



DEPARTMENT OF NATURAL RESOURCES

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DATE: March 22, 2005

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Division Directors

COGCC Employees

MEGA Board Representatives

Monthly Report Mailing List

MONTHLY STAFF REPORT

I. STATISTICS

Our monthly statistics report is attached. Based on data available to date, 610 Applications for Permits-to-Drill ("APDs") were approved as of March 9, 2005. At that pace, it is estimated that nearly 3,275 APDs will be approved in calendar year 2005. This compares to the record high 2,917 APDs approved in 2004, and 2,249 APDs approved in 2003.

The 2005 drilling permit totals for the top six counties as of March 9th are:

	<u>2005 (% of Total)</u>
Garfield County	168 (28%)
Weld County	159 (26%)
Yuma County	107 (18%)
Las Animas County	58 (10%)
Washington County	20 (3%)
La Plata County	19 (3%)

II. NORTHWEST COLORADO

Attached are newspaper articles of local interest.

◆ Northwest Colorado Oil and Gas Forum

The last meeting of the Northwest Colorado Oil and Gas Forum was held on February 17, 2005 at the Garfield County Fairgrounds. The meeting was well attended by approximately 95 citizens, industry representatives and state, federal and local government representatives. Commissioners Mueller and Potter also attended the meeting. Agenda items discussed at the meeting included:

- An update on Northwest Colorado activity by COGCC staff, Bureau of Land Management ("BLM") staff, Garfield County EAB and industry representatives.
- An update from the BLM on the status of leasing on the Roan Plateau, Area Plans and proposed pipeline projects.
- A status update by EnCana Oil & Gas (USA) staff on the Divide Creek Gas Seep, the Nine Section Soil Gas Survey and the stratigraphic test at the G33 pad.
- Two presentations on pipelines and related issues, strategy, sizing, permitting, construction, basin infrastructure description and functions by Jim Smith of Wagon Wheel Consulting and John Armstrong of Enserca Engineering.
- A public comment period and question and answer periods.

The next meeting of the Northwest Colorado Oil and Gas Forum will be held from **10:00 a.m. until 2:00 p.m. on Thursday, June 2, 2005 at a location to be determined.** The Forum which is co-chaired by COGCC Director Brian Macke and Garfield County Commissioner Larry McCown, consists of representatives from federal, state and local government, the oil and gas industry and all interested citizens. The meetings are currently being held four times during the year. The meeting frequency may be adjusted if changing circumstances create a need to do so.

All parties wishing to be placed on the agenda for presentations need to contact Jaime Adkins at 970-285-9000 or via [e-mail to:jaime.adkins@state.co.us](mailto:jaime.adkins@state.co.us).

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

COGCC and EnCana's investigation of the gas seep in West Divide Creek continues.

The weekly monitored surface water sampling locations (including sample location DSC2) in West Divide Creek have not had detectable benzene concentrations since early December 2004. Nevertheless, the enhanced air sparging system within West Divide Creek continues to operate as an additional remedial action at the gas seep. As before, benzene has not been detected either upstream or downstream of the seep, including new monitoring locations DCS7 and DCS8 implemented in response to the October 2004 reappearance of benzene in the creek. EnCana has run power into the seep remediation area and will be putting the Divide Creek in-stream air-sparge system onto an electrical compressor in the near future.

EnCana continues to sample 28 domestic water wells, 2 irrigation wells, 1 pond, 2 springs, 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, benzene, ethylbenzene, and xylenes have not been detected in any of the water samples collected from these features. EnCana now is collecting water samples from these sites on a monthly basis, except for 3 domestic water wells where high concentrations of biogenic methane have been observed, which are being sampled on a weekly basis. EnCana continues to supply water to area residences, as requested. Toluene, which has been observed in three recently drilled monitoring wells (Cotton, Schwartz, and Price) in past sampling, has been tracked to a "pipe dope" used during water pump installation, and not due to any oil and gas operations or drilling impact. Pumps were installed in all three monitoring wells by the same water well contractor.

EnCana is currently reinstalling these water well pumps to eliminate the toluene bearing “pipe dope”.

◆ Local Project Status Update

During the August 16-17, 2004 Commission hearing in Glenwood Springs, EnCana stipulated to an amended Order Finding Violation finding EnCana responsible for numerous violations of the COGCC rules and regulations that resulted in the release of natural gas and other related compounds from the Williams Fork Formation to West Divide Creek from the Schwartz 2-15B Well. The subsequent fine levied by the Commission and agreed to by EnCana was \$371,200 and has been earmarked for funding three projects.

The largest of these is a hydrogeological study of the ground water and surface water resources of an area within Garfield County, specifically, in four townships south of Silt and Rifle, Colorado (T6SR92W, T6SR93W, T7SR92W, and T7SR93W). The study will focus on the hydrogeology of the Wasatch Formation, in which most water wells are completed, and the surface water resources of West and East Divide, West, Middle and East Mamm, and Dry Creeks, and the ground water in the alluvium adjacent to these creeks.

Garfield County’s RFP for this project has been reviewed by COGCC staff and has been finalized. It will not be put out for competitive bidding until a Memorandum of Agreement that formalizes the procedures for managing the project and compensating the contractors is signed by the parties participating in the hearing. This document has been circulated to all of the parties for their review, with several signatures received to date.

◆ West Divide Creek Seep Shallow Ground Water Contamination Remediation Pilot Test

EnCana is currently evaluating a low-flow air sparging system remedial option for the ground water clean-up. Results of the initial pilot test are very encouraging and the COGCC staff feels that this remediation technique appears to be effective and the most appropriate technique in addressing shallow ground water impact from the gas seep. Decisions on implementation of a “full scale” remediation system for the shallow ground water contamination will be made later this spring after further pilot testing is completed.

III. SOUTHWEST COLORADO

◆ Gas and Oil Regulatory Team (GORT) Meeting

A GORT meeting was held on March 18, 2005.

◆ 3M Technical Peer Review Team Meeting

The 3M Technical Peer Review Team (TPRT) met on January 27, 2005. Approximately 18 people attended the meeting including representatives from La Plata County, Southern Ute Indian Tribe, US BLM, USFS, and three companies with coalbed methane operations in La Plata County. Participants at the meeting discussed the need to attempt to reconcile the different opinions held by various members about whether down basin production is contributing to gas seepage at the outcrop of the Fruitland Formation. The next meeting,

which is scheduled for April 28, 2005, will be a review of data and disparate technical hypotheses.

◆ Emergency Hearing Held in Response to Explosion in the Bondad, Colorado Area

On February 12, 2005 an explosion occurred in a double-wide trailer located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 31, Township 33 North, Range 9 West, N.M.P.M. The resident of the trailer was transported to the burn unit of Mercy Medical Center in Denver, Colorado. La Plata County emergency response and Durango Fire & Rescue Authority began an investigation of the cause of the explosion.

