



DEPARTMENT OF NATURAL RESOURCES
 Bill Owens, Governor
 1120 Lincoln St. Suite 801
 Denver, CO 80203
 Phone: (303) 894-2100
 FAX: (303) 894-2109
 www.oil-gas.state.co.us

TO: COGCC Commissioners

cc: Russ George
 Carol Harmon
 Gale Shelley
 Alexis Senger
 Bill Levine
 Dean Winstanley
 David Beaujon
 DNR Directors
 COGCC Employees
 MEGA Board Representatives
 General Email List

FROM: Brian Macke

DATE: January 9, 2006

MONTHLY STAFF REPORT

I. STATISTICS

- ◆ Our monthly statistics report is attached. There were 4363 Applications for Permits-to-Drill (“APDs”) approved for 2005. This represents a 50% increase over the previous record high of 2,917 APDs approved in 2004, and a 94% increase over the 2,249 APDs approved in 2003. Garfield County was the most active county with 1,508 approved APSs, which was an 89% increase over the previous year. Yuma County had 782 APDs, which was more than three times the total of the previous year.

The 2005 drilling permit totals for the top six counties as of December 31st are:

County	2005 (% of Total)	2004	2003
Garfield	1508 (35%)	796	566
Weld	901 (21%)	832	757
Yuma	782 (17%)	237	138
Las Animas	413 (10%)	332	180
Mesa	161 (4%)	54	27
Rio Blanco	136 (3%)	154	179
La Plata	115 (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 March 9, 2006, 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 held four times during the year.

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

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 (BTEX). EnCana continues to supply water to area residences.

Remediation of the contamination of BTEX compounds in the shallow alluvial ground water in the vicinity of the West Divide Creek Seep has been very effective. Recent data (Fall 2005) indicate continued improvement in water quality, both in the decrease of the aerial extent of the impacts and in the decrease in concentrations of thermogenic methane and BTEX compounds in the alluvial aquifer. Visual observations collected during weekly surface water samplings show no significant changes in bubbling at the seep area. Bubbling is still observed, however, the volume and rate of bubbling remains at approximately 1 to 2 percent of the activity that was originally observed at the time of the initial gas release from the Schwartz 2-15B Well.

◆ Local Project Status Update

URS Corporation (URS) is in the final stages of work on the Hydrogeological Characterization Project in Garfield County south of Rifle and Silt. They are finalizing the initial draft report and figures for review by Garfield County (GarCo) and COGCC. The report integrates surface and ground water quality analyses with regional geologic structures, gas reservoir characteristics, locations and completions of gas wells, and lithologic and stratigraphic variations in the Wasatch Formation. After the report is finalized, GarCo, COGCC, and URS will conduct a public meeting in Rifle in late January or early February 2006 to present the findings and recommendations regarding the scope of work for Phase II activities.

III. SOUTHWEST COLORADO

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

During the December 5, 2005 hearing, the COGCC Commission authorized the expenditure of an additional Nine Hundred Eight Thousand Four Hundred Forty-Five Dollars (\$908,445) from the Colorado Oil and Gas Conservation and Environmental Response Fund (Fund 170) balance for the remediation and mitigation of significant adverse impacts to public health, safety and welfare, and to the environment that have resulted from the conduct of oil and gas operations. The Governor's Office of State Planning and Budgeting approved this additional expenditure and the Joint Budget Committee acted very quickly to approve the emergency supplemental request. By December 30, 2005, the funds were available to use in remediating

the Bryce 1-X orphaned well and mitigating the impacts of gas seepage associated with the well.

COGCC staff is close to finalizing the lease agreement with the landowner that will grant the COGCC exclusive right to use the land for the required remediation and mitigation activities, including the ongoing monitoring of gas in the soil, ground water and residence. On December 28, 2005, the draft lease agreement was submitted to DNR procurement for review.

The contract amendment, which will allow for the continuance of soil gas monitoring, operation and maintenance of the methane detection and alarm systems in the residences, fire station, and water well house, installation of a temporary chain-link fence around the well, and health and safety monitoring during the re-entry work on the Bryce 1-X orphaned well, has been written and was sent to the contractor on December 27, 2005 for their review and signature. Once signed by the contractor, it will be circulated through the Attorney General and State Controller offices for review and final approval.

The operations staff has obtained a drilling rig for the Bryce 1-X Well re-entry work. The Aztec Rig #124 will be on loan from Williams Production Company (Williams). The COGCC is in the process of coming to an agreement on the earliest possible drilling rig availability date with Williams.

The report of the results of the December 1, 2005 soil gas survey is being finalized. Preliminary results indicate that the extent of the primary seep area has decreased in both magnitude and extent since the November 2005 survey. Also during the December 1, 2005 survey, gas seepage was not detected in the vicinity of the Cain 31-2 CBM Well, where it had been detected in November, and a decline in seep activity was detected around the Buddhue and Wilson residences, relative to what was found in November. As a result of the work performed during December 2 through December 4, 2005, the cement plug at the top of the Bryce 1-X Well has been removed and the conductor pipe now extends above the ground surface, so that gas flowing up the well now vents directly to the atmosphere. It appears that as a result of these modifications, the Bryce 1-X Well may be acting as the preferential pathway for methane gas migration. The flow out of the Bryce 1-X Well may be decreasing the lateral migration of methane gas beneath the sandstone layer, thereby reducing the aerial extent of the gas seep and the concentration of the methane gas detected at the surface. In addition, at the beginning of November, 2005, the Cain 31-2 Well was returned to full production after maintenance activities conducted during October were completed. Production from the Cain 31-2 Well may be capturing some of the gas that would otherwise be flowing up the Bryce 1-X Well and therefore, it may be influencing the extent of the gas seep also.

