



DEPARTMENT OF NATURAL RESOURCES

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TO: COGCC Commissioners

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FROM: Brian Macke

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DATE: July 11, 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, 1941 Applications for Permits-to-Drill ("APDs") were approved as of June 30, 2005. At that pace, it is estimated that nearly 3914 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 June 30th are:

	2005 (% of Total)	2004	2003
Garfield County	633 (33%)	796	566
Weld County	450 (23%)	832	757
Yuma County	307 (16%)	237	138
Las Animas County	165 (9%)	332	180
Mesa	73 (4%)	54	27
Rio Blanco	69 (4%)	154	179
La Plata County	60 (3%)	102	162

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, September 8, 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

There has been no change in conditions in West Divide Creek since last month's Staff Report update. The enhanced air sparging system within West Divide Creek continues to operate as an additional remedial action at the gas seep.

EnCana continues to sample 28 domestic water wells, 2 irrigation wells, 4 ponds, 3 springs, 3 creeks, and 27 ground water monitoring wells (along West Divide Creek) as part of this investigation. With the exception of the ground water monitoring wells along the creek and recent samples from the Schwartz Monitoring Well, 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.

◆ Schwartz Monitoring Well

This water monitoring well is located approximately 300 feet north of the EnCana Schwartz 2-15B Well and is completed at a total depth of 455 feet below ground surface. EnCana installed this monitoring well in July/September 2004 at the request of the property owners. Low concentrations of toluene observed in water samples from this well since its completion have been attributed to material introduced by the drilling and/or well pump installation. Recent samples (April 2005) have had low concentrations of benzene (2.8 µg/l and 1.7 µg/l) in addition to toluene. The State of Colorado ground water standard for benzene is 5 µg/l. Investigation of the benzene occurrence is underway.

◆ Local Project Status Update

URS Corporation (URS) has been selected as the contractor to conduct the hydrogeologic study of the project area south of Silt, Colorado. The contract was signed on June 30, 2005 and the kickoff meeting between the URS, and Garfield County, EnCana, Western Colorado Congress, and COGCC personnel is planned for July 8, 2005. URS expects work to begin shortly thereafter.

Garfield County will be presenting its proposals for the other two public projects that will be funded by EnCana Oil & Gas to the Commission at today's hearing. One is the Piceance Basin Natural Gas Educational Forum, which will be held at the Garfield County Fairgrounds in Rifle, Colorado on July 16, 2005. The other is an analysis of the health risks associated with oil and gas exploration and development.

III. SOUTHWEST COLORADO

◆ Gas and Oil Regulatory Team (GORT) Meeting

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

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

On June 9, 2005 the third soil gas survey of the impacted area was conducted and the final report is being prepared. The majority of methane was detected in an elliptically-shaped seep area similar to the seep area mapped in both the February and April 2005 surveys.

The monthly operations and maintenance of the existing methane detection systems in the four houses and the fire station continue to be conducted by Standby Safety of Cortez, Colorado.

On April 18 through 21, 2005 MicroGeophysics Corporation (MGC) conducted geophysical surveys of the impacted area. A seismic refraction survey was conducted to determine the depth to the bedrock. This information was used to map the bedrock-terrace gravel interface. Electromagnetic surveys were conducted to look for subsurface metallic objects, such as abandoned wells, buried tanks, or piping.

The electromagnetics (EM) and total-field magnetics (MAG) surveys identified the presence of six anomalies in the vicinity of the Nick Spatter-Bryce Farm (NSBF) #1 Well. Anomalies 1, 2, and 3 are located south and southeast of the NSBF #1 Well. Anomalies 1 and 2 exhibit a weaker magnetic signal and may be the steel anchors used to tie down a drilling mast. Anomaly 3 exhibits a much stronger signal and has the potential to be an additional wellhead or other vertical metal feature. Anomaly 4 is a linear shaped horizontal and near surface anomaly that runs to the north from the location of the explosion. Anomalies 5 and 6 are in close proximity to the NSBF #1 Well.

Anomaly 4 exhibits a magnetic signature consistent with a buried pipeline; however, we have not found any other information about an abandoned pipeline in this area. The importance of this feature is that it runs directly below the former Yoakum residence. If a pipeline or utility corridor is present, it seems likely that it may have acted as a preferential migration pathway for methane and would explain the elevated methane concentration detected beneath the former residence.

The next step in our investigation is excavation of the gravel terrace deposits to expose the potential subsurface metallic objects that are identified as anomalies 1 through 6 and to determine their potential to act as preferential pathways for methane migration. If any of these anomalies are determined to be acting as a conduit, then a plan for mitigation will be developed. LTE is developing a scope of work that will be used to solicit bids for this excavation work. Mr. Yoakum has given us verbal permission to conduct excavation activities on his property and staff is in the process of obtaining permission from the owner of the land upon which the NSBF #1 is located. We hope to begin excavation activities by the beginning of August 2005.

IV. SOUTHEAST COLORADO

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

Design of the permanent systems for removal of methane seeping into the Mondragon and Saint residences was completed by LT Environmental (LTE). COGCC staff met with the Mondragons and Saints and provided copies of the draft design on June 9, 2005. The plans were approved by the Mondragons and Saints. HVAC and electrical contractors have been identified and scheduled, and equipment ordered. Installation of the permanent systems to ventilate the houses is currently scheduled for July 6, 2005. The temporary systems for both houses are still active. On June 6, 2005, LTE conducted a detailed soil gas survey of the Mondragon/Saint property. The survey included measuring methane in subsurface soils and mapping areas of stressed and dead vegetation around the houses, in the meadow south of the houses, in the timbered area north of the Highway 12, and along the northern bank of the Purgatoire River. The survey results of the Mondragon/Saint property identified methane in the subsurface soils in the pasture, surrounding the residences, in the timbered area north of the highway and along the river. LTE conducted a limited methane seep survey on property owned by Las Animas County Commissioner Jim Montoya on June 7, 2005. This property is located 1.8 miles west of the Mondragon/Saint property on the north side of the Purgatoire River. No methane was detected at the Montoya property.

◆ Primero School Gas Survey

COGCC staff met with Primero School official, Mr. Eric Davies on June 9, 2005 and provided draft results of the methane survey conducted by LTE in April 2005. During this survey flammable gas was detected around the Bus Garage. Analytical data also identified propane in the subsurface. Based on this June 9, 2005 meeting and the data submittal, the Primero School contacted the propane distribution company and requested that the tank and distribution line be tested. The equipment was tested and repairs to the pipeline, from the tank to the Bus Garage, completed during the week of June 20, 2005. A follow up methane seep survey will be conducted by LTE in early July 2005.

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.

David Dillon has been appointed as the new COGCC Deputy Director of Operations. David has been with the Commission for over ten years as a supervising engineer in the COGCC Operations section, where he has done a fine job forging good working relationships and respect among the industry and COGCC peers. David also brings with him extensive oil and gas industry engineering experience that he gained prior to coming to work for the COGCC. This position was announced statewide open-competitive for an extensive period, which was followed by a formal selection process. I would like to thank Shane Henry and COGCC Commission Chairman Peter Mueller for volunteering their time to serve on the selection committee for this position.