On February 14, 2005 Mr. Butch Knowlton, La Plata County, contacted Mr. Mark Weems, COGCC Field Inspector, and on that day they and representatives of various gas well and pipeline operators met at the site of the explosion to continue the investigation of the cause. It was determined that the site of the explosion is located in an area known to have thermogenic methane gas in the shallow ground water, and is approximately 150 feet south-southeast of the location of the Nick Spatter-Bryce Farm #1 Well (API 05-067-05211) and approximately 150 feet west of a pipeline operated by Red Cedar Gathering Company (Red Cedar). The Nick Spatter-Bryce Farm #1 Well (API 05-067-05211) was drilled in the late 1930's. This well was known to have leaked gas and a memo in the well file indicates that in 1966 the well was flaring through the well marker. This memo also notes that bubbling water was observed to the west of the flaring well. Although COGCC records indicate one well at this location, records obtained from the Southern Ute Indian Tribe on February 18, 2005 show that there may have been another well (Bryce Farm #1X) at this location also. During 1994 the COGCC, using Environmental Response Fund (ERF) money, plugged what was thought to be the Nick Spatter-Bryce Farm #1 Well.

On February 15, 2005 COGCC's third party contractor was onsite and collected gas samples from a place under the trailer/explosion site where gas was venting from the ground and from the headspace of the associated water well. These samples were submitted to a laboratory for compositional analysis. COGCC's third party contractor also used a gas meter to survey the area around the Nick Spatter-Bryce Farm #1 Well, the trailer/explosion site, and the associated water well. Elevated levels of flammable gas were detected in these areas. Red Cedar personnel pressure tested its pipeline, which is located east of the explosion site. The pipeline passed this test. In addition, Red Cedar personnel conducted a preliminary gas survey of the area around the Nick Spatter-Bryce Farm #1 Well, the trailer/explosion site, the pipeline right-of-way, and land to the west of the explosion site and found a number of areas of high flammable gas concentration.

On February 16 and 17, 2005 the analytical results from the gas samples were received and evaluated by COGCC staff. The gas from the vent in the soil under the trailer was approximately 92 percent methane, 6 percent carbon dioxide, with trace amounts of C2 through C6 compounds, which clearly showed the gas was not propane fuel, nor processed gas, but most likely gas from the Fruitland Formation. The sample from the headspace of the water well contained too much air to achieve reliable analytical results.

On February 21 through 23, 2005, COGCC's third party contractor with support from La Plata County conducted a detailed soil gas survey of the impacted area, surveyed four nearby residents, and the nearby Animas Fire District station. The soil gas survey showed that every

high concentration of flammable gas occurs in the vicinity of the Nick Spatter-Bryce Farm #1 Well and in the vicinity of the site of the explosion. High concentrations of flammable gas were detected in the Animas Fire District station. Flammable gas was not detected in the four houses that were surveyed; however previous samples collected from the water wells associated with the four houses and the fire station and its attached apartment all contained high concentrations of methane. The results of the soil gas survey and the previous water quality sampling indicated that to ensure the safety of the occupants of the four houses and the fire station it was necessary to install monitors that would be capable of detecting flammable gas in the dwellings and in the crawl spaces or basements of these structures. COGCC's third party contractor was tasked to identify, purchase, and install the most appropriate equipment. The soil gas survey and the installation of the flammable gas detectors are estimated to cost approximately Fifty Thousand Dollars (\$50,000). Installation of the monitoring equipment is scheduled for the week of March 14, 2005 and will begin with the fire station and its attached apartment.

On February 25, 2005 the COGCC Commission held an emergency hearing and authorized the expenditure of \$200,000 from the ERF balance for the investigation and mitigation of significant adverse impacts to public health, safety, and welfare, and to the environment that are the result of oil and gas operations. Currently, staff is working with the JBC and OSPB to expedite the legislature's appropriation of these funds so they can be used for their intended purpose.

COGCC hired another third party contractor to collect water samples from the water wells associated with the nearby structures and any others identified as having potential for impact for analysis of methane, stable isotopes of methane and carbon dioxide, and inorganic constituents. Sample collection was initiated on February 28, 2005. In addition, it was determined that a complete investigation of the entire affected area was necessary to determine the cause of the methane seepage, to identify mitigation measures, and to develop a detailed mitigation plan. Estimated costs for this work includes \$30,000 for geophysical surveys necessary to attempt to identify the exact locations of the two known wellbores and any others, abandoned pipelines, utility corridors, or other conduits for gas and fluid migration; \$10,000 for detailed geologic mapping of the approximately 160 acres surrounding and including the trailer/explosion site; and \$90,000 for excavation and reclamation activities that will require heavy equipment to remove the approximately ten feet of Quaternary gravel terrace deposits that cover the area, obscure the bedrock, and make identification of the exact locations of the existing wellbores impossible.

On March 10, 2005, COGCC Environmental Supervisor Debbie Baldwin met with the injured landowner who has been discharged from the hospital. He has granted permission for the COGCC and our contractors to enter his property to continue our investigation. During the week of March 14, 2005 the landowner, COGCC staff, and contractors will meet at the explosion site to evaluate what of his personal belongings can be salvaged and to make arrangements for clearing and disposing of the remainder. The site must be cleared before our investigation can proceed.

◆ Archuleta County

The Fruitland Outcrop – Initial Reconnaissance Report, November 2004 is available on the COGCC website (visit www.oil-gas.state.co.us, Library, San Juan Basin Studies, Archuleta

County Reports). It was prepared on behalf of Elm Ridge Resources, Inc. (Elm Ridge), Petrox Resources, Inc. (Petrox), and BP, Inc. (BP). Elm Ridge and Petrox, who are the majority lease holders in the eastern half of the northern rim of the San Juan Basin in La Plata and Archuleta Counties, Colorado. BP has taken the responsibility for monitoring the portion of the outcrop in La Plata County that was included in this initial reconnaissance only. Future monitoring of the portion of outcrop in La Plata County will be incorporated into the ongoing outcrop monitoring required by COGCC Order Nos. 112-156 and 112-157. This initial reconnaissance has been initiated as a proactive and voluntary effort by these operators to document existing conditions of vegetation and seep activity along the outcrop of the Fruitland Formation prior to future CBM development as recommended in the DEIS.

The project area includes approximately 18 miles of outcrop starting four miles west of the La Plata County – Archuleta County boundary and extending southeast along the outcrop to the Southern Ute Indian Tribe Reservation Boundary near the confluence of the Piedra River and Stollsteimer Creek.

The objective of this effort was to identify any areas where methane gas was currently seeping from the outcrop of the Fruitland Formation. Over time, continued monitoring will be implemented to document changes, if any, in methane seep activity within the project area. The overriding goal of the monitoring program is to ensure the safety of the public and the environment.

LT Environmental (LTE), the third party contractor conducting this work, has already proposed conducting infrared aerial (IR) imagery acquisition in May 2005 for the outcrop area within Archuleta County. The IR imagery will be used to establish more completely the preproduction conditions across the entire project area. This initial work included an aerial reconnaissance of the entire outcrop followed by field inspection in suspect areas. Suspect areas are defined as areas of stressed and dead vegetation on the outcrop of the Fruitland Formation and areas where rivers and creeks cross the outcrop (i.e., the Piedra River south of US Highway 160). The initial reconnaissance did not identify any areas along the outcrop that appeared to contain active methane seepage. All suspect areas identified appeared to be the result of beetle infestation, over grazing, and/or drought. Methane was not detected at any of the more than 160 areas observed. LTE has recommended field verification of suspect areas identified during the proposed 2005 IR imagery acquisition program in July 2005. The field verification activities would be performed in a manner similar to this survey as a means to monitor changes at the outcrop over time.

