EnCana conducted soil gas surveys at residences near the seep. Sample results received on April 23, 2004 show no evidence of methane gas in the soils at these locations above natural background concentrations.

On April 20, 2004, EnCana initiated a biological study to monitor aquatic life in the West Divide Creek with Colorado Mountain College's (CMC) natural resources staff. The CMC team will spearhead the investigation. A team of residents near the seep area has joined in this effort to measure impacts, if any, to aquatic life from the seep. Residents on the advisory group include Lisa Bracken, Bob Eicher, Dick Morgan, Kenda Spaulding, Hermann Stauffer, and Pepi Langegger.

Through April 21, 2004, EnCana has tested approximately 30 water wells, ponds and springs that serve as drinking and livestock water supplies. To date, benzene, toluene, ethylbenzene, total xylenes (BTEX) have not been detected in any of these samples. EnCana will continue to test these sites once a week through mid-May. Water for domestic usage and livestock water continues to be

supplied to twenty residences and EnCana is continuing to offer to install carbon filtration systems for those residents who want them.

The COGCC staff uses an appropriation from the Environmental Response Fund to investigate, prevent, monitor, and mitigate conditions that cause, or threaten to cause, significant adverse environmental impacts related to oil and gas operations. Because the West Divide Creek incident occurred late in the state fiscal year, which ends on June 30, 2004, most of the available funding has already been committed to other ongoing projects and projected complaint response through the end of the fiscal year. As a result, there are not sufficient funds to cover expenses, such as analytical costs, associated with our response to this emergency situation as well as the other ongoing work. On April 22, 2004, the Colorado Oil and Gas Conservation Commission conducted an emergency hearing where they approved an order to authorize the expenditure of an additional \$50,000 from the Environmental Response Fund (ERF) balance to pay for the COGCC's West Divide Creek gas seep investigation.

On April 23, 2004, the COGCC issued a Notice of Alleged Violation (NOAV) to EnCana for the Schwartz #2-15B well. The NOAV, which is part of the COGCC's enforcement process, includes an identification of the COGCC rules that are alleged to have been violated regarding the improper cementing of the production casing on the Schwartz #2-15B well and the release of natural gas to West Divide Creek. The rules that were cited in the NOAV included the requirements to prevent the contamination of fresh water resources, to cement oil and gas wells properly, and to notify the COGCC Director when there is a release and when public health or safety is in jeopardy.

The corrective actions specified in the NOAV include the submittal of a COGCC Form 27 Site Investigation and Remediation Work plan for COGCC staff approval. This work plan will specify the monitoring and mitigation measures that will be taken to ensure public safety and to mitigate impacts to water resources. This action will provide a vehicle for the COGCC to add modifications to and to approve the April 9, 2004 work plan under which EnCana has been operating.

The corrective actions specified in the NOAV also require EnCana to submit a letter detailing how the Schwartz #2-15B well was drilled and completed, and to explain what occurred that resulted in Williams Fork Formation natural gas, benzene, and other hydrocarbon compounds seeping into West Divide Creek and nearby ponds. The deadline for the NOAV corrective action is May 8, 2004.

On April 27, 2004 the COGCC staff provided the Water Quality Control Division of the Colorado Department of Public Health and Environment with a copy of the NOAV.