STATE OF COLORADO
OIL & GAS
CONSERVATION COMMISSION

DEPARTMENT OF NATURAL RESOURCES
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TO: **COGCC Commissioners**

FROM: **Brian Macke**

DATE: **August 15, 2005**

cc: Russ George
Carol Harmon
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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, 2,258 Applications for Permits-to-Drill ("APDs") were approved as of August 1, 2005. At that pace, it is estimated that nearly 3900 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 August 1st are:

County	**2005 (% of Total)**	**2004**	**2003**
Garfield	729 (33%)	796	566
Weld	528 (23%)	832	757
Yuma	350 (16%)	237	138
Las Animas	191 (9%)	332	180
Mesa	95 (4%)	54	27
Rio Blanco	77 (3%)	154	179
La Plata	63 (3%)	102	162

II. NORTHWEST COLORADO

- 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 .

- **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, none of the sampled features have had detections of benzene, ethylbenzene, and xylenes. 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. The most recent samples (June 2005) from the Schwartz Monitoring Well have not had any detection of either benzene or toluene. Investigation of the earlier benzene occurrence in the Schwartz Monitoring Well is continuing.

- **Local Project Status Report**

The contract between URS and Garfield County was signed on July 11, 2005. There was an internal kick-off meeting with Garfield County, COGCC, EnCana, URS, and Grand Valley Citizens Alliance in attendance on July 8, 2005. URS is working with both the COGCC and State Engineer's Offices to obtain current gas well and water well data, and water quality data for the study area. With assistance from Bill Barrett Corporation, URS has identified several potential areas in which to perform the outcrop study of the Wasatch Formation, but has not yet approached landowners for access. The initial Public Kickoff Meeting is scheduled for Wednesday, August 24, 2005 at 6:00 P.M. in the Garfield County Events Center near the Fairgrounds in Rifle, Colorado.

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 3, 2005 the third soil gas survey of the impacted area was conducted and the report has been provided to you. The report also is available on our website under Library, "Studies in the San Juan Basin, Bondad, Colorado Reports". 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. Now that we have established that the size and shape of the seep area

are remaining constant, future surveys will be conducted on a quarterly basis, with the next one scheduled for September 2005.

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.

Excavation of the gravel terrace deposits to expose the potential subsurface metallic objects that were identified as anomalies 1 through 6 by the electromagnetic survey and the bedrock surface is scheduled for August 17, 2005. Mr. Yoakum has given us verbal permission to conduct excavation activities on his property. The NSBF #1 Well is located on the adjacent property to the north, which is owned by Mr. David Buddhue. Mr. Buddhue's special conservator has given permission to conduct the necessary excavations on his property. Once these features and bedrock are exposed, we will evaluate their potential to act as preferential pathways for methane migration. If any of these anomalies are acting as a conduit, then a plan for mitigation will be developed.

- House Fire Near Bayfield, Colorado

  On July 2, 2005, a caretaker's house associated with the McWilliams residence at 2462 County Road 505 near Bayfield, Colorado burned. On Monday, July 25, 2005, COGCC's consultant, LT Environmental, conducted a soil gas survey of the property and surrounding areas to determine if methane was present in the shallow subsurface. Methane was not detected in any of the over 140 soil gas sampling locations, nor were methane seeps observed in any surface water body.

  The areas surveyed included:
  - The property around the house, gas lines, propane tank, and outbuilding;
  - The property between the residence and Pine River, including the well house containing the water supply well;
  - The agricultural field on the west side of County Road 505;
  - The McWilliams property to the north of the burned residence;
  - The Lemming property to the south of the burned residence, including the crawlspace beneath the Lemming residence; and
  - The Miloche residence, including the property immediately around and the crawlspaces beneath the primary and guest houses, approximately ½ mile west of the burned residence.

  In addition, the Pine River and two ponds in the area were examined for active methane seeps.

  A copy of the final LT Environmental report will be provided to La Plata County (Butch Knowlton), Upper Pine Fire Department (Karola Hanks), and the property owners when it is completed.

IV. SOUTHEAST COLORADO

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

The permanent systems for removal of methane seeping into the Mondragon and Saint residences were installed by LT Environmental (LTE) the week of July 4, 2005. Additional aesthetic repairs were made at the residences the week of July 25, 2005. Analytical results from a gas sample collected during the June 2005 methane survey were received on July 28, 2005. The sample was collected on the Mondragon property north of Highway 12. Analytical data indicates that the gas is thermogenic in origin. The 2005 sample correlates closely with gas analysis data from samples collected in 2004 from two onsite water wells; both the Saint and Mondragon residences are connected to the City of Trinidad water supply system and therefore these water wells are not used for drinking water.

- Primero School Gas Survey

LT Environment conducted an additional survey at the Primero School on July 9, 2005. This survey was conducted to determine if repairs to the propane distribution system made in late June 2005 would eliminate the subsurface gas detected during a previous survey of the school and grounds conducted in April 2005. Based on data obtained during the second field investigation gas is still present in the subsurface. Methane was detected in seven (7) of 39 points measured. Methane concentrations were relatively lower than concentrations measured in April 2005. LT Environmental is scheduled to conduct an additional methane survey in late August to determine if methane concentrations are continuing to decrease or if the methane is persistent indicating an active methane seep.

- Water Well Sampling

Three water wells and one spring were sampled in Las Animas County. Two of the water wells and the spring were sampled at the request of landowners and one well was sampled as part of an ongoing project to develop a baseline of water quality data.

V. ORGANIZATION

- Staff Organization

Our current organizational chart is attached.
We would like to welcome Marc Fine, COGCC's new Information Technology Manager. Marc started with the COGCC on July 18, 2005. He had been working with the Colorado Department of Revenue, managing a large application development group, and brings with him extensive knowledge and experience.

The funding request for two additional field inspectors effective July 1, 2005, was recently approved by the Legislature. These positions were advertised in local newspapers in the Greeley and Rifle areas. We received eleven applications in the Greeley area and nine applications in the Rifle area for these positions. A date is currently being scheduled for the testing of qualified applicants.

