



Staff Report

March 26, 2007

I. STATISTICS

- ◆ Our monthly statistics report is attached. As of March 19, 2007, there have been 1,219 Applications for Permits-to-Drill (“APDs”) approved. At this pace, it is estimated that approximately 5,704 APDs will be approved in calendar year 2007. This represents a 3% decrease over the previous record high of 5,904 APDs approved in 2006, which was 35% higher than the 2,915 APDs approved in 2004.
- ◆ The 2007 drilling permit totals for the top seven counties as of March 19th are:

County	2007 (% of Total)	2006	2005	2004
Garfield	415 (35%)	1844 (31%)	1508	796
Weld	299 (25%)	1418 (24%)	901	832
Yuma	180 (15%)	798 (14%)	782	237
Las Animas	84 (7%)	500 (8%)	413	332
Rio Blanco	43 (4%)	360 (6%)	161	154
Mesa	48 (4%)	265 (4%)	136	54
La Plata	46 (4%)	235 (4%)	117	102

- ◆ The following table shows a summary of oil and gas well permits requiring new well locations that have been approved by the COGCC in 2005 and through March 19, 2007. The summary shows the number of new location permits that have been granted where the surface owner owns mineral rights, where the surface ownership has been severed from the mineral ownership, where surface use agreements have been executed on severed lands, and where surface damage bonds have been posted on severed lands.

Calendar Year	Permits For New Oil And Gas Wells	Surface Owner Party To A Mineral Lease	Surface Owner Is Not Party To A Mineral Lease	Surface Use Agreements	Total Permitted Under A Surface Use Bond	\$25,000 Blanket Surface Damage Bond	\$2,000 Individual Surface Damage Bond For Non-Irrigated Land	\$5,000 Individual Surface Damage Bond for Irrigated Land
2005	4,323	2,936 (68%)	1,387 (32%)	742 (17%)	645 (15%)	636 (15%)	7 (<1%)	2 (<1%)
2006	5,848	3,933 (67%)	1,915 (33%)	1,223 (21%)	692 (12%)	689 (12%)	3 (<1%)	0 (0%)
2007	1,214	689 (57%)	525 (43%)	324 (27%)	201 (17%)	201 (17%)	0	0

Published in conjunction with COGCC hearings

Department of Natural Resources: Bill Ritter, Jr., Governor; Harris Sherman, Executive Director; Brian Macke, COGCC Director
 1120 Lincoln St. Suite 801, Denver, CO 80203 PHONE: (303) 894-2100 FAX: (303) 894-2109 www.cogcc.state.co.us; email: dnr.ogcc@state.co.us

II. NORTHWEST COLORADO

- ◆ Attached are oil and gas development-related newspaper articles of interest.
- ◆ Northwest Colorado Oil and Gas Forum

The next Northwest Colorado Oil and Gas Forum is scheduled for June 7, 2007, from 10:00 a.m. until 2:00 p.m. at the Garfield County Fairgrounds in Rifle, CO.

The NW CO Oil and Gas Forum is an informal meeting of local, state, and federal government officials, oil and gas industry representatives, and citizens that has been holding regularly scheduled meetings since 1989. The purpose of the Forum is to share information about oil and gas development in the northwest Colorado area and to make government officials and oil and gas industry representatives easily accessible to the public. Currently the meetings are conducted once per quarter and are co-chaired by COGCC Director Brian Macke and Garfield County Commissioner Larry McCown.

The last meeting of the Forum was held in DeBeque, CO on March 15, 2007, from 10:00 a.m. until 1:00 p.m. at the DeBeque Community Center. The forum was attended by approximately 120 people made up of representatives of local, state, and federal government, oil and gas industry representatives, and citizens. Special thanks go to COGCC Commissioners Sam Potter and Thane DePuey for taking time out of their busy schedules to attend the meeting. The group also appreciates the increased participation of the oil and gas industry representatives who have been providing excellent, comprehensive presentations of their current and planned oil and gas development activities during the last several meetings.

Agenda items at the March 15, 2007, meeting included:

- Updates on northwest Colorado oil and gas development by the COGCC, the BLM, and oil and gas industry representatives.
- An update on oil and gas related air regulation by Jennifer Mattox with the

Colorado Department of Public Health and the Environment - Air Pollution Control Division.

All parties wishing to be placed on the meeting agenda should 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 Remediation Update

In accordance with the COGCC requirement for periodic reporting on the ongoing remediation of shallow ground water contamination at the West Divide Creek Seep, EnCana recently submitted an update on the results of the 4th quarter - 2006 sampling. The low-flow air sparging system continues to decrease concentrations of benzene, ethylbenzene, and total xylenes (BEX) in the shallow ground water at the seep area. Toluene was not detected in the ground water. The concentration and aerial extent of thermogenic methane at the seep also continues to decrease although at lower rate than the BEX. BEX compounds have not been detected in West Divide Creek surface water sample locations since April 2004. At the request of the COGCC Commissioners a presentation on the status of this ongoing remediation could be made at a future hearing.

- ◆ Phase IV Piceance Basin Baseline Water Quality Study - Garfield County

A presentation of the results of the Phase IV Piceance Basin Study will be made at a future Northwest Colorado Oil and Gas Forum, and to the COGCC Commissioners at a future hearing.

- ◆ Local Project Status Update

Garfield County (GARCO) has awarded the contract for the Phase II Hydrogeologic Characterization Project to S. S. Papadopoulos & Associates (Papadopoulos). GARCO, Papadopoulos, and COGCC are setting up a kickoff meeting after which the work will begin. This is another Public Project In Lieu of Fines that will be funded by EnCana. COGCC staff is currently working on a Memorandum of Understanding (MOU) that will be signed by GARCO,

Papadopoulos, EnCana, and the COGCC. The MOU sets out the rights, obligations, and responsibilities, including budget, procurement, oversight, technical work, time periods, performance standards reporting, and enforcement of the public project.

III. SOUTHWEST COLORADO

◆ Ongoing Investigation, Reclamation, and Mitigation of Residual Methane in the Vicinity of the Bryce 1-X Well Area, Bondad, Colorado

LT Environmental Inc. (LTE) submitted a proposal for pilot projects to characterize the impacted aquifers and to test the applicability of several techniques for remediating the residual gas in the gravel terrace deposits and in the ground water aquifers of the Nacimiento Formation related to the Bryce 1-X Well. This work will include pumping and recovery, insitu air sparging, in-well aeration, and active and passive vapor extraction testing.

COGCC staff continues to work with DNR Purchasing on a new contract with LTE, which must be in place before the work can begin.

◆ Gas and Oil Regulatory Team (GORT) Meeting

The March 8, 2007, GORT meeting was attended by approximately 30 people, including representatives from the Southern Ute Indian Tribe, US BLM, USFS, industry, the New Mexico Oil Conservation Division, La Plata County government, the COGCC, and La Plata residents. Special thanks to La Plata County Commissioners Wally White and Kellie Hotter and COGCC Commissioner Kim Gerhardt for taking time from their busy schedules to attend this meeting.

Topics covered included an update on oil and gas activity in the state, COGCC's new staffing levels, the introduction of Karen Spray (COGCC SW EPS) to the group, a summary of activities at the Bryce 1-X Well and surrounding area, a summary of the results of the 2006 Fruitland Outcrop Monitoring, an update on the status of the Northern EIS, COGCC's Onsite Inspection and Migratory Bird Policies, and a brief overview of Senate Bill 07-198, which addresses

funding for the proposed Fruitland Formation gas seep mitigation (La Plata County) and outcrop monitoring (Archuleta County) projects.

The next GORT meeting is scheduled for June 7, 2007, at 8:30 a.m. at the La Plata County Fairgrounds. Possible topics for this meeting include the results and recommendations of the visual mitigation study that La Plata County has conducted and proposed revisions to the County's codes related to oil and gas development. All parties wishing to be placed on the meeting agenda should contact Debbie Baldwin at 303-894-2100 ext. 111 or via email to: debbie.baldwin@state.co.us.

◆ Fruitland Gas Seep Mitigation Advisory Committee and Outcrop Monitoring

Brian Macke, Debbie Baldwin, and Karen Spray continue to work with La Plata County Energy Council, La Plata County, and USFS/US BLM personnel to identify several pilot gas seep mitigation projects on which to proceed, to develop work plans for these, and to identify sources of funding.

Senate Bill 07-198, which is the proposed legislation to secure most of the funding for the Fruitland Formation Seep Mitigation project in La Plata County and the Fruitland Formation Outcrop Monitoring project in Archuleta County, was introduced on February 20, 2007 and was assigned to the Senate Agriculture, Natural Resources & Energy Committee. The bill is being sponsored by Senator Isgar and Representative Roberts.

SB 07-198 would create a Coalbed Methane Seepage Cash Fund which would consist of funds transferred from the Operational Account of the Severance Tax Trust Fund. Between July 1, 2007, and June 30, 2010, the COGCC could use up to \$2,944,000 from the fund to determine the most cost-effective methods of mitigating the seepage of methane gas and to expand the existing monitoring network along the outcrop of the Fruitland Formation in La Plata County, and up to \$1,508,000 from the fund to install wells to monitor the seepage of methane gas in the Fruitland Formation in Archuleta County.

On February 21, 2007, the Brian Macke, Debbie Baldwin, Karen Spray, and representatives of the La Plata County Energy Council (LPCEC) Methane Mitigation Work Group (Work Group) met with the La Plata County Board of Commissioners (BOCC) to discuss the funding mechanisms for the proposed strategies to mitigate the effects of methane seepage along the Fruitland Formation outcrop. Funding efforts by the COGCC and industry to date were presented and a request for participation by the BOCC was made.