During the November 2005 survey, gas seeps were detected in the Animas and Florida River Valleys, however, these were not detected during the December 2005 survey.

◆ Coalbed Methane (“CBM”) Stream Depletion Assessment Study

The draft final report has been prepared and is currently being circulated through DWR, CGS, and COGCC for review and editing by staff. Estimates of the amount of water discharging from the Fruitland Formation were similar to those of previous studies, and it appears that Glover analysis provides a useable first-order determination of depletion for most of the areas

within the San Juan Basin in Colorado. The final report is expected to be completed by the end of January 2006.

- ◆ Gas and Oil Regulatory Team (GORT) Meeting

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

IV. SOUTHEAST COLORADO

- ◆ Raton Basin

In response to landowners complaints and concerns regarding potential impacts to water from oil and gas activity, COGCC staff collected water samples from five water wells and had production tests run on four of the wells. A produced water pit was also sampled in response to a landowner's complaint that the produced water could impact a spring on his property. Preliminary analytical results indicate the water in the wells and spring is of good quality. However, iron and sulfate reducing bacteria were detected in all of the water wells tested. The produced water from the pit was also of reasonable quality meeting established drinking water quality standards, except for iron and Total Dissolved Solids; however, these parameters were within agricultural standards.

- ◆ Kiowa County

As a result of the field inspections conducted in November 2005, one Notice of Alleged Violation was submitted to an operator due to the lack of adequate reclamation of a release of crude oil and produced water that occurred on January 14, 2003. A number of unsatisfactory conditions were also noted and operators notified of required corrective actions.

V. ORGANIZATION

- ◆ Staff Organization

Our current organizational chart is attached.

The new position of field inspector for the Rifle area is still open. We have re-advertised the job opening for "Rifle Field Inspector" in the Meeker, Sterling, Cheyenne Wells, and Lamar areas. Based on these advertisements we have received two new job applications. We are currently reviewing these applications.

The temporary employee for the position of Engineering/Environmental Technician has been filled by Alex Fischer. Alex is a hydrogeologist with 20 years experience in environmental consulting. Alex started with the COGCC on January 5, 2006.

VI. PLANNING/ADMINISTRATION/OTHER

- ◆ Public Outreach Opportunities

Brian Macke will provide an update on oil and gas development in Colorado and COGCC

activities to the members of Club 20 during their Annual Denver Capitol Trip on January 18, 2006.

◆ Annual Report to the Water Quality Control Commission/Water Quality Control Division

As required by Senate Bill 89-181, the COGCC environmental staff has submitted the COGCC's annual written report to the Water Quality Control Commission ("WQCC") and Water Quality Control Division ("WQCD"). A summary of the report was presented to the WQCC at its December 12, 2005 hearing. The report has been provided to the COGCC Commissioners and is available on our website library.

◆ Emergency FY 05-06 Supplemental Budget Requests to Address the Bondad Explosion and Increased COGCC Oil and Gas Well Permitting Workload

The Department of Natural Resources, the Governor's Office of State Planning and Budgeting and the Legislative Joint Budget Committee have given their approval to the following two COGCC emergency supplemental budget requests for FY 05-06 to address the following unforeseen circumstances:

- Methane seepage from a previously undiscovered orphaned and abandoned well near Bondad, Colorado in La Plata County that was drilled in the 1930's. The methane seepage caused a double-wide trailer home to explode in February 2005.
- The dramatic workload increase for the COGCC due to a surge in drilling permit applications cause by the dramatic increase in oil and natural gas prices.

The following is additional detail regarding the COGCC FY 05-06 Budget "Emergency Supplemental" requests:

Title: Follow-up Request for Funds to Remediate Site of La Plata County Explosion - \$908,445 Cash Funds from the Oil and Gas Conservation and Environmental Response Fund (Fund 170).

This request was the subject of an emergency COGCC hearing on December 7, 2005 when the Commission issued an emergency order to authorize expenditures from the Oil and Gas Conservation and Environmental Response Fund (Fund 170) to remediate the seepage of methane from the Bryce #1-X Well which was drilled during the 1930's. The methane seepage caused a double-wide trailer home near Bondad in La Plata County to explode on February 12, 2005. The COGCC has completed the investigative phase of the explosion. The investigative phase was funded through a \$200,000 supplemental request that was fast tracked through the legislative process in March and April of 2005. The agency is now prepared to enter the second phase of the project, for which funding was not requested in the FY 04-05 supplemental, because a complete investigation into the cause of the explosion was needed before the remedial work and associated costs could be defined.

Summary of Estimated Costs Included in the Emergency Supplemental Request:

Interim hookup of Bryce 1-X Well to compressor and pipeline:	\$ 49,200
Rig costs, including mud, bits, well head, rental tools, well site consultant:	\$ 569,250
Geophysical logging:	\$ 8,635
Deep vapor recovery:	\$ 96,600
Shallow vapor recovery:	\$ 161,560
Miscellaneous (fence, maintenance of methane detection systems, soil gas surveys, etc):	\$ 79,200
Water monitoring:	\$ 7,000
<u>Lease Cost:</u>	<u>\$ 17,000</u>
Total Estimated Cost:	\$ 988,445
Costs to be absorbed by the COGCC:	\$ 80,000
<u>Total Request:</u>	<u>\$ 908,445</u>

Title: Contract FTE to Address Sharp Increase in Drilling Permit Applications - \$153,400 (Cash Funds from the Oil and Gas Conservation and Environmental Response Fund (Fund 170)).