VI. PLANNING/ADMINISTRATION/OTHER

- Meeting With Division of Water Resources ("DWR") – Jurisdictional Dams

David Dillon, Margaret Ash and Bob Chesson (COGCC staff) met with Mark Haynes and Jack Byers (DWR) on July 6, 2005 to discuss possible areas of overlap with regards to the COGCC's pit and Centralized Waste Facilities (mostly produced water evaporation/storage ponds) rules and DWR rules on Jurisdictional Dams. There are three criteria that can evoke DWR review of structures that would be considered jurisdictional dams. The main criteria that has the most concern for oil & gas (O&G) operations is that the DWR considers any embankment/berm structure a "jurisdictional dam" if the structure is equal to or exceeds a height of 10 feet above natural grade. The other two criteria are less likely to be of concern for most oil & gas related ponds or pits in that the structure would either have to have a surface area equal to or greater than 20 acres, or have the storage capacity of equal to or greater than 20 acre feet of water. The purpose of our meeting was to discuss if it would be necessary for the DWR and the COGCC to enter into a MOA clarifying the lead agency for these issues. The DWR does not want to get involved in O&G related issues and prefers that COGCC remain as the lead agency for any O&G issues with regards to jurisdictional dams in which the staff is in agreement. We decided that it would not be necessary to have a "formal" agreement between the DWR and the COGCC and that the COGCC would handle notification of operators alerting them that height of pit or impoundment berms at or exceeding 10 feet would require DWR dam safety review. EPS staff also will put greater emphasis on pit berm height evaluation during pit permit review to identify those pits which could be considered having "jurisdictional dam" issues.

- **Public Outreach Opportunities**

David Dillon addressed the Mesa County Commissioners and planning department on July 13, 2005 in Grand Junction. The purpose of the presentation was to inform Mesa County representatives of COGCC rules and regulations. Commissioner Meiss of Mesa County requested an update on the progress of Red Oak Operating's plugging, program and also requested the COGCC begin regulating gathering systems.

David Dillon gave a presentation at the Colorado Farm Bureau's meeting in Snowmass on July 26, 2005. The presentation covered the COGCC's organization, Commission bonding rules, and gave special emphasis to our new onsite inspection policy. Mary Ellen Denomy, CPA, and David Petrie of Encana Oil and Gas also gave presentations.

Brian Macke and Assistant Attorney General Carol Harmon served on panels to provide presentations and answer questions at the Piceance Basin Natural Gas Educational Forum that was sponsored by the Garfield County Energy Advisory Board and Colorado Mountain College at the Garfield County Fairgrounds in Rifle on Saturday, July 16, 2005. There were approximately 30 people in attendance.

At the request of the local County Commissioners, Brian Macke provided a presentation on COGCC regulations at a public oil and gas informational forum entitled "Your Rights, Industry Rights" that was held at the 4H center in Ridgeway, Colorado on July 19, 2005.

- **COGCC Exhibit at Colorado Oil and Gas Association Natural Gas Strategy Conference**

The COGCC booth on August 2 and 3, 2005 highlighted activity and production trends as well as information systems capabilities. Our exhibit drew many visitors who expressed a high degree of interest.

2004 Outstanding Oil and Gas Operations Awards

Commission Vice-Chairman Brian Cree presented the COGCC 2004 Outstanding Operations Awards on August 2, 2005 at the Colorado Oil and Gas Association's Rocky Mountain Natural Gas Strategy Conference and Investment Forum. This was the ninth year of this very successful program that recognizes extraordinary efforts of oil and gas operators in a variety of categories.

The 2004 Outstanding Operations Awards included the following:

- **BP America Production Company** - *Environmental Protection and Visual and Noise Impact Mitigation*
  BP received the award for developing a closed-loop completions technology for coalbed methane wells and employing visual and noise mitigation techniques in its new gas compression facility design.

- **La Plata County Energy Council** - *Community Relations*
  The award was for working cooperatively on a bridge building project that addressed the safety of the residents of a local subdivision.

- **Rosewood Resources, Inc.** - *Optimization and Cost Reduction*
  The award was for utilizing coiled tubing drilling technology to drill wells more quickly with a reduced surface impact.

- **EnCana Oil and Gas (USA) Inc.** - *Community Relations and E&P Waste Management*
  The award was for hosting the Energy Expo and Job Fair in Garfield County, and for developing a large scale produced water treatment and recycling system.

We would like to encourage all parties to begin to submit nominations for the ten-year anniversary COGCC 2005 Outstanding Operations Awards, which will be presented in the summer of 2006. These nominations should be for oil and gas operations that occurred during calendar year 2005.

A detailed description of the COGCC 2004 Outstanding Operations Awards is attached.

- **Onsite Inspection Policy**

To date, the COGCC has received a total of twelve (12) requests for onsite inspections with six (6) 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 was conducted on July 15, 2005. The operator agreed to evaluate alternative well locations to accommodate the landowner. One (1) onsite

inspection is scheduled for August 17, 2005. Four (4) onsite inspections are pending and will be scheduled, if necessary, after the APD is received, or after issues related to local governmental designee consultation, location change, or surface use agreements are resolved.

- **Penalties Status**

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

- **September Hearing Docket**

A preliminary docket for the September 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://www.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.

- **Feedback on COGCC Website**

Russ Waring, from DR Horton-Melody Land Assessments, emailed the following: "In my job in land assessments, I use a variety of websites and GIS information on the internet for research. I have found the COGCC system to be comprehensive, and accurate, as well as readily useable. It has my vote for the best Colorado land-related research site on the net. Thanks again for a great website!"

- 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.
  - A statewide water wells map layer was added to the Internet on August 5, 2005. Many thanks to the Division of Water Resources for allowing us to display it's data.
- Reports
  - This area is still in development; the application malfunctions. The goal is to have selectable data sets and statistical queries.
- Local Area Network
  - The COGCC staff is connected to services by a Local Area Network ("LAN") connection which provides e-mail and data sharing capabilities. The LAN is connected to the Centennial Building at 1313 Sherman Street by a wireless interface; this connection provides access to the Internet and other state services. COGCC staff utilizes the same applications in its work as Internet users, in addition to others outlined below.
- Database
  - The COGCC maintains a comprehensive database of regulated facilities (wells, pits, injection sites), incidents (inspections, complaints, spills), and affiliations (companies and contacts).
- Imaging
  - This application provides the capability to convert the paper documents received by the Commission to electronically available documents.
- Form Processor
  - This set of applications allows users to input, route, edit, and update regulatory reports submitted by oil and gas operators.
- Geographic Information Systems ("GIS")
  - These applications provide the capability to create custom maps, convert survey calls to geographic coordinates, and convert and utilize geographic positioning system ("GPS") data.
  - The GIS Administrator creates daily updates for the Internet map data downloads.
- COGIS Tools
  - This set of applications allows staff to correct data in the database in addition to performing specialized workflow administration.
- Remote Users
  - This is the final component of the COGIS system. The deployment of this system was delayed due to database synchronization problems; laptops have been deployed to COGCC field inspectors and environmental staff. While the application is still buggy, the feedback is that having information available in the field is a tremendous asset. This laptop system consists of Internet applications, and other report tools necessary for COGCC field staff to facilitate data collection and provide information.
- Electronic Business
  - There are approximately 200 operators reporting production electronically.