◆ 2006 - Fruitland Outcrop Monitoring Report - La Plata County

A presentation summarizing the results of the 2006 Fruitland Outcrop Monitoring will be presented to the COGCC Commissioners at a future hearing.

IV. NORTHEAST COLORADO

◆ Greater Wattenberg Area Baseline Study

As part of a FY 2006 budgetary request, the COGCC received funding to conduct a gas and water quality investigation in the Greater Wattenberg Area (GWA) of the D-J Basin. Approximately seventy-eight (78) gas wells and eleven (11) Laramie/Fox Hills water wells in selected townships within the GWA were targeted to be sampled. LT Environmental, Inc. (LTE) has completed the sampling. We were unable to obtain permission from the owners of two of the water wells so these wells were not sampled. Staff will attempt to sample these water wells at later date. COGCC staff is currently reviewing the draft final report for the project.

◆ Ogallala Aquifer Baseline Study

The proposed Ogallala Aquifer Baseline Study will consist of collecting water samples from approximately seventy-seven (77) water wells in Washington and Yuma Counties for organic and inorganic laboratory analyses. Proposals for conducting this study were received from 27 environmental consulting companies. The proposal evaluation team has selected URS

Corporation and the contract is currently being routed through procurement for the required approvals and signatures. Work should begin sometime in early April 2007.

◆ Fort Morgan Gas Storage Field

The Fort Morgan Gas Storage Field (Field) is located approximately five miles south of Fort Morgan, Colorado in Morgan County and is operated by Colorado Interstate Gas (CIG), an El Paso Corporation. The gas storage facility was formerly a producing oil and gas reservoir and has been a natural gas storage operation since 1966. There are currently a total of thirty-two (32) storage and two (2) water disposal wells within the Field.

On October 22, 2006, COGCC staff was notified of a casing leak on Well #26 that had necessitated the evacuation of nearby residents. The gas flow from the well was safely shut off on October 22, 2006, and there were no personal injuries. CIG estimates that between 650 and 700 MMcf were lost based on inventory analysis, flow calculations, and chart measurement.

A draft Environmental and Engineering Assessment Workplan was submitted to the COGCC on November 17, 2006. An addendum to the sampling plan was submitted to the COGCC on December 15, 2006. Both were approved by COGCC staff.

Phase I of the workplan included indoor air-monitoring of surrounding homes, methane monitoring of disturbed areas of the ground surface, sampling of domestic water wells within a two mile radius, sampling of selected water wells outside the two mile radius, and soil sampling proximal to the disturbed areas.

Phase II includes land surface monitoring for subsidence or swelling, subsurface evaluation of the area using a cone penetrometer (CPT) rig, installation of piezometers for ground water sampling, evaluation of the gas release and migration pathways, down-hole logging of gas wells within the Field, and long-term ground water monitoring.

On February 16, 2007, COGCC staff and CIG representatives met at the COGCC offices to discuss the results of the Phase I investigation. Laboratory results of sampled water wells within the two mile radius of Well #26 have indicated non-detectable BTEX concentrations and trace concentrations of methane with the exception of the two homes that remain evacuated. These two homes are located east of the compressor station. Laboratory results of required soil samples adjacent to the disturbed areas indicated no impacts from any subsurface fluids brought to the surface by the gas release. As a result, COGCC staff granted permission to backfill and reclaim the disturbed areas.

COGCC staff is currently reviewing information submitted in response to the NOAV issued to CIG on December 18, 2006. Additional enforcement actions will be evaluated after COGCC staff review is completed.

◆ Management of Drilling Fluids

Rule 907.d.(3). sets forth additional authorized disposal options for water-based bentonitic drilling fluids. One of the most widely used options in Weld County and along the Front Range is the spreading of these drilling fluids as a soil amendment. This year there have been numerous incidents where the application of the drilling fluids have been managed improperly, resulting in offsite impacts and citizen complaints. On several occasions, the drilling fluids have not been incorporated into the soils in a timely manner and the material has migrated into adjacent surface waters. In these situations, the operator retains the responsibility for the transportation, land application operation, and the incorporation of the drilling fluids into the soils. Rule 907.d.(3). also requires that operators obtain written authorization and approval from the surface owner prior to land application.

Given the high level of drilling activity in the Greater Wattenberg Area and along the Front Range, COGCC staff urges operators to properly manage drilling mud applications in a prudent manner, follow-up with the surface owner to verify incorporation of the drilling fluids into

soils, and to ensure that the drilling mud is actually used as a soil amendment. Impacts to surface waters will result in a Notice of Alleged Violation (NOAV). Significant environmental impacts will result in additional enforcement.

V. SOUTHEAST COLORADO

◆ Phase II Raton Basin Seep Mapping Project - Las Animas and Huerfano Counties

Field work for the Phase II Raton Basin Seep Mapping Project is scheduled to start in mid- to late March 2007, when road and weather conditions should be more conducive to mapping the seeps and other field activities. Planning and logistical activities such as development of the Field Sampling Plan have been completed. Currently, the contractor is conducting research to attempt to identify historical seeps that may not have been identified during Phase I Raton Basin Study (2000-2003). This research has included contacting local governmental employees, landowners, gas operators, and personnel from the Division of Reclamation, Mining, and Safety.

◆ Raton Basin - Colorado Division of Wildlife DVD

Several Raton Basin operators have participated in the CDOW DVD that illustrates good examples of oil and gas practices that are being used to minimize and mitigate impacts to wildlife.

◆ Baca National Wildlife Refuge -Saguache County

COGCC staff completed the review of Lexam Explorations' Applications for Permit-to-Drill (APD) to drill two (2) exploratory wells in the Baca National Wildlife Refuge in Saguache County. COGCC engineering and environmental staff developed the conditions of approval for each APD. Approval of the APDs is pending.

VI. ORGANIZATION

The COGCC is pleased to announce the addition of Diana Burn to the staff as an Engineer in Training II (EIT II) in Denver. Diana is a graduate of the University of Colorado - Denver

with a degree in Mechanical Engineering and the University of Minnesota with a master's degree in Biomedical Engineering. She previously worked for an independent oil and gas company.

The COGCC is pleased to announce the addition of Kevin King to the staff as an Engineer in Training II (EIT II) in Rifle. Kevin is a recent graduate of Colorado State University with a Bachelors Degree in Chemical Engineering. Kevin will start with the Commission on April 2, 2007.

The EIT II position is a training position that will allow engineers who have passed the EIT test to learn the procedures of the COGCC while working toward their Professional Engineers License. After gaining engineering experience, passing the Professional Engineers (PE) Exam and obtaining their PE License, the EIT position can be upgraded to Professional Engineer I.

The COGCC is pleased to announce that Carol Harmon has accepted the Enforcement Officer position approved during the 2006 Legislative Session. She will begin work at the COGCC on April 16, 2007. Carol's extensive experience in natural resources law and her education in geology (B.A. and M.A. degrees) will be highly utilized as this new position is developed.

VII. PLANNING/ADMINISTRATION/OTHER

◆ Fiscal Year 2007-08 Budget Request

The COGCC's annual budget request, which included the seven decision items below, was approved by the Joint Budget Committee at the Department of Natural Resources' figure setting hearing on February 20, 2007.

1. A contractor to assist with oil shale permitting \$60,000
2. Four additional FTE (2 Permit Technicians, 1 Engineer, and 1 Accountant) and continuation of funding for four contractors to assist with permitting. Additional lease space for the Denver office is also included in this decision item \$567,982
3. An Application Programmer position (1 FTE) \$77,269
4. Data Cleanup Project \$119,356*

5. Rifle lease space and vehicle for relocated supervising engineer \$37,020
6. Computer system maintenance - additional funding for information technology \$91,338*
7. Hearings Officer (1 FTE) \$76,364

*The COGCC requested funding for these two items from the Operational Account of the Severance Tax Trust Fund. Although they were approved by the Joint Budget Committee, they have been flagged for potential budget balancing purposes due to lowered severance tax revenue projections over the next two fiscal years.

◆ 2006 Outstanding Oil and Gas Operations Awards

The deadline for submittals for the COGCC 2006 Outstanding Operations Award is June 1, 2007. We would like to encourage all parties to begin submitting nominations for the COGCC 2006 Outstanding Operations Awards, which will be presented in the summer of 2007. These nominations should be for oil and gas operations that occurred during calendar year 2006. The nomination form for the awards is available on the COGCC website: http://oil-gas.state.co.us/Library/Call_For_Nominations_For_2006_Outstanding_Operator_Awards.

◆ Guidance Document for Re-filing on Expired Permit

The COGCC issued a guidance document to assist operators and staff with the requirements to file for a new drilling permit where a previous permit for the well had expired. Please see page 22 for the complete document, or visit our rules section on the agency website at: http://cogcc.state.co.us/RR_Docs/Policies/APDRefilingGuidanceDoc.pdf.

◆ COGCC/WQCC/WQCD

The regularly scheduled meeting between the COGCC, WQCC, and WQCD was held on March 21, 2007.

◆ Coalbed Methane (CBM) Stream Depletion Assessment Study of the Raton and Piceance Basins

S.S. Papadopoulos & Associates, Inc. (Papadopoulos) has been awarded the contract for conducting the Coalbed Methane Stream Depletion Assessment Study of the Raton and Piceance Basins. The purpose of this study is to develop a quantitative assessment of the levels of stream depletion (or reduction in formation outflows) that may be occurring as a result of the removal of water by CBM wells. This work will be similar to the study done last year in the San Juan Basin and extends the assessment to other CBM producing basins of Colorado. This study is being performed in cooperation with the Division of Water Resources and Colorado Geological Survey (CGS) and being funded by the CGS.