Marc Fine has been appointed as the new COGCC Information Technology Manager. Marc has been working with the Colorado Department of Revenue to manage a large application development group, and brings with him extensive knowledge and experience. Marc will join the COGCC staff on July 18, 2005. 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 and service on the selection committee, and COGCC Commission Chairman Peter Mueller for his service on the selection committee.

The funding request for two additional field inspectors effective July 1, 2005 was recently approved by the Legislature. Hiring for these positions is underway with the closing date for applications set as July 9, 2005.

We are currently preparing a job announcement for the Engineering Supervisor position vacated by David Dillon. This position will be announced the week of July 11, 2005. The position will be announced to all Divisions within the Department of Natural Resources. David Shelton will be acting Engineering Supervisor until this position can be filled.

VI. PLANNING/ADMINISTRATION/OTHER

◆ 2004 Outstanding Oil and Gas Operations Awards

The deadline for nominations for the COGCC 2004 Outstanding Oil and Gas Operations Awards was June 1, 2005. This will be the 9th 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. The COGCC staff has submitted a list of nominations to the Commissioners and will be seeking approval at today's hearing.

◆ Public Outreach Opportunities

David Dillon provided a presentation on COGCC regulation of oil and gas development at the Colorado County Attorneys Association 2005 summer seminar in Steamboat Springs on June 9, 2005.

Tricia Beaver made a presentation on June 28, 2005 to the Industry/Agriculture Task Force meeting to address surface rights. Steve Lindblom, the new Onsite Inspection Specialist, also attended.

David Dillon has been invited to provide an informational presentation about COGCC regulation to the Mesa County Planning Commission and County Commissioners on July 13, 2005 in Grand Junction.

Brian Macke has been invited to serve on a panel for the Piceance Basin Natural Gas Educational Forum that is being sponsored by the Garfield County Energy Advisory Board and Colorado Mountain College at the Garfield County Fairgrounds in Rifle on Saturday, July 16, 2005 from 8:30 a.m. until 4:00 p.m.

At the request of the local County Commissioners, Brian Macke has been invited to represent the COGCC and make a presentation at a public oil and gas informational forum entitled "Your Rights, Industry Rights" that will be held at the 4H center in Ridgeway, Colorado on July 19, 2005.

◆ Onsite Inspection Policy

To date, the COGCC has received a total of ten (10) requests for onsite inspections with five (5) requests 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 ("APD") submitted after February 15, 2005. One (1) onsite inspection is scheduled for July 15, 2005. Two (2) additional onsite inspections are in the process of being scheduled. The onsite inspections on two (2) remaining requests will be performed once the Applications for Permits-to-Drill are submitted to the COGCC by the operators.

◆ COGCC Surveying Rules Update

A Rulemaking hearing has been docketed and noticed with the Secretary of State for the August 15, 2005 hearing in Greeley. A draft of the proposed Rule is available on the COGCC website.

◆ Noise Regulation Update

A Rulemaking hearing has been docketed and noticed with the Secretary of State for the August 15, 2005 hearing in Greeley. A draft of the proposed Rules will be available on the COGCC website within the next several weeks.

Important aspects of this rulemaking address the following:

- Type of land use now includes a Residential/Agricultural/Rural land designation with day=50db(A) and night=55db(A) maximum.
- Noise measurements will be taken 350' from the noise source and compliance will be required at this distance. Noise can be measured at a different distance and recalculated to 350' if required by terrain.
- Compliance will be required at any residence within the 350' radius that exists at the time of noise source construction.
- In situations where low frequency noise is indicated by initial COGCC inspection, a low frequency noise impact analysis by a qualified sound expert will be requested. This study would include identification of any reasonable control measures that should be employed to mitigate such low frequency noise impact.

◆ Penalties Status

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

◆ August Hearing Docket

A preliminary docket for the August 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 and contacts).
- Imaging
 - This application provides the capability to convert the paper documents received by the Commission to electronically available documents.
- Form Processor
 - This set of applications allows users to input, route, edit and update regulatory reports submitted by oil and gas operators.
- Geographic Information Systems (“GIS”)
 - These applications provide the capability to create custom maps, convert survey calls to geographic coordinates, and convert and utilize geographic positioning system (“GPS”) data.
 - The GIS Administrator creates daily updates for the Internet map data downloads.
- COGIS Tools
 - This set of applications allows staff to correct data in the database in addition to performing specialized workflow administration.
- Remote Users
 - This is the final component of the COGIS system. The deployment of this system was delayed due to database synchronization problems; laptops have been deployed to COGCC field inspectors and environmental staff. While the application is still buggy, the feedback is that having information available in the field is a tremendous asset. This laptop system consists of Internet applications, and other report tools necessary for COGCC field staff to facilitate data collection and provide information.
- Electronic Business
 - There are approximately 200 operators reporting production electronically.

◆ COGIS Projects, Updates and Changes

- Hearing and Environmental File Indexing Project
Indexing of the hearing files is complete. The hearing files have been boxed and moved to archives. Two 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 was not completed by June 30, 2005 due to personnel retention and training issues.

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 90% 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 application is available from the “Forms” page on COGCC web

site <http://oil-gas.state.co.us>. COGCC staff is working with operators and logging companies to gain compliance with the digital log submission requirement. The digital logs are beginning to show up on the web; the type of file precedes the log type in the document name. In addition to LAS files there are PDS and PDF files which provide an easy to view graphical representation of the logs; these graphical files do not eliminate the LAS file requirement.

- Delinquent Operations Report

This project will create an application to identify forms/reports that may be required and are missing from the COGCC database. The software is being used but is still lacking the automated settings in the database to review data on a monthly basis and reevaluate when well data is modified. The data cleanup is underway but will take several months. Oil and gas operators are being asked to review a list of forms/reports that have not been submitted and either provide the form/report or provide information substantiating why it is not required.

- Mapping Directional Wellbores Project

This is an industry sponsored project to make the directional wellbores visible on the Internet map. The project is underway with the application development nearing completion for the GIS and database pieces. There is a need to establish a format for electronic submission of directional survey data, and the logging companies are being surveyed so that a proposed format can be created for review by the logging companies. Once a format is established, an application will be created to submit the directional surveys electronically. Many thanks to Mr. Dewey Gerdum 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 northeast 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

A Rule 502.b. variance was granted to Petroleum Development Corporation for Rule 1004.a. They are planning to drill wells in Section 31, Township 6 South, Range 96 West, 6th P.M. and in Section 6, Township 7 South, Range 96 West, 6th P.M. where it will not be technically feasible to grade, re-contour and reclaim the well pads and access roads to their original condition as required by Rule 1004.a.