- COGIS Projects, Updates and Changes

  - 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://www.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 revaluate 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 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 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 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

- Approval under Rule 502.b. was granted to XTO Energy for a variance to Order No.112-138 requiring monthly bottom hole pressure tests of the Marie Sheilds GU A-1 and the Huber-Garcia 1-22 Wells. The wells, located in La Plata County, are required to have bottom hole pressures measured each month. The variance allows XTO to measure the bottom hole pressure in the Marie Sheilds GU A-1 Well on an annual basis and to measure the bottom hole pressure in the Huber-Garcia 1-22 Well on a semi-annual basis.

- A variance under Rule 502.b. was granted to Williams Production RMT Company for the RMV 13-15 Well located in the SW¼ NW¼ of Section 15, Township 6 South, Range 94 West, 6th P.M. and the RWF 342-29 Well, surface location in the NW¼ SW¼ of Section 28, Township 6 South, Range 94 West, 6th P.M., and bottomhole location in the NE¼ SE¼ of Section 29, Township 6 South, Range 94 West, 6th P.M. These wells were drilled in violation of Order Nos. 510-8 and 479-7, which required specific setbacks from the unit boundaries that these wells did not meet. The operator was able to execute settlements with the affected interest owners.

- A variance under Rule 502.b. was granted to Petroleum Development Corporation to Rule 1004.a. They are planning to drill wells in Section 31, Township 6 South, Range 96 West and in Section 6, Township 7 South, Range 96 West 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 Paid through Collections	$ Amount of Assessed Penalties Later Uncollectable
90-91	4	$32,300	4	$32,300	0	$0	n/a	$0
91-92	0	$0	0	$0	0	$0	n/a	$1,500
92-93	6	$10,000	2	$6,500	0	$0	n/a	$47,608
93-94	12	$263,608	7	$105,000	0	$0	n/a	$18,247
94-95	10	$83,817	4	$21,805	4	$139,000	n/a	$0
95-96	29	$238,250	19	$154,000	3	$20,750	n/a	$0
96-97	13	$79,500	8	$29,500	0	$0	n/a	$32,750
97-98	30	$140,500	22	$74,750	0	$1,000	n/a	$2,000
98-99	19	$74,000	18	$66,500	2	$25,000	n/a	$2,000
99-00	23	$110,500	12	$59,460	0	$3,000	2	$11,000
00-01	18	$85,500	16	$30,500	0	$6,000	0	$0
01-02	10	$38,000	5	$23,000	0	$0	0	$0
02-03	23	$47,750	7	$24,750	0	$0	0	$0
03-04	26	$129,000	24	$85,000	0	$0	0	$0
04-05	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

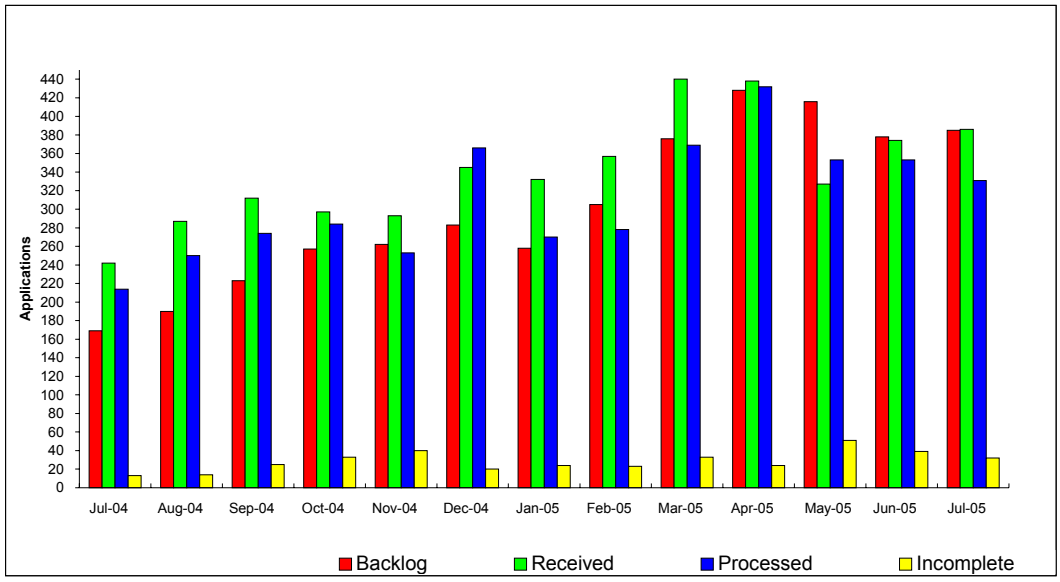
Order Number	Date Issued	Violating Entity	Penalty Assessed	Violations	Status	Referred to Collections
1V-58	03/15/93	Gear Drilling Company	$2,000	Rule 305, 319.a.(2)		Yes
1V-73	08/23/94	Western Oil Company	$2,300	Rule 317.a.8.	Work completed per order	Yes
1V-82	06/19/95	Joseph V. Dodge	$14,000	Rules 210.b., 305., 307., 317.b.(3), 604.a.(4)	Bond forfeited 11/01/95	Yes
1V-93	11/21/95	Tipps Drilling Co.	$60,000	Rules 604.a.4., 902.e.&f.	$30,000 bond claimed 11/96/penalty unpaid/No assets.	Yes
1V-110	05/21/96	Kana Resources, Inc.	$3,500	Rules 303.a., 306., 317.b.1.	AOC negotiated	Yes
1V-114	09/04/96	Mr. Jim Snyder	$10,000	Rules 308., 317.i., APD	District Court decision entered/$10,000 bond claimed	Yes
1V-124	07/01/97	Nerdlihc Company Inc.	$9,000	Rules 326.b.1., 319.b., 210.b.		Yes
1V-132	11/24/97	Eros, Inc.	$24,000	Rules 319.b., 326.b.	$30,000 bond claimed 5/98	Yes
1V-167	01/05/99	Pacific Midland Production	$1,000	Rule 326.b.	Bond caimed	Yes
1V-170	03/25/99	Allen Oil & Gas, LLC	$12,000	Rules 904, 905, 603.g.,906, 909.b.(2) &(5), 91	Work to be completed by July 1, 1999.	Yes
1V-175	08/19/99	McCormick Oil & Gas Co.	$18,000	Rules 1004, 319.b.(3), 326.b., 206., 309.	McCormick in bankruptcy-Bond claimed	Yes
1V-177	08/19/99	Faith Energy Exploration, Inc.	$3,500	Rules 308A., 308B., 326.b.	Bond Claimed	Yes
1V-191	02/15/00	Cascade Oil	$1,000	Rule 326.b.(1)	Bond claimed	Yes
1V-202	11/30/00	Robert Ziegler	$2,000	Rule 326.b.	Bond claimed	Yes
1V-204	12/19/00	Allen Oil & Gas, LLC	$60,000	Rule 326.b., 324A.a., 904., 905., 906.b.(1), 90	Bond claimed	Yes
1V-211	05/31/01	Sierra Production	$500	Rule 302.a.		Yes
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	Woosley 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								
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	18	0	33	388	421
Apr-05	421	413	418	17	0	24	375	399
May-05	399	319	340	12	0	42	324	366
Jun-05	366	365	340	14	0	38	339	377
Jul-05	377	363	312	20	0	31	377	408
Recompletion								
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
Jul-05	8	23	19	1	0	1	10	11
Total								
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	19	0	33	395	428
Apr-05	428	438	432	18	0	24	391	416
May-05	416	327	353	12	0	51	327	378
Jun-05	378	374	353	14	0	39	346	385
Jul-05	385	386	331	21	0	32	387	419

