



DEPARTMENT OF NATURAL RESOURCES

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**TO: COGCC Commissioners**

cc: Russ George

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**FROM: Brian Macke**

Shane Henry

Erik Bruce

**DATE: April 25, 2005**

Alexis Senger

Scott Grosscup

David Beaujon

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, 1025 Applications for Permits-to-Drill ("APDs") were approved as of April 14, 2005. At that pace, it is estimated that nearly 3331 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 April 14<sup>th</sup> are:

|                   | <u>2005 (% of Total)</u> |
|-------------------|--------------------------|
| Garfield County   | 317 (31%)                |
| Weld County       | 287 (28%)                |
| Yuma County       | 164 (16%)                |
| Las Animas County | 86 (8%)                  |
| La Plata County   | 35 (3%)                  |
| Washington County | 21 (2%)                  |

### II. NORTHWEST COLORADO

Attached are newspaper articles of local interest.

◆ Northwest Colorado Oil and Gas Forum

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.

Low concentrations of benzene have recently reappeared in two of the weekly monitored surface water sampling locations (sample locations DSC2 [1.0 µg/l] and DCS#3 [1.9 µg/l]) in West Divide Creek. The State of Colorado surface water quality standard for benzene is 2 µg/l. The appearance of benzene in the recent surface water samples is not unexpected given that the shallow ground water at the seep has concentrations of benzene ranging up to 470 µg/l and the low creek flow. Fluctuations in the shallow water table and surface water flow at the creek will result in ground water discharging into the creek or surface water recharging the water table at different times of the year depending upon precipitation and/or snow melt. 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 in the surface water of West Divide Creek either upstream or downstream of the seep. EnCana has completed running power into the seep remediation area (week of April 3<sup>rd</sup>) and the Divide Creek in-stream air-sparge system is now powered by an electrical compressor.

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.

◆ 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.

A pre-bid meeting for the Garfield County Request for Proposal (RFP) for this project was conducted on April 6, 2005, in Glenwood Springs. Debbie Baldwin attended the pre-bid meeting. Fifteen consulting firms attended the pre-bid meeting. Proposals and bids are due on April 28, 2005, with an award for the project to be made around the middle to end of May, 2005.

### III. SOUTHWEST COLORADO

#### ◆ Gas and Oil Regulatory Team (GORT) Meeting

The next GORT meeting is scheduled for September 16, 2005.

#### ◆ 3M Technical Peer Review Team (TPRT) Meeting

The 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.

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

The COGCC's supplemental request for \$200,000 from the Environmental Response Fund was approved by the Governor's Office of State Planning and Budgeting (OSPB) on March 28, 2005. The Joint Budget Committee quickly approved the request and is expediting a stand alone supplemental bill, HB05-1322, through the legislative process. The COGCC is expecting to have access to the additional funds by April 22, 2005, nonetheless our work on this project has continued by temporarily reallocating other funds.

On April 6 and 7, 2005 contractors and COGCC staff were at the site with Mr. Yoakum to collect salvageable items, to remove all of the other debris and remains of the structure from the explosion site, and to prepare the ground surface for the geophysical surveys. LT Environmental (LTE) monitored the site for flammable gas during demolition and removal.

During the week of April 18, 2005 geophysical surveys will be conducted and will include magnetic, electromagnetic, and seismic refraction surveys throughout the areas of high methane concentration. These surveys will be used to determine whether there are additional oil and gas wells or water wells in the area that are acting as conduits for methane gas migration and to identify the thickness of the gravel deposit above the sandstone bedrock.

Also during the week of April 18, 2005, another soil gas survey will be made of the area, including the land around the residences and the fire station. The new data will be compared to the results of the previous survey to determine whether the extent of the methane seep is changing. This follow-up survey is also intended to provide the residents of the area an added measure of safety. In addition, a soil gas survey will be conducted on a property west of the Animas River that has reported the occurrence of gas bubbles in an irrigated pasture in

previous years. A comprehensive survey of the natural springs along both the Animas River and the Florida River valleys will also be conducted. Springs will be surveyed with a GPS and water samples will be collected for analysis of major anions and cations, TDS, and dissolved methane. If methane is detected, then additional samples will be collected for stable isotope analysis. This work may be useful in identifying the presence of methane that may be trapped beneath the sandstone bedrock at the site.

◆ Archuleta County

The Fruitland Outcrop – Initial Reconnaissance Report, November 2004 is available on the COGCC website (visit [www.oil-gas.state.co.us](http://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 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 coalbed methane 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 is to identify any areas where methane gas is 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. SOUTHEAST COLORADO**

◆ Mondragon and Saint Residences – Methane Gas Seepage from Coal Seams

During the field tour conducted in March 2005 COGCC Commissioners and staff visited two houses (Mondragon and Saint) in Section 35, Township 33 South, Range 65 West, 6<sup>th</sup> P.M. approximately 1 mile southwest of the town of Cokedale. This is an area where methane gas seeps from coal seams were detected during the Raton Basin Gas Seep Survey. In addition, the water wells associated with these houses contain large quantities of methane gas. Because of concerns about public health, safety, and welfare related to these conditions, in November 2004 COGCC staff hired LT Environmental (LTE) to install methane detection systems in both of the homes. In response to ongoing safety concerns expressed by the landowners, LTE conducted an operation and maintenance inspection and training at the Mondragon and Saint homes on April 14, 2005. Methane was detected in the basement of the Saint house at a sustainable concentration of 6 percent of the lower explosion limit (LEL) with peak concentrations of up to 16 percent LEL. Based upon these detections a ventilation system on a timer will be installed in the Saint house basement. The ventilation system also will be connected to the control panel for the methane sensors so if methane is detected, then the ventilation system will automatically turn on. As an extra safety precaution visual strobe alarms will be installed at both of the homes. The visual alarms will assist in notifying Mr. Mondragon of alarm conditions because he has poor hearing. A control box and sensors will also be installed in the Saint garage.

◆ Primero School –Gas Survey

In response to COGCC Commissioners' questions about whether there might be methane gas seeps from coal seams in the vicinity of the Primero School, which is located on the south side of Highway 12 in Section 31, Township 33 North, Range 66 West, 6<sup>th</sup> P.M., COGCC staff contacted the school district and then arranged to have LTE conduct a detailed gas survey around and inside the school and nearby residences. Preliminary results of this survey indicate that methane was not detected in or around any of the structures; however flammable gas was detected near the school bus garage and the southern end of the athletic field. A sample of this gas will be collected to determine whether it is methane.

◆ Reconnaissance Gas Survey – Highway 12 from Cokedale to Medina Plaza

Apogee Scientific (Apogee), who had conducted the gas reconnaissance survey for the Raton Basin Project using equipment mounted in a vehicle, was retained to conduct a similar survey along an approximate 9 mile stretch of Highway 12 from Cokedale to Medina Plaza. The survey was conducted on April 14, 2005. The final report will be completed early in the week of April 18, 2005. The preliminary results confirm the presence of a methane gas seep south and southeast of, but not in the immediate vicinity of the Primero School and around the bus garage. Methane gas was also detected in areas where it had been previously detected during the Raton Basin Study. A more complete report will be provided in the June 2005 staff report.