Due to high oil and natural gas prices the COGCC is experiencing a surge in drilling permit applications. At current staffing levels the agency has a maximum capacity of 300 permit applications per month. This capacity figure represents the actual number of drilling permit applications that staff can approve while continuing to meet its other statutory requirements. Each new drilling permit generates five near term follow-up regulatory reports plus ongoing monthly production reports if the well is successful. Processing more than the agency's 300 permits per month capacity generates a backlog of follow-up reports that need to be reviewed and approved. This would not be a significant problem if the number of permits received occasionally subsided long enough for staff to "catch up" on the other work, but this has not been occurring and is not expected to occur in the foreseeable future.

The COGCC received an average of 283 permit applications per month during the first half of FY 2004-05. Existing staff was able to manage this workload without sacrificing other critical regulatory functions, but as the monthly average grew to 358 during the second half of the fiscal year significant backlogs began to develop. The situation further deteriorated when the number of permit applications soared to a monthly average of 459 from July through October 2005. Based on this recent trend, the publicly announced drilling plans of industry, and the hurricane related damage to oil and natural gas production facilities in the Gulf of Mexico, the COGCC is not expecting a slowdown in permit applications in the near future and is projecting that a total of approximately 5,500 applications will be submitted by industry by the end of FY 2005-06.

The emergency supplemental request is to fund 4.5 contract FTE to assist the records administration and permitting staff for approximately six months (January through June 2006). This course of action would increase the agency's capacity to about 500 permits per month. The following FTE were requested:

Records Administrators:	1.5 contractors	1,560 hours @ \$15/hour =	\$23,400
Permit Technicians:	2.0 contractors	2,080 hours @ \$40/hour =	\$83,200
Engineering/Environ. Tech.:	1.0 contractor	1,040 hours @ \$45/hour =	<u>\$46,800</u>
Total Cost			\$153,400

The funds for both of the emergency supplemental budget requests have been appropriated, and the processes for performing the remediation of the methane seepage caused by the Bryce 1-X Well in La Plata County and the hiring of the contract employees to address the increased permitting workload have been initiated.

The COGCC would like to express its sincere appreciation to the Department of Natural Resources Executive Director Russell George and the DNR budget staff, the Office of State Planning and Budgeting, and to the members and staff of the Legislative Joint Budget Committee for their very prompt attention to these important matters.

◆ 2005 Outstanding Oil and Gas Operations Awards

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

Proposed Revisions To The Colorado Discharge Permit System Regulations, Regulation #61 (5 CCR 1002-61)

The COGCC operations staff has worked with CDPHE WQCC and WQCD staff in support of various proposed revisions to the Colorado Discharge Permit System Regulations, Regulation #61 (5 CCR 1002-61) for construction activities at oil and gas sites that disturb one to five acres of land. The initial proposal that was being considered created a split in the permitting approach for oil and gas construction sites. Sites that disturbed five or more acres would continue to be covered under the WQCD's existing stormwater construction permit and sites that disturbed between one and five acres would have been covered under a new WQCD stormwater construction permit. This permit would have referenced the COGCC rules that address potential water quality impacts from stormwater discharges associated with oil and gas construction activities.

However, on December 22, 2005, the WQCD decided to modify its proposal and recommended that the existing stormwater permit regulations be maintained as is. The WQCD's shift in position is based on several factors including the lack of oil and gas industry support for the initial proposal, extensive public comment that opposed the "hybrid" or split approach and the perceived complexity of making the administrative changes.

COGCC staff will attend the January 9, 2006 hearing at which the WQCC will consider this matter. COGCC staff will continue to work cooperatively with the WQCD on stormwater compliance issues associated with the oil and gas industry, and if necessary will help to

develop a Memorandum of Agreement addressing the regulation of stormwater management by the two agencies.

COGCC Rule 303.c.(18) and 1002. - Revisions

The revisions to Rules 303.c.(18), 1002.c., d., e., and f. were approved by the Commission at the December 2005 hearing to include requirements for operators to use best management practices to control stormwater runoff in the location, construction, and maintenance of well sites, production facilities, access roads, and gathering pipelines. COGCC staff has moved forward with the additional tasks that are required based on the rule changes. Modifications to the Field Inspection Form and the COGCC computer system database are being made and COGCC staff has made preliminary inquiries and evaluation of applicable stormwater training programs for the engineering and environmental staff.

◆ 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 thirty-four (34) requests for onsite inspections. Seven (7) onsite inspections have been conducted and two (2) are scheduled for the week of January 2, 2006. Of the remaining requests, fourteen (14) requests were withdrawn and eleven (11) 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.

During the December 2005 COGCC hearings, the Commission approved a change to the policy that will now allow surface owners who have executed a mineral lease to avail themselves of the provisions of the policy.

◆ February 2006 Hearing Docket

A preliminary docket for the February 2006 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

To meet the requirements of the new Survey Rules and other requested changes, the Application for Permit-to-Drill, Form 2, the Sundry Notice, Form 4, the Drilling Completion Report, Form 5, the Completed Interval Report, Form 5A, and the Well Abandonment Report, Form 6, have been or will be modified. The new versions of the forms are available as Adobe™ PDF files and Excel spreadsheets, and are 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:

- 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.
- 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 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 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 ("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

▪ 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 the 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.

▪ New 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.

▪ Hearing and Environmental File Indexing Project

Indexing of the hearing files has been completed and the files have been archived. The indexing of the environmental files continues. The reclamation project files have been scanned and indexed. The spill and complaint reports along with the pit data are 100% complete.

▪ LAS File Upload

This project provides operators with a technique to submit digital well logs to the COGCC over the Internet. The application is available from the "Forms" page on COGCC web site <http://www.oil-gas.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 digital logs are starting 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 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.

- 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. COGCC will start working to establish a format for electronic submission of directional survey data. Included in this process COGCC will be surveying the logging companies with proposed formats for their review. 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.