◆ CDPHE Air Quality Control Commission (AQCC)/COGCC

Information regarding the recent rulemaking related to oil and gas operations is available on the AQCC website at www.cdphe.state.co.us/op/aqcc.

On March 1, 2007, Debbie Baldwin, and Randall Ferguson met with the CDPHE/Air Pollution Control Division (APCD) staff to discuss each agency's roles and responsibilities in regulating the oil and gas industry. Agenda items included the recent Air Quality Control Commission (AQCC) revisions to Regulation 7 to address emission of volatile organic compounds (VOCs) from oil and gas operations. Other topics included agency staffing levels, types of permits issued, inspection objectives, and the potential for cross-media inspections. The COGCC and APCD will continue to work together cooperatively on air quality related matters.

◆ COGCC and Division of Wildlife Activities

COGCC staff continues to work the Division of Wildlife (DOW) on a video that highlights efforts by operators and both agencies to mitigate challenges to the state's wildlife resulting from energy development. These joint activities have included participating in the preparation

of a video by arranging opportunities for the DOW video crew to film oil and gas activities and COGCC staff's field activities.

In addition, COGCC staff continues to participate in the Parachute-Piceance-Roan (PPR) Greater Sage Grouse Working Group that is developing a sage grouse conservation plan for Garfield and Rio Blanco Counties.

Separately, the Northwest Colorado Greater Sage Grouse Conservation Plan was finalized in Craig on March 6, 2007. COGCC staff will continue to work with operators and the DOW to ensure that DOW's recommendations for protecting sage grouse are implemented where possible.

◆ ERF Plugged and Abandoned Wells - Soil Gas Survey and Inspection Project

An investigation of oil and gas wells abandoned under the supervision of the COGCC Environmental Response Fund (ERF) program is being planned. The investigation is intended to screen for potentially hazardous environmental conditions in the vicinity of these wells. Proposals to conduct this work were submitted by 10 environmental consulting companies. After evaluation and ranking of all proposals, the evaluation committee awarded the work to three companies: LT Environmental, S.S. Papadopoulos and Associates, and North Wind, Inc. Each company will be responsible for wells located in different portions of the state. The work is anticipated to start in April 2007 and is scheduled to be completed by June 30, 2007. Funding for this project will come from the Fund 170 appropriation for Special Environmental Projects.

◆ Colorado Water Quality Forum - Agricultural Diversion Work Group

Margaret Ash and Peter Gintautas are participating in the Colorado Water Quality Forum - Agricultural Diversion work group. The most recent meeting was held on February 22, 2007. This work group was formed to address issues and complaints related to current Water Quality Control Commission (WQCC) standards

and the Water Quality Control Division (WQCD) discharge permitting process, and to ensure that all downstream uses of water, including irrigation are protected. The work group includes representatives from the WQCC, WQCD, agriculture, and surface water discharge permit holders, including several Raton Basin operators. Recent meetings have included discussions on how other states manage the discharge of saline waters and information about factors, other than water quality, irrigation practices and crop type, which can influence crop production and soil conditions. Presentations have also been made by soil scientists from the National Salinity Team, Colorado State University and Wyoming Department of Environmental Quality.

The work group is chaired by Gary Beers of the WCQD and is reviewing the need to protect downstream agricultural uses by revising discharge permit standards. Meetings have been coordinated by Landon Gates of the Colorado Farm Bureau. A presentation on the progress of this work group to the WQCC is scheduled as part of its informational hearing in June 2007.

◆ Public Outreach Opportunities

Brian Macke, Karen Spray, and Mark Weems participated in the 1st Annual Weed Management Symposium sponsored by the La Plata County Energy Council (LPCEC) on February 22, 2007, at the La Plata County Fairgrounds. Brian Macke provided the keynote discussion about COGCC regulation for the event. A total of nine speakers spoke on various issues regarding weed identification and management in the region. The turnout was very good and plans for a 2nd Annual program are in the works.

Brian Macke and Chris Canfield staffed the COGCC informational exhibit display booth at the Energy Forum and Expo Colorado that was held on Friday, February 23 at the Two Rivers Convention Center in Grand Junction, Colorado. The event was very successful, with approximately 3,500 people in attendance, including citizens, oil and gas operator and service company representatives, and government officials. The event proved to be an excellent opportunity for the COGCC to

provide education and outreach to hundreds of people from the Western Slope region.

Brian Macke provided a presentation on Colorado oil and gas activity and COGCC regulation at the Colorado-Wyoming Chapter of the American Fisheries Society 2007 Annual Meeting in Fort Collins on February 27, 2007.

Brian Macke provided an update on oil and gas activity in northwest Colorado and COGCC regulation during a meeting of the Colorado Cattlemen's Association in Walden on March 6, 2007.

Tricia Beaver made a presentation entitled "State Interaction with Indian Development" at the March 6-7, 2007, Indian Lands Energy Investment and Prospects meeting organized by the Independent Petroleum Association of Mountain States and the Council of Energy Resource Tribes. Her talk focused on coordination between the COGCC and the Southern Ute Indian Tribe and Red Willow Production Company.

Debbie Baldwin has been invited to present a review of the COGCC's strategies for protecting water resources and the environment at the Society of Petroleum Engineers Applied Technical Workshop on Coalbed Methane in Durango on March 27, 2007.

Brian Macke has been invited to provide an update on oil and gas development in Colorado and COGCC regulation at the Western Region CSU Cooperative Extension Spring Meeting in Grand Junction on April 19, 2007.

Brian Macke has been invited to participate in a panel discussion on oil and gas regulation in the Rocky Mountain area during Platts' Rockies Gas & Oil conference on April 26-27, 2007, in Denver, Colorado.

Brian Macke has been invited to participate on a panel discussion about issues related to growth of the oil and gas industry in Colorado at a conference that is being planned by the Air Waste Management Association in Golden on May 17, 2007.

◆ Onsite Inspection Policy

Under the Policy For Onsite Inspections On Lands Where The Surface Owner Is Not A Party To A Surface Use Agreement, which was effective for Applications for Permits-to-Drill (APDs) submitted after February 15, 2005, the COGCC has received to date a total of eighty (80) requests for onsite inspections.

Sixteen (16) onsite inspections have been conducted, two (2) are in the process of being scheduled, thirty-nine (39) requests for inspections have been withdrawn, and twenty-three (23) 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.

Of the eighty (80) requests for Onsite Inspection, forty-four (44) were for locations in Weld County, fourteen (14) for Las Animas County, seven (7) for Adams County, five (5) for La Plata County, three (3) for Yuma County, two (2) for Garfield County and one (1) each for Archuleta, Boulder, Kiowa, Logan, and Morgan Counties.

◆ Environmental Response Fund (ERF) Project Status

Attached on page 20 is an Excel spreadsheet listing both completed and pending ERF projects for Fiscal Year '06-'07. Pending projects only show funds appropriated or spent to date.

◆ May 2007 Hearing Docket

A preliminary docket for the May 2007 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 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.

◆ 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 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 of the Commission's orders. The search by location is still under

construction as we create the map layer for all spacing orders.

- * **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 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 checking 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 its 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 ("GIS") data.

The GIS Administrator creates daily updates for the Internet map data downloads.
- * **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. 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

Internet Site Moves to New Servers

In late February, the COGCC website was moved to a new environment to better serve the public. This new platform allows for faster display of our map system and is currently only used by the COGCC website. A second server was purchased to allow for a hot swap backup in case of failure.

NRCS Soil Surveys Added To Map

The National Resource Conservation Service Soil Data Mart was recently added to the COGCC Online Map system. Through these links the public can now get reports on the soil surveys for any area of the state.

Online GIS and COGCC Website Demonstration

The COGCC, with assistance from the Ground Water Protection Council, has produced two Macromedia Flash movies to help users understand the many features available within the COGCC GIS Online system. The movies are located by clicking on the HELP link from the main menu or by using the following link: http://cogcc.state.co.us/COGIS_Help/Help.asp

Aerial Photographs Added

Color images obtained from the United States Department of Agriculture - Farm Service Agency were added to the COGCC Online map system. These images encompass the entire state and were taken in 2005. The black and white images were obtained from the same federal agency. These images were taken in the years between 1989 and 2001. The COGCC

GIS Administrator had to eliminate the “no-data” black borders to create a seamless, statewide set of images.

BLM Lease Stipulations Map Layers Now Available

The COGCC, in cooperation with the BLM, has added map layers containing the lease stipulations from the BLM to the COGCC GIS Online site. The project was undertaken with the help of the Ground Water Protection Council (GWPC). Colorado was designated as a pilot state and is one of the first to have this information available to the public. Some of the layers available include Federal Oil and Gas leases, Federal Surface leases, BLM Master Plats, and Federal Oil and Gas Subsurface Rights. Additional assistance from the GWPC allowed the COGCC to implement an automated process that allows the updates from the BLM to be merged into our existing data as the information is provided to the COGCC.

Production Information Update

The project to incorporate the production data prior to 1999 into the COGIS database environment has been delayed due to technical problems with the development. The web pages for Production Data inquiries are being modified in order to handle the addition of this information. The data for these years is associated by lease instead of by well requiring new types of queries to be created. A new feature of the production data pages will be the ability to download the detail information that is displayed.