◆ Vanartsdalen Water Well Complaint - Resolved

A complaint originally received in 2003 alleging impacts to water volume from nearby coalbed methane wells was finally resolved. On March 29, 2005 the COGCC staff enlisted a local water well contractor (ABC Plumbing) to pull the pump from the water well at the Vanartsdalen property to investigate their allegation. Water was found in the well bore and inspection of the pump identified a mechanical problem (stripped spline) causing it to be unable to pump water. A new well pump was installed and the well was placed back into service returning the well to the sustainable 5-gallon per minute production rate (approximate) which it had prior to the problem. Water samples were collected from the Vanartsdalen well and the analytical showed no significant differences in inorganic constituents from an earlier sample taken April 2003. Additionally, a sample of produced water was collected from the PCW 41-5 gas well (approximately ¼ mile north of the water well). Comparison of the inorganic constituents of the produced water and the water from the Vanartsdalen water well shows the two types of water are different.

## V. 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 thirty-two people applying for the position. An examination for the new position has been prepared, and the examination for the position will take place on April 25, 2005. After that time, there will be an oral board process for the top candidates, followed by a final round of interviews. We would like to thank Kim Heldman, who is the Chief Information Officer for the Department of Natural Resources for her assistance in the preparation of the exam.

The Environmental Protection Specialist II position for the southeast Colorado area has been advertised with 14 candidates taking the written test on April 1, 2005. The tests have been graded and the top eight candidates have been invited to the oral boards which were held on April 22, 2005. The oral board panel was made up of two COGCC staff members and one industry representative. The top 3 candidates from the oral boards will be interviewed sometime during the last week in April or the first week in May. We hope to fill the position by mid-May 2005.

Morris Bell, who has been with the COGCC as Operations Manager and Deputy Director of Operations for 13 years, has announced his resignation effective May 6, 2005. Morris has accepted an offer for an engineering position with Red Willow Production Company, which is owned by the Southern Ute Indian Tribe, in Ignacio, Colorado. Morris has provided admirable service during his time with the COGCC in leading of the engineers, environmental protection specialists, and technicians in the COGCC Operations Section as they have dealt with very challenging issues statewide. I know that you will all join me in congratulating Morris on years of excellent service to the COGCC and the citizens of Colorado, on his new position with Red Willow, and on his new life in beautiful southwest Colorado.

The COGCC has received approval from the legislature and Governor Owens on a supplemental budget request for FY 04-05 for a Surface Protection Specialist position to

implement the new COGCC Onsite Inspection Policy. We are anticipating legislative approval of the FY 05-06 budget amendment for the position during the Long Bill process.

## **VI. PLANNING/ADMINISTRATION/OTHER**

### ◆ 2004 Outstanding Oil and Gas Operations Awards

The deadline for nominations for the COGCC 2003 Outstanding Oil and Gas Operations Awards is June 1, 2005. This will be the 9<sup>th</sup> year of this very successful program that recognizes extraordinary efforts of oil and gas operators in a variety of categories. The awards presentation will take place on August 2, 2005 at the Colorado Oil and Gas Association's Rocky Mountain Natural Gas Strategy Conference and Investment Forum. All parties are encouraged to provide nominations by the deadline. COGCC will be submitting a list of nominations to the Commissioners for approval after the nomination deadline. Attached is the nomination form for the awards. Information on the awards is also available on our webpage.

### ◆ 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, COGCC staff has been working with The Staubach Company, who is the new state office space brokerage contractor, on addressing the COGCC's office space needs.

### ◆ Noise Regulation Update

The Noise Regulation stakeholders group has agreed to hold an additional meeting to discuss low frequency noise. Members of the group would like Williams Production Company to attend the next meeting and present the results of their noise study for the Sid Lindaur property. This study will give us additional information concerning low frequency noise. We are currently working with Williams to schedule this meeting.

### ◆ Public Outreach Opportunities

Brian Macke and other COGCC staff have been invited to provide a briefing on oil and gas development in Colorado and COGCC activities to the Colorado Senate Agriculture, Natural Resources and Energy Committee on April 27, 2005.

Brian Macke and David Dillon have been invited to give a presentation at an oil and gas public informational session for San Miguel and Montrose County residents in Norwood on May 3, 2005 from 6 to 8 p.m. at the Norwood Community Center. They will provide a discussion of COGCC rules and regulations and a description of the Local Governmental Designee Program.

Northwest Area Engineer Jaime Adkins attended the Garfield County Weed Advisory Board Meeting on March 24, 2005, and gave a brief presentation on COGCC Rules and Regulations relevant to weeds. After reviewing the rules he fielded questions about their application. The Board was pleased to hear that financial surety on a well is not released until a site inspection

is performed and verifies the reclaimed and affected areas are free from noxious weeds. The Board expressed the opinion that it would be beneficial to have additional staff to give increased attention to interim reclamation. The Board indicated they may send a letter to the Director requesting additional emphasis be made on weed control in future permitting and rulemaking activity.

◆ Onsite Inspection Policy

To date, the COGCC has received a total of six (6) requests for onsite inspections with one (1) request withdrawn 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 on the remaining five (5) will be performed once the Applications for Permits-to-Drill are submitted to the COGCC by the operators.

◆ COGCC Surveying Rules Update

COGCC staff has received recommendations from the State Board of Engineers and Land Surveyors concerning changes to our proposed surveying policy. The proposed policy is currently being reviewed by our information systems group to ensure it is compatible with the COGCC database and technology changes in the surveying business.

◆ Approval of Casing Repairs:

Verbal notification must be given to COGCC staff prior to starting any casing repair work. COGCC staff will evaluate the wellbore to determine if remedial cement work is required for aquifer protection and/or formation isolation. All cement work required by the COGCC staff must be verified with a cement bond log. A Completion Report, Form 5 is required if cement is pumped or the wellbore configuration is changed. A Sundry Notice, Form 4 and Completion Report, if applicable, must be submitted within thirty (30) days of completing the work.

◆ Rule Making by the Water Quality Control Commission (WQCC)

New organic ground water standards were proposed by the WQCC on September 14, 2004. The standard for ethylbenzene changed from 680 micrograms per liter (“ug/l”) to 700 ug/l. Additionally, the standard for xylenes changed from 10,000 ug/l to 1,400 ug/l. The new standard for xylenes will apply to spills or ground water contamination that post date September 14, 2004. Any contamination that can be documented as occurring before September 14, 2004 will have the prior standard applied. The new standards became effective on March 22, 2005. Refer to WQCC Regulation 41, sections 41.5(C)3 and 41.24 for additional information.

◆ Penalties Status

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



◆ June Hearing Docket

A preliminary docket for the June 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](mailto: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. The hearing files will be boxed and moved to archives in the near future. Three people are currently working on indexing the environmental files. Reclamation project files are being scanned and indexed, starting with the largest reclamation projects. The project is expected to be completed 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 30% complete and should be completed within the next two months. As the other groups of documents are completed, this person 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 of Natural Resources 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 with most of the setup having been tested. Migration to the new equipment is expected to take place the week of April 18, 2005.
- 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 project is in final software development and testing. The software development should be complete by the end of April. 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 began 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 over seventy-five percent (75%) of the state having been reviewed. The Wattenberg Field in northwest Colorado is the only area remaining to be completed.
- Database Cleanup Project  
The database cleanup project has been halted, with almost 35,000 historic well records updated. The project was stopped due to funding availability. There are just under 28,000 well records that have not been updated.
- US Standard XML Reporting Project  
COGCC, GWPC, BLM, MMS, API and agencies from several other states have been working together to establish an XML file format for permitting wells and reporting well completions. The group has completed a business case for this project and a DOE grant request has been submitted to fund the development. This project is currently being tested in California with a prototype standard that has been published and is in the review process prior to becoming a national standard.
- Reports Online Project  
This project has been delayed for a long 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.