- 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. A similar project is currently being tested in California with a prototype standard, and is in the review process prior to becoming part of the national standard.

- Reports Online Project

This project has been delayed due to security configuration issues related to server access, most of which have now been resolved. The remaining issues are with communications between applications used to deliver the reports.

- Database Cleanup Project

The database cleanup project updated almost 35,000 historic well records before funding was exhausted. Just under 28,000 well records remain to be updated once additional funding is approved.

- 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.

VII. VARIANCES

A variance under Rule 502.b. was granted to Kaiser-Francis Oil Company for Rule 1004.a. at the Downing 22-25 plugged and abandoned wellsite and tank battery located in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 25, Township 3 South, Range 59 West, 6th P.M. The wellsite and tank battery areas will not be re-contoured and the access road will not be reclaimed. The landowner wants to use the level area of the tank battery and the associated access road in the ranching operation.

Colorado Oil Gas Conservation Commission
Monthly Statistics

YEAR	MO	Baker - Hughes rig count	Permits						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						
2002	Total		2008	2051	174	177	30	25	252	229	718	874	718	874	175690	4555		
2003	JAN	31	177	183	8	11	2	2	3	15	23963	88	88	16623	506			
	FEB	32	158	163	21	18	1	0	1	3	24118	62	77	19140	191			
	MAR	30	167	180	5	4	1	2	15	9	24212	51	55	18922	177			
	APR	35	172	179	4	7	2	7	5	24	24363	63	123	21679	198			
	MAY	37	184	198	18	23	5	0	29	132	24445	52	99	22307	477			
	JUN	37	170	190	24	40	0	0	32	21	24489	59	65	20883	339			
	JUL	40	201	200	28	21	0	4	136	17	24589	50	48	22779	417			
	AUG	43	166	226	9	12	0	2	2	32	24655	53	43	17900	245			
	SEP	48	209	188	26	32	2	2	13	30	24808	41	31	22718	234			
	OCT	46	244	228	28	33	2	2	5	54	24901	41	38	29413	389			
	NOV	44	142	204	4	11	1	0	6	13	24911	22	38	27961	208			
	DEC	44	259	183	27	17	2	1	115	31	25042	34	50	21631	256			
2003	Total		2249	2322	202	229	18	22	362	381	610	755	610	261956	3637			
2004	JAN	45	200	240	12	10	0	1	36	7	25283	37	49	31236	378			
	FEB	46	206	217	7	13	4	1	1	1	25423	44	30	31292	239			
	MAR	50	243	302	8	25	2	3	2	9	25561	51	70	32931	358			
	APR	51	254	194	10	8	6	2	34	36	25666	58	64	33241	214			
	MAY	52	196	240	9	17	1	2	4	17	25732	41	56	31958	252			
	JUN	51	258	228	18	13	3	4	6	4	29870	38	46	32273	249			
	JUL	52	208	236	6	6	0	3	7	4	26017	40	43	30939	278			
	AUG	60	236	268	14	19	0	1	8	42	26108	33	39	35060	363			
	SEP	59	258	295	16	17	6	4	33	47	26421	40	61	38247	1919			
	OCT	59	268	281	16	16	2	1	54	29	26657	65	31	42069	498			
	NOV	61	242	284	11	9	1	0	42	19	26819	60	30	42433	327			
	DEC	64	348	335	18	11	0	0	15	4	26968	43	30	41448	731			
2004	Total		2917	3120	145	164	25	22	242	219	550	549	550	423127	5806			
2005	JAN	65	263	296	7	36	0	2	8	7	27262	60	41	49839	2346			
	FEB	70	249	343	29	14	1	1	17	10	27427	44	71	51277	378			
	MAR	73	336	413	33	27	2	3	36	26	27595	59	34	60298	429			
	APR	69	418	413	14	25	1	1	24	27	27723	58	56	52606	396			
	MAY	65	340	319	13	8	0	2	25	32	27853	46	43	58881	300			
	JUN	69	340	364	13	8	2	3	58	62	28032	58	33	51402	397			
	JUL	69	312	362	19	23	2	4	39	30	28164	50	33	59322	359			
	AUG	75	379	508	9	27	5	5	25	75	28364	67	50	68526	658			
	SEP	78	391	461	24	15	1	1	100	60	28631	57	48	71123	501			
	OCT	86	437	496	19	21	0	0	26	70	28720	51	47	74016	450			
	NOV	85	368	537	13	15	0	2	55	25	28866	61	40	0	413			
	DEC	83	530	390	15	26	3	0	12	31	28952	58	44	0	250			
2005	Total		4363	4902	208	245	17	24	425	455	669	540	669	597290	6877			