IV. ORGANIZATION

◆ Staff Organization

Our current organizational chart is attached, including the new Information Technology Manager position, which has been reallocated from the former Deputy Director position. The announcement for the new Information Technology Manager position closed on March 7, with 32 people applying for the position.

Loren Avis, who has been an Environmental Protection Specialist for the COGCC for 11 years has announced his retirement from the COGCC effective April 30, 2005. Loren has provided admirable service during his time with the COGCC, especially with his leadership in addressing

issues and managing studies on behalf of the COGCC in the Raton Basin. Loren will be missed, and we all wish him happiness in his new life.

V. PLANNING/ADMINISTRATION/OTHER

◆ COGCC Office Space Lease Expiration

The current COGCC office space lease in the Chancery Building will expire on August 31, 2006. The extensive state government agency process for renewing leases includes a requirement to examine office space in other buildings and a potential move. Because it is prudent to allow at least 18 months for this process in case a new office space buildout and move is necessary, the COGCC has been working with The Staubach Company, who is the new state office space brokerage contractor, to work on addressing the COGCC's office space needs.

◆ Noise Regulation Update

The Noise Regulation stakeholders group met on February 17 and March 10, 2005. We are working on a draft proposal and will schedule a final meeting in the near future.

◆ Public Outreach Opportunities

Brian Macke participated in a meeting of the Club 20 Energy Subcommittee in Grand Junction on Tuesday, February 15 to discuss the new COGCC onsite inspection policy as part of a panel discussion on split-estate energy development along with Colorado Oil and Gas Association representative Ken Wonstolen.

COGCC Commissioners Mueller and Ashby and Brian Macke, Morris Bell, Tricia Beaver and Elaine Winick attended the annual Department of Natural Resources Legislative Reception at the Colorado Museum of History on March 10. The COGCC provided its exhibit display at the reception.

Brian Macke, Morris Bell, and Commission Chairman Peter Mueller provided a briefing on COGCC regulation of surface impacts from oil and gas development to the Colorado House of Representatives Agriculture, Livestock, and Natural Resources committee on March 16.

Brian Macke and David Dillon have been invited to give a presentation at an oil and gas public informational session for the San Miguel and Montrose County residents in Norwood on March 24, 2005. COGCC staff will provide a discussion of COGCC rules and regulations and a description of the Local Governmental Designee program, among other topics.

◆ Onsite Inspection Policy

To date the COGCC has received 3 requests for onsite inspections under the newly 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 submitted after February 15, 2005. The Onsite Inspections will be performed once the Applications for Permits-to-Drill are submitted to the COGCC by the operators.

◆ COGCC Surveying Rules Update

COGCC staff is working with the Colorado Board of Professional Engineers and Land Surveyors to draft a policy allowing well plats without field measured distances.

◆ Penalties Status

Attached is a revised table showing the status of penalties paid and penalties pending collection.

◆ April Hearing Docket

A preliminary docket for the April 2005 hearing has been provided. Hearing dockets are available on our website by clicking on "Hearings". Links to the hearing applications and notices are available from the Docket by clicking on the Applicant and the Docket Number, respectively.

To sign up for e-mail notification of hearing notices and applications please see the announcement and instructions on our main web page.

◆ COGCC Forms Changes

In an effort to meet requirements due to the new Onsite Inspection Policy and the digital log upload capability, the Application for Permit-to-Drill, Form 2, and the Designation of Agent, Form 1A, have been updated. The new versions of the forms are available as Adobe™ PDF file downloads from the COGCC website (<http://oil-gas.state.co.us>) on the forms page. Forms will be mailed upon request, by calling (303) 894-2100 extension 100.

It has been suggested that the Completed Interval Report, Form 5A is lacking sufficient dates to capture the completion date and the date of first production. Any comments on other suggested changes should be sent to thom.kerr@state.co.us.

◆ 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
 - These are Adobe Acrobat documents that can be downloaded, completed, printed and mailed. Some example and instruction documents are viewable. Eventually, online forms will be available here, but the exact time frame is unknown.
- Staff Report
 - Current and previous staff reports, with attachments, are viewable here.
- Permits
 - This application shows the last 12 months of approved permits and current pending permits; it may be filtered by county.
- Database
 - This application enables users to query well, production and operator information. These queried databases contain the most current set of data and are updated throughout the day.
- Local Gov
 - This application provides database searches for local government contact information and oil and gas activity within a selected area.
- Images
 - This application is an interface to the COGCC's historical paper files. All well files, logs and hearing files have been scanned. This application is not user friendly and the preferred method is to use the database queries and click on the "docs" icon for wells and other facilities, or to use the Orders application.
- Maps
 - This interactive map application allows the user to zoom, pan and select types of information to display. This application will also display the database information for wells by selection tools or double clicking on a single item. There are also tools to allow annotations and to save reusable map files.
- Reports
 - This area is still in development; the application malfunctions. The goal is to have selectable data sets and statistical queries.

- Local Area Network
 - The COGCC staff is connected to services by a Local Area Network (“LAN”) connection which provides e-mail and data sharing capabilities. The LAN is connected to the Centennial Building at 1313 Sherman Street by a wireless interface; this connection provides access to the Internet and other state services. COGCC staff utilizes the same applications in its work as Internet users, in addition to others outlined below.
- Database
 - The COGCC maintains a comprehensive database of regulated facilities (wells, pits, injection sites), incidents (inspections, complaints, spills), and affiliations (companies, contacts, staff).
- Imaging
 - This application provides the capability to convert the paper documents received by the Commission to electronically available documents.
- Form Processor
 - This set of applications allows users to input, route, edit and update regulatory reports submitted by oil and gas operators.
- Geographic Information Systems (“GIS”)
 - These applications provide the capability to create custom maps, convert survey calls to geographic coordinates, and convert and utilize geographic positioning system (“GPS”) data.
 - The GIS Administrator creates daily updates for the Internet map data downloads.
- COGIS Tools
 - This set of applications allows staff to correct data in the database in addition to performing specialized workflow administration.
- Remote Users
 - This is the final component of the COGIS system. The deployment of this system was delayed due to database synchronization problems; laptops have been deployed to COGCC field inspectors and environmental staff. While the application is still buggy, the feedback is that having information available in the field is a tremendous asset. This laptop system consists of Internet applications, and other report tools necessary for COGCC field staff to facilitate data collection and provide information.
- Electronic Business
 - There are approximately 200 operators reporting production electronically.