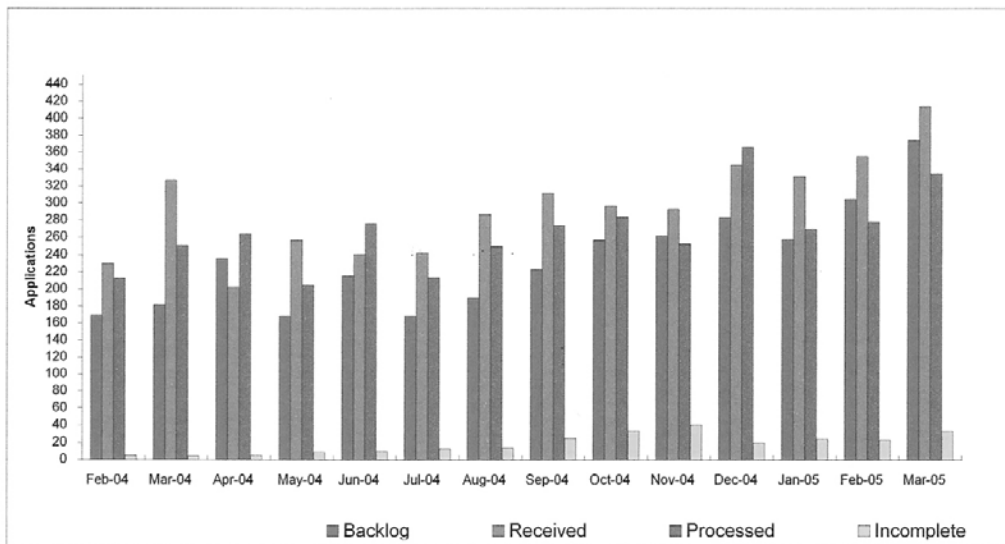
**VII. VARIANCES**

No variances have been granted since the March 22, 2005 staff report.

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

|                     | Backlog | Received | Processed | Withdrawn | Rejected | Incomplete | In-Process | Remaining |
|---------------------|---------|----------|-----------|-----------|----------|------------|------------|-----------|
| <b>Drilling</b>     |         |          |           |           |          |            |            |           |
| 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          | 158        | 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      | 258       | 4         | 0        | 25         | 220        | 245       |
| Oct-04              | 245     | 281      | 268       | 8         | 0        | 32         | 218        | 250       |
| Nov-04              | 250     | 284      | 242       | 18        | 0        | 39         | 235        | 274       |
| Dec-04              | 274     | 334      | 348       | 4         | 0        | 20         | 236        | 256       |
| Jan-05              | 256     | 296      | 263       | 13        | 0        | 24         | 252        | 276       |
| Feb-05              | 276     | 343      | 249       | 8         | 0        | 23         | 339        | 362       |
| Mar-05              | 362     | 411      | 335       | 19        | 0        | 33         | 386        | 419       |
| <b>Recompletion</b> |         |          |           |           |          |            |            |           |
| Feb-04              | 3       | 13       | 7         | 0         | 0        | 0          | 9          | 9         |
| Mar-04              | 9       | 25       | 8         | 17        | 0        | 0          | 9          | 9         |
| Apr-04              | 9       | 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        |
| Mar-05              | 12      | 3        | 0         | 0         | 0        | 0          | 9          | 9         |
| <b>Total</b>        |         |          |           |           |          |            |            |           |
| Feb-04              | 169     | 230      | 213       | 4         | 0        | 5          | 177        | 182       |
| Mar-04              | 182     | 327      | 251       | 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     | 345      | 366       | 4         | 0        | 20         | 238        | 258       |
| Jan-05              | 258     | 332      | 270       | 15        | 0        | 24         | 281        | 305       |
| Feb-05              | 305     | 355      | 278       | 8         | 0        | 23         | 351        | 374       |
| Mar-05              | 374     | 414      | 335       | 19        | 0        | 33         | 395        | 428       |

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 -<br>Hughes<br>rig count | Permits  |      |              |      |           |      | Unedited<br>Historic<br>Records | Public Visits |     |      | Well<br>Oper<br>Change |        |
|------|-------|--------------------------------|----------|------|--------------|------|-----------|------|---------------------------------|---------------|-----|------|------------------------|--------|
|      |       |                                | Drilling |      | Recompletion |      | Injection |      |                                 | Pits          |     | Data |                        | Office |
|      |       |                                | Apvd     | Rcvd | Apvd         | Rcvd | Apvd      | Rcvd | Apvd                            | Rcvd          |     |      |                        |        |
| 2002 | Total |                                | 2008     | 2051 | 174          | 177  | 30        | 25   | 252                             | 229           | 718 | 874  | 175690                 | 4555   |
| 2003 | JAN   | 31                             | 177      | 183  | 8            | 11   | 2         | 2    | 3                               | 15            | 82  | 88   | 16623                  | 506    |
|      | FEB   | 32                             | 158      | 163  | 21           | 18   | 1         | 0    | 1                               | 3             | 62  | 77   | 19140                  | 191    |
|      | MAR   | 30                             | 167      | 180  | 5            | 4    | 1         | 2    | 15                              | 9             | 55  | 55   | 18922                  | 177    |
|      | APR   | 35                             | 172      | 179  | 4            | 7    | 2         | 7    | 5                               | 24            | 63  | 123  | 21679                  | 198    |
|      | MAY   | 37                             | 184      | 198  | 18           | 23   | 5         | 0    | 29                              | 132           | 52  | 99   | 22307                  | 477    |
|      | JUN   | 37                             | 170      | 190  | 24           | 40   | 0         | 0    | 32                              | 21            | 59  | 65   | 20883                  | 339    |
|      | JUL   | 40                             | 201      | 200  | 28           | 21   | 0         | 4    | 136                             | 17            | 50  | 48   | 22779                  | 417    |
|      | AUG   | 43                             | 166      | 226  | 9            | 12   | 0         | 2    | 2                               | 32            | 53  | 43   | 17900                  | 245    |
|      | SEP   | 48                             | 209      | 188  | 26           | 32   | 2         | 2    | 13                              | 30            | 41  | 31   | 22718                  | 234    |
|      | OCT   | 46                             | 244      | 228  | 28           | 33   | 2         | 2    | 5                               | 54            | 41  | 38   | 29413                  | 389    |
|      | NOV   | 44                             | 142      | 204  | 4            | 11   | 1         | 0    | 6                               | 13            | 22  | 38   | 27961                  | 208    |
|      | DEC   | 44                             | 259      | 183  | 27           | 17   | 2         | 1    | 115                             | 31            | 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             | 37  | 49   | 31236                  | 378    |
|      | FEB   | 46                             | 206      | 217  | 7            | 13   | 4         | 1    | 1                               | 0             | 44  | 30   | 31292                  | 239    |
|      | MAR   | 50                             | 243      | 302  | 8            | 25   | 2         | 3    | 2                               | 9             | 51  | 70   | 32931                  | 358    |
|      | APR   | 51                             | 254      | 194  | 10           | 8    | 5         | 2    | 34                              | 36            | 58  | 64   | 33241                  | 214    |
|      | MAY   | 52                             | 196      | 240  | 9            | 17   | 1         | 2    | 4                               | 17            | 41  | 56   | 31958                  | 252    |
|      | JUN   | 51                             | 258      | 228  | 18           | 13   | 3         | 4    | 6                               | 4             | 38  | 46   | 32273                  | 249    |
|      | JUL   | 52                             | 208      | 236  | 6            | 6    | 0         | 3    | 7                               | 4             | 40  | 43   | 30939                  | 276    |
|      | AUG   | 60                             | 236      | 268  | 14           | 19   | 0         | 1    | 8                               | 42            | 33  | 39   | 35060                  | 358    |
|      | SEP   | 59                             | 258      | 295  | 16           | 17   | 6         | 4    | 33                              | 46            | 40  | 61   | 38247                  | 1915   |
|      | OCT   | 59                             | 268      | 281  | 16           | 16   | 2         | 1    | 54                              | 29            | 65  | 31   | 42069                  | 503    |
|      | NOV   | 61                             | 242      | 284  | 11           | 9    | 1         | 0    | 38                              | 19            | 60  | 30   | 42433                  | 327    |
|      | DEC   | 64                             | 348      | 335  | 18           | 11   | 0         | 0    | 15                              | 4             | 43  | 30   | 41448                  | 731    |
| 2004 | Total |                                | 2917     | 3120 | 145          | 164  | 24        | 22   | 238                             | 217           | 550 | 549  | 423127                 | 5800   |
| 2005 | JAN   | 65                             | 263      | 297  | 7            | 36   | 8         | 1    | 8                               | 7             | 60  | 41   | 49839                  | 2334   |
|      | FEB   | 70                             | 249      | 343  | 29           | 12   | 17        | 0    | 17                              | 10            | 44  | 71   | 51277                  | 347    |
|      | MAR   | 73                             | 335      | 411  | 0            | 3    | 35        | 3    | 35                              | 22            | 59  | 34   | 60298                  | 202    |
| 2005 | Total |                                | 847      | 1051 | 36           | 51   | 60        | 4    | 60                              | 39            | 163 | 146  | 161414                 | 2883   |