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								Active Wells	Unedited Historic Records	Public Visits			Well Oper Change
			Drilling		Recompletion		Injection		Pits							
			Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd	Apvd	Rcvd			Data	Office	Internet	
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	23963		82	88	16623	506
	FEB	32	158	163	21	18	1	0	1	3	24118		62	77	19140	191
	MAR	30	167	180	5	4	1	2	15	9	24212		51	55	18922	177
	APR	35	172	179	4	7	2	7	5	24	24363		63	123	21679	198
	MAY	37	184	198	18	23	5	0	29	132	24445		52	99	22307	477
	JUN	37	170	190	24	40	0	0	32	21	24489		59	65	20883	339
	JUL	40	201	200	28	21	0	4	136	17	24589		50	48	22779	417
	AUG	43	166	226	9	12	0	2	2	32	24655		53	43	17900	245
	SEP	48	209	188	26	32	2	2	13	30	24808		41	31	22718	234
	OCT	46	244	228	28	33	2	2	5	54	24901		41	38	29413	389
	NOV	44	142	204	4	11	1	0	6	13	24911		22	38	27961	208
	DEC	44	259	183	27	17	2	1	115	31	25042		34	50	21631	256
2003	Total		2249	2322	202	229	18	22	362	381			610	755	261956	3637
2004	JAN	45	200	240	12	10	0	1	36	7	25283		37	49	31236	378
	FEB	46	206	217	7	13	4	1	1	1	25423		44	30	31292	239
	MAR	50	243	302	8	25	2	3	2	9	25561		51	70	32931	358
	APR	51	254	194	10	8	6	2	34	36	25666		58	64	33241	214
	MAY	52	196	240	9	17	1	2	4	17	25732		41	56	31958	252
	JUN	51	258	228	18	13	3	4	6	4	25870		38	46	32273	249
	JUL	52	208	236	6	6	0	3	7	4	26017		40	43	30939	278
	AUG	60	236	268	14	19	0	1	8	42	26108		33	39	35060	363
	SEP	59	258	295	16	17	6	4	33	47	26421		40	61	38247	1919
	OCT	59	268	281	16	16	2	1	54	29	26657		65	31	42069	498
	NOV	61	242	284	11	9	1	0	42	19	26819		60	30	42433	327
	DEC	64	348	335	18	11	0	0	15	4	26968		43	30	41448	731
2004	Total		2917	3120	145	164	25	22	242	219			550	549	423127	5806
2005	JAN	65	263	296	7	36	0	2	8	7	27262	0	60	41	49839	2345
	FEB	70	249	343	29	14	1	0	17	10	27427	0	44	71	51277	376
	MAR	73	336	413	33	27	2	3	36	26	27595	0	59	34	60298	429
	APR	69	418	413	14	25	0	1	24	27	27723	0	58	56	52606	393
	MAY	65	340	321	13	8	0	1	25	32	27853	0	46	43	58881	291
	JUN	69	342	360	13	9	2	1	58	61	28032	0	58	33	51404	368
	JUL	69	312	363	19	23	1	1	32	21	28164	0	50	33	52428	42
2005	Total		2260	2509	128	142	6	9	200	184			375	311	376733	4244

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

Colorado Oil Gas Conservation Commission
Monthly Statistics

YEAR	MO	Operators		Bonds Release			Bonds Claim		Hearings		Violations					Remediation Projects		Field
		New	Inactive	Ind.	Blnkt	Replace	Ind.	Blnkt	Apps.	Order	NOAV	AOC	OFV	Cmplt	Spills	Rcvd	Comp	Insp
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	17	21	6	5	727
	APR	10	5	7	4	13	0	0	7	4	30	0	1	22	21	4	20	404
	MAY	9	5	7	5	14	0	1	NA	NA	14	NA	NA	9	31	2	3	579
	JUN	15	11	2	5	14	0	0	7	7	19	3	0	10	36	20	0	545
	JUL	14	9	7	5	14	0	0	6	4	37	0	0	13	17	8	2	237
2005	Total	74	49	38	31	90	0	3	36	29	129	3	2	94	169	44	53	3641

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COLORADO OIL AND GAS CONSERVATION COMMISSION
2004 OUTSTANDING OIL AND GAS OPERATIONS AWARDS

Early each year the COGCC places a call for nominations for these awards, which are intended to recognize the extraordinary achievements of the oil and gas industry in Colorado in several operational, environmental, and community involvement categories. These awards honor year 2004 projects that merit special recognition. Four Colorado operators are honored this year. The honorees are:

BP America Production Company - *Outstanding Operations Award for Environmental Protection and Visual and Noise Impact Mitigation*

BP developed a closed-loop completions technology for coalbed methane wells and for employing visual and noise mitigation techniques in its new gas compression facility design.

Environmental Protection: As part of BP's corporate goal of reducing greenhouse gas emissions from company operations around the globe, a project team was formed in La Plata County to adapt closed-loop completions technology in its coalbed methane operations to eliminate the need to flare gas during well completion operations. The conventional method for removing hydraulic fracturing fluid and sand from a wellbore after fracturing operations has been to pump air down into a well to lift the sand and the fluid out. This method results in a mixture of air and gas returning to the surface that must be flared for safety purposes, which results in greenhouse gas emissions. BP developed a closed loop system which pumps natural gas into the wellbore and then separates the returning gas from the fluids and sand for cycling back into the well or for pipeline sales. Virtually no greenhouse gasses are released during the process. Through the end of 2004, the closed-loop completions project has prevented the release of 7.8 tons of carbon monoxide and 7.8 million cubic feet of natural gas.