◆ COGIS Projects, Updates and Changes

- Hearing and Environmental File Indexing Project
Indexing of the hearing files is complete with the exception of the NGPA hearing files. The hearing files will be boxed and moved to archives in the near future. One person is currently working on indexing the environmental files. Reclamation project files are being scanned and indexed, starting with the largest reclamation projects. Only a few of these have been scanned, with completion expected by June 30, 2005.

One person is working on scanning and indexing the old plat maps, field inspections, bradenhead tests, and various other documents that had been unsorted when the files were first scanned. This is 20% complete and should be completed within the next two

months. As the other groups of documents are completed, the staff will assist with indexing of the environmental files.

- LAS File Upload
This project provides operators with a method to submit digital well logs to the COGCC over the Internet. This project, originally planned for completion in September, had been delayed primarily due to the need to change the contractor at the outset of the project. Beta testing was concluded in January and the application is now available from the “Forms” page on the COGCC web site <http://oil-gas.state.co.us>.
- Network Refresh Project
This project is the replacement of the local area network equipment and the link to the Department for enterprise applications, email and Internet. The equipment is being replaced due to age, and the link is being replaced to provide redundancy and additional bandwidth. The equipment has been delivered and configured and is in the testing phase. The project is expected to be completed by mid March.
- Delinquent Operations Report
This project is being designed to identify forms/reports that may be required and may be missing from the COGCC database. The software development is in final testing and the data cleanup is well underway, but will take several months. In the future, oil and gas operators will be 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 has a scope of work and an approved bid on the cost of development. Development is expected to begin the last week of March. Many thanks to Mr. Dewey Gerdom of Petroleum Development Corporation for his insight into the need for such a data set.
- Spacing Orders Project
The spacing orders are being evaluated and posted on the maps, with approximately seventy-five percent (75%) of the state having been reviewed.
- Database Cleanup Project
The database cleanup project has been halted, with almost 35,000 historic well records updated. The project was stopped due to funding availability. There are just under 28,000 well records that have not been updated.
- US Standard XML Reporting Project
COGCC, GWPC, BLM, MMS, API and agencies from several other states have been working together to establish an XML file format for permitting wells and reporting well completions. The group has completed a business case for this project and a DOE grant request has been submitted to fund the development. This project is currently being tested in California with a prototype standard that has been published and is in the review process prior to becoming a national standard.

- Reports Online Project

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

VI. VARIANCES

A variance to Rule 325.o. has been given to GeoMet Operating Company to allow additional time to convert the East Rangely Federal #1-17 Well to a water disposal well. Rule 325.o. requires injection permits to be approved within six months but will allow a three month extension for a total of nine months. Geomet submitted the injection permit for the Federal #1-17 Well on March 29, 2004. Geomet was not able to complete conversion of the Federal #1-17 Well within the allowable time due to rig availability and weather. GeoMet has been granted an additional ninety days to complete the required work.

A variance under Rule 502.b. to the provision in Order No. 112-168 for reporting perforation data and production data separately for the Lewis Shale from the Mesaverde Formation has been granted to Burlington Resources. Burlington has drilled and tested sixteen 80-acre infill wells since the Order was approved and has filed Production Allocation Forms with the COGCC for each well. Based on these initial allocations, monthly production is reported to the COGCC on the Operator's Monthly Report of Operations. Since the monthly allocations are (and will continue to be) based entirely on the initial allocation, the monthly allocations have no particular value. On the average, the Lewis Shale contributes some 10% of the Mesaverde Formation volume and the variation between wells is not large.

A field wide variance was granted to all operators affected by the Notice to Operators Drilling Williams Fork Wells in the Mamm Creek Field dated July 23, 2004. It was worded as follows: "You are hereby granted a field wide variance to the Notice to Operators Drilling Wells to the Williams Fork Formation in the Mamm Creek Field dated July 23, 2004. The variance affects the requirement to monitor the annular fluid level for four hours after production casing cementing prior to setting slips. You have the option of setting casing within one (1) hour of bumping the plug and circulating mud across the casing head until after the transition period, recording all mud losses to the annulus on the Sundry Notice request for approval to complete the well. We will issue a revised Notice to Operators to reflect this option in the near future."

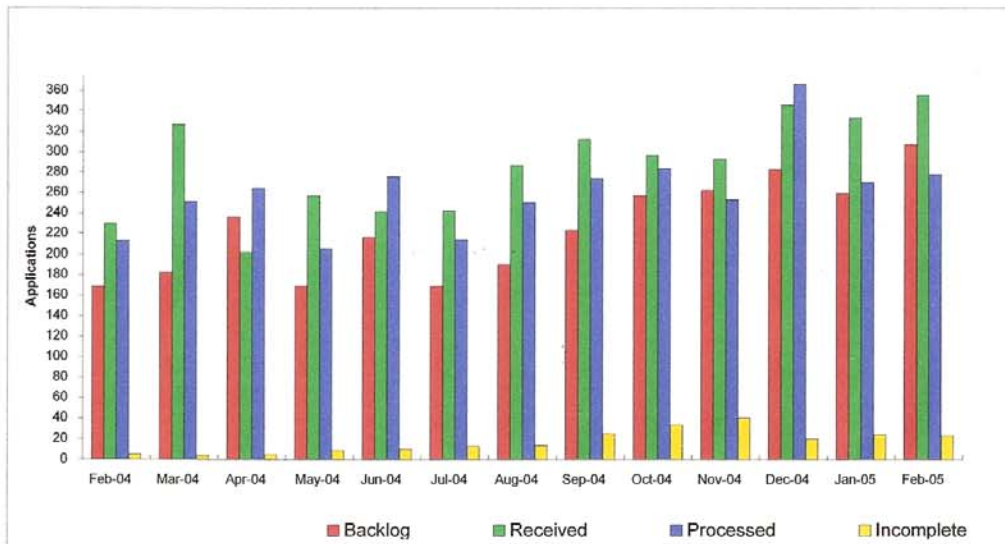
The variance was intended to address concerns that moving the casing after the cement transition period may be causing the formation of a micro-annulus and could be a contributing factor to bradenhead pressure showing up later in some wells. The option given accomplishes the same goal as originally intended without the potential of causing a micro-annulus.