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, Cmpt = Complaint, Comp = Completed

Colorado Oil Gas Conservation Commission  
Monthly Statistics

| YEAR | MO    | Operators |          | Release |      | Bonds   |      | Claim |       | Hearings |      | Violations |     | Remediation |        | Field Insp |      |      |
|------|-------|-----------|----------|---------|------|---------|------|-------|-------|----------|------|------------|-----|-------------|--------|------------|------|------|
|      |       | New       | Inactive | Ind.    | Bklt | Replace | Ind. | Bklt  | 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     | 3          | 5    | 745  |
|      | MAR   | 3         | 7        | 5       | 8    | 7       | 0    | 1     | 16    | 16       | 15   | 13         | 0   | 23          | 26     | 9          | 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          | 23     | 6          | 8    | 984  |
|      | JUN   | 13        | 6        | 0       | 0    | 10      | 0    | 0     | NA    | NA       | 24   | NA         | NA  | 14          | 17     | 5          | 7    | 716  |
|      | JUL   | 8         | 2        | 4       | 2    | 12      | 0    | 0     | 9     | 4        | 14   | 4          | 0   | 11          | 16     | 8          | 1    | 566  |
|      | AUG   | 16        | 4        | 2       | 6    | 10      | 0    | 0     | 4     | 3        | 15   | 3          | 1   | 11          | 24     | 2          | 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     | 4          | 1    | 623  |
|      | NOV   | 10        | 6        | 9       | 1    | 9       | 0    | 0     | 1     | 1        | 10   | 0          | 2   | 6           | 8      | 2          | 1    | 398  |
|      | DEC   | 10        | 3        | 5       | 3    | 8       | 0    | 0     | NA    | NA       | 19   | NA         | NA  | 4           | 12     | 10         | 6    | 417  |
| 2004 | Total | 105       | 63       | 55      | 36   | 118     | 0    | 2     | 62    | 50       | 232  | 29         | 3   | 152         | 229    | 63         | 60   | 7716 |
| 2005 | JAN   | 10        | 3        | 3       | 7    | 10      | 0    | 1     | 7     | 3        | 18   | 0          | 1   | 12          | 19     | 2          | 8    | 621  |
|      | FEB   | 8         | 6        | 4       | 2    | 13      | 0    | 1     | 6     | 6        | 4    | 0          | 0   | 10          | 23     | 6          | 17   | 529  |
|      | MAR   | 8         | 10       | 8       | 3    | 12      | 0    | 0     | 3     | 5        | 6    | 0          | 0   | 13          | 13     | 14         | 7    | 723  |
| 2005 | Total | 26        | 19       | 15      | 12   | 35      | 0    | 2     | 16    | 14       | 28   | 0          | 1   | 35          | 55     | 22         | 32   | 1873 |

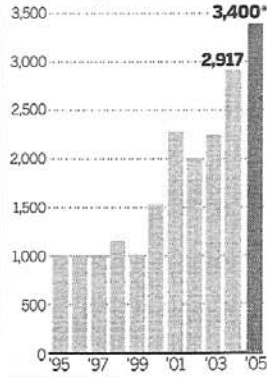
Apvd = Approved, Rcvd = Received, Insp = Individual, Bklt = Banklet, Apps = Application for Hearing, NOAV = Notice of Alleged Violation, AOC = Administrative Order of Consent, OFV = Order Finding Violation, Cmplk = Complaint, Comp = Completed



### Permits boom

Early estimates call for a record 3,400 oil and gas drilling permits this year, up 17 percent from the previous record of 2,917 permits.

Annual drilling permits issued:



\* Estimated total  
Source: Colorado Oil and Gas Conservation Commission  
ROCKY MOUNTAIN NEWS

# Drilling permit record on tap

## Colorado expects 17% increase in '05

By Gargi Chakrabarty  
ROCKY MOUNTAIN NEWS

Colorado is doing its bit to satiate the nation's enormous appetite for energy even as Congress debates the merits of a contentious energy bill.

The state is on track to issue 3,400 oil and natural gas permits in 2005, surpassing the previous year's record of 2,917 permits by a robust 17 percent, estimates the Colorado Oil and Gas Conservation Commission.

Surging oil and natural gas prices, coupled with the Bush administration's push to open up the Western states for energy development, have galvanized companies to drill more wells in the Rocky Mountains.

"It was a big story last year, and it will be even more dramatic this year," said Brian Macke, director of the oil and gas commission. "This year, we are expecting 3,400 permits or even way beyond that. We already are seeing a significant increase in the level of activity in the first few months."

The commission's estimates are based on the current pace of permits. Massive drilling in Garfield, Weld and Yuma counties helped Colorado issue 847 permits in the first three months of this year, a 31 percent jump from the same quarter a year ago.

Garfield, with 242 permits, was just ahead of Weld's 241, followed by Yuma's 122 and Las Animas' 81. A record 77 drilling rigs are working in Colorado at present, up from 56 rigs a year ago and nearly double the number in use at the beginning of 2003.

Macke said if the current level of activity were to increase, the commission would be concerned about its ability to process permits in a timely manner. The commission's annual budget is roughly \$3.3 million.

Only three staff members — one supervisor and two technical personnel — of the commission's 35 full-time employees are responsible for reviewing the permit applications. The average time for an approval is 30 days.

Jim Sims, who worked with Vice President Dick Cheney's office on the Bush administration's energy bill, said there is a need for legislation that streamlines the permit application process.

"Much of the West's energy resources are located on government-controlled lands," said Sims, executive director of the trade group Western Business Roundtable. The group lobbies for more access to the Rocky Mountains for oil and gas drilling.

"To access those resources, energy producers are forced to navigate through a complicated, lengthy labyrinth of regulations."

Jane Houlihan, vice president of research at the Environmental Working Group in Washington, D.C., has studied the impact of energy development in the West. She's concerned that oil and gas drilling, especially in public lands, is overriding other values those lands hold.

"This rapid pace of drilling approvals means an increase in the pace of the public losing its most valued natural treasures," Houlihan said. "What we are seeing is that lands vital for recreation, for protecting water supplies, and critical for wildlife habitats, are increasingly coming under control of the oil and gas industry."