Helpful Applications on the WEB

Two applications on the COGCC website are available to help operators with the entering of data relating to locations. The first, a Footage calculator, will take a new latitude and longitude and calculate new footage calls based on the location supplied at the time of permitting. The tool should only be used to compare locations where latitude and longitude were supplied on the permit as required by the December 1, 2005, rule change. The second application converts Latitude and Longitude as measured in degrees, minutes, and seconds into decimal degrees. The decimal degree format is what COGIS is expecting on all forms requiring

lat/long coordinates. Both of these applications can be found in the Help area of the website.

LAS File Upload

Beginning August 24, 2006, all digital well logs submitted to the COGCC over the Internet are to be in LAS (log ASCII) format. In addition to the LAS file, a paper log file is still required. Additionally an operator can submit the same log file in a PDS format, but the PDS format cannot replace the LAS requirement. To submit digital well logs over the Internet, an application must be completed. The application is available from the "Forms" page on the COGCC website <http://www.cogcc.state.co.us>. To utilize the system, the operator will need to submit a Designation of Agent Form, Form 1A. COGCC staff is working with operators and logging companies to gain compliance with the digital log submission requirement. The rule still requires the operator to submit a paper copy of each well log (Rule 308A).

The COGCC has become aware of numerous operators who have not been complying with the digital submission of well logs. Effective May 1, 2007, all operators are required to be in compliance with this Rule for all wells completed since July 2004. After May 1, 2007, the COGCC will begin active enforcement to ensure compliance.

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 COGCC GIS and database applications. The COGCC, along with other states, is working with the Ground Water Protection Council to establish a standard format for electronic submission of directional survey data. The states are gathering their requirements for review and are working towards a delivery date of February 2007 for this format. Once the format is approved, an application will be created for Colorado to receive 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.

US Standard XML Reporting Project

The COGCC, the Ground Water Protection Council, and agencies from several other states have been working together to establish an XML file format for permitting wells and reporting well completions. The working group is issuing a beta version to members of industry for their review and comment in February 2007. Once the comments have been analyzed by the working group and incorporated into the XML file format, a final version is expected to be published before the end of the first quarter of 2007.

Data Management of Bradenhead and Bottom Hole Pressure Systems

Development of the data entry functions for the Bradenhead test reports has been completed and implemented. The backlog of test reports are being entered into the COGIS system. The next phase of the project will be the requirements gathering and design of the Bottom Hole Pressure data system. This phase will incorporate the current form, Bottom Hole Pressure, Form 13, for operators to use when reporting test results to the COGCC. The test results will then be entered into the new tables within the COGIS system. The existing data that has already been collected will be converted to the new system as part of the project.

Survey Rules Implementation Project

The forms used by operators to submit information on location of wells and completion reports have been modified to accept latitude and longitude data. The form processor applications and database tables have been updated to handle these changes to the forms. The online maps and GIS download files have been updated to switch the datum used to NAD 1983.

Delinquent Operations Report

This project created an internal application for the COGCC staff to identify forms/reports that may be required and are missing from the COGCC database. The Information Technology staff is working to develop the automated settings in the database to review data on a monthly basis and reevaluate when well data is modified. The data cleanup that is part of this process is underway and is expected to take

several months to complete. 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.

Spacing Orders Project

The spacing orders are being evaluated and posted on the maps, with over eighty-five percent (85%) 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 updated almost 35,000 historic well records before funding was exhausted. There remains fewer than 28,000 well records left to be updated once additional funding is approved

VIII. VARIANCES

No variances have been granted since the February Staff Report.

IN THE NEWS

It's official: Energy drives county's boom

February 17, 2007

The Daily Sentinel - Grand Junction

The energy industry is driving many facets of Mesa County's booming economy, ranging from increases in the average wage to property values.

The industry's effects on the county were detailed Friday when the Mesa County Commission presented the state of the county report. The report sketches a growing picture of a county surrounded by oil and gas extraction activities. According to the report: The county's population increased at a rate of 3.2 percent each of the last two years (reaching 139,158 this year); the average wage increased by 12 percent in the last year to \$15.75 an hour (\$32,760 annually); there has been a 10 percent increase in the number of land parcels in the last five years to 71,270; the assessed value of property in the county has increased by 5.7 percent in the last year and 40 percent in the last five years to its current value of \$1.329 billion.

"We are growing at a very fast pace," Commissioner Craig Meis said. He attributed the positive aspects of that growth to the booming oil and gas industry. There is no question the billions of dollars pumped into northwest Colorado, by the energy industry, has reduced unemployment, increased wages and is the main force in the real estate market, he said.

To better analyze the effects of that industry, the county has begun writing an energy master plan. "Given the great potential to our county from the extraction of energy resources, we thought it would be good to have a plan to identify resources, where they are and a timetable as to when and how they would be accessed," Commissioner Steve Acquafresca said. "It will serve as a guide for county policy decision making."

The county's planning and development department is currently working on the energy master plan. For all the talk of the booming energy industry's effect on the local economy "they are not the only driver," said Diane Schwenke, president and CEO of the Grand Junction Area Chamber of Commerce. "The reality is that we are growing economically, and we are growing by means of population as well."

Other areas of the economy she sees growing are retail, tourism and commercial, areas that are not necessarily dependent on the energy industry. The local economy's diversity and strength were highlighted by weaknesses throughout the rest of the state, Schwenke said. "We didn't go through the recession like the rest of the state did," she said.

To keep the ball rolling, Mesa County has invested significantly in public projects, such as the 29 Road Bridge, the Long Family Memorial Park (on the east end of the valley) and the nearly completed methamphetamine treatment facility.

"If you look at the big projects that we have completed, or are near completion, for the community, this has been a huge year," said Jon Peacock, county administrator. "I feel good that we did good things for the community and got a lot done."

While everyone attributes a large measure of the economic success of the county to the energy industry, the current boom is different than the boom/bust cycles that have devastated the area in the past, they said.

The difference is that this growth cycle is market-based, "it's not speculative," Peacock said. "So, I expect we will have a better transition going up and back down. I do think this is different than the booms that we have seen in the past."

Besides basking in the light of a rosy economy, the commissioners took time to focus on public safety as well. "Our community is way ahead of many other communities in the country as far as coming up with solutions," Meis said. "Public safety is a big priority for us."

As part of this year's budget, the county approved more deputies and more dollars for the Sheriff's Department. Before the budget and personnel increase, "There was very little unallocated time that was proactive," Meis said. "I think we found a good balance."

Pipeline from Piceance Basin to the Midwest will be nation's largest

February 20, 2007

By Donna Gray

Post Independent - Glenwood Springs

What will be the nation's largest natural gas pipeline, linking the Piceance Basin with the Midwest, took a step closer to completion last week. A second segment of the 1,663-mile, \$4.4 billion Rockies Express (REX) pipeline went online last week, from Wamsutter to Cheyenne, Wyo.

The first leg, from the Meeker Hub in Rio Blanco County, to Wamsutter, was completed last year. Its terminus will be the Clarington Hub in eastern Ohio. A joint venture of Kinder Morgan Energy Partners, Sempra Pipelines and Storage and ConocoPhillips, the pipeline will carry 2 billion cubic feet of gas per day and is expected to be completed in 2009.

The pipeline will mean a significant increase in the ability of producers to get their product out of the basin, which is one of the fastest growing areas of gas development in the nation but has been historically constrained by a lack of pipeline capacity. "Currently more than 300,000 dekatherms per day (dth/day) of natural gas is flowing out of the Piceance Basin in REX," said Emily Mir Thompson, spokeswoman for Kinder Morgan. Capacity for the 328-mile segment from Meeker to Cheyenne is 500,000 dth/day.

In November 2005, EnCana signed an agreement with Kinder Morgan and Sempra to ship 500 million cubic feet of gas per day in the pipeline. Also key to the success of the pipeline venture was the purchase of Entrega Gas Pipeline Inc., a subsidiary of EnCana, which was in the process of laying 132 miles of 36-inch pipe from Meeker to Wamsutter, the first part of a 330-mile line to Cheyenne. That link was subsumed into REX. The Entrega purchase extended the reach of REX from Wyoming into Colorado.

In June 2006, ConocoPhillips announced acquisition of a 24 percent interest in the Rockies Express. "We believe this project is a strategic addition to our natural gas business and will provide ConocoPhillips and others a long-term outlet for delivering Rocky Mountain production to the upper Midwest and eastern United States," said Randy L. Limbacher, ConocoPhillips executive vice president for exploration and production, in a prepared statement.

ConocoPhillips greatly expanded its presence in the Piceance when it bought Burlington Resources in March of last year, said ConocoPhillips spokesman Charlie Rowton.

REX West, 713 miles of 42-inch pipeline from Weld County to Audrain County, Mo., is set to be completed and online in December. The final leg, 622 miles from eastern Missouri to the Clarington Hub, "is expected to be in interim service as early as Jan. 1, 2009, and fully completed by June 2009" subject to regulatory approvals, Thompson said.

EnCana shows commissioners its plans for drilling in 2007

February 21, 2007

By Donna Gray

Post Independent - Glenwood Springs

EnCana, one of the leading producers of natural gas in western Colorado, outlined its drilling plans for 2007 to the Garfield County commissioners Tuesday.

Most of the 271 wells planned for this year will be drilled from existing well pads, said operations supervisor David Grisso. Those include nine wells that will be drilled to a greater depth than most wells in the area. "They'll be deepened to a new horizon that we've been exploring all last year," he said.

This year, the company will also have two coil tubing rigs which drill a well bore with flexible continuous tubing. Grisso said the new rigs will "lessen drilling time and have a smaller footprint."