Colorado Oil & Gas Conservation Commission

Monthly Breakout of Drilling and Recompletion Permits

	Backlog	Received	Processed	Withdrawn	Rejected	Incomplete	In-Process	Remaining
Drilling								
Jan-04	128	240	200	2	0	2	164	166
Feb-04	166	217	206	4	0	5	168	173
Mar-04	173	302	243	5	0	4	223	227
Apr-04	227	194	254	5	0	4	168	162
May-04	162	240	196	4	0	9	193	202
Jun-04	202	228	258	9	0	10	153	163
Jul-04	163	236	208	8	0	12	171	183
Aug-04	183	268	236	3	0	13	199	212
Sep-04	212	295	268	4	0	25	220	245
Oct-04	245	281	268	8	0	32	218	250
Nov-04	250	284	242	18	0	39	235	274
Dec-04	274	335	348	4	0	20	237	257
Jan-05	257	297	263	13	0	24	254	278
Feb-05	278	343	249	8	0	23	341	364
Recompletion								
Jan-04	7	10	12	2	0	0	3	3
Feb-04	3	13	7	0	0	0	9	9
Mar-04	9	25	8	17	0	0	9	9
Apr-04	8	8	10	0	0	1	6	7
May-04	7	17	9	1	0	0	14	14
Jun-04	14	13	18	3	0	0	6	6
Jul-04	6	6	6	0	0	1	5	6
Aug-04	7	19	14	1	0	1	10	11
Sep-04	11	17	16	0	0	0	12	12
Oct-04	12	16	16	0	0	1	11	12
Nov-04	12	9	11	1	0	1	8	9
Dec-04	9	11	18	0	0	0	2	2
Jan-05	2	36	7	2	0	0	29	29
Feb-05	29	12	29	0	0	0	12	12
Total								
Jan-04	135	250	212	4	0	2	167	169
Feb-04	169	230	213	4	0	5	177	182
Mar-04	182	327	261	22	0	4	232	236
Apr-04	236	202	264	5	0	5	164	169
May-04	169	257	205	5	0	9	207	216
Jun-04	216	241	276	12	0	10	159	169
Jul-04	169	242	214	8	0	13	176	189
Aug-04	190	287	250	4	0	14	209	223
Sep-04	223	312	274	4	0	25	232	257
Oct-04	257	297	284	8	0	33	229	262
Nov-04	262	293	253	19	0	40	243	283
Dec-04	283	346	366	4	0	20	239	259
Jan-05	259	333	270	15	0	24	283	307
Feb-05	307	355	278	8	0	23	353	376

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



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

Colorado Oil Gas Conservation Commission
Monthly Statistics

YEAR	MO	Baker - Hughes rig count	Permits						Uncredited Historic Records	Public Visits			Well Oper Change			
			Drilling		Recompletion		Injection			Pits		Data		Office	Internet	
			Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd	718	874	175690	4555
2002	Total		2008	2051	174	177	30	25	252	229						
2003	JAN	31	177	183	8	11	2	2	3	15	23963		82	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	261956	3637
2004	JAN	45	200	240	12	10	0	1	36	7	25283		37	49	31236	356
	FEB	46	206	217	7	13	4	1	1	0	25423		44	30	31292	238
	MAR	50	243	302	8	25	2	3	2	9	25561		51	70	32931	358
	APR	51	254	194	10	8	5	2	34	36	25666		58	64	33241	214
	MAY	52	196	240	9	17	1	2	4	17	25732		41	56	31958	251
	JUN	51	258	228	18	13	3	4	6	4	25870		38	46	32273	243
	JUL	52	208	236	6	6	0	2	7	4	26017		40	43	30939	276
	AUG	60	236	268	14	19	0	1	8	42	26108		33	39	35060	357
	SEP	59	258	295	16	17	6	4	33	46	26421		40	61	38247	1915
	OCT	59	268	281	16	16	2	1	54	29	26657		65	31	42069	499
	NOV	61	242	284	11	9	1	0	38	19	26819		60	30	42433	328
	DEC	64	348	335	18	11	0	0	15	4	26968		43	30	41448	725
2004	Total		2917	3120	145	164	24	21	238	217			550	549	423127	5760
2005	JAN	65	263	297	7	36	0	0	8	7	27262		60	41	49839	1521
	FEB	70	249	343	29	12	1	0	17	5	27427		44	71	51277	76
2005	Total		512	640	36	48	1	0	25	12			104	112	101116	1597

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

Colorado Oil Gas Conservation Commission
Monthly Statistics

YEAR	MO	Operators		Release		Bonds		Claim		Hearings		Violations		Remediation		Field Insp		
		New	Inactive	Ind.	Blanket	Replace	Ind.	Blanket	Apps.	Order	NOAV	AOC	OFV	Complt	Spills		Rcvd	Comp
2002	Total	63	97	62	58	98	2	1	63	52	280	5	21	176	206	80	58	6499
2003	JAN	8	6	8	3	5	0	0	3	4	30	1	0	5	20	6	1	522
	FEB	10	7	2	2	10	0	0	4	2	10	1	0	9	16	3	8	590
	MAR	6	8	5	4	13	0	0	7	3	8	1	0	13	17	4	1	655
	APR	6	4	9	1	7	0	0	7	5	24	0	1	22	17	6	1	645
	MAY	5	3	2	5	10	0	0	NA	NA	8	NA	NA	14	17	6	3	857
	JUN	3	6	2	3	8	3	0	7	4	5	1	0	20	20	5	9	765
	JUL	5	6	3	2	15	0	0	1	0	17	0	0	17	23	3	1	529
	AUG	6	7	4	1	8	0	0	6	7	12	2	0	9	14	5	2	631
	SEP	8	12	10	0	10	0	0	3	2	16	0	0	13	21	4	1	702
	OCT	10	7	6	7	12	0	0	2	2	9	0	1	14	24	13	7	589
	NOV	5	3	2	3	12	0	0	NA	NA	9	NA	NA	8	18	21	8	514
	DEC	9	3	5	0	14	0	0	5	2	13	1	0	13	15	3	3	505
2003	Total	81	72	58	31	124	3	0	45	31	161	7	2	157	222	79	45	7504
2004	JAN	5	10	8	7	5	0	0	9	8	10	4	0	15	23	3	3	622
	FEB	5	4	4	3	11	0	0	7	3	17	2	0	19	22	5	5	745
	MAR	3	7	5	8	7	0	1	16	16	15	13	0	23	25	13	3	706
	APR	7	8	7	4	11	0	1	4	4	53	1	0	15	22	3	0	568
	MAY	12	3	0	0	10	0	0	8	7	27	2	0	10	22	7	8	984
	JUN	13	6	0	0	10	0	0	NA	NA	24	NA	NA	14	17	8	9	716
	JUL	8	2	4	2	12	0	0	9	4	14	4	0	11	16	7	5	566
	AUG	16	4	2	6	10	0	0	4	3	15	3	1	11	24	4	3	662
	SEP	8	7	8	0	12	0	0	4	4	19	0	0	16	17	8	22	709
	OCT	8	3	3	2	13	0	0	0	0	9	0	0	8	19	10	1	623
	NOV	10	6	9	1	9	0	0	1	1	10	0	2	6	8	0	1	398
	DEC	10	3	5	3	8	0	0	NA	NA	19	NA	NA	3	12	10	8	417
2004	Total	105	63	55	36	118	0	2	62	50	232	29	3	151	227	78	68	7716
2005	JAN	10	3	3	7	10	0	1	7	3	18	0	1	12	19	8	14	554
	FEB	8	6	4	2	13	0	1	6	6	4	0	0	7	23	10	23	471
2005	Total	18	9	7	9	23	0	2	13	9	22	0	1	19	42	18	37	1025

Booming out of the energy bust

The Daily Sentinel
February 6, 2005

By **BOB KRETSCHMAN**
The Daily Sentinel

Larry Kent knows all about the energy industry's boom-and-bust cycles.

Kent, who today leads Halliburton's rapidly growing natural-gas service operation in Grand Junction, moved to the Grand Valley in the midst of the oil-shale boom to work in the local natural-gas industry.