"In so many cases, this control is relinquished in exchange for just a few hours' or few days' worth of oil and gas. Right now, the system is very out of balance."

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Glenwood Springs

# Post Independent

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## Oil shale bounces back with DOD's renewed interest

Donna Gray

March 18, 2005

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Gary Aho has seen both the best and worst of times in his 25 years in the Colorado River Valley. On the forefront of oil shale development in the 1970s, Aho is once again in the fray.

Aho came to Rifle in 1964 with Cleveland Cliffs, an oil shale mining company. He retired from that company in the '80s and is now a mining consultant.

Aho sits on an advisory committee the Department of Energy's Office of Naval Petroleum and Oil Shale Reserves formed to develop a plan for oil shale production focusing on the Piceance Basin in Colorado, eastern Utah and southern Wyoming, he said.

The Piceance Basin holds one of the world's richest deposits of oil shale. At the turn of the last century, the U.S. Navy set aside those resources as the Naval Oil Shale Reserve to preserve the resource for future strategic use. With oil now well in excess of \$50 per barrel, interest has once again focused on oil shale as the answer to America's need for domestic oil.

"A lot of people believe we will run out of transportation fuel in the near future because of the increased demand for oil all over the world, especially in China," Aho said. Petroleum production is also expected to peak in five to 10 years "and will start to decline on a world scale."

That scenario has brought renewed the DOD's interest in developing a universal transportation fuel that can be used in all military vehicles. Aho said it will likely be jet fuel, which is now being used in some military vehicles in Iraq.

"One of the best sources (of petroleum) for jet fuel is oil shale," he added. "The target goal is 2 million barrels of shale oil a day by 2025."

Shell Exploration and Production Co. is closely involved in the effort with its Mahogany Research Project, which is testing an oil shale extraction process that involves heating the shale underground and pumping the liquid to the surface. Oil shale is already being produced in commercial quantities in Estonia, China and Brazil, Aho said.

Besides working toward commercialization of oil shale, the committee is also trying to assess the potential social and economic impacts a resurrection of the industry would bring.

Garfield County experienced a boom in the late 1970s and early '80s when the Carter administration, in the face of a worldwide oil shortage, formed the Synthetic Fuels Corp., which subsidized energy companies in their search for a cost effective means of extracting petroleum from oil shale in the Piceance Basin.

But a cost effective method for turning oil shale into petroleum proved elusive. The county reeled from the abrupt pullout of one of the industry's biggest players, Exxon, from its Colony Oil Shale plant in Parachute. Exxon pulled out on May 2, 1982, putting 2,100 people out of work in one day.

A new oil shale industry could bring in 100,000 workers, their families and service-related people, he said. While the impact would be huge, it could also bring a substantial employment base of high-paying jobs to a county that has not seen a stable industrial economy.

"We've seen the oil and gas companies come in and the service companies, and in a couple years, when the drilling is completed, they go back to Oklahoma or Wyoming or wherever they're from," Aho said. In contrast, the life of an oil shale industry could extend over 25 or 30 years.

Aho acknowledged it could also have negative impacts, and the rural life here could change dramatically. Aho acknowledged it could also have negative impacts, and the rural life here could change dramatically.



March 23, 2005

## **Williams Moves to Accelerate Production Development in Piceance Basin**

### ***Signs Agreement for Operation of 10 new rigs***

**TULSA, Okla.** — Williams (NYSE:WMB) announced today that it has entered into a contract with Helmerich & Payne (NYSE:HP) for the operation of 10 new FlexRig4® drilling rigs, each for a term of three years.

This paves the way for Williams to increase the pace of developing its natural gas reserves in the Piceance Basin of western Colorado while utilizing a new rig design that adds efficiency and increased environmental sensitivity to its operations there.

At year-end 2004, Williams' ownership in the Piceance Basin accounted for 61 percent of the company's 3 trillion cubic feet equivalent of total proved domestic reserves and more than half of its estimated 7 Tcfe of proved, probable and possible reserves.

The company plans to accelerate its pace of development both through deployment of additional rigs and also as a result of the drilling and operational efficiencies the rigs are designed to deliver.

Williams continues to expect it will drill approximately 300 wells in the Piceance Basin this year. The first appreciable increase in drilling activity from the new rigs is planned for 2006 when the company expects to drill up to 450 wells in the Piceance, increased from its previous plan for approximately 325 wells there.

In 2007, Williams now plans to drill up to 500 wells in the Piceance, increased from its previous plan for an estimated 350 wells there.

The company today announced it is increasing its planned capital spending in Exploration & Production by approximately \$430 million over the three years from 2005 to 2007, with \$400 million of the increase divided equally between 2006 and 2007. Williams plans to fund the accelerated drilling program with currently available excess cash balances and future free cash flows.

About three-quarters of the additional capital is planned for drilling. The remainder is targeted for expanding gathering and processing facilities to handle increases in the company's Piceance Basin production.

As a result of the accelerated development plans, Williams today increased its guidance for projected segment profit from its exploration and production business by \$30 million in 2006 and \$50 million in 2007.

"Additional drilling helps drive Williams' success," said **Steve Malcolm**, chairman, president and chief executive officer. "We're capitalizing on an attractive, in-house opportunity to create value for our shareholders from our large inventory of low-risk reserves that consistently deliver attractive returns."

Further details on planned capital spending and the company's updated projections for segment profit and production from this business segment are in the attached [PDF](#) (PDF, 20 KB).

The vast majority of additional wells are planned in established areas of the Piceance Valley vs. step-out opportunities that Williams is developing in the basin.

Williams expects to begin deploying the new rigs on pace with the contracted delivery schedule – one per month, beginning in November this year.

Williams currently has 13 rigs operating in the Piceance Basin through other vendors. As the new rigs from Helmerich & Payne are added, Williams is expecting to run an average of approximately 20 rigs in the Piceance Basin in 2006 and an average of approximately 22 rigs there in 2007.

Since the new rigs will be built for optimal performance in Piceance Basin drilling conditions, the company expects to be able to drill more wells per rig in a given time frame.

A key feature of the new rigs is that they are designed to dramatically reduce both the number and the size of surface locations needed to drill wells. The rigs are designed to drill up to 22 wells – in an underground spoke formation – from a single surface location that is half the size of traditional drilling sites. As a result, much of Williams' increased drilling activity will not be as visible on the surface.

"The surface location for these new rigs takes up half the space of a typical rig, yet enables us to drill almost three times the number of wells per pad," said **Ralph Hill**, who leads the company's Exploration & Production business.

"It's very important to us to pursue our goals responsibly in a way that respects local interests. We care very much about our long-standing relationships in Garfield and Rio Blanco counties," Hill said.

"Locking up these rigs with an established contractor helps increase the safety and efficiency of our operations while sharply increasing production in an environmentally sensitive manner," Hill added.

Williams has made provisions to handle transportation of additional production to market via a previously announced contract for up to 350 million cubic feet of daily capacity on a Wyoming Interstate Company pipeline expansion that is scheduled to go into service in early 2006 and via other firm transportation commitments.

#### **About Williams (NYSE:WMB)**

Williams, through its subsidiaries, primarily finds, produces, gathers, processes and transports natural gas. The company also manages a wholesale power business. Williams' operations are concentrated in the Pacific Northwest, Rocky Mountains, Gulf Coast, Southern California and Eastern Seaboard. More information is available at [www.williams.com](http://www.williams.com).