*Internet statistics unavailable until equipment can be replaced

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

Colorado Oil Gas Conservation Commission
Monthly Statistics

YEAR	MO	Operators		Release		Bonds		Claim		Hearings		Violations		Remediation		Field Insp			
		New	Inactive	Ind.	Blntkt	Ind.	Replace	Ind.	Blntkt	Apps.	Order	NOAV	AOC	OFV	Compmt		Spills	Rcvd	Comp
2002	Total	63	97	62	58	98	98	2	1	63	52	280	5	21	176	206	80	58	6499
2003	JAN	8	6	8	3	5	5	0	0	3	4	30	1	0	5	20	6	1	522
	FEB	10	7	2	2	10	10	0	0	4	2	10	1	0	9	16	3	8	590
	MAR	6	8	5	4	13	13	0	0	7	3	8	1	0	13	17	4	1	655
	APR	6	4	9	1	7	7	0	0	7	5	24	0	1	22	17	6	1	645
	MAY	5	3	2	5	10	10	0	0	NA	NA	8	NA	NA	14	17	6	3	857
	JUN	3	6	2	3	8	8	3	0	7	4	5	1	0	20	20	5	9	765
	JUL	5	6	3	2	15	15	0	0	1	0	17	0	0	17	23	3	1	529
	AUG	6	7	4	1	8	8	0	0	6	7	12	2	0	9	14	5	2	631
	SEP	8	12	10	0	10	10	0	0	3	2	16	0	0	13	21	4	1	702
	OCT	10	7	6	7	12	12	0	0	2	2	9	0	1	14	24	13	7	589
	NOV	5	3	2	3	12	12	0	0	NA	NA	9	NA	NA	8	18	21	8	514
	DEC	9	3	5	0	14	14	0	0	5	2	13	1	0	13	15	3	3	505
2003	Total	81	72	58	31	124	124	3	0	45	31	161	7	2	157	222	79	45	7504
2004	JAN	5	10	8	7	5	5	0	0	9	8	11	4	0	15	23	3	3	622
	FEB	5	4	4	3	11	11	0	0	7	3	17	2	0	20	22	3	5	745
	MAR	3	7	5	8	7	7	0	1	16	16	15	13	0	23	26	9	3	706
	APR	7	8	7	4	11	11	0	1	4	4	53	1	0	15	22	3	0	568
	MAY	12	3	0	0	10	10	0	0	8	7	27	2	0	10	23	6	8	984
	JUN	13	6	0	0	10	10	0	0	NA	NA	24	NA	NA	14	17	3	7	716
	JUL	8	2	4	2	12	12	0	0	9	4	15	4	0	11	16	6	1	566
	AUG	16	4	2	6	10	10	0	0	4	3	16	3	1	11	24	2	3	662
	SEP	8	7	8	0	12	12	0	0	4	4	19	0	0	16	17	6	22	709
	OCT	8	3	3	2	13	13	0	0	0	0	9	0	0	9	19	4	1	623
	NOV	10	6	9	1	9	9	0	0	1	1	10	0	2	6	8	0	1	398
	DEC	10	3	5	3	8	8	0	0	NA	NA	19	NA	NA	4	13	8	6	417
2004	Total	105	63	55	36	118	118	0	2	62	50	235	29	3	154	230	53	60	7716
2005	JAN	10	3	3	7	10	10	0	1	7	3	18	0	1	12	20	0	45	620
	FEB	8	6	4	2	13	13	0	1	6	6	6	0	0	11	23	0	17	529
	MAR	8	10	8	3	12	12	0	0	3	5	6	0	0	19	21	4	5	725
	APR	10	5	7	4	13	13	0	0	7	4	16	0	1	24	21	2	20	425
	MAY	9	5	7	5	14	14	0	1	NA	NA	15	NA	NA	10	34	0	3	692
	JUN	15	11	2	5	14	14	0	0	7	7	20	3	0	12	39	2	0	649
	JUL	14	9	7	5	14	14	0	0	6	4	37	0	0	21	27	0	0	536
	AUG	10	2	1	2	6	6	0	0	4	2	34	0	0	16	27	0	0	563
	SEP	17	5	7	5	12	12	0	0	3	2	14	0	0	23	31	6	0	670
	OCT	14	4	6	2	12	12	0	0	7	6	32	0	0	31	23	2	0	416
	NOV	18	9	3	6	12	12	0	0	NA	NA	14	NA	NA	19	22	0	2	441
	DEC	12	3	5	2	17	17	0	0	10	6	37	2	2	11	24	4	0	176
2005	Total	145	72	60	48	149	149	0	3	60	45	249	5	4	209	312	20	92	6442

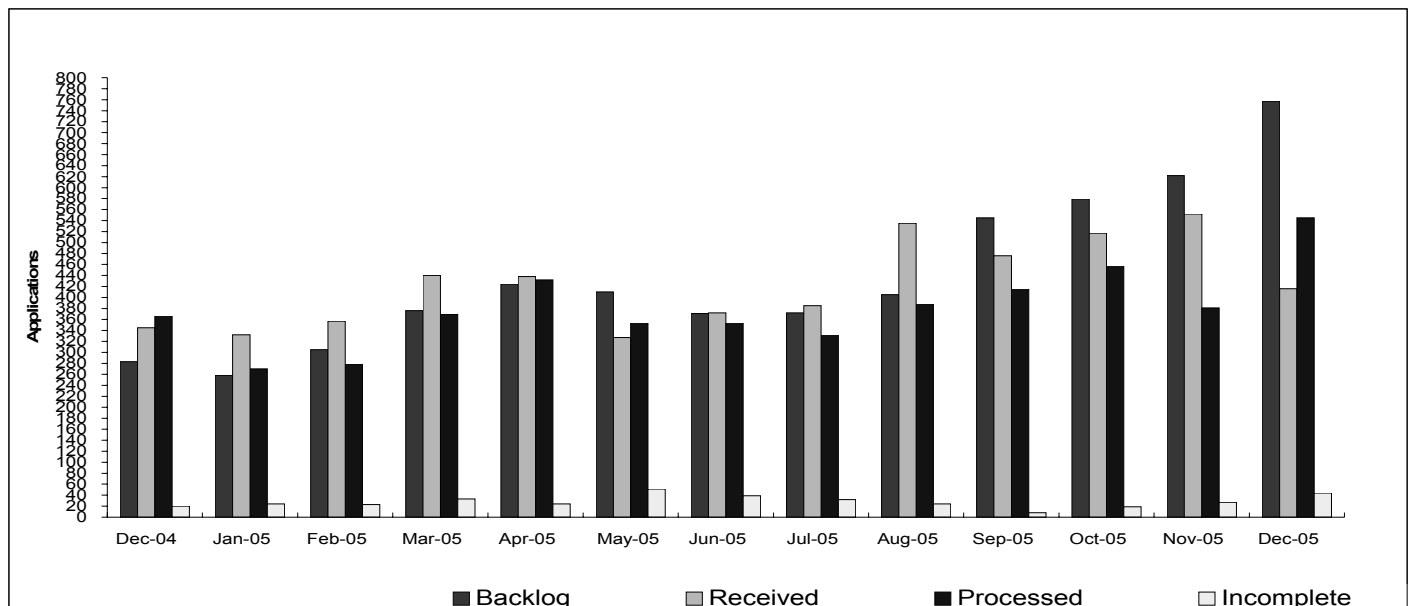
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Colorado Oil & Gas Conservation Commission