"We bought a house in the Ridges in 1980," Kent said, "and sold it five years later for about half of what we paid for it."

Exxon's pullout from oil-shale development in 1982 sparked an economic collapse in Mesa County that still has many residents and local leaders gun-shy about the energy industry. But Kent and others say the natural-gas boom is here to stay for a long while.

"We see this as a very young valley as far as gas development goes," Kent said.

GROWTH UNDER THE RADAR

The growth of the natural-gas industry in Mesa County is taking place largely under the conventional radar. Gas service businesses generally don't host ribbon-cuttings when they open their doors, they don't have grand-opening sales, and you don't see them advertising their services on bus-stop benches. But as drill rigs sprout on skylines throughout western Colorado and eastern Utah, Grand Junction has quietly become a regional center for an entire industry servicing the gas fields.

Halliburton and Schlumberger, two of the leading oil and gas service companies in the world, both have established operations in the Grand Junction area. In addition, a host of smaller companies that provide a variety of drilling and production services are growing in the Grand Valley. As the gas fields grow, so does the number of people employed in the industry.

Halliburton, for example, came to Mesa

County in 1996 and today occupies a 20-acre site at 32 and D roads. Kent said the company's local office has 350 employees, and all but a handful live in the Grand Valley. By June or July, Halliburton's local work force is likely to total about 400, he said.

The average annual salary at Halliburton is \$45,000, and first-year workers with a high-school education, a clean driving record and no history of drug use can sign on between \$35,000 and \$40,000 per year, Kent said.

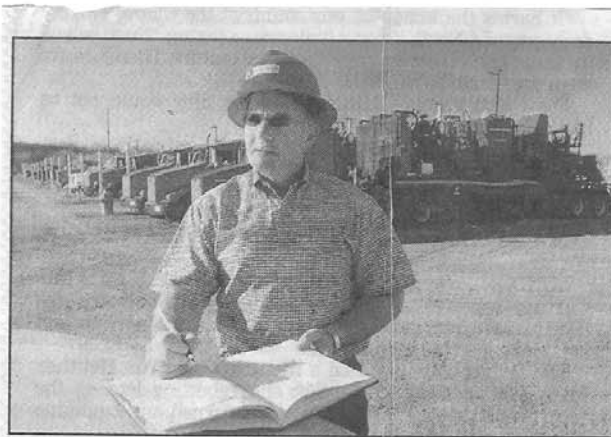
Halliburton's local payroll totaled about \$16 million last year, he said.

"They're good jobs, and they pay well," said Sally Schaefer, former chairman of the Grand Junction Economic Partnership.

A DIFFERENT KIND OF BOOM

Schaefer said the Grand Junction community should leave behind the fears of the oil-shale bust and embrace the gas industry

See **ENERGY**, page 4A ➤



CHRISTOPHER TOMLINSON/The Daily Sentinel

LARRY KENT, WHO heads Halliburton's natural-gas service operation in Grand Junction, is optimistic about the current energy boom in the Grand Valley even after experiencing the bust of the 1980s.

► Continued from Page One

and the jobs it brings.

"We need to get off being scared of oil and gas," she said. "They're here, and we need to welcome them."

A crucial difference between the oil shale boom and the natural gas boom is the level of economic diversity that the Grand Junction area has achieved in the past 20 years, she said. In the early 1980s, oil shale was the only major industry in the area; today, Grand Junction has several thriving industries, such as retail, medical and construction.

"We need to work to keep a variety of industry clusters healthy," Schaefer said.

No one can provide a precise count of gas-related employment in Grand Junction, but by all accounts, the number is growing. Local governments in Mesa County received more than \$2 million last year in distributions from Colorado's mineral severance tax, which is divvied up according to the number of production-related employees who live within each county or municipality. The Colorado Department of Local Affairs determined through a survey of gas production companies that 817 such employees lived in Mesa County last year.

That figure includes only

production-related employees. Workers employed by drilling and exploration companies don't count in the severance-tax distribution formula.

In comparison, Garfield County was home to 900 production employees.

Those figures are notable because the vast majority of gas wells are being drilled in Garfield County, yet almost half of the production employees live in Mesa County.

"This is a central location for us," Kent said. Halliburton and many other gas industry-support companies also work gas fields in eastern Utah; many of the gas fields in far western Colorado and in eastern Utah were developed during the 1970s and 1980s. Kent said his company services wells near Moab, Price, and Escalante, Utah.

ECONOMIC SPINOFF

The gas industry also creates substantial spinoff economic effects. For example, drill rigs need water to fracture rock deep underground and free trapped gas, so more than 100 trucks stay busy carrying water to the gas fields. Vehicles owned by the various service companies require maintenance, creating business for local mechanics and dealerships.

In addition, Kent said, Halliburton uses about 10,000 gallons

of diesel fuel each day — all of it purchased locally — to run pumps and other equipment at the rigs. Other companies also use considerable amounts of fuel.

Companies also spend money to build, maintain and expand their facilities. This year, Halliburton expects to spend more than \$4 million to develop more shop space and truck parking on 25 acres next to its main site on 32 Road, Kent said.

The dollars spent by gas-industry workers and companies in the local economy turn over at least three times, said Jim Evans, executive director of the Associated Governments of Northwest Colorado. If that economic multiplier is accurate, Halliburton's \$16 million payroll alone could have a \$48 million impact on the local economy. Add the salaries of at least several hundred more gas employees who work for Schlumberger and other firms in Mesa County, and the economic impact could come close to \$100 million.

OUTLOOK FOR THE FUTURE

So how long will the gas boom last? Kent said he expects steady business for the next three years.

"Our activity level is tied to the commodity price," he said. If the price of natural gas drops

to a point where revenue no longer covers the cost of extracting the gas from the tight underground rock formations of western Colorado, the industry will decline.

But Kent said he doubts gas prices will drop that low. A large number of utilities have converted to natural gas as a fuel for electrical generation because it burns cleaner than coal, and there's no sign that demand for natural gas is falling.

In addition, he said, new pipelines have been built to carry western Colorado gas out of the region to other parts of the country, ensuring a long-term market.

Still, the resource will run out someday, he said, whether it's because all the gas is tapped out or government land managers have restricted the industry's access to some parts of the gas field.

"It's not a renewable resource," Kent said.

Evans said local governments can enjoy the benefits of the gas industry while it is here, as long as officials keep in mind that they need to maintain economic diversity.

"Ultimately, oil and gas and mining are temporary uses of the land with reclamation required, although 'temporary' may be 40 or 50 years," Evans said. "But it's good to have those jobs in the mix."

Mesa County commissioners back Roan recommendation

RIFLE (AP) — Mesa County commissioners are supporting federal officials' recommended management plan for natural gas development on and around the Roan Plateau.

The Bureau of Land Management last fall released its draft plan for the mineral-rich and biologically diverse Roan Plateau above the Colorado River valley. The plan included five alternatives, ranging from one allowing up to nearly 1,600 natural gas wells, including 200 on top of the plateau, to an alternative to keep the status quo of allowing up to 855 wells, including 10 on the plateau's top.