Glenwood Springs

# Post Independent

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## Staged drilling concept gains support

**Dennis Webb**

April 14, 2005

 Comments (0)  Print  Email

The natural-gas industry wants as many as 3,000 wells drilled on top of the Roan Plateau northwest of Rifle. Environmentalists fear even more could be drilled there.

Two state agencies suggest that the U.S. Bureau of Land Management should look at a plan that could allow responsible development of most of the gas reserves beneath the top. Another state agency contends that the impacts of drilling on and around the plateau would be harder on wildlife than the BLM suggests in its draft plan.

Days after the arrival of the public comment deadline for the draft plan, the agency faces the challenge of how to respond to conflicting claims and demands from at least 74,000 respondents.

At the same time, some agreement can be found between some diverse interests on some points, including a newly emerging concept of staged or clustered drilling, in which only one section of the plateau top would undergo development at a time.

"This novel approach would control the pace and impacts of gas development wherever it is allowed to occur in the planning area, minimizing the total land disturbed for gas production; require reclamation actions in specified disturbed areas before additional development and disturbance is allowed; and eliminate scattered, habitat-fragmenting, recreation-spoiling development and surface disturbance ... " a coalition of environmental groups told the BLM.

The coalition, which includes the Garfield County-based Grand Valley Citizens Alliance, credits the Colorado Mule Deer Association with coming up with the idea.

The Colorado Oil and Gas Conservation Commission and Colorado Geological Survey also are intrigued by staged development, suggesting the BLM consider following initial areawide exploratory drilling above the rim.

"By concentrating drilling, completion, pipeline construction, surface facility construction, truck traffic and other natural-gas development activity on a limited number of well pads in the same general area, most of the lands above the rim would be available for wildlife habitat and other surface uses," COGCC director Brian Macke and CGS director Vince Matthews wrote the BLM.

"Also, has BLM considered the possibility of leasing the entire upper plateau as a block in order to minimize the number of pipelines and other facilities?" they asked.

Meanwhile, in comments they submitted this week, industry groups, including the Colorado Oil & Gas Association, called the agency's draft plan "seriously flawed."

"Impacts from oil and gas development have been unscientifically evaluated and their projected effects systematically exaggerated. Our nation exists in an era of global terrorism, insecure energy supplies located in potentially or actively hostile nations far from our borders, and high energy costs whose effects fall disproportionately upon the backs of minority and lower-income populations," they wrote.

Yet none of the current draft alternatives would produce more than a fifth of the plateau's estimated recoverable natural-gas resources, they said. They called for consideration of a new alternative providing for up to 3,000 wells on the plateau top, drilled directionally using 40-acre well-pad spacing, with up to 16 rigs running continuously.

The proposal would drain 80 percent of estimated recoverable reserves and disturb a maximum of 16 percent of the surface above the rim, and save consumers more than \$5 billion per year during the 20-year plateau plan, the industry says.

The BLM's preferred draft plan would result in a projected 51 wells on top over the 20-year plan, but defer drilling there until a threshold amount occurs on the plateau base. Under its most drilling-intensive draft plan, 234 wells would be drilled during the plan's life.

Environmental groups and some local governments want no drilling on top. Steve Bennett, the BLM's associate field manager in its Glenwood Springs office, was taken aback this week by the new industry proposal.

"I don't know. Three thousand (wells). Man, that seems pretty high," he said.

But environmental groups believe as many as 3,700 wells could end up being drilled below the top, even under the BLM's deferred drilling plan. That's because while the plan covers the next 20 years, leases, once issued, could be extended indefinitely beyond then.

The groups' well projection is based on the assumption that 10-acre well spacing underground would occur. Macke and Matthews suggested in their comments that the assumption holds merit. They called on the BLM to update its planning documents to take into account that there are now 112,000 acres approved for 10-acre underground well density in and adjacent to the plateau planning area. More than 39,000 of those acres are within the planning area itself, and that's 31 percent of the area's total acreage.

Colorado Division of Wildlife director Bruce McCloskey shared environmentalists' concerns about where leasing on top would eventually lead.

"Failing to provide analysis of the impacts from full field development may compromise the validity of the cumulative impacts assessment" in the draft plan, he wrote.

He added that the DOW would like to see the final plan "discuss and analyze the impacts that could occur if the planning areas is leased and then developed with a well pad every 40 acres."

The DOW raised a host of concerns about the impacts of drilling in the plateau planning area. McCloskey cited a significant risk of drilling-related spills of pollutants harming Colorado River native trout populations. He questioned the BLM's characterization of a 33 percent reduction in mule deer population under some draft plans as being a "moderate" impact. He also said he believes the BLM underestimates the contribution that wildlife in the plateau planning area make to the local economy, estimating it to total at least \$5.1 million annually.

The industry, by contrast, contended that the BLM's analysis greatly overstated the possible impact on mule deer, relying on a study of habitat impacts from logging rather than drilling. It added, "The analysis ignores the commonly observed effect of habituation of wildlife to oil and gas development and fails to cite or discounts peer-reviewed scientific studies documenting such habituation."

But McCloskey cited research suggesting deer are impacted by gas development even more than the BLM projects.

Meanwhile, the industry, Macke and Matthews all questioned the BLM's assumption that drilling couldn't occur

on top for much of each year. They suggested that since big game winter at lower elevations, that time of year would be a good time for drilling to occur on top, and it would be technologically feasible from the industry's standpoint.

Parties on all sides of the Roan Plateau issue seemed to agree that the BLM applied outdated information on drilling trends in looking to future activity in the plateau planning area. And BLM officials conceded those numbers need updating.

Bennett said the agency also probably needs to do more work on economic projections within its plan. U.S. Rep. John Salazar, D-Colo., wants a closer look at economic impacts to hunting. And the industry noted that references to the value of gas produced is based on gas prices that are much lower than what is now the case.

Meanwhile, environmentalists, the industry and state agencies all said the BLM needs to acknowledge the increasing capabilities of directional drilling technology. Macke and Matthews said that outdated BLM assumptions regarding that technology resulted in the state Department of Natural Resources' 2003 proposal for directional drilling from one well pad every 160 acres on the plateau top being excluded from the draft plan.

The DNR now faces the challenge of reconciling the concerns and interests of the Division of Wildlife, COGCC, Geological Survey and Colorado State Parks as the state continues working with the BLM on the final plan as a cooperating agency. State Parks is worried about how dust and other drilling byproducts could impact recreation on the plateau.

But Macke and Matthews suggested a plan that meets the needs of all is possible, referring back to the staged development concept.

"There are other possibilities that could operate in harmony with the other resources on the plateau and yet allow an orderly, phased development of the oil and gas resources with minimal environmental impact," they wrote. "Industry has proposed a plan wherein most of the reserves could be developed with no more than 200 acres of surface disturbance occurring at any one time. Has BLM considered such a plan?"

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# COGCC visits Trinidad

By **MARTY HACKETT**  
*The Chronicle-News*

**TRINIDAD** - On two separate occasions during the week, the Colorado Oil and Gas Conservation Commission held public meetings in Trinidad.

On Monday, March 21, at the Quality Inn, the COGCC and Pioneer Natural Resources made presentations regarding land owner rights and processes that they could follow to guard these rights. Pioneer made a PowerPoint presentation on processes of extraction of coal bed methane gas, employment in the area, area impact in dollars, including tax revenues for the Trinidad area, its charitable contributions and other items of interest.

Topics covered throughout the evening included the number of wells in Colorado, (Las Animas ranked #6 in the state for number of wells drilled in 2005, currently producing 6 percent of the state's coal bed methane), field inspections, bonds held by the COGCC and landowner/operator relations.