Visual and Noise Impact Mitigation: As BP redeploys field compression horsepower across its La Plata County operations, issues of visual and noise impact mitigation have been given top priority due to increasing residential and commercial development in the area. The BP Pinon Compressor Station was designed to occupy as small a footprint as possible and was located so as to not be visually intrusive to neighbors. To mitigate noise from the gas-driven engines, a specially designed building features double roll-up doors and sound insulation material more than twelve inches thick. To keep noise contained, the building was designed with an engineered ventilation system featuring an upward facing exhaust so that the compressor may operate with all doors closed. Fans on the engine coolant heat exchanger are smaller, driven by variable speed electric motors that produce less noise, and are upward facing to direct noise away from the neighbors. Other noise mitigation features include a sound insulating enclosure for the inlet control valve, slug catcher, and water transfer pump;

burial of most interconnect piping; sound insulation of all above ground piping; dual engine exhaust mufflers mounted in series; and a muffler on the engine air intake vent.

La Plata County Energy Council - ***Outstanding Operations Award for Community Relations***

The La Plata County Energy Council is receiving this award for working cooperatively on a bridge building project that addressed the safety of the residents of a local subdivision.

Community Relations: The La Plata County Energy Council is a non-profit trade organization that promotes safe and responsible natural gas development in La Plata County. Individual and company members work to build community relations, increase public understanding, and address public issues relative to the industry.

The La Plata County Energy Council began hearing from surface owners in the Rancho Durango Subdivision during high water periods in January and February 2004 who were concerned about a dangerous low water crossing that was being used by landowners and oil and gas operators as the primary access to the subdivision. This low water crossing was the site of a bridge that had been built in the area for oil and gas operations during the 1950's before any surface owners lived in the area which had washed away in 1997. The low water crossing was causing damage to the vehicles of residents and oil and gas operators. Energy Council members came together in a coordinated effort to install a new bridge on a privately owned site. The surface was stabilized by harrowing and seeding the ground and installing absorbent matting wattles at points of possible erosion. The new bridge was installed and finished, and an additional deposit of materials was made on the side of the bridge where the fill material was too thin. Trash was removed from the site, and signage was installed to indicate a speed limit and a one lane bridge warning. Energy Council member ConocoPhillips obtained a permit for the project from the Army Corp of Engineers. The total cost of the project was $154,000, which was split by all of the operators and transporters who are active in the area. The landowners have expressed satisfaction with the outcome of the project.

The following operators and contractors participated in coordinating and funding the project: Four Star/Chevron Texaco, BP America Production Company, ConocoPhillips, Red Cedar Gathering, Red Willow Production Company, Pure Resources/44 Canyon LLC, Williams Energy, Benson Montin Greer Drilling Corporation, and Vernon E. Faulconer, Inc.

Rosewood Resources, Inc. - ***Outstanding Operations Award for Optimization and Cost Reduction***

Rosewood Resources, Inc. is receiving this award for utilizing coiled tubing drilling technology to drill wells more quickly with a reduced surface impact.

Optimization and Cost Reduction: Rosewood Resources, Inc. has been working with Drilling Tubing Solutions to develop its Niobrara Formation gas well development program which employs the use of a coiled tubing unit to drill the wells.

Rosewood Resources, Inc. is an exploration and production company headquartered in Dallas, Texas. The company employs 40 people and operates in northeastern Colorado and northwestern Kansas. The company is active in the shallow Niobrara Formation natural gas play in Yuma County, Colorado. Rosewood Resources recently contracted for the building of a fast moving coiled tubing drilling rig capable of drilling 3000' deep Niobrara Formation wells from below surface casing to total

depth in 8 to 10 hours. The rig is trailer mounted and requires no construction of either a location or access road when used on flat terrain. The total foot print of the coiled tubing rig is approximately 60 feet by 100 feet, which is much smaller than the location for conventional rotary drilling rigs used in the area. After surface casing is set and cemented using a water well drilling rig, the coiled tubing drilling rig is then moved on to drill a 6 1/4" hole using 2 5/8" coiled drill pipe. The well is then completed using 4 1/2" casing. The drilling rig uses an enclosed mud system and no reserve pit is required. The use of the coiled tubing rig minimizes damage to the land owner's surface and shortens the time of disruption to the land owner caused by the drilling process. Rosewood Resources has reported increased job safety with the coiled tubing rig since no drill pipe is handled and no drilling connections are made.

EnCana Oil and Gas (USA) Inc. - *Outstanding Operations Award for Community Relations and E&P Waste Management*

EnCana Oil and Gas (USA) Inc. deserves this award for hosting the Energy Expo and Job Fair in Garfield County, and for developing a large scale produced water treatment and recycling system.

Community Relations: EnCana Oil and Gas (USA) Inc. has been hosting the Energy Expo and Job Fair at the Garfield County Fairgrounds in Rifle for the last three years. Due to its ongoing success, it has become an annual event viewed with positive anticipation by the community, industry, operators, and contractors. Beginning in 2003, EnCana community relations staff began to brainstorm with local operators, staff, and Denver managers as to how they might best present factual information about the gas exploration and drilling operations in the South Piceance Basin, especially in western Garfield County where its operations are in populated areas. Meetings with landowners and area stakeholders highlighted a lack of understanding of the technical aspects of the oil and gas business and the geology of the area, two topics that directly affect where and how the oil and gas operations occur.

The first Energy Expo was on July 30, 2003, which included 25 informational booths staffed by operators, contractors, industry associations, government agencies and local colleges, and was attended by an estimated 500 adults and children. The 2004 Energy Expo was held on May 12, 2004, and included 45 exhibits with attendance of well over 700 people. The event was expanded that year to include a job fair where the local workforce was encouraged to talk directly to industry representatives about current job openings and training opportunities. The recent Energy Expo, which was held on May 25, 2005, included over 60 exhibitor booths and was attended by an estimated 1,200 people during a six-hour period. Exhibitors were not only happy with the public turnout, but also impressed by the level of sophistication reflected in the questions that were asked of them, indicating that the degree of education that has been achieved in the community over the last three years has been significant.

E&P Waste Management: In April 2003, EnCana Oil and Gas (USA) Inc. began construction of an extensive water gathering, water treatment and distribution system for the Mamm Creek Field. This system consists of nearly 40 miles of water line, a 500,000 barrel capacity water treatment facility, and a 90,000 barrel capacity water storage facility. Initial construction was completed and the system brought into operation in October 2003. Over the course of 2004, this system recycled 3.3 million barrels of produced water and is expected to recycle over 3 million barrels of water in 2005 with an additional 2 million barrels of treated CBM produced water to be released to augment local stream systems.