"Somewhere between those two opposites is how we felt the issue should be addressed," County Commissioner Tillie Bishop said. "That takes into account the conservation-

ist or environmentalist side and the development side."

Bishop and other commissioners submitted a one-page comment in support of alternative three, the BLM's preferred alternative. That option features a "deferred leasing" provision that would keep wells off the top of the plateau until 80 percent of the wells anticipated over the life of the plan were drilled and tested at the base.

In neighboring Garfield County, the city councils in Carbondale, Silt and New Castle voted to support a separate proposal by The Campaign to Save the Roan Plateau. That plan aims to defer topside drilling for the 20-year life of the BLM management plan, unless the gas can be extracted through wells drilled at an angle so the land on top is not disturbed. The council in Glenwood Springs voted

to oppose drilling atop the plateau.

Public comments on the BLM's draft plan are being taken until April 11.

BLM spokesman Steven Hall said the agency's mission is to manage public lands for long-term productivity and for uses including agriculture, recreation and energy development.

"We have to balance national, state and local uses and needs, and this area is tough because it's been identified as having a tremendous amount of gas, and it's also very dear to a lot of area residents," Hall said.

Natural gas and oil development have been heating up in the West. Mesa County had 54 drilling permits approved in 2004, up from 27 in 2003. The 54 permits last year was the most for the county since 1988.

Rifle considers different tact on Roan plan

By Heidi Rice
Telegram Staff Writer

The city of Rifle may be taking a different approach to the Roan Plateau Management Plan than what has previously been discussed in other communities.

In a recent presentation to city council members, Rifle city planner Jason Naess suggested the city not look at what it doesn't want in the management plan, but instead focus on what it does want to

see happen on the plateau.

As a cooperating agency with the Bureau of Land Management in making a decision on the management plan, Rifle has some extra weight as a community which borders the public lands. The most controversial issue in the process is how oil and gas drilling activity will affect the current uses of the land.

"But this is not just about drilling or not drilling," Naess said. "It's about land use. I caution you against 'don't wants'

because that's not going to create the best outcome. Pretty much every choice will affect an option in some way."

Private land concerns

Naess also pointed out that the plateau is made up of both public and private lands and suggested that simply saying the city did not want drilling on top may not stop oil and gas companies from extracting the minerals on BLM land from private land.

Bob Elderkin, of Silt, a retired BLM employee who

also worked for 13 years with the U.S. Forest Service and in the oil shale industry, was invited to the presentation to give his input. He suggested that regulated drilling on top might give the BLM more control.

"The advantage of allowing them to drill on top is that it would allow BLM to have control versus if the BLM leases the minerals and they are drilled on top from private property from a half mile

ROAN on page 2

City planner points out Roan plan deficiencies

ROAN from page 1

away," Elderkin said. "In order to better protect the top of the plateau, you might consider allowing drilling on top so the BLM can regulate it."

Plan deficiencies

Elderkin also said that the potential of oil shale development is not addressed in the Roan Plateau Management Plan and could require a whole new planning process.

According to Naess, other deficiencies in the proposed alternatives for managing the plateau include realistic traffic counts, realistic drilling rates, a lack of information on how the mule deer will react to extraction activities and a lack of distinction between public and private lands.

"How will this affect the residents of the city of Rifle?" Naess said. "There's a lot of unknowns, and it's going to be difficult."

Mayor Keith Lambert

summed up the staff recommendation that the council make a stance "not necessarily on what we're against, but what we're for."

"According to this presentation, we should identify the things that are important to our community and identify a method on the way to protect them," he said.

Deadline extended

However, Lambert also indicated that the presentation was based on the premise that drilling activity on the plateau is a foregone conclusion.

Council has directed staff to put together a resolution on their views and set up another meeting with the BLM.

The BLM has extended the public comment period for the Roan Plateau until April 11. The previous deadline was set at March 4. The city of Rifle will be allowed to submit its comments after the deadline in order to review the public input.

ROAN PLATEAU MANAGEMENT PLAN COMMENTS

What's up?: Public comments on the management plan for the Roan Plateau will now be accepted until April 11, 2005.

Now: Those wishing to express their views to the Rifle City Council can make them via e-mail by logging onto the city's Web site at www.rifleco.org and choosing the "city council" page or send them to Rifle City Council, 202 Railroad Ave., P.O. Box 1908, Rifle 81650. Comments to the BLM should be e-mailed to www.roanplateau.ene.com or sent to Roan Plateau Comments, Glenwood Springs Field Office, Bureau of Land Management, P.O. Box 1009, Glenwood Springs, 81602.

What's next: The Rifle City Council is seeking to have another meeting with the BLM to further discuss their position on the Roan Plateau.

DAILY SENTINEL 2-22-05

West catching up to East in state's gas production

By THE ASSOCIATED PRESS

GLENWOOD SPRINGS — Western areas are catching up with eastern Colorado in production of natural gas with Garfield County now pressing Weld for first place.

Colorado's natural gas indus-

try is expected to grow from \$7 billion this year to \$8 billion next year, and much of the new production will be west of the Continental Divide, said Brian Macke, Oil and Gas Conservation Commission director.

He said Weld County leads

the state with 28.5 percent of the drilling but Garfield is right behind it at 27.3 percent. Two years ago 560 permits were issued in Garfield County; last year it was 796.

At the pace in Colorado has quickly picked up as produc-

tion has declined in Louisiana, Oklahoma and Texas. The additional production has created friction with home owners in some areas.

Last year, well drilling per-

See **GAS**, page 8A ▶

Measure would give landowners more leverage with energy companies.
For story, see page 3A

GAS: Garfield County has half the rigs in the state

▶ Continued from Page One

mits hit an all-time high at 2,917, surpassing the previous high set in 1981 at 2,378 permits issued. "We'll see a continuation (of activity) with prices encouraging drilling activity," he said.

La Plata County, previously a major focus of the industry, is dropping off, and only accounted for 5 percent of statewide drilling last year.

Last year Garfield County production reached 6 million cubic feet per day of natural gas, which amounted to about 20 percent of gas production statewide, Macke said. He said drilling activity drives gas production, and the number of rigs operating in the state increased by 50 percent last year, Macke said.

"Garfield County has 50 percent of the active drill rigs in the state," he added.

Antero to drill in new, unusual area

Donna Gray
March 10, 2005

Post Independent

Antero Resources, the new natural gas company on the block, is set to drill in an unusual place with unconventional rigs.

The Denver-based company has seven drilling permits for an area southwest of Silt on the south side of the Colorado River. During the current natural gas boom, there has not been any drilling activity that close to the river.

"This is a new area and we don't know if it will be successful. It may not be productive," said Terry Dobkins, vice president of production for Antero.

"It was the case where the mineral and landowners are the same. They approached us because they knew our record and want to develop their resource."

Some of the landowners involved have a gravel mining business in what is known as the Island Park area. "We're having to work out ways to work around the gravel," Dobkins said.

Antero first will drill two or three wells to determine if a larger drilling program is warranted.