PENALTY PAYMENT STATUS
07/06/05

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 Uncollectible
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	11	\$492,200	8	\$86,000	0	\$0	0	\$0
Totals	234	\$1,824,925	156	\$799,065	9	\$194,750	2	\$115,105

II. DELINQUENT PENALTIES

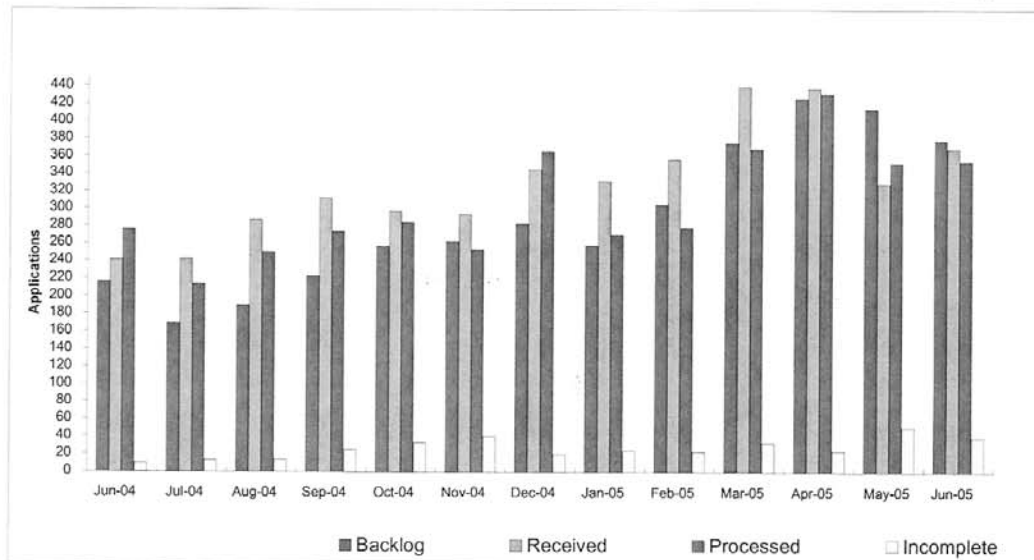
Order Number	Date Issued	Violating Entity	Penalty Assessed	Violations	Status	Referred to Collections
1V-58	03/15/93	Gear Drilling Company	\$2,000	Rule 305, 319.a.(2)	Work completed per order	Yes
1V-73	06/23/94	Western Oil Company	\$2,300	Rule 317.a.8.	Bond forfeited 11/01/95	Yes
1V-82	06/19/95	Joseph V. Dodge	\$14,000	Rules 210.b., 305., 307., 317.b.(3), 604.a.(4)	\$30,000 bond claimed 11/96/penalty unpaid/No assets.	Yes
1V-93	11/21/95	Tipps Drilling Co.	\$60,000	Rules 604.a.4., 902.e.&f.	AOC negotiated	Yes
1V-110	05/21/96	Kana Resources, Inc.	\$3,500	Rules 303.a., 306., 317.b.1.	District Court decision entered/\$10,000 bond claimed	Yes
1V-114	09/04/96	Mr. Jim Snyder	\$10,000	Rules 308., 317.l., APD		Yes
1V-124	07/01/97	Nerdilic Company Inc.	\$9,000	Rules 326.b.1., 319.b., 210.b.		Yes
1V-132	11/24/97	Eros, Inc.	\$24,000	Rules 319.b., 326.b.		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., 905.b.(1), 90	Bond claimed	Yes
1V-211	05/31/01	Sierra Production	\$500	Rule 302.a.		Yes
1V-212	05/31/01	Caprice Oil & Gas Co.	\$500	Rule 302.a.		Yes
1V-218	01/11/02	Rocky Mtn. Operating Co.	\$2,000	Rule 326.b.(1)		Yes
1V-219	01/11/02	Rocky Mtn. Operating Co.	\$1,000	Rule 326.b.(1)		Yes
1V-220	02/25/02	Woodsley Oil Company	\$6,000	Rule 326.b.		Yes
1V-221	03/25/02	Domar Oil & Gas, Inc.	\$6,000	Rules 302., 304., 319.b., 709.		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
1V-237	09/21/02	DJ Production Svcs, Inc.	\$1,500	Rule 326.b.		Yes
1V-239	09/21/02	DJ Production Svcs, Inc.	\$500	Rule 309.		Yes
1V-240	09/21/02	DJ Production Svcs, Inc.	\$1,500	Rule 324A.a., 907.a., 910.a.		Yes
1V-245	06/02/03	Fredrick Shaffer	\$4,000	Rule 326.b.		Yes
Total Penalties Pending Collection			\$255,800			

Colorado Oil & Gas Conservation Commission

Monthly Breakout of Drilling and Recompletion Permits

	Backlog	Received	Processed	Withdrawn	Rejected	Incomplete	In-Process	Remaining
Drilling								
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	413	336	19	0	33	387	420
Apr-05	420	413	418	17	0	24	374	398
May-05	398	321	340	12	0	42	325	367
Jun-05	367	360	342	14	0	38	333	371
Recompletion								
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	14	29	0	0	0	14	14
Mar-05	14	27	33	1	0	0	7	7
Apr-05	7	25	14	1	0	0	17	17
May-05	17	8	13	0	0	9	3	12
Jun-05	12	9	13	0	0	1	7	8
Total								
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	357	278	8	0	23	353	376
Mar-05	376	440	369	20	0	33	394	427
Apr-05	427	438	432	18	0	24	391	415
May-05	415	329	353	12	0	51	328	379
Jun-05	379	369	355	14	0	39	340	379

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						Unedited Historic Records	Public Visits			Well Oper Change	
			Drilling Apvd	Drilling Rcvd	Recompletion Apvd	Recompletion Rcvd	Injection Apvd	Injection Rcvd		Pits Apvd	Pits Rcvd	Active Wells		Data
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	0	2	15	51	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	1	44	30	31292	239
	MAR	50	243	302	8	25	2	3	2	9	51	70	32931	358
	APR	51	254	194	10	8	6	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	278
	AUG	60	236	268	14	19	0	1	8	42	33	39	35060	363
	SEP	59	258	295	16	17	6	4	33	47	40	61	38247	1919
	OCT	59	268	281	16	16	2	1	54	29	65	31	42069	498
	NOV	61	242	284	11	9	1	0	42	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	25	22	242	219	550	549	423127	5806
2005	JAN	65	263	296	7	36	0	2	8	7	60	41	49839	2345
	FEB	70	249	343	29	14	1	0	17	10	44	71	51277	375
	MAR	73	336	413	33	27	2	3	35	26	59	34	60298	426
	APR	69	418	413	14	25	0	1	23	27	58	56	52606	380
	MAY	65	340	321	13	8	0	1	25	32	46	43	58881	264
	JUN	69	342	360	13	9	2	0	43	33	58	33	45032	71
2005	Total		1948	2146	109	119	5	7	151	135	325	278	317933	3861

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


Colorado Oil Gas Conservation Commission
Monthly Statistics

YEAR	MO	Operators		Release		Bonds		Claim		Hearings		Violations		Remediation		Field Insp		
		New	Inactive	Ind.	Blink	Replace	Ind.	Blink	Blnt	Apps.	Order	NOAV	AOC	OFV	Compit		Spills	Rcvd
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	11	4	0	15	23	3	3	622
	FEB	5	4	4	3	11	0	0	7	3	17	2	0	20	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	3	7	716
	JUL	8	2	4	2	12	0	0	9	4	15	4	0	11	16	6	1	566
	AUG	16	4	2	6	10	0	0	4	3	16	3	1	11	24	2	3	662
	SEP	8	7	8	0	12	0	0	4	4	19	0	0	16	17	6	22	709
	OCT	8	3	3	2	13	0	0	0	0	9	0	0	9	19	4	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	4	13	8	6	417
2004	Total	105	63	55	36	118	0	2	62	50	235	29	3	154	230	53	60	7716
2005	JAN	10	3	3	7	10	0	1	7	3	17	0	1	12	20	0	6	620
	FEB	8	6	4	2	13	0	1	6	6	6	0	0	11	23	4	17	529
	MAR	8	10	8	3	12	0	0	3	5	6	0	0	16	21	8	5	726
	APR	10	5	7	4	13	0	0	7	4	30	0	1	21	20	4	20	404
	MAY	9	5	7	5	14	0	1	NA	NA	14	NA	NA	7	28	4	3	482
	JUN	15	11	2	5	14	0	0	7	7	19	3	0	8	30	2	0	415
2005	Total	60	40	31	26	76	0	3	30	25	92	3	2	75	142	22	51	3176

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The Denver Business Journal - July 4, 2005
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EXCLUSIVE REPORTS

From the July 1, 2005 print edition

Garfield moves ahead in natural gas

Cathy Proctor

Denver Business Journal

For the first time, the number of drilling permits for natural gas wells issued in Garfield County -- which is at the center of the young, fast-rising Piceance Basin -- has surged ahead of the number of permits issued in Weld County, home of the venerable Denver-Julesburg basin northeast of Denver.