Monthly Breakout of Drilling and Recompletion Permits

	Backlog	Received	Processed	Withdrawn	Rejected	Incomplete	In-Process	Remaining
Drilling								
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	21	0	33	385	418
Apr-05	418	413	418	19	0	24	370	394
May-05	394	319	340	13	0	42	318	360
Jun-05	360	364	340	18	0	38	328	366
Jul-05	366	362	312	20	0	31	365	396
Aug-05	396	508	379	6	0	24	495	519
Sep-05	519	461	391	26	0	8	555	563
Oct-05	563	496	437	18	0	19	585	604
Nov-05	604	537	368	34	0	27	712	739
Dec-05	739	390	530	9	0	43	547	590
Recompletion								
Dec-04	9	11	18	0	0	0	2	2
Jan-05	2	36	7	2	0	0	29	29
Feb-05	29	14	29	0	0	0	14	14
Mar-05	14	27	33	2	0	0	6	6
Apr-05	6	25	14	1	0	0	16	16
May-05	16	8	13	0	0	9	2	11
Jun-05	11	8	13	0	0	1	5	6
Jul-05	6	23	19	1	0	1	8	9
Aug-05	9	27	9	1	0	0	26	26
Sep-05	26	15	24	1	0	0	16	16
Oct-05	16	21	19	0	0	0	16	18
Nov-05	18	15	13	1	0	0	19	19
Dec-05	18	26	15	0	0	1	28	29
Total								
Dec-04	283	345	366	4	0	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	23	0	33	391	424
Apr-05	424	438	432	20	0	24	391	410
May-05	410	327	353	13	0	51	320	371
Jun-05	371	372	353	18	0	39	333	372
Jul-05	372	385	331	21	0	32	373	405
Aug-05	405	535	388	7	0	24	521	545
Sep-05	545	476	415	27	0	8	571	579
Oct-05	579	517	456	18	0	19	601	622
Nov-05	622	552	381	35	0	27	731	758
Dec-05	757	416	545	9	0	44	575	619

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



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

Is Drilling Chasing Deer? Debate Surfaces On Effect Surge In Well Sites Has On Wildlife

January 3, 2006
By Kim McGuire
Denver Post Staff Writer

From his home on Silt Mesa, Bob Elderkin once had a view that would make a hunter's trigger finger twitch - a herd of mule deer climbing the sagebrush-strewn mesa each summer to fatten up before winter. That was years ago.

"Today, it's not uncommon now that they hang around all year in the valley," said Elderkin, a veteran hunter.

There is a growing concern among sportspeople and wildlife organizations that the thousands of gas wells being drilled in Colorado are driving wildlife from key winter ranges and migration corridors.

One Wyoming study released last year - funded by the oil and gas industry - found a 46 percent decline in migratory mule deer in a heavily drilled area near Pinedale. The threat of diminishing deer led the Colorado Mule Deer Association and the Colorado Wildlife Federation this past fall to pressure state and federal land managers to adopt set actions aimed at reducing the impact of drilling.

"When you start increasing drilling activity to the level we see today, there's going to be displacement; there's going to be indirect loss and direct loss," said John Ellenberger, a retired big-game manager for the Colorado Division of Wildlife. "What's it going to look like in the end? Well, that's the \$64,000 question, isn't it?"

Colorado wildlife officials concede they lack data on what, if anything, is happening to wildlife and are looking to other Western states for answers.

"We're sharing information because, quite frankly, we're behind the curve," said division spokesman Randy Hampton.

Hampton said that when interest in oil-shale development died in the 1980s, so did much of the state's work assessing the impact of oil and gas exploration on wildlife.

With renewed interest in oil-shale development in the Rockies, evaluating the effect of energy development has risen on the priority list, Hampton said.

Energy companies, which are expected to generate \$8 billion in revenues this year in Colorado, are also studying the issue.

EnCana Corp., Canada's largest energy company, has been tracking wildlife trends on its 45,000-acre ranch in Garfield County, while the Williams Cos., the state's third-largest operator, is studying deer near Parachute and Debeque.

EnCana officials have done some habitat improvement on the ranch, which also has 100 wells, making sure the sagebrush doesn't grow too dense to discourage nesting of the resident 500 greater sage grouse - a candidate for federal endangered-species protection. (Continued on page 17)

(Continued from page 16)

"Since it may end up on the endangered-species list, it's important for us to be proactive," said Kim Kaal, EnCana's environmental coordinator.

Also in Garfield County, Williams has recently completed the fourth year of an ongoing study of mule deer to see whether the animals are avoiding well pads.

"My conclusion to date is that deer are not permanently displaced from (the) area around a well pad," said Kirk Beattie, a wildlife consultant for Williams.

Still, the western Wyoming study, funded by Questar Corp. and Ultra Petroleum Corp., found a significant

of mule deer that winter on a portion of the heavily drilled Pinedale Anticline, also home to a large population of migratory pronghorn antelope.