The water treatment facility is centrally located in the Hunter Mesa area of the field, next to the Hunter Mesa Compressor Station. The facility consists of 3 impoundments, one for produced water (195,000 barrel capacity), one for high salinity water (100,000 barrel capacity), and one for fresh water (205,000 barrel capacity). Water treatment currently consists of hydrocarbon removal and will soon include a 15,000 barrel per day water treatment system for coalbed methane (CBM) produced water. The current facility is able to process 11,500 barrels of conventional produced water per day and treat 3,000 barrels per day of CBM produced water to surface water standards. A larger treatment system is currently being built to treat 15,000 barrels per day of CBM water and will be online by August 2005. The treated water from the CBM production is to be released to West Mamm Creek 2 miles south of the water treatment facility. This stream is used to supply local residents with their decreed water allocations but typically runs short of water in late summer to fulfill the allocations. The augmentation of this stream will alleviate some of this shortfall.

Produced water from the east side of the field is pumped to the water treatment facility for processing and recycling. The treated water is then pumped and trucked to well pad locations for reuse. In addition, fresh water is pumped to the storage impoundment on Grass Mesa for distribution to well pad locations. EnCana has also installed taps in the 3 inch water line so that the Grass Mesa Homeowners Association can utilize fresh water in the event of fire on the Mesa. As a result of the water treatment and distribution system, EnCana is able to significantly reduce water truck traffic, improve safety, and reduce lease operating expenses per well. The system is designed for expansion and plans are underway to tie other areas of the field into the treatment facility.

Glenwood Springs Post Independent

Citizen group crafts oil and gas plan

Donna Gray
Post Independent Staff

August 4, 2005

What could be a landmark plan for natural-gas development between Rifle and New Castle is taking shape this summer.

The Rifle/Silt/New Castle Community Development Project began this spring when residents of those areas realized it was only a matter of time until drill rigs loomed over their neighborhoods.

"I'm not aware of any other communities that have done this," said co-organizer Peggy Utesch, of New Castle. "We're flying by the seat of our pants with this."

To create a plan for gas development that communities and industry could live with, the planners began talking with Antero Resources, which has bought leases in the area.

"We're looking for a real positive way to work with industry to get our needs met and get their needs met," Utesch said.

The idea of the plan is to enlist industry cooperation in working with neighborhoods and communities, not just individual land and mineral owners.

"Typically industry will go in and say they want to put a (well) pad on (one) property and not go to anyone else. We're encouraging industry to talk to everyone in a general area, to get neighbors working together so they can negotiate what's best for the neighborhood," she said.

Now, with a draft plan in hand, the group hopes to finalize its agreement with Antero this summer. The next step will be to take the plan public.

"We've got a pretty good draft document," that the group hopes to present to a meeting of area residents on Aug. 26, she said. At that point, with agreement on the concepts outlined in the plan from Antero, they will hold a series of public meetings for further refinement.

Central to the plan is clustered development that would concentrate drilling on pads spaced from 640 to 160 acres apart. Clustering would minimize construction of roads, pipelines and other accouterments of drilling and thereby lessen impacts.

"We just want them to use as large a space as possible," Utesch said. "We know it's technically possible to drill a well on one square mile (640 acres). I think the thing we need to recognize, the bottom line is, we want industry to work with neighborhoods."

But the plan also recognizes that different people or even neighborhoods may prefer closer well spacing.

For its part, Antero has agreed in principal with much of the plan.

"I've worked with them continually over last several months," said Antero vice president of production Terry Dobkins. "It's been done with my input all the way through."

Although he agreed that 640-acre spacing could be used in some places, "there's always a caveat," he said, that one landowner might want one thing and another something else.

The plan can lay out the best drilling practices and guidelines for spacing, he added.

Dobkins said Antero tries to use 640-acre spacing in neighborhoods when it can.

"I think the industry as a whole has been moving there for some time. We're trying to do it particularly when we get around houses. The concept of clustering is not new."

However, given one well pad in one square mile, and with current technology, that would mean 64 or 32 wells per pad with either 10 or 20-acre down hole spacing, he said. Such a pad could cover between two and three acres. If a compressor station was added, which pressurizes the gas so it can flow in a pipeline, that would add another two or three acres.

With such spacing "the issue becomes, when you're dealing with populated areas, if you can find that much acreage that's out of the way," he added. "Sometimes there's less impact with more small pads. You don't know that until you're on the ground working with the owners."

Utesch praised Antero for working with the group to come up with workable solutions.

"We're asking them to do business in a new way. It will take some discussion for us to all be on the same page. Antero has been very cooperative. We're very encouraged."

The group has also recently begun talking with another gas operator, Galaxy, which intends to drill in the Rifle to New Castle area.

"They seem very interested in working with us," Utesch said.

Also included in the community development plan are best management practices for natural-gas drilling. If agreed upon, the plan would require operators to place pipelines alongside or in existing roads, pipe water to wells rather than trucking it in, and install equipment to reduce toxic emissions, reduce noise and light. Companies would also have to site drilling rigs at least 500 feet from the nearest homes.

Water-quality testing would be required on nearby domestic water wells, and hydraulic fracturing would use only water-based fluids, not hydrocarbon-based chemicals.

"Antero has not agreed to all those things," Utesch said. "But most of what's there they've agreed to. Nothing is finalized yet. The frac'ing we're going back and forth on. It's been a kind of point of contention with us."

The plan also proposes royalties for gas extraction be shared with surface owners, to compensate them for impacts to their land.

"A person who has impacts needs to receive compensation," Dobkins said. "So people who don't have impacts on the surface (such as mineral owners) should be willing to give up some of their royalties to give to surface owners."

Once the community meetings have taken place, Utesch said the plan will be presented to the municipal governments in Rifle, Silt and New Castle for their blessing.

"Our hope is if we negotiate an agreement with industry, there wouldn't be any reason the municipal governments wouldn't say yes. Why wouldn't they?"

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BLM seeks consensus on drilling

By By MIKE McKIBBIN The Daily Sentinel

Saturday, July 30, 2005

BATTLEMENT MESA Since an innovative “deferred leasing” plan for natural-gas development on top of the Roan Plateau was “not welcomed with warm hugs and kisses” by the public, the Bureau of Land Management wants to know if local governments have a better idea.

Glenwood Springs Field Office Manager Jamie Connell told cooperating agencies on the Roan Plateau management plan Friday that the Colorado Division of Wildlife had a “good point” about the deferred leasing plan causing wildlife problems.

“I thought we had something everyone could get behind, but we didn’t get many comments at all about the deferred leasing,” she said. “Since it wasn’t welcomed with warm hugs and kisses, we need to know what you want us to do.”

When Connell announced the draft management plan and environmental impact statement for the 73,602-acre plateau between Rifle and Parachute in November — in the same Battlement Mesa Activity Center room as Friday’s meeting — she explained the preferred alternative would not allow mineral leases on top of the plateau until 80 percent of the planned gas wells in the area had been drilled at the bottom of the plateau over a 20-year period.