And Garfield County, also for the first time, outpaced Weld County in terms of daily natural gas production in 2004, according to the Colorado Oil and Gas Conservation Commission.

The numbers -- in permits and production -- are the raw information behind the meteoric rise of natural gas activity in the Piceance Basin on Colorado's Western Slope during the last few years. Rifle and Glenwood Springs are the largest municipalities in Garfield County.

Weld, active since the 1970s, has received about one-third of the permits issued every year in the state. But so far this year, Garfield has received one-third of the permits, while Weld has gotten just 24 percent, according to the commission.

Overall, the state's record of 2,917 permits issued in 2004 is likely to be smashed with ease during 2005, said Brian Macke, commission director, who predicted there'll be more than 3,900 permits this year. As of June 23, Colorado's regulators had granted 1,857 drilling permits in 2005, he said.

"It's a substantial increase," Macke said of the pace through June 23. "It's a 35 percent increase over last year."

In 2004, Garfield County produced about 559 million cubic feet of natural gas per day, hot-footing ahead of Weld County, which produced 534 million cubic feet of natural gas a day, according to the commission.

The move put Garfield in second place statewide for production, behind La Plata County in southwestern Colorado, home to the massive San Juan Basin that straddles the Colorado-New Mexico border. La Plata's natural gas wells produced an average of nearly 1.3 billion cubic feet of natural gas every day during 2004, according to the commission.

Weld had 36 more permits than Garfield in 2004, but the latter far surpassed Weld's figures through June 23, with 616 to Weld's 442, Macke said.

Garfield has gained stature in the industry in the last few years as rising natural gas prices made operations more economical. Wells in the Piceance are more expensive to drill compared to other basins, such as the Denver-Julesburg.

But Weld County and the Denver-Julesburg basin remain important to the industry. Weld County still leads the state with nearly 11,000 active gas wells, four times more than the nearest challenger, La Plata County with its 2,693 active wells.

"The D-J [Denver-Julesburg basin] is still a wonderful, prolific basin, one of the largest 10 basins in the U.S. But the Piceance, I think it's the biggest gas field in the lower 48," said Fred Julander, president of [Julander Energy Co.](#) and a longtime Denver oil and gas industry insider.

Julander said he believes up to 100 trillion cubic feet of natural gas could be sucked out of the Piceance Basin. By comparison, the entire United States uses about 22 trillion cubic feet a year.

"This isn't to slight the D-J," he said. "It's like comparing Mickey Mantle to Babe Ruth. Mickey Mantle is a fine ball player, but Babe Ruth is the best of all time."

Garfield County's Piceance Basin is the industry's latest up-and-comer, but Craig Van Kirk has seen many such shifts from his 25-year perch heading the Petroleum Engineering Department at the Colorado School of Mines in Golden. It's just part of the normal boom-and-bust cycle that sweeps periodically across the industry, he said.

"The rigs or the frac trucks [used for reworking older wells], they go where the action is, and they come and go," Van Kirk said.

"The Denver basin has been No. 1 in the U.S. on rig count and frac job count within the last 10 to 20 years in the whole U.S. But no basin, no place can maintain the No. 1 position all the time. It's impractical. Impossible. It never happens.

"These tides come and go in basins. If the Denver basin had a soul, heart and brain, it doesn't need to feel embarrassed. It's not a contest between basins and counties," he said.

Nor are the companies operating in the Denver-Julesburg or the Piceance ready to abandon one for the other.

"The Piceance is less developed [than the Denver-Julesburg] and we see the Piceance as having a lot of upside potential," said Doug Hock, spokesman for EnCana Oil and Gas (USA) Inc., based in Denver.

EnCana officials have said the company, a subsidiary of EnCana Corp. (NYSE: ECA) based in Calgary, Alberta, Canada, expects to drill about 280 wells in Garfield County and its neighbor, Rio Blanco County, this year.

While the number of permits may be down in Weld County, that's partially because it's a mature basin where the focus is on reworking older wells to pull more natural gas from the ground. It's work that doesn't require a new well permit from the state, said Joe Jagers, vice president of Tulsa, Okla.-based Williams Cos. Inc. (NYSE: WMB) and head of its Denver office.

Williams and EnCana are the two largest operators in the Piceance Basin.

Jagers has worked in the Piceance Basin for years as part of Williams and the old Barrett Resources Corp., which is credited with creating the technology that can get natural gas from the "tight," less-permeable rock formations in the basin. Barrett Resources merged with Williams in 2001 after publicly rejecting offers from international oil major Royal Dutch/Shell.

"The Piceance is huge," Jagers said. "It's well over 1 million acres, with huge gas-in-place resources, and relatively young in its development with 2,000 to 3,000 wells to date and tens of thousands yet to be drilled."

Jagers said Williams is planning to drill 300 new wells in the basin this year and another 450 wells next year.

Barrett Resources' Denver-based reincarnation, Bill Barrett Corp. (NYSE: BBG), remains active in Garfield, operating four drilling rigs now and expecting to drill 80 wells this year. Another 60 wells should be drilled next year, said Kurt Reinecke, vice president for Bill Barrett Corp.'s southern division.

Houston-based Noble Energy Inc. (NYSE: NBL), which closed its \$3.4 billion deal for Denver-based Patina Oil and Gas Corp. in May, also is ramping up operations in Patina's Denver-Julesburg holdings. Patina was a major operator in the Denver-Julesburg basin.

The company is "absolutely not" going to abandon the basin, said Ted Brown, vice president of Noble's Rocky Mountain Region.

"We have stepped up activity for 2005 in the Wattenberg [Field, primarily in Weld County]," Brown said. "We've increased our drilling rigs from two to three with plans to add a fourth rig sometime in the fall. We have probably thousands of projects left to do out in the Wattenberg."

Glenwood Springs

Post Independent

Garfield real estate prices keep rising

By Ryan Graff
Post Independent Staff
June 28, 2005

Low inventory in some sectors of Garfield County real estate is pushing prices higher, and buyers must act quickly for lower-priced housing, real estate agents said.

“Things are definitely moving,” said Tonya Nieslanik, owner and broker at Vicki Lee Green Realtors.