Also this year, EnCana will complete a project to construct soundproof housings around three compressors in its Orchard unit. A sound study conducted by the Colorado Oil and Gas Conservation Commission last week found the compressor station to be below state standards. "We were under the 50 decibel rating.

What makes it tough is the background noise" of trucks and drilling equipment adding to the noise level, said gathering service operations manager Brad Ankrum.

Gas produced from EnCana wells will now flow in the 36-inch diameter Rockies Express (REX) pipeline that, when completed in 2009, will be the longest in the country, carrying gas from the Piceance Basin of Colorado and Wyoming to Ohio and markets in the Midwest.

Once a major gas processing plant is completed in Rio Blanco County, which will ready gas for transmission in the REX pipeline, EnCana will shut down its refrigeration plants in Rifle and Logan Wash north of DeBeque, Ankrum said. Grisso also reported that EnCana's community donations amounted to \$540,000 in 2006.

Commissioner Trési Houpt praised the gifts, and she also commended the company for its efforts to mitigate its impacts on the land. "The investment you are making in mitigation is what people measure you by," she said. "The (soundproofed) compressors are a fine example of that. People are concerned about best management practices."

Grisso also said the company installed 41 combustors last year, which burn up volatile organic compounds that contribute to air pollution. The combustors have reduced sulfur dioxide emissions from drill rigs by 87 percent, he said.

Commissioners look to limit seeps

\$2.9M project would try to solve problem of Fruitland gas leaks

February 22, 2007

By Thomas Munro

Durango Herald

La Plata County commissioners heard plans Wednesday for a study of ways to minimize the growth and impact of gas seeps along the outcrop of the Fruitland coal formation.

Brian Macke, director of the Colorado Oil and Gas Conservation Commission, said the commission had redoubled its work on the mitigation of methane seeps after a December 2005 letter from the La Plata County board of commissioners, which suggested progress had stalled after the implementation of mapping, modeling and monitoring.

"Now we all want the fourth 'm,' mitigation," said Christi Zeller of the La Plata Energy Council, a gas-industry group.

Macke brought the county commissioners a plan for a \$2.94 million project that will determine the most cost-effective methods for mitigating gas seepage along the outcrop, where Butch Knowlton, the county's director of emergency preparedness, said there are about 153 residences.

Knowlton, who has gone door to door along the outcrop asking homeowners to give researchers access, said some homes have shown worryingly high methane levels. "Some houses we investigated, you don't want to be smoking while you're sitting on the toilet, (because) the methane level coming out of the water is so high," said Knowlton, who has a background in geology.

The outcrop is the area where the Fruitland formation, otherwise buried thousands of feet under much of the southern part of La Plata County and San Juan County, N.M., shoots to the surface.

Studies have shown that areas of methane seepage from the outcrop have been increasing, but scientists do not know for sure if this is the result of human activity. New drilling is about to begin in Archuleta County, and in another portion of their proposal the oil and gas commission plans to monitor seeps as this drilling is done to get a firmer grasp on the relationship between drilling and seeps.

Macke said the proposals would soon be headed to the Legislature. He warned that funding through severance-tax receipts was far from certain because several other proposals already had staked claims to this funding.

In closing, Zeller asked the county for \$141,000 in interim funding for aspects of the projects already under way. She noted that the industry had already contributed \$100,000. Commissioner Wally White said county staff members would look at the proposal.

Official predicts oil-shale production by 2015

Official calls 2.5 million barrels a day a feasible goal

February 22, 2007

By Gary Harmon

The Daily Sentinel - Grand Junction

Oil from shale could be produced commercially from northwest Colorado as soon as 2015, a federal official in charge of boosting the oil shale industry said Friday. Tony Dammer, director of the Office of Naval Petroleum and Oil Shale Reserves, told the Energy Expo and Forum at Two Rivers Convention Center that under an accelerated production schedule, western Colorado could be pumping 2.5 million barrels of oil per day into the nation's refineries.

"Let's not fool ourselves," Dammer said, developing oil shale will have environmental consequences. Still, he said, "Oil shale is not going to destroy the Western Slope."

Calling himself "an unapologetic fan of oil shale," Dammer said he expects oil shale to be developed using a series of methods, including the in situ method now being studied by Shell Oil in Rio Blanco County, and with retorts depending on open-pit and other kinds of mining.

The Bureau of Land Management is monitoring five leases to private companies researching methods of producing oil from shale in northwest Colorado.

The United States has the world's richest oil shale deposits, and the ones in Colorado are of the highest quality, Dammer said, but other countries are taking advantage of their own shale deposits. China, Estonia, Israel, Jordan, Mongolia, Morocco and other countries already are producing petroleum from oil shale, he said.

While conventional oil resources are drawn down and discoveries become fewer, oil shale will grow in importance, especially with growing dependence on imports projected to be 80 percent or more by 2030, he said. Conservation and renewable sources of energy will be important, Dammer said, adding "America's oil shale reserves can bridge that gap."

The federal government's Synthetic Fuels Corp. of the 1970s and '80s had some successes that aren't recognized today, Dammer said, conceding that the resource has "a great stigma to overcome." Nonetheless, he said, oil shale holds greater promise of providing energy than does ethanol from corn and is just as secure. "This is not a resource you walk away from," he said.

Buzzing with energy

Energy Expo draws crowds at convention center

February 26, 2007

By Marjorie Asturias-Lochlaer

Grand Junction Free Press

Hundreds of people filled the exhibit halls at Two Rivers Convention Center Friday to chat with vendors, inquire about job opportunities, and gather information on the booming energy industry during the second annual Energy Expo.

Grand Junction resident Linda Sandoval, an instructional aide at R5 High School, was fascinated by the diverse array of vendor booths. Vocational students from her school attended the show earlier in the morning, primarily to educate themselves about the industry and learn more about the career options in the field.

“There are a lot of jobs out there,” Sandoval said. “It sounds like [the companies] have a lot of programs, a lot of information about what’s available as far as vocational training for the kids.” She added that she was also collecting information on behalf of her husband, who is seeking employment in the industry. “He’s in regional sales management. There’s a lot going on out there. It’s really booming.”

Rows of booths filled an entire hall, with a smaller conference room serving as a spillover room to accommodate the dozens of vendors who were there to show off their products and services. A third hall served as the venue for the all-day Speaker’s Forum.

The forum featured presentations on subjects such as hydropower’s role in energy development in the West; wind energy; the strategic significance of oil shale resources; and environmental stewardship. Speakers came from all over the state as well as around the country and represented both public and private sector organizations such as BP North America, Mercator Energy, the University of Colorado and Xcel Energy.

Keith Fife, director of the Mesa County Long Range Planning Division, sat in on CU professor Carl Koval’s presentation on renewable energy. “Our department is working on an energy master plan,” said Fife. “We’re looking at all the options.”

Others attended to explore potential business opportunities in the rapidly growing industry. “I’m here to get business cards,” Keith Hahn said as he studied some steel pipes displayed at a booth. “I’m a fabricator, and my company’s just starting out. We’ve never worked in the energy business, so I’m here to get some names and find out who to contact to see if we can build stuff for them.”

A few booths showcased programs not directly associated with the traditional energy industry. Dave Grossman of Grand Junction is an independent reseller for Citizenre, a renewable energy provider. The company rents solar panels to its customers, who pay only for the energy the panels produce.

“Even if you love the idea of solar, the initial hurdle of investing is pretty prohibitive,” he said. “The unique thing about this opportunity is that it allows people to take advantage of solar without having to shell out all that money.”

Grossman said that the company hasn’t produced the panels yet, as it’s currently in negotiations with potential locations for a production plant. They encourage customers to sign up now, however, as they guarantee a fixed price for a 25-year-period based on the prevailing electricity rate.

Possibly one of the more unusual booths at the expo was the one manned by members of the student-run Eagle Corps Robotics Team from the Collbran Job Corps center. Eighteen-year-old Ross Brown, a first-year participant on the team, proudly demonstrated his group’s robot, a large machine that the students had programmed to scoop Nerf balls off the ground and shoot them into a basket.

“We participate in a competition that’s held every year,” Brown said. “They involve robots doing certain tasks like playing a game. We’re currently the defending regional champions, which is awesome. This year, the competition is going to be in Phoenix, starting in two weeks.”

The federally funded Job Corps program offers at-risk youth both a place to live and vocational training in computer systems, culinary arts, plumbing, masonry, carpentry, and, in Brown's case, facilities management. "It's pretty fun while you're up there," he said. "It's a great opportunity, like a second chance for some kids like me. It turned my life around."

Brown said that the team has received plenty of positive comments from visitors to their booth. "Everybody's stopping by and asking about it, saying how cool it is, because it's not everyday that you see something like this driving around in the middle of the auditorium."

Gas well permits to slow over last year, group predicts

March 16, 2007

The Daily Sentinel - Grand Junction

DE BEQUE – The torrid pace of natural-gas development in Colorado may cool off some this year, according to Colorado Oil and Gas Conservation Commission Director Brian Macke. His quarterly projection for the Northwest Colorado Oil and Gas Forum in De Beque on Thursday showed the pace of applications for drilling permits to be close to last year.

A record number of slightly more than 5,900 permits were issued in 2006, Macke said, a 35 percent increase over 2004. "From what the industry has told us and what we're seeing, it's looking like this year's projection will be right around 5,900 permits," he said. "That could change as the year goes on, but right now it looks like things could be flat or maybe just slightly increase this year."

As of March 12, the commission had approved 1,148 permits in Colorado, led by Garfield County's 405 permits. Weld County was second with 283 permits, followed by Yuma County with 171. Mesa County had 42 permits issued and Rio Blanco County 32.