In another unusual move, Antero is also importing a new, state-of-the-art drill rig from Italy that is due in the United States in April and will be ready to go to work in June or July, Dobkins said. He said he heard about the new type of rig from a homeowner in the Panoramic Drive subdivision north of Silt who told him about the rigs during a public meeting.

"I hadn't heard of it and I went to our driller in Fort Worth and asked what he knew about it, and he said, 'I'll find out.' We decided it might be something that would work for us, so we canceled our traditional rig that was scheduled."

The new Italian rig is owned by Cheyenne Drilling Co.

Dobkins said the rigs are more automated than traditional rigs, and pipe is turned by power from the top rather than the bottom of the platform. The new model also has a smaller footprint and is mounted on a trailer, "so it's easier to move. It takes about half the number of truckloads to move," he said.

Because it is fully hydraulic, it will be quieter in its operation, and requires a crew of three rather than the usual four men. The mud system is fully enclosed so there will be no pits, as drilling mud will be stored in tanks.

"This is the first time I've had experience with (this new rig) and I've been drilling for 30 years," Dobkins said. "We'll probably keep the rig running through the year."

As for their future plans, "We'll most likely develop our acreage for the next few years."

PENALTY PAYMENT STATUS
03/14/05

I. PENALTIES ASSESSED/PAID

Fiscal Year	# of Orders Issued	\$ Amount Assessed	# of Orders Paid	\$ Amount Paid	# of Orders Waived	\$ Amount of Orders Waived	# of Orders through Collections	\$ Amount of Assessed Penalties Later Uncollectable
90-91	4	\$32,300	4	\$32,300	0	\$0	n/a	\$0
91-92	0	\$0	0	\$0	0	\$0	n/a	\$1,500
92-93	6	\$10,000	2	\$6,500	0	\$0	n/a	\$47,608
93-94	12	\$263,608	7	\$105,000	0	\$0	n/a	\$18,247
94-95	10	\$83,817	4	\$21,805	4	\$139,000	n/a	\$0
95-96	29	\$238,250	19	\$154,000	3	\$20,750	n/a	\$0
96-97	13	\$79,500	8	\$29,500	0	\$0	n/a	\$32,750
97-98	30	\$140,500	22	\$74,750	0	\$1,000	n/a	\$2,000
98-99	19	\$74,000	18	\$66,500	2	\$25,000	n/a	\$2,000
99-00	23	\$110,500	12	\$59,460	0	\$3,000	2	\$11,000
00-01	18	\$85,500	16	\$30,500	0	\$6,000	0	\$0
01-02	10	\$38,000	5	\$23,000	0	\$0	0	\$0
02-03	23	\$47,750	7	\$24,750	0	\$0	0	\$0
03-04	26	\$129,000	24	\$85,000	0	\$0	0	\$0
04-05	9	\$478,200	6	\$72,000	0	\$0	0	\$0
Totals	232	\$1,810,925	154	\$785,055	9	\$194,750	2	\$115,105

II. DELINQUENT PENALTIES

Order Number	Date Issued	Violating Entity	Penalty Assessed	Violations	Status	Referred to Collections
1V-58	03/15/93	Gear Drilling Company	\$2,000	Rule 305, 319.a.(2)	Yes	Yes
1V-73	08/23/94	Western Oil Company	\$2,300	Rule 317.a.b.	Work completed per order	Yes
1V-82	06/19/95	Joseph V. Dodge	\$14,000	Rules 210.b., 305., 307., 317.b.(3), 604.a.(4)	Bond forfeited 11/01/95	Yes
1V-93	11/21/95	Tipps Drilling Co.	\$60,000	Rules 604.a.4., 902.e.&f.	\$30,000 bond claimed 11/96/penalty unpaid/No assets.	Yes
1V-110	05/21/96	Kana Resources, Inc.	\$3,500	Rules 303.a., 306., 317.b.1.	AOC negotiated	Yes
1V-114	09/04/96	Mr. Jim Snyder	\$10,000	Rules 308., 317.1., APD	District Court decision entered/\$10,000 bond claimed	Yes
1V-124	07/01/97	Nerdlihc Company Inc.	\$9,000	Rules 326.b.1., 319.b., 210.b.	Yes	Yes
1V-132	11/24/97	Eros, Inc.	\$24,000	Rules 319.b., 326.b.	\$30,000 bond claimed 5/98	Yes
1V-167	01/05/99	Pacific Midland Production	\$1,000	Rule 326.b.	Bond claimed	Yes
1V-170	03/25/99	Allen Oil & Gas, LLC	\$12,000	Rules 904, 905, 603.g, 906, 909.b.(2) &(5), 91	Work to be completed by July 1, 1999.	Yes
1V-175	08/19/99	McCormick Oil & Gas Co.	\$18,000	Rules 1004, 319.b.(3), 326.b., 206., 309.	McCormick in bankruptcy-Bond claimed	Yes
1V-177	08/19/99	Faith Energy Exploration, Inc.	\$3,500	Rules 308A., 308B., 326.b.	Bond Claimed	Yes
1V-191	02/15/00	Cascade Oil	\$1,000	Rule 326.b.(1)	Bond claimed	Yes
1V-202	11/30/00	Robert Ziegler	\$2,000	Rule 326.b.	Bond claimed	Yes
1V-204	12/19/00	Allen Oil & Gas, LLC	\$60,000	Rule 326.b., 324A.a., 904., 905., 906.b.(1), 90	Bond claimed	Yes
1V-211	05/31/01	Sierra Production	\$500	Rule 302.a.	Yes	Yes
1V-212	05/31/01	Caprice Oil & Gas Co.	\$500	Rule 302.a.	Yes	Yes
1V-218	01/11/02	Rocky Mtn. Operating Co.	\$2,000	Rule 326.b.(1)	Yes	Yes
1V-219	01/11/02	Rocky Min. Operating Co.	\$1,000	Rule 326.b.(1)	Yes	Yes
1V-220	02/25/02	Woodsley Oil Company	\$6,000	Rule 326.b.	Yes	Yes
1V-221	03/25/02	Domar Oil & Gas, Inc.	\$6,000	Rules 302., 304., 319.b., 709.	Yes	Yes
1V-227 - 1V-236	09/21/02	DJ Production Svcs, Inc.	\$14,000	Rule 309., 310A., 319.b.(1), 319.b.(3), 326.b.	Yes	Yes
1V-237	09/21/02	DJ Production Svcs, Inc.	\$1,500	Rule 326.b.	Yes	Yes
1V-239	09/21/02	DJ Production Svcs, Inc.	\$500	Rule 309.	Yes	Yes
1V-240	09/21/02	DJ Production Svcs, Inc.	\$1,500	Rule 324A.a., 907.a., 910.a.	Yes	Yes
1V-245	06/02/03	Fredrick Shaffer	\$4,000	Rule 326.b.	Yes	Yes
Total Penalties Pending Collection			\$255,800			

COLORADO OIL & GAS CONSERVATION COMMISSION ORGANIZATION

(Proposed pending Department of Natural Resources Human Resources Approval of Reallocated IT Manager Position)