Properties countywide are selling in about three months, which is relatively fast — and in some markets, they are moving even more quickly, she said. In Rifle, homes priced less than \$200,000 generally sell in about a month, thanks in part to oil and gas workers moving in, Nieslanik said.

Oil and gas workers are also having a particularly strong effect in Battlement Mesa and Parachute, said Jack Pretti, broker and owner of Colorado Heritage Real Estate. EnCana’s move to Parachute is spurring both commercial and residential business, he said.

According to Land Title Guarantee Co., 914 real estate transactions — commercial, residential and land — took place in Garfield County through May, an increase of 42.4 percent over the same period last year. The market is nearly on pace with the year 2000, the first and most active year for which the company has records, Land Title’s Joe Carpenter said.

The active and tight market — especially in middle-income and rural houses with acreage, called ranchettes — is good for homeowners, who should see their property value appreciate a bit more quickly, Pretti said.

In addition to new arrivals in the oil and gas industry, low interest rates and the appeal of the Roaring Fork and Colorado river valleys are also helping the activity, said John Wendt, a managing broker at Mason & Morse in Glenwood Springs.

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June 24, 2005

EnCana invests in education

Amanda Holt Miller
 Western Garfield County Staff
 June 24, 2005

Comments (0) Print Email

Garfield School District No. 16 will make energy-efficiency improvements to old buildings and add a vocational program this fall through a bond and a 10 percent matching grant from EnCana.

District 16 was one of three school districts in Colorado to qualify for the interest-free \$2.5 million national Zone Academy Bond. The other two were Fremont Re-1 in Carson City and School District 11 in Colorado Springs.

"This was a lot of work," said Todd Snidow, an investment banker with George K. Baum in Denver. Snidow has worked with the district on various financing projects for the past six years.

"It would have been easy for the district to do a lease-purchase agreement, but they realized what a good deal this was for the taxpayers," Snidow said.

Since the district won't have to pay interest on the \$2.5 million loan, it will save about \$1.3 million. But getting the bond was not easy, Snidow said. There are a couple of qualifiers that put the bond out of reach for a lot of districts.

"The tough part is that the district has to be poor enough. Thirty-five percent of students have to qualify for the free or reduced lunch program," Snidow said. "That's one part. But the biggest part is finding someone to match 10 percent. That's always been the holdup."

To qualify for the bond, districts have to find a private company or person to offer a 10 percent match. Snidow, who has worked on three other cases in Colorado, said he expected to have to make visits to all of the area gas production companies and ask them to support the district together. He was surprised and impressed to discover EnCana was willing to foot the entire cost.

The \$2.5 million bond will fund energy-efficiency improvements to district buildings. The improvements are expected to save the district about \$100,000 a year in expenses.

The \$250,000 EnCana gift will be broken up over three years. It will pay to create and maintain a vocational program in the district's north annex building, across the street from the Early Childhood Literacy Center. The vocational program will offer emergency medical technician courses, nursing and welding. Students can also take dual-credit classes, for both college and high school credit, there.

Colorado Mountain College is teaching classes in the north annex and will continue to use the building, partnering with the school district and EnCana. CMC is donating instruction materials for the welding classes.

The \$250,000 matching grant EnCana Oil & Gas (USA) offered comes on the heels of a \$3 million grant to CMC to build the college's new Rifle campus.

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"One of the fundamental philosophies of the company is to make sure that the communities where we work and live are made stronger because we're there," said EnCana spokeswoman Florence Murphy.

EnCana's constitution calls for the company to give 1 percent of its profits back to the communities where it operates. The company focuses its contributions on education, health and wellness, the environment and community development.

EnCana officials met with representatives from the school district and agreed to dedicate the \$250,000 from EnCana to develop a vocational program. Murphy said EnCana will benefit from having a local skilled labor force to draw from instead of hiring gas well workers from out of state.

District 16 superintendent Steve McKee asked visitors to the district office to read the mission statement on the wall Monday night, which reads, "As a result of our efforts, graduates will be confident, caring and contributing citizens successfully prepared for life."

"Only 30 percent of our graduates go on to college," McKee said. "If you don't go to college, there's not much for you to do in our complex world."

McKee said he hopes a vocational program will present Grand Valley High School graduates with the opportunity to stay in the community and still find good-paying jobs.

"This is just really the way things are supposed to work," Snidow said. "The school district needs money and a big energy company is helping a school district take a stab at conserving energy."

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EnCana donates \$3 million to CMC for new campus

Thursday, May 26, 2005

By MIKE MCKIBBIN

The Daily Sentinel

RIFLE — A \$6 million capital campaign for a new Colorado Mountain College campus in Rifle is halfway to that goal after EnCana Oil and Gas presented college officials with a \$3 million donation Wednesday.

College trustees are scheduled to decide on a campus site from two choices at their June meeting. One site is south of Airport Road, across from the Wal-Mart Superstore south of Interstate 70. The other is further east, adjacent to Airport and Mamm Creek Roads.

Engineering and cost analysis studies are under way on the two 13-acre sites.

The first site was offered by owners Jean and Jim Snyder. Developer Bob Howard donated the second site last year.

CMC President Dr. Bob Spuhler said the new Rifle campus will "greatly increase learning opportunities for students seeking degrees, as well as those needing workforce training."

EnCana President Roger Biemans said the new campus would help train natural-gas-industry workers, a critical need as the area's gas development continues to increase.

"A local skilled workforce is essential to the future of our operations," he said.

A 2003 study found the average age of gas-industry workers was between 46 and 49 years old, and the average retirement age was 55. That could mean the industry faces a workforce crisis within the next decade as more than half of the employee base retires.

CMC Foundation CEO Alexandra Yajko said the capital campaign would focus on public and private sources statewide for the remaining \$3 million. The foundation conducted similar successful campaigns for more than \$50 million of new CMC facilities in several of its nine counties over the past decade.

The current Rifle campus is housed in a former high school building, which is nearly 80 years old, on Railroad Avenue. It is not compliant with the Americans With Disabilities Act and lacks enough classroom space and parking to meet a growing student population, said Campus Dean Pam Arsenault.

"Further retrofitting is not economically feasible, especially since CMC does not own the building," she said. "A new (Rifle) campus will better meet the needs of our service area from New Castle to Parachute and Battlement

Mesa."

Mike McKibbin can be reached via e-mail at mmckibbin@gjds.com.

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6-6-05

County leads state in gas permits

BY DONNA GRAY
Post Independent Staff

Garfield County continues to lead the pack in natural gas drilling activity.

Weld County has historically led the state in drilling. But earlier this year Garfield County inched ahead in the numbers of well permits granted, and it remains out in front.

"Garfield County is the epicenter of increased activity (in the state)," said Brian Macke, director of the Colorado Oil and Gas Conservation Commission.

Statewide, there's been a 30 percent increase in drilling permits this year from 2004, with an estimated 4,000 permits expected for 2005, Macke said in a report on gas and oil production to the Northwest Oil and Gas Forum in Rifle last week.

Weld County has accounted for about 30 percent of the well permits in the state, "But because of a huge increase in permits in Garfield County, Weld now has about a quarter of the permits," Macke said. Garfield County has 27.3 percent of this year's well permits, a total of 552. Weld County had 388 permits issued as of June 1. Rio Blanco and Mesa counties have also "had significant upticks in activity" last year and in 2005, Macke said.