The number of active drilling rigs in Colorado was more than 100, and the state now has 31,404 active gas wells, Macke said. He predicted approximately 33,700 wells will be producing by the end of the year and generate approximately 3.4 billion cubic feet of gas a day.

**OUTSTANDING ENVIRONMENTAL RESPONSE FUND, BOND CLAIM, AND SPECIAL APPROPRIATION PROJECTS
PLUGGING AND ABANDONMENT, RECLAMATION, AND ENVIRONMENTAL PROJECTS FOR ORPHANED LOCATIONS
FISCAL YEAR 2006 - 2007 PROJECTS**

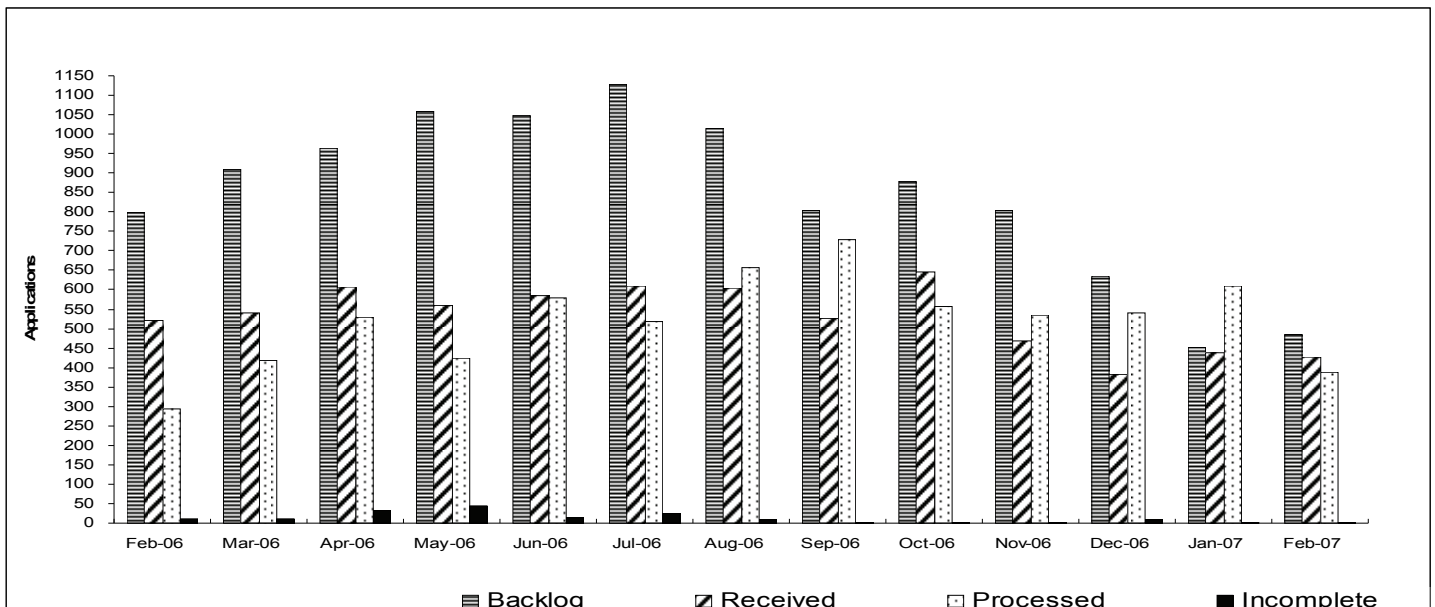
PLANNED PROJECTS		ESTIMATED				ACTUAL	
TYPE	COUNTY	PROJECT NAME	TOTAL	BOND	ERF	SPECIAL	AMT. PAID
ENV.	LOGAN	O SAND ORPHANED PIT FEASIBILITY STUDY	\$8,000	\$0	\$8,000	\$0	
ENV.	LOGAN	GREEN B-1 SALT KILL	\$10,000	\$0	\$10,000	\$0	Evaluate environmental remediation alternatives at pits found to be impacted with oil/tar proximate to the West Padroni Field.
ENV.	LOGAN	RAMEY SALT KILL	\$10,000	\$0	\$10,000	\$0	Remediate produced water-impacted soils.
ENV.	LOGAN	WHITTIER SALT KILL	\$5,000	\$0	\$5,000	\$0	Re-seed remediated salt kill area.
ENV.	VARIOUS	ERF WELL SOIL GAS INVESTIGATION	\$150,000	\$0	\$0	\$150,000	Perform soil gas surveys near wells that were formerly plugged by COGCC.
ENV.	WELD	ELLER 2-14 SALT KILL	\$5,000	\$0	\$5,000	\$0	Re-seed remediated salt kill area.
ENV.	WELD	STATE A2 SALT KILL	\$5,000	\$0	\$5,000	\$0	Re-seed remediated salt kill area.
PLUG.	MOFFAT	BELNAP #1 ABANDONMENT	\$35,000	\$5,000	\$30,000	\$0	Plug and abandon well. Reclaim surface and pit.
PLUG.	RIO GRANDE	JYNNIFER #1 ABANDONMENT	\$25,000	\$0	\$25,000	\$0	Landowner to keep surface equipment.
PLUG.	VARIOUS	HOFFMAN AND STATE PYLE WELLS ABANDONMENT	\$75,000	\$0	\$75,000	\$0	Plug and abandon wells. Reclaim surface.
REC.	ADAMS	MONAGHAN #1 AND #2 RECLAMATION	\$9,800	\$0	\$9,800	\$0	Monaghan #1: Remove gathering line, steel posts and weeds. Re-grade and place grass seed over disturbed areas. Monaghan #2: Remove and dispose of junk and trash on site. Demolish, transport and dispose of unit concrete pad. Re-grade and place grass seed over disturbed areas.
REC.	VARIOUS	ORPHAN WELL RECLAMATION ADAMS & YUMA COUNTIES	\$20,000	\$0	\$20,000	\$0	Surface reclamation around orphaned wells.
REC.	VARIOUS	ORPHAN WELL RECLAMATION MORGAN & WELD COUNTIES	\$15,000	\$0	\$15,000	\$0	Surface reclamation around orphaned wells.
		TOTALS =>	\$372,800	\$5,000	\$217,800	\$150,000	\$0
PENDING PROJECTS		ESTIMATED				ACTUAL	
TYPE	COUNTY	PROJECT NAME	TOTAL	BOND	ERF	SPECIAL*	AMT. PAID*
ENV.	LA PLATA	BRYCE 1X ENVIRONMENTAL MONITORING AND REMEDIATION	\$131,000	\$0	\$0	\$131,000	\$60,294
ENV.	LOGAN	O SAND ORPHANED PIT ASSESSMENT	\$24,990	\$0	\$24,990	\$0	Gas monitoring and groundwater sampling. Delineate the extent of oil/tar impact at eight pits proximate to the West Padroni Field to estimate volumes requiring remediation.
ENV.	MONTEZUMA	SIERRA FIELD ELLIS #6 ASSESSMENT AND REMEDIATION	\$25,000	\$0	\$25,000	\$0	Delineate extent of hydrocarbon-impacted soils and remediate soils if necessary.
ENV.	WELD	WINTERS #1 GROUNDWATER MONITORING	\$3,000	\$0	\$3,000	\$0	Install and sample groundwater monitoring wells to evaluate potential groundwater impact from the Winters #1 well.
		TOTALS =>	\$185,990	\$0	\$54,990	\$131,000	\$73,671
COMPLETED PROJECTS		ESTIMATED				ACTUAL	
TYPE	COUNTY	PROJECT NAME	TOTAL	BOND	ERF	SPECIAL	AMT. PAID
ENV.	JEFFERSON	PALLAORO, LILLIE #1 & #1A SOIL GAS AND GROUNDWATER ASSESSMENT	\$5,000	\$0	\$5,000	\$0	\$2,681
PLUG.	GARFIELD	PITTENGER #1 ABANDONMENT	\$20,000	\$2,500	\$17,500	\$0	\$19,467
PLUG.	LA PLATA	BRYCE 1X ABANDONMENT	\$352,400	\$0	\$0	\$352,400	\$338,329
REC.	MONTEZUMA	SIERRA FIELD RECLAMATION	\$4,700	\$0	\$4,700	\$0	\$4,700
		TOTALS =>	\$382,100	\$2,500	\$27,200	\$352,400	\$365,177
GRAND TOTALS =>		ESTIMATED				ACTUAL	
			\$940,890	\$7,500	\$299,990	\$653,400	\$438,847
		* Note:					
		Special amount for Bryce 1X					