By comparison, the study found no evidence of a corresponding decline in mule deer on the nearby Wind River Mountain front, which has no oil and gas activity.

Linda Baker, director of the Upper Green River Valley Coalition, a Pinedale-based environmental group, said the industry-funded study offers scientific evidence that oil and gas companies are spoiling crucial wildlife habitat.

"While we applaud some companies for some of the work they've done, it really just amounts to a drop in the biological bucket," Baker said.

Staff writer Kim McGuire can be reached at 303-820-1240 or kmcguire@denverpost.com.

Oil-gas collections offset hike in county spending

BY REBECCA WADDINGHAM

waddingham@greeleytrib.com December 15, 2006

Weld County's property-tax rate will drop again next year despite a 10 percent increase in spending.

County commissioners on Wednesday passed the final version of the 2006 county budget — \$160,498,889 worth — that includes big spending increases for general government and public safety.

But a major jump in the county's total assessed value — 21 percent, to be exact — will offset those costs, and then some.

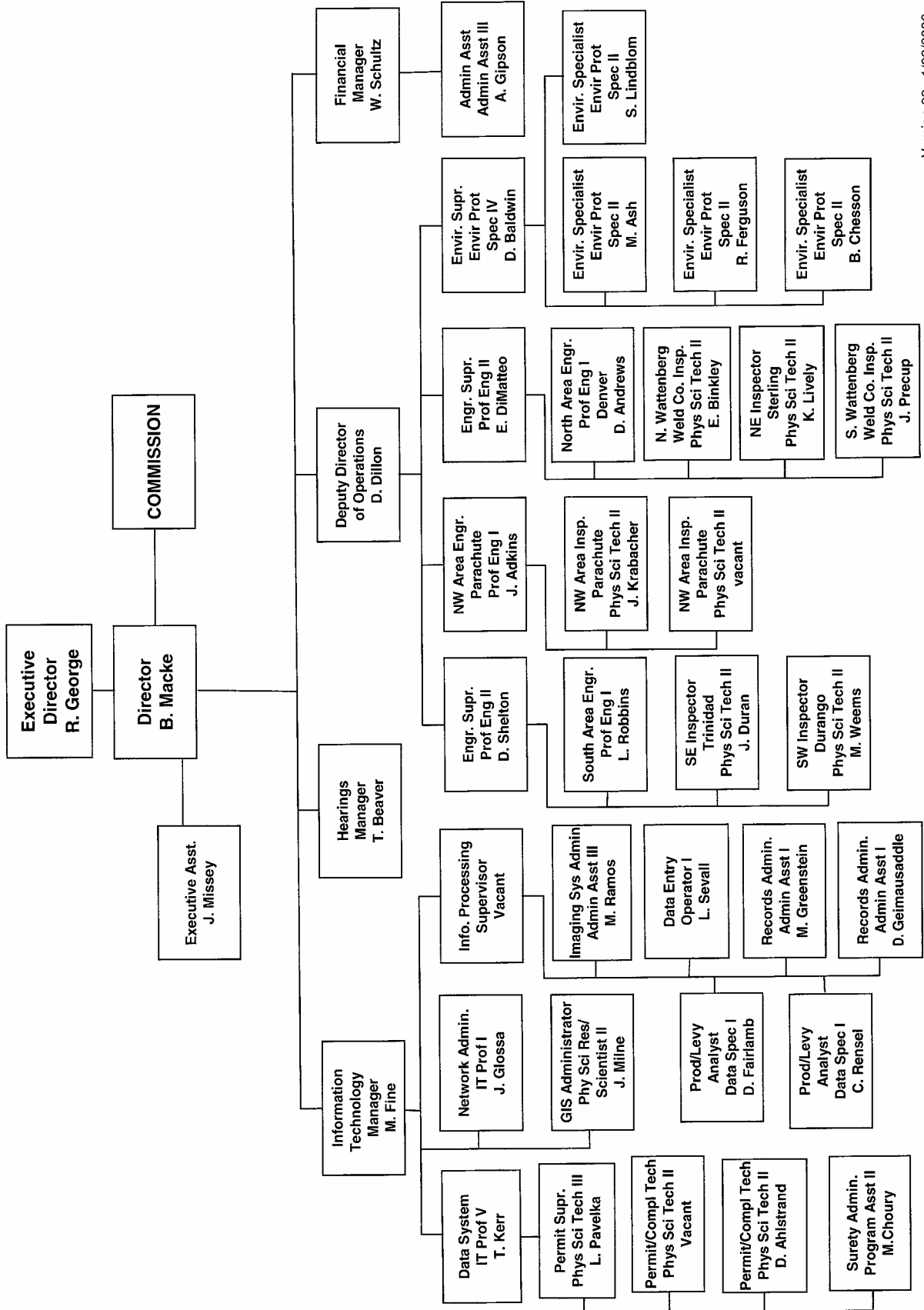
The increase in assessed value is mostly due to money from oil and gas production, which is up 32 percent. Residential and commercial property values rose by about 15 percent, too.

Weld's mill levy, or the property-tax rate, will be 17.9 mills next year. That means for the average Weld home worth \$200,000, the county portion of the property-tax bill will be roughly \$284. That is \$32 less than what homeowners paid in 2005, according to Finance Director Don Warden.

That rate does not affect taxes levied by school districts, special municipal districts or cities, however.

County officials plan to work on the newest phase of the county jail next year, which accounts for the \$2.5 million increase in public safety spending. Without the jail construction costs, the county budget would only have grown by 5 percent, Warden said. Social services and road and bridge project spending will also increase next year.