This year, 1,300 new well permits may be issued in Garfield County, compared to around 800 in 2004.

"That's some kind of indication of where things are headed," Macke said.

He said he expects the total number of active wells in the state to exceed 29,000 by year's end. Weld still leads the state in the grand total of wells with 10,954, followed by 2,693 in La Plata County and 2,544 in Garfield County.

Another indicator of the magnitude of the industry in the county, as well as the state, is the number of drilling rigs at work. Of the 70 to 80 active rigs in Colorado, about half are in Garfield County, Macke said.

With all the drilling activity and producing wells, Colorado now produces about 3 billion cubic feet of natural gas per day. Garfield contributes 559 million cubic feet daily, making it No. 2 in the state for production, Macke said.

Colorado gas production was valued at \$7 billion in 2004 and is expected to rise to \$8 billion this year.

"That's conservative," Macke said.



Post Independent Photo/KELLEY COX

A drilling rig looms above a residence in the Dry Hollow area south of Silt recently.

Gas prices have hovered between \$5.50 and \$7 per British thermal unit, which is two to three times higher than two and a half years ago.

"It's the most important (factor) driving gas development in Colorado," Macke said.

Prices are also improving with more pipeline access to get gas to market. Garfield County's natural gas industry is now worth about \$1 billion in annual production.

"I'm sure it will far surpass that next year," Macke said.

Field inspector Jaime Adkins, of the COGCC's Battlement Mesa office, reported that he received 18 complaints in the first quarter of this year, a 100 percent increase from the same period in 2004, "mostly from people who are not used to (gas) development," and who live in areas where new gas development is taking place. Adkins said the complaints were chiefly about dust and odors.

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NATURAL GAS — AT A GLANCE

Gas producers in Garfield County are having a banner year. Here's how their numbers stack up:

Williams Production

- 13 drilling rigs in operation now and expects to drill two to six wells per pad
- 1,100 total active wells, a 59 percent increase over last year
- 130,000 acres under lease
- 343 million cubic feet of gas produced daily
- drilled 244 wells in 2004 and expects to drill 300 in '05 (in Garfield and Rio Blanco counties), 450 in '06 and 490 in '07
- employs 90 people in its Parachute office, will add 50 over two years; 600 full-time contractors and will add 300-400 more

EnCana's North Piceance Field

- 17 drill rigs in operation
- 88 wells drilled to date in '05

EnCana's South Piceance Field (south of Interstate 70)

- seven rigs in operation
- 35 wells drilled to date in '05, with 80 projected by year end
- one rig working on Grass Mesa

Bill Barrett Corp.

- 20,000 acres leased south of Silt
- 29 wells drilled, with 90-100 projected for '05
- five wells per pad

Antero Resources

- 15,000 acres leased between Silt and Rifle
- three test wells to be drilled this summer, one north of I-70 between Rifle and Silt, and two near Stillwater development south of Silt

Presco

- two rigs by mid-summer on leases southeast of Battlement Mesa

Occidental

- 10 wells drilled to date in 2005
- 30-35 wells this year

Petrogulf

- 5,000 acres leased in Taughenbaugh Mesa near Beaver Creek
- 10 wells this year

AROUND THE REGION

Enviros send 'friendly' note

Grand Junction

6-4-05

By MIKE MCKIBBIN
The Daily Sentinel

RIFLE — Conservationists have sent a "friendly reminder" to the Bureau of Land Management about their request to update natural-gas development estimates in the Roan Plateau management plan.

Meanwhile, an analysis of the 74,884 public comments on the draft plan may be released next week, a BLM official said.

The draft plan, released in November, included "flawed drilling projections" that should be replaced with "accurate, updated and forward-looking information" to provide a clear picture of likely energy development in the 73,602-acre Roan Plateau planning area between Rifle and Parachute, the Colorado Environmental Coalition said in a Thursday letter to Manager Jamie Connell.

Other groups are The Wilderness Society, Colorado Mountain Club, Sierra Club, Center for Native Ecosystems and Wil-

Groups want update on Roan drilling estimates

derness Workshop.

Coalition West Slope Field Director Pete Kolbenschlag said the intent was to make sure the BLM knew they expect a response to the original request submitted with their public comments on April 11.

"For the BLM to not consider the true realities of development is really problematic," he said. "We want them to show us the numbers, back it up."

The federal Data Quality Act requires agencies like the BLM to correct flawed information and provide a written explanation of the use of the data within 60 days. Kolbenschlag said that means the BLM has to respond by June 10.

As part of the draft plan, the BLM referenced what is known as a Reasonable Foreseeable De-

velopment analysis to estimate likely energy development over the 20-year life of the plan. That analysis was based on 2001 data that predicted Williams Production, the largest operator in the planning area, planned to drill between 50 and 100 wells annually, the groups said.

By the time the draft plan was released in November, Williams had said it planned to drill 300 wells this year. Parachute District Manager Steve Soychak on Thursday said those numbers may reach 450 wells in 2006 and up to 490 in 2007.

The conservation groups also noted the BLM relied on 2001 drilling rig counts to help set upper limits on the amount and rate of gas development.

However, the availability of drilling rigs had doubled since

U.S. rig count up by 22 for week; Colo. gains three

6-4-05
By THE ASSOCIATED PRESS

HOUSTON — The number of rigs actively exploring for oil and natural gas in the United States was up by 22 this week to 1,353.

Of the rigs running nationwide, 1,206 were exploring for gas and 146 were looking for oil, Houston-based Baker Hughes Inc. reported Friday.

A year ago, the rig count was 1,168.

Baker Hughes has kept track of the count since 1944. The tally peaked at 4,530 in 1981, during the height of the oil boom. Several record lows were set in 1999, bottoming out at 488.

Of the major producing states, Texas gained 12 rigs, Louisiana gained six, Colorado gained three, Oklahoma gained three, Alaska gained none and California gained one. New Mexico and Wyoming each lost four.

Studies to look at oil and gas impacts

EnCana fine money will pay for some of the research; GarCo will fund the rest

BY DONNA GRAY ^{6/3/05}
Post Independent Staff
Glenwood Springs

As Garfield County's natural gas industry has surged in the past year, its local government is mounting a number of studies to determine its impacts.

County oil and gas auditor Doug Dennison reported on the studies to the Northwest Oil and Gas Forum in Rifle Thursday.

A \$371,000 fine the Colorado Oil and Gas Conservation Commission levied against EnCana last year will pay for two of the studies. EnCana was fined for drilling violations related to natural gas contamination of West Divide Creek south of Silt. A hydrogeologic characterization study will look

at the relationship between drilling activities and water resources. A contractor will be chosen within the next two weeks, Dennison said.

The EnCana fine will also fund a health-risk analysis focusing on the natural gas industry. A scope of work will be presented to the COGCC in July and work should start soon after.

A county-funded air quality monitoring program is already under way. Seven sampling stations have been set up in western Garfield County, and Dennison said results will soon be available on the county's Web site, www.garfield-county.com. Both airborne particulates and volatile organic compounds will be mon-

itored, Dennison said. The study is expected to last for two years and could be extended.

A cumulative impact study, funded by the county, is also in the works. It will look at wide-ranging social and economic effects of the gas industry in Garfield County. In particular, the study will examine property values, human service organizations, the school system, emergency services, employment growth and demographics of the county. A request for proposals from prospective contractors will be released in the next few weeks, Dennison said.