Colorado Oil & Gas Conservation Commission

Monthly Breakout of Drilling and Recompletion Permits

	Backlog	Received	Processed	Withdrawn	Rejected	Incomplete	In-Process	Remaining
Drilling								
Feb-06	549	501	266	14		12	758	770
Mar-06	770	508	392	8	0	12	866	878
Apr-06	878	594	501	24	0	32	915	947
May-06	947	532	398	41	0	44	996	1040
Jun-06	1040	548	563	19	0	13	993	1006
Jul-06	1006	571	482	9	0	26	1060	1086
Aug-06	1086	578	626	58	0	7	973	980
Sep-06	980	498	698	9	0	4	767	771
Oct-06	771	620	532	15	0	3	841	844
Nov-06	844	450	511	6	0	2	775	777
Dec-06	777	375	515	10	0	7	620	627
Jan-07	627	418	603	8	0	3	431	434
Feb-07	434	424	373	4	0	3	478	481
Recompletion								
Feb-06	36	20	27	0	0	0	29	29
Mar-06	29	31	26	2	0	0	32	32
Apr-06	32	13	27	1	0	0	17	17
May-06	17	29	26	2	0	1	17	18
Jun-06	18	38	15	0	0	0	41	41
Jul-06	41	38	36	0	0	0	43	43
Aug-06	43	26	32	3	0	0	34	34
Sep-06	34	29	30	0	0	0	33	33
Oct-06	33	26	24	0	0	0	35	35
Nov-06	35	17	25	0	0	0	27	27
Dec-06	27	7	26	0	0	0	8	8
Jan-07	8	20	7	2	0	0	19	19
Feb-07	19	2	16	0	0	0	5	5
Total								
Feb-06	585	521	293	14	0	12	787	799
Mar-06	799	539	418	10	0	12	898	910
Apr-06	910	607	528	25	0	32	932	964
May-06	964	561	424	43	0	45	1013	1058
Jun-06	1058	586	578	19	0	13	1034	1047
Jul-06	1047	609	518	9	0	26	1103	1129
Aug-06	1129	604	658	61	0	7	1007	1014
Sep-06	1014	527	728	9	0	4	800	804
Oct-06	804	646	556	15	0	3	876	879
Nov-06	879	467	536	6	0	2	802	804
Dec-06	804	382	541	10	0	7	628	635
Jan-07	635	438	610	10	0	3	450	453
Feb-07	453	426	389	4	0	3	483	486

Incomplete are permits that have missing or inaccurate data and cannot be approved.



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

Colorado Oil and Gas Conservation Commission
Form 2 Application for Permit to Drill (APD)
Re-filing Guidance Document
March 20, 2007

A Permit to Drill is at times not exercised before the expiration of the permit. In order to drill a well that has had its permit expire, the operator must first re-file the Application For Permit to Drill (APD). If this occurs, the re-filed APD will be reviewed to ensure that the APD is in compliance with any new or previously existing Colorado Oil and Gas Conservation Commission (COGCC) rules and orders. The COGCC will give all re-filed APDs the highest priority in processing but will not approve any APD before the minimum ten (10) day Local Governmental Designee comment period required by COGCC Rule (303) (d.) (3.) or the minimum thirty (30) day time period for Surface Owner Notification required by Rule (305) (b.) (1.) has expired.

Re-filed APDs must be complete and on the most current version of the COGCC Application for Permit to Drill, Form 2. The operator shall provide on the form the current applicable spacing order for the well, if any, and reflect any changes to the original APD that were submitted via sundry notice, such as location changes and surface casing setting depths. The operator shall state the following in the comments field on the re-filed APD:

- Any changes to the surrounding land use (changes in land use, new buildings, etc.),
 - Any changes to the well construction plan ,
 - Any changes to the mineral lease description upon which the proposed well site is located,
- Whether or not the proposed well site has been built and if so, is any drilling currently taking place on the well site.

Below are the attachment requirements for submitting a re-filed APD under various circumstances:

If the location of the proposed well has not been moved, then a re-filed APD **is not** required to include the following:

- Drill Site/Access Road Reclamation Form, Form 2A
- Color Pictures
- Plat
- Topographic Map
- Directional Plan

If the location of the proposed well has been moved and no Sundry Notice, Form 4 was previously filed to change the well location, then a re-filed APD **is** required to include the following:

- Drillsite/Access Road Reclamation Form, Form 2A
- Color Pictures
- Plat
- Direction Plan

If the well site and access road for the proposed well has not been built, then the re-filed APD is required to include the following:

- Confirmation of a New Rule 305 Thirty (30) day Surface Owner Notice
- New COGCC Director Exception Location Request and Surface Owner and/or Mineral Owner Waivers (if the location is an exception location)

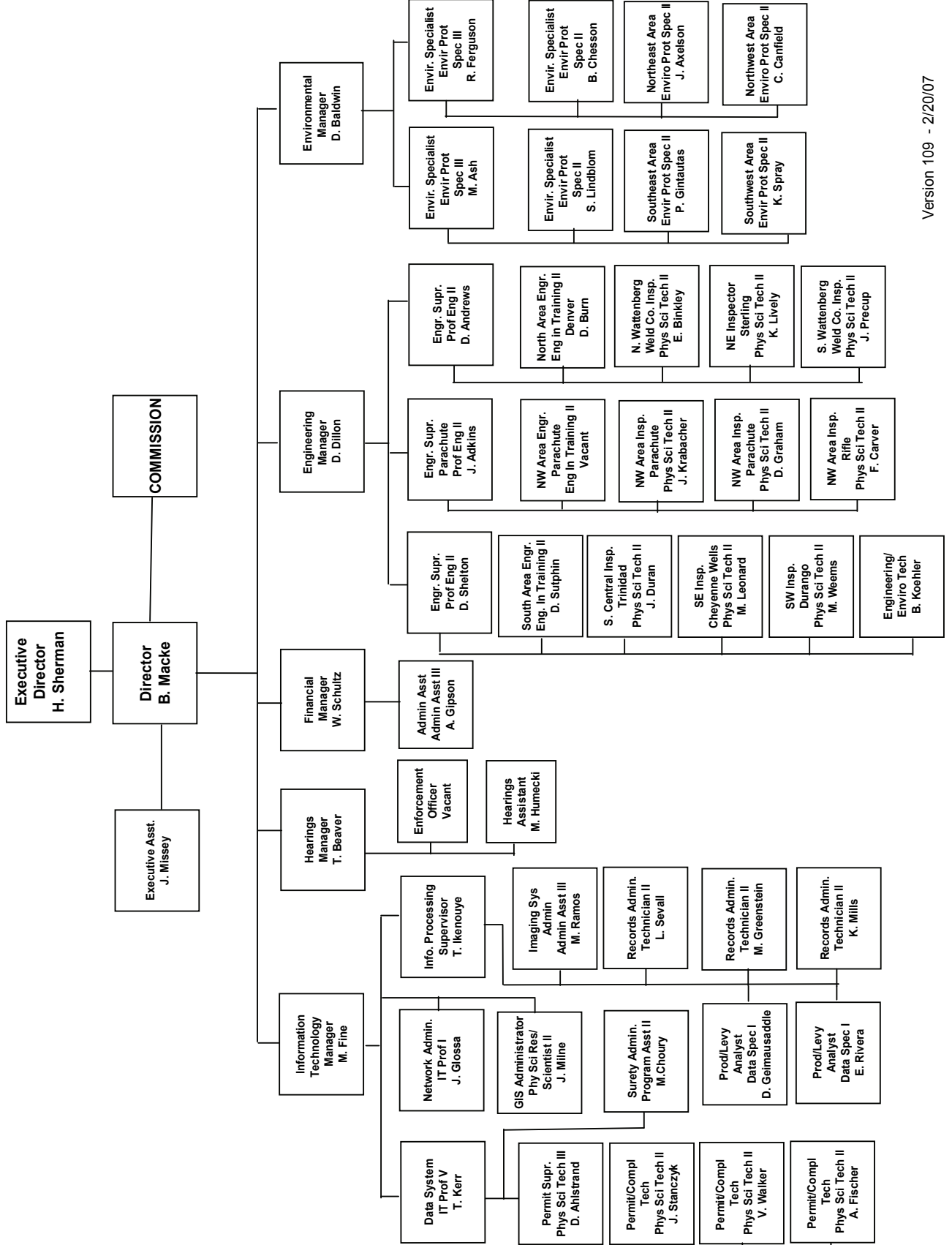
If the well site and access road for the proposed well has been built, then the re-filed APD is required to include:
Confirmation of a New Rule 305 Thirty (30) day Surface Owner Notice

If the well site and access road has been built and there is a rig actively drilling on the well site, then the re-filed APD **is not** required to include:

Confirmation of a New Rule 305 Thirty (30) day Surface Owner Notice

It shall be the operator's responsibility to insure that the Rule 306 onsite consultation has taken place. It is also the operator's responsibility to ensure that the surface owner consultation date as well as an indication as to whether or not a surface owner's agreement is still in force is correctly indicated on the Application for Permit-To-Drill, Form 2.