COLORADO OIL & GAS CONSERVATION COMMISSION ORGANIZATION



HEARING DOCKET: FEBRUARY 2006

Docket Number	Cause	Applicant/Attorney or Representative	Application Received	Field Formation County	Matter	Remarks
0510-GA-04	1	West Evans Commercial Invest., LLC. & Blue Chip Oil, Inc./ Keith M. Crouch	8/8/2005	Wattenberg Codell Weld	Request for an order pursuant to Rule 524, to determine responsible party status with respect to a release of oil and gas from the Anderson-Coombs #6 Well and/or related facilities located in the NW¼ NW¼ of Section 25, Township 5 North, Range 66 West, 6th P.M.	Continued from October and December 2005
0601-UP-02	112	Burlington Resources/ Carleton Ekberg	11/22/2005	Ignacio-Blanco Pictured Cliffs/Mesaverde La Plata	Request for an order to pool the interests of SG Interests, Inc. and Red Willow Production Company in the 320-acre drilling and spacing unit consisting of the W½ of Section 4, Township 32 North, Range 11 West, N.M.P.M.	Continued from January 2006
0601-SP-07	191	Antero Resources Corporation/ William A. Keefe	11/17/2005	Mamm Creek Williams Fork Garfield	Request for an order to establish a 320-acre drilling and spacing unit consisting of the S½ of Section 32, Township 5 South, Range 92 West, 6th P.M., and 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.	Continued from December 2005
0602-UP-03	407	Noble Energy Production, Inc./ Michael J. Wozniak	12/22/2005	Wattenberg Codell and Niobrara Weld	Request to pool all non-consenting interests in the 160-acre drilling and spacing unit consisting of the NW¼ of Section 9, Township 5 North, Range 66 West, 6th P.M.	
0602-GA-01	1R	Colorado Oil & Gas Association Ken Wonstolen	12/21/2005	Statewide	Request for a motion to reconsider Rule 802.	
0602-GA-02	191	EnCana Oil & Gas (USA) Inc. Erika Zimmer Enger	12/27/2005	Mamm Creek Williams Fork Garfield	Request for an order to allow drilling within the Moratorium Area established in Order No. IV-276 for certain lands in Townships 6 and 7 South, Ranges 91 and 92 West, 6th P.M.	
0602-SP-08	191	Antero Resources Corporation/ William A. Keefe	12/27/2005	Mamm Creek Williams Fork Garfield	Request for an order to establish a 320-acre drilling and spacing unit consisting of the S½ of Section 14, Township 6 South, Range 93 West, 6th P.M., and 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.	

PRELIMINARY
01/03/2006

0602-SP-09	191	Antero Resources Corporation/ William A. Keefe	12/22/2005	Mamm Creek Williams Fork Garfield	Request for an order to establish a 320-acre drilling and spacing unit consisting of the N $\frac{1}{2}$ of Section 18, Township 6 South, Range 92 West, 6th P.M., and 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.
0602-SP-10	191	Antero Resources Corporation/ William A. Keefe	12/22/2005	Mamm Creek Williams Fork Garfield	Request for an order to establish two 320-acre drilling and spacing units consisting of the N $\frac{1}{2}$ and the S $\frac{1}{2}$ of Section 2, Township 6 South, Range 93 West, 6th P.M., and 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.
0602-SP-11	191	Antero Resources Corporation/ William A. Keefe	12/22/2005	Mamm Creek Williams Fork Garfield	Request for an order to establish a 320-acre drilling and spacing unit consisting of the E $\frac{1}{2}$ of Section 15, Township 6 South, Range 93 West, 6th P.M., and 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.
0602-EX-01	440	Williams Production RMT Co./ William A. Keefe	12/28/2005	Grand Valley Williams Fork Garfield	Request for an order allowing an exception location to Order 440-23, for the downhole location of the GM-42-1 Well located in the SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 1, Township 7 South, Range 96 West, 6th P.M.
0602-EX-02	112	Energen Resources Corp./ Michael J. Wozniak	12/28/2005	Ignacio-Blanco Fruitland coal seam Archuleta	Request for an order allowing an exception to the permitted location in Order 112-157, for a horizontal producing leg and bottomhole location in the SE $\frac{1}{4}$ of Section 5, Township 32 North, Range 5 West, N.M.P.M. to be no closer than 660 feet from the outer boundaries of the E $\frac{1}{2}$ drilling and spacing unit for production from the Dungan 32-#5-4 Well.
0602-EX-03	112	Energen Resources Corp./ Michael J. Wozniak	12/28/2005	Ignacio-Blanco Fruitland coal seam Archuleta	Request for an order allowing an exception to the permitted location in Order 112-157, for a horizontal producing leg and bottomhole location in the NE $\frac{1}{4}$ of Section 5, Township 32 North, Range 5 West, N.M.P.M. to be no closer than 660 feet from the outer boundaries of the E $\frac{1}{2}$ drilling and spacing unit for production from the Dungan 32-#5-3 Well.

					<p>Staff Recommendation</p>	<p>11/23/2005</p>	<p>Eaton Weid</p>	<p>AOC-Failure by Bonanza Creek Operating Company, LLC to comply with Rules 209., 317.d., 324A.a., 324A.b., and 910.a., for failure to prevent the migration of oil, gas or water, resulting in the degradation of ground water; for failure to prevent the unauthorized discharge of Exploration and Production waste; for performing an act or practice which shall constitute a violation of water quality standards or classifications established by the Water Quality Control Commission for waters of the state; and for exceeding the allowable concentrations for ground water in Table 910-1, for the CEI-Gutterson #1 Well located in the NW¼ SW¼ of Section 9, Township 6 North, Range 66 West, 6th P.M.</p>	
0602-OV-04	1V								