Garfield County Commissioner Larry McCown also told attendees of the oil and gas forum that a loophole in the state severance

tax law has been discovered that would allow companies such as gas producers who pay severance taxes on resource extraction to contribute their share directly to the counties for use in special projects. Doing so would meet their severance tax obligations, McCown said.

"As the severance tax fund continues to grow, it becomes more of a target for raids each year by the state, so local governments are not getting their fair share," he said. "(The money) should go back to local areas where the impacts occur."

McCown said he will work with other county governments on promoting the idea.

"This is something that could work for us," he said.

GarCo bursts with well desire

6-3-05
By MIKE McKIBBIN
The Daily Sentinel

RIFLE — A "massive" natural-gas resource and high market prices have made Garfield County the "epicenter" of gas drilling activity in Colorado, even surpassing longtime drilling permit leader Weld County in the first five months of this year, a state official said Thursday.

Colorado Oil and Gas Conservation Commission Director Brian Macke told the quarterly

Grand Junction
'Epicenter' of gas drilling activity eyes record number of permits

Northwest Colorado Oil and Gas Forum in Rifle that some 1,300 permits would likely be approved for new wells in the

county by the end of the year. Last year, 796 permits, a record, were issued.

"Garfield County is the epi-

center of the increased activity we've seen in the state," Macke said. "Weld County used to have about 30 percent of all permits, but that's down to 25 percent and it's because of the increased drilling in Garfield County."

Through June 1, 552 permits

had been issued for wells in the county. Weld County had 388 permits.

The increased attention to the estimated trillions of cubic feet of gas under the county, part of the gas-rich Piceance Basin, is shown in the number of drilling rigs, Macke said. Around 40 of the 70 rigs in the state were in Garfield County.

Two main gas operators, EnCana Oil and Gas and Williams Production, have most of those rigs, but other companies have started drilling activities, too.

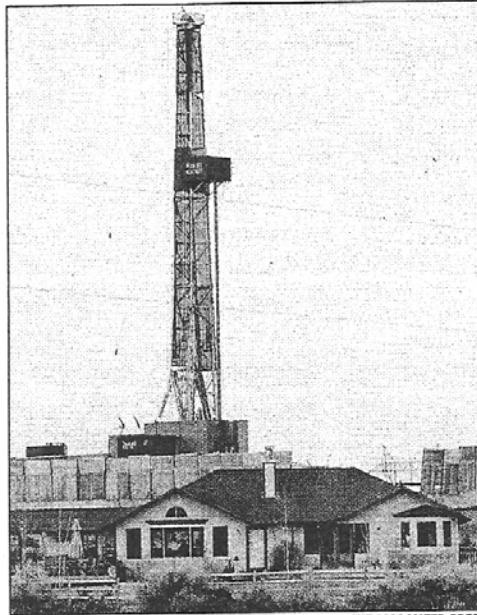
Williams Parachute District Manager Steve Soychak said his company had 13 rigs in the county and plans to drill 300 wells in Garfield and Rio Blanco counties this year. Last year, Williams drilled 254 wells in the two counties.

In November, the company planned to receive the first of 10 new rigs to help meet that goal, Soychak said. Around 50 more Williams workers and 300 to 400 subcontractor employees will be hired, he said.

EnCana Operations Superintendent David Grisso said his company has 14 rigs, including 10 in the Mamm Creek field south of Rifle. Another seven rigs are in Rio Blanco County. EnCana plans to drill around 280 wells this year, Grisso said.

Bill Barrett Corp. plans to drill 90 to 100 wells, Antero Resources will begin exploratory drilling north of Interstate 70 between Silt and Rifle this summer, Petro Gulf Corp. has 10 wells planned for Taughenbaugh Mesa south of Rifle, Occidental will drill between 30 to 35 wells.

The Bureau of Land Management's Glenwood Springs Field Office has already approved 179



THE ASSOCIATED PRESS

A NATURAL-GAS DERRICK towers over a ranch-style home located in the Dry Hollow area outside Silt.

drilling permits since the start of the federal fiscal year on Oct. 1, 2004, said Associate Field Manager Steve Bennett. That compares to 183 permits in the previous fiscal year.

The office is also processing five geographic area plans from various companies that could result in close to 500 wells over the next several years, Bennett said.

Six pipeline projects were either approved or under consid-

eration to help take all the gas to market, he said.

Macke said the gas activity is now a billion-dollar industry in Garfield County, with daily production of about 560 million cubic feet a day, second in the state.

In July, a third field inspector will be hired and stationed in the county to help handle the increased monitoring and permit review activities each well requires, Macke said.

Chinese rigs, crews arriving in western Colorado

Thursday, July 07, 2005

By GARY HARMON

The Grand Junction Daily Sentinel

Some Chinese drill crew members already have arrived in western Colorado, preparing to start drilling for natural gas in the Piceance Basin.

An official with Denver-based Western Energy Advisors, which brokers arrangements for the Chinese crews and exploration and production companies, said he was unfamiliar with specific crews' schedules, but that some crews and rigs could be expected to arrive in western Colorado now.

Several western Colorado residents on Wednesday reported seeing drill rigs arriving or being set up in the area.

Western Energy Advisors worked with federal agencies to arrange for visas for the Chinese crews, said Bill Croyle, a partner in Western Energy.

One hurdle the company had to clear was to show that the jobs couldn't be done by American citizens or legal residents.

That wasn't difficult to show, Croyle said, citing the loss of "a million" domestic jobs among major oil companies over recent years, as well as reductions among smaller employers.

Much of the domestic exploration and production industry is "just gone," he said. Rigs have been trucked in from Canada and elsewhere for drilling in the United States.

Western Energy is working with the China National Petroleum Corp., he said., but a partner in the venture, Golden Bear Drilling and Services Corp., is entirely American owned. A subsidiary of China National, Jilin Petroleum USA of Denver, no longer has an interest in Golden Bear, he said.

One reason domestic exploration and production companies are attracted to Chinese crews is the background of the drillers, Croyle said.

"In China, drilling is a lifetime profession," he said.

The country has six petroleum universities, and many of the crew members hold master's degrees, bachelor's degrees or the equivalent of associate's degrees, Croyle said.

Crew members must have at least two years of class work and a yearlong apprenticeship before they can join a crew.

Many crews stay together their entire careers, he said.

"These people know what they're doing," Croyle said. "It's all about the crews."