“The mule deer winter range is already highly limited to the bottom” of the plateau, said DOW Terrestrial Biologist John Broderick.

If dense gas development occurred in that range before leasing was allowed on top, “you’d lose the winter range and the fragmentation would be so high that we wouldn’t have any mule deer to worry about” on top, he said.

Connell asked the cooperating agencies — Garfield and Rio Blanco counties, the cities of Glenwood Springs and Rifle, town of Parachute and Colorado Department of Natural Resources — to let the BLM know how they think balanced management of the plateau might be achieved.

“The number of drilling rigs will limit how development occurs, no matter what we put in the final plan,” she said. “Do we put them all in one place or spread them out?”

Ideally, Connell said, the BLM would be able to lease most or the entire top to one company, but other smaller companies would also have a chance to bid and acquire smaller portions of that lease.

“That way we’d have one company responsible for the drilling, the roads and the pipelines,” she said.

Whether that would be legal is something the BLM will need to look into, said Connell.

“What is our overall goal with gas development?” asked DOW Parachute Area Manger J.T. Romatzke. “It’s so hard to come up with the right answers about wildlife impacts when we don’t know where and how many wells will be drilled.”

Connell said the BLM and cooperating agencies are headed in a good direction, “but we’re not there yet.”

“We don’t have to say that every square inch of the land up there will have access to gas development,” she said. “I think it’s reasonable to say we’ll look at how to moderate the impacts and some of the gas will stay in the ground” until technology allows it to be produced without significant impacts.

Other issues discussed at Friday’s day-long meeting included dust control and road density, how certain critical environmentally-sensitive wildlife species and areas should be protected, such as the genetically-pure Colorado River cutthroat trout in one of the creeks on the plateau.

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Rocky Mountain News

Chinese rig at work

Politics, cost-cutting clash over imported workers in Colorado

By Gargi Chakrabarty, Rocky Mountain News
August 10, 2005

The first wave of Chinese workers and their rigs are up and running in the Piceance Basin in Garfield County, the state's oil and natural gas hot spot.

Last week, a rig built in China's Sichuan province - set up by Chinese engineers and managed by a company run by Pakistani immigrants - began drilling its first well near Parachute, west of Rifle.

And next month, two more Chinese rigs and workers will start drilling wells in Garfield and Moffat counties.

A U.S. shortage of labor and equipment is driving local energy companies to seek out partnerships with the Chinese.

"It is a matter of price and time," explained Bill Croyle, a partner in Western Energy Advisors.

Denver-based Western Energy Advisors helps China National Petroleum and its subsidiaries sign drilling contracts with U.S. companies. It has contracts to import two Chinese rigs and crews in September.

"Since energy prices are up, the cost of acquiring leases and drilling is up," Croyle said. "On the time side, every lease acquired has a time limit on it that costs the operator, the Bureau of Land Management and the public money if the lease isn't exploited."

As of Aug. 2, Colorado had 80 rigs, reports the Colorado Oil and Gas Conservation Commission.

Croyle said there's an estimated shortage of 200 rigs in the region. As a result, the cost to run a rig has jumped to anywhere from $13,000 to $16,000 a day from $8,500 a year ago, industry executives say. A rig takes between 10 and 20 days to drill a well.

"So companies are going all around the country, and now all around the world, to find equipment and people to exploit the opportunity," Croyle said, adding that Chinese rigs are paid competitive rates.

Meanwhile, the Colorado Oil and Gas Commission will talk to the companies to make sure "they are taking necessary precautions for imported rigs," said Tricia Beaver, the commission's hearings manager.

The deals have raised political hackles in Colorado.

Rep. John Salazar, D-Colo., whose district includes some of the state's largest gas fields, held meetings with energy companies and community leaders in Garfield and Moffat counties last week. Salazar is not happy with the Chinese imports.

"There are plenty of people in rural Colorado who need good paying jobs and could do the job if we just took the few months to train them," Salazar said. "These companies are trying to cut costs at the expense of American jobs."

Calgary's EnCana Corp., a top gas producer in Colorado, considered hiring Chinese companies to drill wells in Garfield County but backed off those plans.

The controversy comes in the wake of Chinese energy company CNOOC Ltd.'s decision to abandon its $18.4 billion offer to acquire Unocal Corp. following an outcry from inside the Beltway.

Political backlash against Chinese companies didn't have anything to do with EnCana's decision, said Roger Beimens, president of EnCana Oil and Gas, the Denver-based U.S. subsidiary of EnCana.

The local energy industry pointed out that anti-Chinese sentiments run contrary to America's economic interests.

"The rest of the world, including China, is catching up with the U.S. in terms of technology and skilled workers," said Fred Julander, founder of Denver-based Julander Energy Co. "At the end of the day . . . we have to rely on each other to improve our economies and our standards of living."

For The Woodlands, Texas-based Presco Inc., contracting a rig from China was simply a solution to the long-standing problem of a shortage of rigs and crews in Garfield County.

Presco leases 8,000 acres in Garfield County, some of it near a controversial area called Project Rulison where an underground nuclear test in 1969 left much of the natural gas radioactive.

The company has been there for more than four years but drilled its first well in 2003.

Being a small company and competing with giants such as EnCana Corp. and Williams Cos. Inc. is not easy, said Kim Bennetts, Presco's vice president of exploration and production.

"We had a hard time locating a rig because of activity by larger companies like EnCana and Williams, which have most of the rigs under contract," Bennetts said.

Bennetts said Presco discussed importing Chinese rigs with Sajjad Chaudhry, president of Houston-based GTS and a Pakistani immigrant who has been living in the U.S. for many years.

Bennetts and Chaudhry traveled to China's Sichuan province in January and met with executives of HongHua Ltd., manufacturers of rigs.

Satisfied with HongHua's professional manner and high quality of rigs, GTS signed a joint venture agreement with the Chinese company. And Presco signed a contract with GTS to operate a HongHua-built rig for two years, Bennetts said.

The rig was shipped from China and delivered to Rifle in late June. It was assembled in July and started drilling its first well last week. It is scheduled to drill up to four wells this year. Gohar Fayyaz, GTS' head engineer and also a Pakistani immigrant, is overseeing the site.

Four Chinese engineers from HongHua helped set up the rig. Those engineers will be stationed in Garfield County for another few months to ensure the rig operates smoothly, Bennetts said.

"If this rig operates efficiently, we have the option to contract for additional rigs," Bennetts said. "We will make a decision this fall."

Meanwhile, residents of Garfield County and activists remain concerned.

"What's happening now is very much like the boom and bust cycles that had happened in Colorado years ago," said Pete Kolbenschlag of the Colorado Environmental Coalition. "Our concerns are not that the rigs and crews come from China or Pakistan.