"We are both tenants," said Jay Still, Vice President of Pioneer Natural Resources Western Division. "It is the goal of Pioneer to find common solutions."

The main topic of the evening was the newly adopted Onsite Inspection Policy that was instituted this year. The policy was explained as affecting applications for drilling submitted after Feb. 15, 2005. The COGCC reviewed the steps involved as including the initiation of the onsite inspec-

tion, purpose of an onsite inspection, required notice of drilling operations provided to the surface owner by the operator, the conducting of an onsite inspection, permit conditions resulting from the inspection and the types of impacts applicable - which include visual or aesthetic impacts, surface impacts, noise impacts, dust impacts, ground water impacts, safety impacts and wildlife impacts.

It was explained that if the operator objects to any of the conditions of approval applied under the onsite inspection policy, the Director of COGCC Peter Mueller shall stay the issuance of the drilling permits and properly notice and set the matter for the next scheduled Commission hearing to determine conditions of drilling permit approval.

Mueller announced later that only one report in Colorado had been received regarding this process since it was instituted and that it was in the Trinidad area. It was also noted that the drilling permit was eventually granted.

Pioneer explained landowner inconvenience compensation, post-operation reclamation, water testing and safety issues, including safe driving.

"We are striving to be good neighbors, to work together with you," Still informed those gathered.

The meeting concluded with a question and answer session from the audience addressing both the COGCC and Pioneer Natural Resources. Questions asked included everything from stand-

ing water and West Nile Virus, to noise mitigation on Tuesday, March 22.

The second COGCC presentation was actually one of three yearly meetings held throughout the state by the COGCC commissioners. The commission reviewed several areas within the state regarding the oil/gas industry, including Moffat County, Garfield County and Logan County.

The course of the meeting saw the commissioners discuss gas seeps along West Divide Creek, the Gas and Oil Regulatory team meeting, a noise regulation update, the onsite inspection policy, surveying rules and other agenda items.

Following the regular meeting, the audience was allowed to address the commissioners. Although a serious number of attendees had complaints about the local operations of the oil and gas industry, and the commission cordially listened to the residents' legitimate objections, Director Mueller did inform them that the commission was not the forum to receive these complaints.

The commission received a bit of criticism by one particular resident who claimed it was his opinion, after listening to the commission meeting, that it seemed biased and appeared to be extremely happy that the gas/oil industry was doing so well.

Residents, however, seem to continually leave meetings regarding the industry dissatisfied and remain unsettled about the operations in the area.

# Gas commission hears landowners

By KEN REAMY

Staff writer, The Times Independent

Nearly every landowner who spoke drew applause from the audience when making comments to the Colorado Oil and Gas Conservation Commission at a special public meeting held Tuesday in Trinidad.

The grievances aired by landowners dealt with a broad spectrum of unresolved issues, from encroachment, to gas well drilling, to heavy truck traffic on rural roads, to discarded refuse, to concerns over potential water contamination, to devalued land due to the presence of gas rigs.

However, a common thread linking the various issues together was a near-unanimous expression of frustration by the landowners of not being able to get the gas extraction companies to listen to or address their concerns. There was equal frustration expressed toward the oil and gas commission itself, as many speakers opined that the commission favored the gas industry and deemphasized surface owners' rights.

One Rancho Escondido resident, Deb Messemer, brought a four-foot length of pipe and a garbage bag up to the podium with her. She let the large pipe drop to the floor, its clang sounding like a large bell. She told the commission she almost hit the pipe with her car.

"This is not the only garbage out there," Messemer said. "Mother Nature created this beautiful land and they are sucking and bleeding it dry." Commenting on the amount of garbage she claims is discarded by gas company employees, she said, "It used to be beautiful Colorado, now it's garbage Colorado. It's not just oil they sucking out of the ground, it's our lives."

Another speaker, Chris Heyden, told the commission that he didn't regard the meeting "as a forum to hear my views." He accused the commission of presiding over "the negative impact in the Raton Basin on your watch."

Rich Stiles told the commission that his homeowner's insurance company was set to cancel his policy if gas wells or drilling activity ever occurred on his property.

try of having a "gold rush mentality," and asked the commission why the state allowed gas development where there was no infrastructure to support it.

Gopa Ross, a member of the Sierra Club who attended the meeting, said, "In my short time here, what I've seen has brought tears to my eyes."

She said the salinity level in the water at Trinidad Lake is rising, and that people have told her then when they speak out about what's going on with the gas companies they're threatened. "I hope that's not true," she said.

"I don't see how people's needs are represented," Ross said. "And when people speak out how they're treated is unerving."

Ross went on to say, "If it's not done properly, it takes away people's rights. The environmental groups are very, very concerned." She noted that she was inviting the Sierra Club to come to survey the problem.

A topic air repeatedly during the session was that several property owners claimed they were not given full disclosure by their real estate agents about prospective oil and gas exploration and extraction activities on their property.

Commission Chairman Peter Mueller asked, "Are your real estate agents informing you? Doing justice to you?"

Several in the crowd shouted, "No they're not!"

Commission member J. Thomas Reagan said, "There a massive failure to disclose (gas issues) on the part of the real estate agents here." He told Ross she should be able to seek legal recourse against the real estate company and developer.

Ross responded, "I think realtors are under a lot of pressure and if they disclose like they should they won't sell anything." Ross used her retirement fund to buy her property.

Wet Canyon resident Joni Steiner expressed concern over the hydrochloric acid being shot into the ground during the fracturing process.

"Can you guarantee my children won't be harmed 30 years from now?" she asked.

## ... Gas commission hears landowners

Continued from page 1

establish a process by which landowners can call in with alleged violations.

Mueller noted that when there's a proven "pattern of violations" by a producer, they can be shut down.

"Do you want to put people out of work?" Mueller asked Steiner.

"If it means protecting our health, safety and welfare, yes," Steiner said, drawing a round of applause.

Another Wet Canyon resident, Lloyd Shepherd complained about a five-acre pond created by one well on his property in an area that was once a meadow. Earth berms installed for the pond encroached his driveway, forcing him to reroute his driveway.

Juliette Colangelo derided the commission members for their

described himself as a "retired workaholic," told the commission he used to hear "whispering winds, owls, crows and birds" at night, but now only hears a buzz emanating from compressor engines. He challenged the commission members to record the sound he hears in his bedroom at night, and play the tape behind their own beds all night long.

"It's like a diesel truck idling all the time," he said.

Commission members attempted to be as conciliatory as possible within the purview of their authority, but other than some promises to investigate certain claims or follow up on phone calls, little else was accomplished at the meeting other than to allow the landowners to vent their frustration.

Commission member Brian Cree told the audience, "We don't

have power to mandate, finance that

don't go beyond state regulations.

Mueller said, "We don't have a magic bullet to offer you, but we're working on it." He noted that the COGCC encourages producers to "go beyond the standards to be good neighbors," and said the commission has encouraged producers to install gas rigs that run on electricity rather than natural gas or diesel fuel to reduce noise.