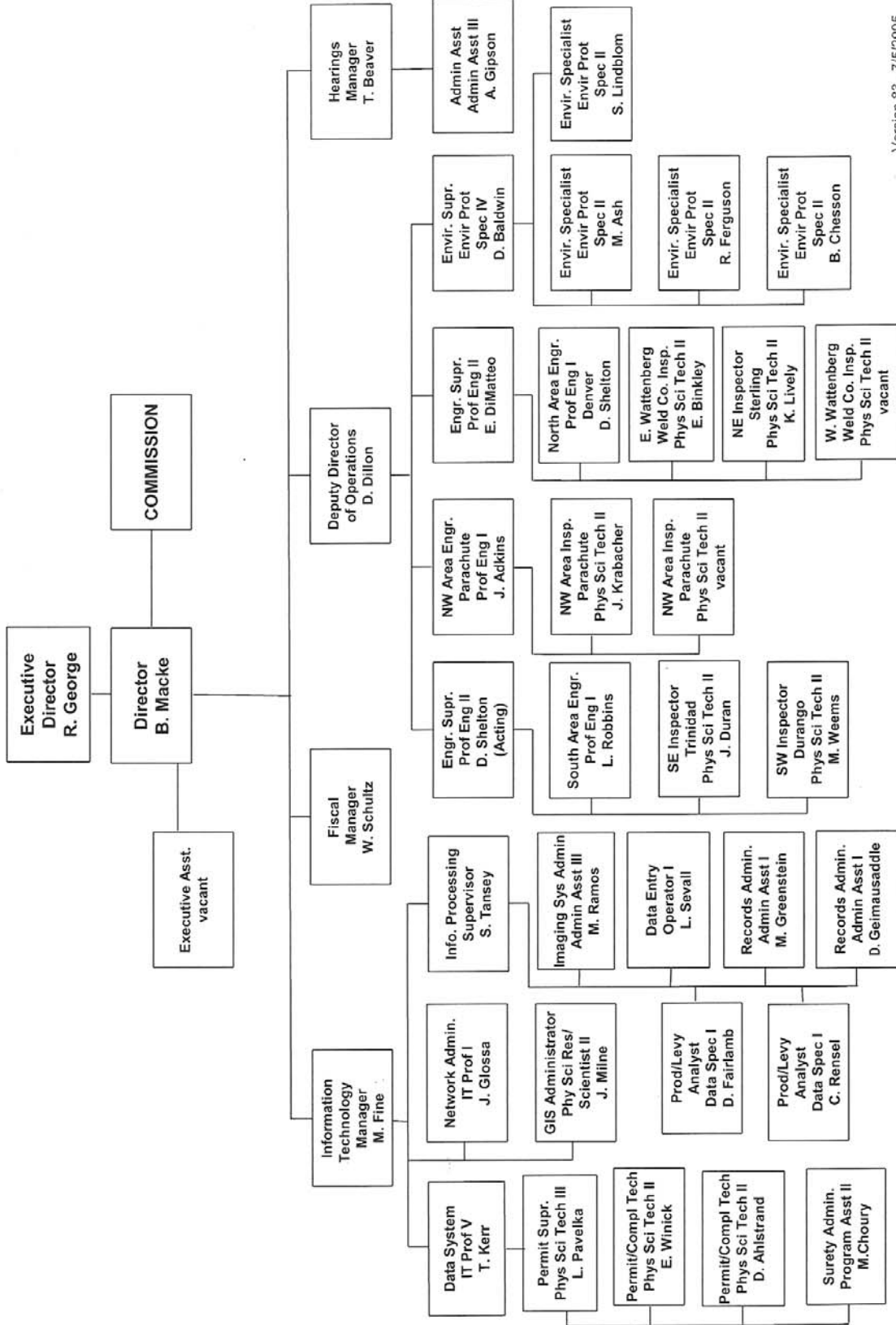
Over time, Chinese crew members will train Americans to work on the Chinese-made rigs, he said, and the number of Chinese workers will gradually shrink as Americans take over.

American workers still have plenty of work servicing drill rigs in the basin, he said.

And in any case, Croyle said, "The best Chinese food in the world will be at the commissary at the well site."

Gary Harmon can be reached via e-mail at gharmon@qjds.com.

COLORADO OIL & GAS CONSERVATION COMMISSION ORGANIZATION



HEARING DOCKET:

August 2005

Prelim
7/7/2005

No.	Cause	Applicant/Attorney or Representative	Date Rec'd	Field Formation County	Matter	Remarks
0504-GA-01	139	Presco, Inc. William A. Keefe	3/10/2005	Rulison Williams Fork 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
0507-SP-09	7	Meritage Energy Partners Stephen J. Sullivan	6/29/2005	Logan Dakota O-Sand	Request for an order to establish 20-acre drilling and spacing units for certain lands in Township 9 and 10 North, Ranges 52 and 53 West, 6th P.M., with the permitted well to be located in the NW/4 and SE/4 of each quarter-quarter section no closer than 200 feet from the boundary of the quarter-quarter-quarter section where the well is located.	Continued from July
0507-AW-14	112	Burlington Resources Oil & Gas Company LP Carleton L. Ekberg	6/1/2005	Ignacio-Blanco Fruitland Coal Seams La Plata	Request for an order to allow one additional well to be drilled in certain 320-acre drilling and spacing units in Township 32 North, Ranges 6 through 10 West, N.M.P.M., with the permitted wells to be located no closer than 990 feet to the boundary of the unit and no closer than 130 feet to any interior quarter section line.	Continued from July
0508-RM-01	1	Kerr McGee Rocky Mountain Corporation, EnCana Oil & Gas (USA) Inc. and Noble Energy Michael Wozniak	6/17/2005	Wattenberg Cretaceous Age Various	Request to amend Rule 318A. to allow additional wells to be drilled and to establish certain spacing and unit designations.	
0508-RM-02	1	Staff Recommendation	6/17/2005	Statewide	Request to amend Rules 100, 215, 303, 308A, 333 and 802	
0508-GA-03	1	Wellington Operating Company Glenn Porzak	7/1/2005	Larimer	Request to allow the discharge of treated production water from the Wellington Muddy Unit into the Boulder Creek alluvium.	
0508-SP-10	440	Williams Production RMT William A. Keefe	6/30/2005	Parachute Mesaverde Garfield	Request for an order vacating certain 320-acre drilling and spacing units in Township 6 South, Ranges 95 West and 96 West, 6th P.M.	
0508-SP-11	517	Petrogulf Corporation William A. Keefe	7/6/2005	Raton and Vermejo Purgatoire River Las Animas	Request for an order establishing a 40-acre drilling and spacing unit in the SW1/4 NW1/4 of Section 15 Township 33 South, Range 67 West, 6th P.M., and pooling said unit.	
0508-AW-15	517	Petrogulf Corporation William A. Keefe	7/6/2005	Raton and Vermejo Purgatoire River Las Animas	Request for an order to allow additional wells to be drilled on the 160-acre drilling and spacing unit consisting of the SW1/4 of Section 15, Township 33 South, Range 67 West, 6th P.M., allowing up to 4 wells and pooling said unit.	

0508-JP-06	517	Petrogulf Corporation William A. Keefe	7/6/2005	Raton and Vermejo Purgatoire River Las Animas	Request for an order pooling the 160-acre drilling and spacing unit consisting of the SW1/4 of Section 15, Township 33 South, Range 67 West, 6th P.M., for the development and operation of the Parsons 15-23R Well.	
0508-SP-12	517	Petrogulf Corporation William A. Keefe	7/6/2005	Raton and Vermejo Purgatoire River Las Animas	Request for an order establishing a 40-acre drilling and spacing unit in SE1/4 NW1/4 of Section 22, Township 33 South, Range 67 West, 6th P.M., and pooling said unit.	
0508-SP-13	517	Petrogulf Corporation William A. Keefe	7/6/2005	Raton and Vermejo Purgatoire River Las Animas	Request for an order establishing a 40-acre drilling and spacing unit in the NE1/4 NW1/4 of Section 22, Township 33 South, Range 67 West, 6th P.M., and pooling said unit.	