COLORADO OIL & GAS CONSERVATION COMMISSION ORGANIZATION



Colorado Oil Gas Conservation Commission
Monthly Statistics

YEAR	MO	Baker - Hughes rig count	Permits						Active Wells	Unedited Historic Records	Public Visits			Well Oper Change		
			Drilling		Recompletion		Injection				Pits		Data		Office	Internet
			Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd	550	549	423127	5806
2004	Total		2917	3120	145	164	25	22	242	219			60	41	49839	2357
2005	JAN	65	263	299	7	36	0	3	8	7	27262	0	44	71	51277	378
	FEB	70	251	343	29	14	1	1	17	10	27427	0	59	34	60298	432
	MAR	73	339	416	33	27	4	4	36	26	27595	0	58	56	52606	394
	APR	69	420	414	14	25	1	1	26	27	27723	0	46	43	58881	308
	MAY	65	340	319	13	8	0	3	25	35	27853	0	58	33	51402	403
	JUN	69	340	365	13	8	2	3	58	63	28032	0	50	33	53182	365
	JUL	69	314	362	19	23	3	5	50	39	28164	0	67	50	56820	679
	AUG	75	379	508	9	27	5	5	25	76	28364	0	57	48	62058	513
	SEP	78	391	461	24	15	3	1	101	60	28631	0	61	40	62880	626
	OCT	86	437	499	19	21	1	0	27	70	28720	0	58	44	61024	774
	NOV	85	368	534	14	15	0	4	72	25	28866	0	669	540	686809	7691
	DEC	83	531	390	15	26	3	0	33	47	28952	0	69	61	73154	678
2005	Total		4373	4910	209	245	23	30	478	485			25	58	73190	454
	JAN	84	420	396	21	28	2	1	21	3	29181	0	35	92	105602	531
	FEB	84	266	501	27	20	0	9	4	5	29384	0	30	152	88082	804
	MAR	81	392	508	26	31	0	8	3	1	29751	0	52	60	88825	620
	APR	88	501	594	27	13	6	6	34	23	29907	0	64	61	88661	1244
	MAY	89	398	532	26	29	1	4	19	22	30185	0	71	44	85027	909
	JUN	90	563	548	15	38	1	2	42	47	30324	0	40	102	78339	475
	JUL	92	482	571	36	38	7	4	41	59	30397	0	78	48	79705	748
	AUG	93	626	578	32	26	3	0	27	33	30613	0	20	68	89950	595
	SEP	94	698	498	30	29	7	1	50	33	30732	0	37	91	75569	402
	OCT	92	532	620	24	26	3	2	34	45	30805	0	10	60	86182	306
	NOV	88	511	450	25	17	3	1	19	19	30985	0	531	897	1012286	7766
	DEC	91	515	375	26	7	0	0	15	3	31096	0	20	79	100089	529
2006	Total		5904	6171	315	302	33	38	309	293			34	173	77886	188
	JAN	96	603	418	7	20	3	0	10	26	31297	0	54	252	177975	717
	FEB	94	373	424	16	2	3	0	10	8	31378	0				
2007	Total		976	842	23	22	6	0	20	34						

Colorado Oil Gas Conservation Commission
Monthly Statistics

YEAR	MO	Operators		Bonds				Claim		Hearings		Violations		Remediation		Field		
		New	Inactive	Release	Ind.	Replace	Ind.	Blnkt	Apps.	Order	NOAV	AOC	OFV	Cmplt	Spills		Rcvd	Comp
2004	Total	105	63	55	36	118	0	2	62	50	235	29	3	154	230	53	60	7716
2005	JAN	10	3	3	7	10	0	1	8	3	18	0	1	12	20	9	3	623
	FEB	8	6	4	2	13	0	1	6	6	6	0	0	11	23	9	2	530
	MAR	8	10	8	3	12	0	3	5	5	6	0	0	21	21	12	14	725
	APR	10	5	7	4	13	0	0	8	4	16	0	1	26	22	15	9	428
	MAY	9	5	7	5	14	0	1	NA	NA	15	NA	NA	10	34	3	1	697
	JUN	15	11	2	5	14	0	0	10	7	20	3	0	13	39	15	7	651
	JUL	14	9	7	5	14	0	0	8	4	37	0	0	22	28	14	2	538
	AUG	10	2	1	2	6	0	0	4	3	36	0	0	19	28	10	4	566
	SEP	17	5	7	5	12	0	0	4	3	15	0	0	24	31	14	8	709
	OCT	14	4	6	2	12	0	0	8	8	34	0	0	35	23	3	8	499
	NOV	18	9	3	6	12	1	16	NA	NA	14	NA	NA	25	22	18	11	780
	DEC	12	3	5	2	17	1	4	15	8	38	2	2	13	39	12	3	751
2005	Total	145	72	60	48	149	2	23	74	51	255	5	4	231	330	134	72	7497
	JAN	15	5	17	5	13	0	0	14	10	6	2	1	21	31	8	18	1096
	FEB	16	2	6	4	14	0	0	11	6	11	2	0	19	37	9	2	955
	MAR	13	5	5	3	16	0	1	11	5	43	1	2	20	33	29	13	682
	APR	14	8	5	8	13	1	0	9	11	33	0	0	34	38	14	3	606
	MAY	12	5	6	4	10	0	0	NA	NA	16	NA	NA	29	23	14	6	1031
	JUN	18	3	2	8	18	0	0	18	15	11	2	0	20	34	17	10	813
	JUL	10	9	2	7	8	0	0	17	11	12	1	2	31	31	13	8	658
	AUG	9	11	7	5	13	0	0	12	6	13	0	0	41	24	35	6	694
	SEP	10	4	3	5	11	0	0	12	7	37	2	0	30	13	7	8	489
	OCT	9	5	3	5	21	0	0	12	11	30	0	0	23	26	29	9	704
	NOV	12	2	3	5	20	0	0	17	16	23	2	0	21	23	14	12	981
	DEC	9	5	3	3	10	0	0	NA	NA	13	NA	NA	19	30	11	2	797
2006	Total	147	64	62	62	167	1	1	133	98	248	12	5	308	343	200	97	9506
	JAN	15	0	2	2	12	0	0	20	10	14	1	0	17	26	20	2	914
	FEB	10	4	2	1	12	0	0	5	7	14	0	0	12	11	17	16	783
2007	Total	25	4	4	3	24	0	0	25	17	28	1	0	29	37	37	18	1697

HEARING DOCKET: May 2007

Docket Number	Cause	Applicant/Attorney or Representative	Application Received	Field Formation County	Matter	Remarks
0701-SP-03	399	Delta Petroleum Corp./ Michael J. Wozniak	11/20/2006	Vega Mesaverde Group Mesa	Request for an order to allow the equivalent of one (1) well per 20 acres for certain lands in Township 10 South, Range 93 West, 6th P.M., with the permitted well to be located no closer than 200 feet from the lease line.	Continued from January, February and March- application amended
0702-OV-2	1V	Staff Recommendation	11/29/2006	Brandon Mississippian-Spergen Kiowa	Request for an Order Finding Violation finding Shelby Resources LLC. in violation of Rule 319.b., failure to abandon a well within six (6) months of ceased production, Rule 326.b.(1) failure to perform a mechanical integrity test on a shut-in well within two (2) years of initial shut-in date for the Andrew Jackson #1 Well located in the SW¼ SW¼ of Section 19, Township 18 South, Range 45 West, 6th P.M., and Rule 1004.a. all debris, abandoned gathering line risers, flowline risers, and surface equipment shall be removed within three (3) months of plugging a well, for the CGA #1-30 Well located in the SW¼ NE¼ of Section 30, Township 18 South, Range 45 West, 6th P.M.	Continued from February and March
0705-AW-06	440	PetroHunter Corp./	02/02/2007	Parachute Williams Fork Garfield	Request for an order to allow the equivalent of one (1) well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary for the 40-acre drilling and spacing unit consisting of the NE¼ SW¼ of Section 15, Township 7 South, Range 95 West, 6th P.M.	
0705-AW-08	133	Chevron U.S.A. Inc./ William A. Keefe	03/20/2007	Hiawatha West Wasatch, Fort Union- Lance-Lewis, Mesverde Moffat	Request for an order to allow up to eight (8) wells to be optionally drilled in the 320-acre drilling and spacing unit for certain lands consisting of the SW¼ of Section 18 and the NW¼ of Section 19, Township 12 North, Range 100 West, 6th P.M.	
0705-AW-09	139, 440, 479, 510	Williams Production RMT Co./ William A. Keefe	03/20/2007	Parachute/Ruilison Williams Fork Garfield	Request for an order to allow the equivalent of one (1) well per 10 acres, with the permitted well to be located no closer than 100 feet from the outside boundary for the S½ N½ of Section 13, Township 6 South, Ranges 95 and 96 West, 6th P.M.	

PRELIMINARY
03/21/2007

0705-AW-10	369, 386, 399, 429, 529	EnCana Oil & Gas (USA),/ Michael J. Wozniak	03/20/2007	Buzzard Creek Williams Fork/lles Mesa	Request for an order to allow the equivalent of one (1) well per 20 acres, with the permitted well to be located no closer than 200 feet from the unit boundary and no closer than 400 feet from any existing Williams Fork Formation and lles Formation wells, for certain lands in Townships 8 through 10 South, Ranges 92 and 93 West, 6th P.M.
0705-AW-11	1	Kerr-McGee Oil & Gas Onshore LP./ David R. Little/Christopher G. Hayes	03/20/2007	Wattenberg Cretaceous Age Weld	Request for an order to vacate Order No. 1-41, which established a high density area for the N½ of Section 8, Township 1 North, Range 68 West, 6th P.M. and place the lands under the provisions of the Rules & Regulations of the Commission and applicable orders in Cause Nos. 232, 407, 493, 496 and 499.
0705-AW-12	510	ConocoPhillips Company/ Robert C. Mathes/David R. Little	03/20/2007	Wildcat Williams Fork Garfield	Request for an order to allow the equivalent of one (1) well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary and no closer than 200 feet from lease line for certain lands in Township 5 South, Range 96 West, 6th P.M.
0705-SP-13	440	EnCana Oil & Gas (USA),/ Michael J. Wozniak	03/20/2007	Parachute/Rulison Williams Fork Garfield	Request for an order to vacate the 640-acre drilling and spacing unit established in Order No. 440-18 and designate two (2) 320-acre drilling and spacing units and allow the equivalent of one (1) well per 20 acres, with the permitted well to be located no closer than 200 feet from the unit boundary for Section 19, Township 7 South, Range 95 West, 6th P.M.
0705-OV-03	1V	Staff Recommendation	02/21/2007	Parachute Williams Fork Garfield	Request for an Order Finding Violation finding Berry Petroleum Company in violation of Rule 303.a., failure to have an approved Application for Permit-to-Drill prior to drilling the Long Ridge LR 15B M16 595, located in the SW¼ SW¼ of Section 16, Township 5 South, Range 95 West, 6th P.M.