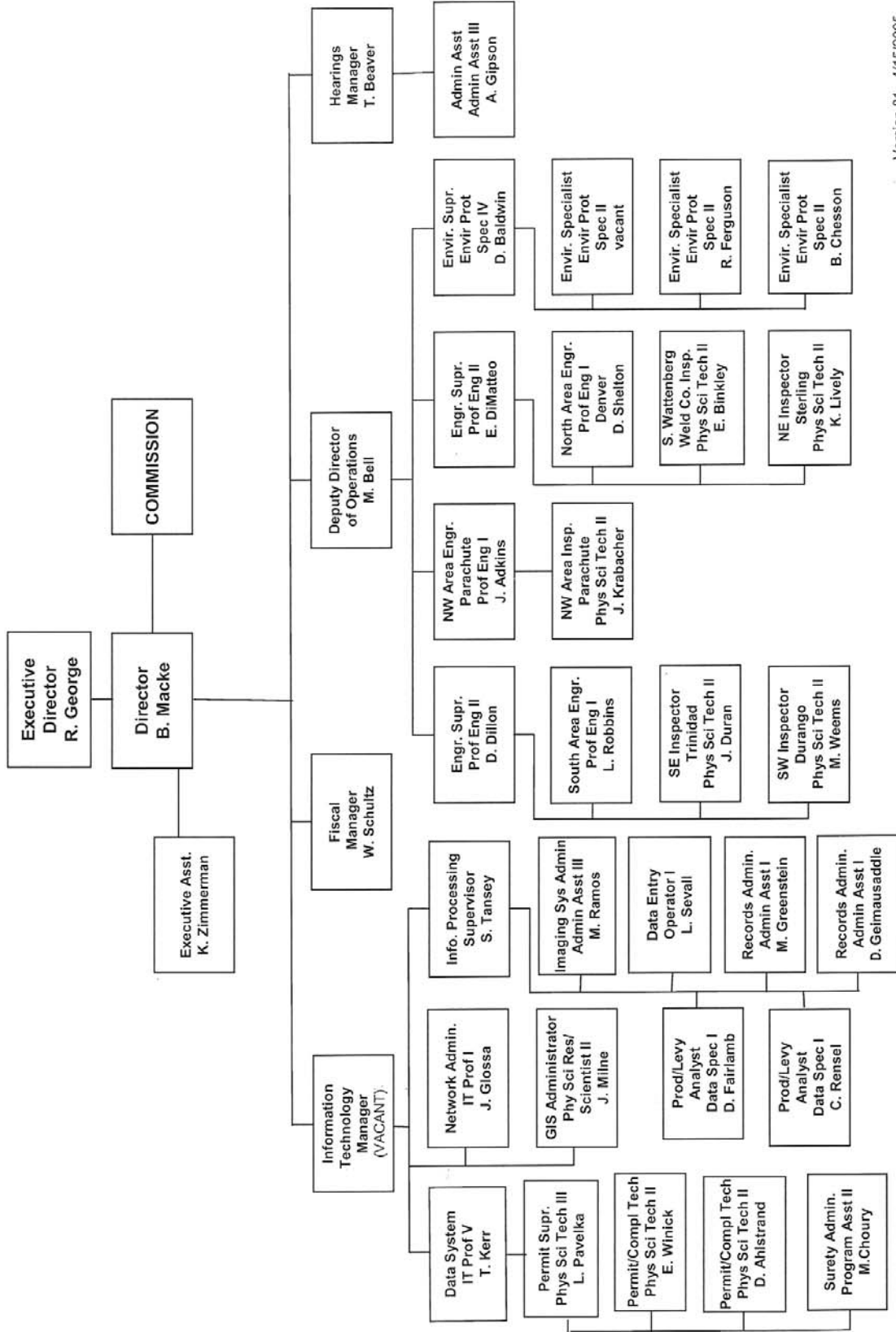
The meeting Tuesday, one of three the COGCC conducts in the field per year, was held at the invitation of the Las Animas County commissioners. Commis-

sion members also participated in a meeting Monday night with landowners, highlighting the new on-site inspection policy and announcing plans for future expansion.

Commission member Brian Cree told the audience, "We don't

have power to mandate, finance that

# COLORADO OIL & GAS CONSERVATION COMMISSION ORGANIZATION



**HEARING DOCKET:****June 2005**Preliminary  
04/19/2005

| No.        | Cause          | Applicant/Attorney or Representative                 | Date Rec'd | Field Formation County  | Matter  | Remarks              |
|------------|----------------|--|------------|---|---|----------------------|
| 0504-GA-01 | 139            | Presco, Inc.<br>William A. Keefe                     | 03/10/2005 | Rulison<br>Williams Fork<br>Garfield  | Request for an order to amend Order No. 139-43 to allow wells to be drilled within one-half mile of the Austral Oil Hayward #25-95 (R-E) Well in Lot 11 of Section 25, Township 7 South, Range 95 West, 6th P.M.  | Continued from April |
| 0506-EX-02 | 112            | Energen Resources Corp.<br>Michael J. Wozniak        | 04/11/2005 | Ignacio-Blanco<br>Fruitland Coal<br>Seam<br>Archuleta                           | Request for an order allowing an exception to the 130' interior line setback established in Order No. 112-60 for the Jaramillo 32-6 #12-1 Well and the Jaramillo 32-6 #12-2 Well located in the N1/2 of Section 12, Township 32 North, Range 6 West, N.M.P.M.   |                      |
| 0506-AW-10 | 112            | Energen Resources Corp.<br>Michael J. Wozniak        | 04/11/2005 | Ignacio-Blanco<br>Fruitland Coal<br>Seam<br>Archuleta                           | Request for an order to increase the number of wells allowed to a total of 3 wells in the 320-acre drilling and spacing unit consisting of the N1/2 of Section 13, Township 32 North, Range 6 West, N.M.P.M.  |                      |
| 0506-SP-06 | 232 and<br>499 | United States Exploration, Inc.<br>J. Michael Morgan | 04/11/2005 | Wattenberg<br>Dakota & "J" Sand<br>Weld   | Request for an order to segregate the 320-acre drilling and spacing unit consisting of the N1/2 of Section 9, Township 5 North, Range 67 West, 6th P.M., into two 160-acre drilling and spacing units consisting of the NE1/4 and the NW1/4.  |                      |
| 0506-SP-07 | 232 and<br>499 | United States Exploration, Inc.<br>J. Michael Morgan | 04/11/2005 | Wattenberg<br>Dakota & "J" Sand<br>Adams  | Request for an order to segregate the 320-acre drilling and spacing unit consisting of the E1/2 of Section 3, Township 2 South, Range 65 West, 6th P.M., into two 160-acre drilling and spacing units consisting of the NE1/4 and the SE1/4.  |                      |
| 0506-SP-08 | 139            | Petrogulf Corp.<br>William A. Keefe                  | 04/13/2005 | Rulison<br>Williams Fork<br>Garfield  | Request for an order to establish 640-acre drilling and spacing units for certain lands and to allow the equivalent of one well per 10 acres within said units and upon existing 320-acre drilling and spacing units, with the permitted well to be located no closer than 100 feet from the boundaries of the drilling and spacing unit, for various sections in Township 6 South, Range 93 West, 6th P.M. |                      |
| 0506-SP-09 | 526            | Merit Energy Company<br>Keith M. Crouch              | 04/18/2005 | Rush Willadel<br>Dakota, "J" Sand,<br>Codell, Niobrara,<br>Sussex<br>Washington | Request for an order to establish four 160-acre drilling and spacing units in Section 26, Township 3 South, Range 51 West, 6th P.M., and to allow proposed wells to be drilled at exception locations to Rule 318.a.  |                      |
| 0506-UP-04 | 407            | Mineral Resources, Inc.<br>Keith M. Crouch           | 04/15/2005 | Rush Willadel<br>Dakota, "J" Sand,<br>Codell, Niobrara,<br>Sussex<br>Washington | Request for an order to establish 160-acre drilling and spacing units consisting of the SW1/4 of Section 16 and the SE1/4 of Section 17 of Township 5 North, Range 65 West, 6th P.M., and to pool all non-consenting owners in the two 160-acre drilling and spacing units.   |                      |