"Our concerns are that oil and gas development is happening in an unsustainable fashion. We don't have the workers and the equipment, yet we are rushing into it because it's all about making money for the industry."

Colorado's connections to China

• GTS Drilling Services: A Houston-based company signed a partnership with HongHua Ltd. of China to import drilling rigs. The first rig was shipped from China to Rifle in June and began drilling its first well last week. It will drill up to four wells this year. GTS has been hired by The Woodlands, Texas-based Presco Inc., which has leased 8,000 acres in Garfield County.

• Golden Bear Drilling & Services: A Denver-based company that will import rigs from subsidiaries of China National Petroleum Corp. Two rigs are scheduled to be shipped from China to Garfield and Moffat counties in September. Golden Bear has not revealed the names of the companies contracting the rigs. It plans to import 10 rigs and experienced Chinese crews to operate at least five of them to this region in the next couple of years.

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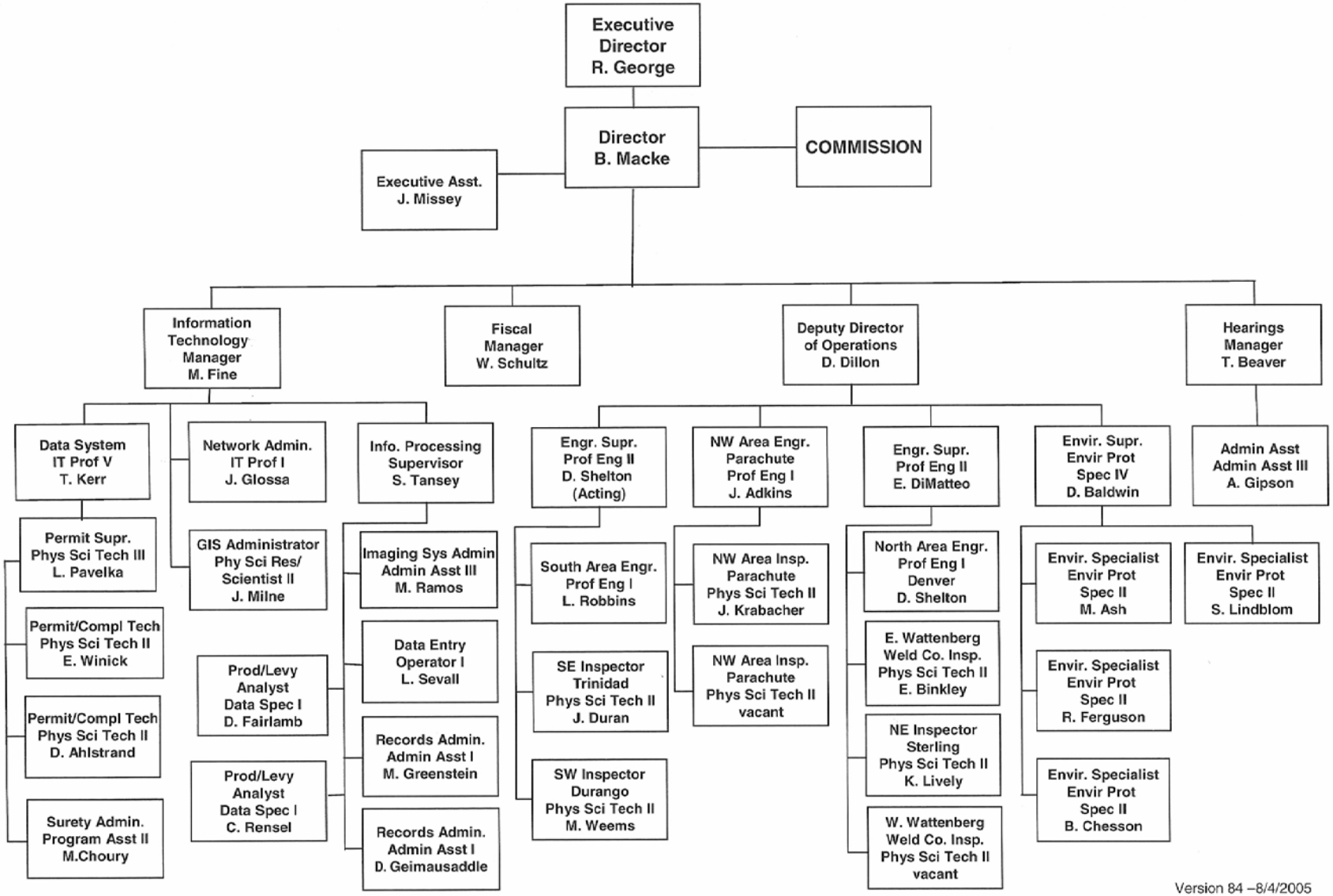
COLORADO OIL & GAS CONSERVATION COMMISSION ORGANIZATION



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HEARING DOCKET: September. 2005

Preliminary
8/9/2005

No.	Cause	Applicant/Attorney or Representative	Date Rec'd	Field Formation County	Matter	Remarks
0509-SP-11	376	South Oil, Inc./ Jan Harris	8/8/2005	Whitewater Dakota/Morrison Mesa	Request for an order vacating certain 320-acre drilling and spacing units from the provisions of Order No. 376-1.	
0509-AW-16	112	BP America Production Comp/. Mike Wozniak	8/8/2005	Ignacio-Blanco Fruitland Coal Seam La Plata	Request to allow a total of four additional wells, in each 320-acre drilling and spacing unit for certain lands in Township 33 North, Range 7 West, N. M. P.M. with wells located no closer than 660 feet to any outer boundry of the unit with no interior section line setback, utilizing a common or expanded pad with an existing well.	
0509-AW-15	139	EnCana Oil & Gas (USA) Inc./ Erica Enger	8/8/2005	Rulison Williams Fork/Iles Garfield	Request for an order to allow additional wells, the equivalent of one well per 20 acres, in certain lands in Township 7 South, Range 94 West, 6th P.M., with setback requirements 200 feet from the boundaries of the drilling and spacing unit and 400 feet from any existing well in the same formations.	
0509-UP-06	407	Mineral Resources, Inc./ Keith M. Crouch	8/8/2005	Wattenberg Cretaceous Age Weld	Request for an order to pool the 160-acre drilling and spacing unit consisting of the SE ¼ of Section 17, Township 5 North, Range 65 West, 6th P.M.	
0509-GA-04	1	West Evans Commercial Invest., LLC. & Blue Chip Oil, Inc./ Keith M. Crouch	8/8/2005	Wattenberg Codell Weld	Request for an order pursuant to Rule 524 to determine responsible party status with respect to a release of oil and gas from the Anderson-Coombs #6 Well and/or related facilities located in the NW¼, NW¼ of Section 25, Township 5 North, Range 66 West, 6th P.M.	