

TO: COGCC Commissioners
FROM: Rich Griebing
DATE: February 9, 1998

cc: Jim Lochhead
Ron Cattany
Dan McAuliffe
Cindy McNeill
Doug Robotham
Kathy Kanda
Bob Poelstra
Sue Griswold
Joan Avery
Larry Shuford
Division Directors
OGCC Employees
MEGA Board Representatives
Monthly Report Mailing List

MONTHLY STAFF REPORT

I. STATISTICS

- ◆ Our monthly statistics report is attached.

II. NORTHEAST COLORADO

- ◆ "J" Sand Infill Drilling in Wattenberg Field

As discussed In January, several Wattenberg operators have plans to drill 109 additional "J" Sand wells during 1998. Many of those have been heard administratively. Industry is currently considering proposing rulemaking that could greatly improve the efficiency and cost effectiveness of developing the Cretaceous formations in the Wattenberg area. Timing of this potential rulemaking may be accelerated so that an application is submitted this month.

Until such a rulemaking results in a new approach, operators will continue to submit perhaps 30 applications per month for an additional (third) "J" Sand well per existing 320 acre drilling and spacing unit. Last month you granted permission to allow any unprotested Wattenberg "J" Sand applications for additional wells per spacing unit to be heard administratively through April of 1998. Further, you approved specific exhibits required for submittal by operators to support these applications. After holding administrative hearings for approximately 46 additional "J" Sand Formation wells, I am requesting that you allow us to apply a provision of Rule 511 to future applications. For those uncontested, properly verified applications that our hearing officers find to be complete and adequately supported by appropriate technical exhibits, we will be recommending approval without an administrative hearing. For other uncontested applications we will continue to hold administrative hearings. This is a request for a procedural change, however, the standards that our Hearing Officers apply to additional "J" Sand wells will not change.

◆ Tipps Oil Company

The five wells have been plugged and abandoned and reclamation is continuing on the 11 wells.

The estimated cost to complete this work is \$60,000. About \$18,000 of the cost to complete the work will be provided by the remaining portion of the \$30,000 blanket plugging bond. The ERF will provide funding for the remainder of the cost.

◆ Patina Shut-In Well Update

In accordance with the Shut-In Well Agreement between Patina and the COGCC, Patina has submitted their bi-annual report of the progress of their program. During 1997, Patina has plugged 18 wells, sold 4 wells and returned 28 wells to production for a total of 50 wells. In the agreement, Patina has an obligation to remove 45 wells from their shut-in well list per year. Patina has exceeded this goal by 5 wells. The 5 additional wells will count against their total obligation for 1998. The list has a total of 103 remaining shut-in wells.

This report by the staff to the Commission is required by Cause No. 1 Order 1-71.

◆ Proposed Plan for Inactive Well Financial Assurance

Rex Monahan has requested modification to the \$5,000 financial assurance requirement for each excess inactive well as provided for in Rule 707.a. Mr. Monahan has submitted a plan for their inactive wells to be utilized for enhanced recovery or gas storage, plugged or abandoned, or returned to production in a timely manner. This plan is detailed in the attached draft order. This request will be discussed at today's hearing.

III. NORTHWEST COLORADO

◆ Northwest Colorado Oil and Gas Team

The last meeting of this team, which is made up of representatives from federal, state and local government, the oil and gas industry, and concerned citizens was held on January 8 in Rifle in combination with a meeting of the Associated Governments of Northwest Colorado. Approximately 72 people were in attendance at the meeting including all three Garfield County Commissioners and COGCC Commissioner Mike Matheson. The primary topic at the meeting was a discussion about local citizen concerns about oil and gas vehicle traffic and impacts on county roads. Garfield County Undersheriff Jim Sears was present to discuss his department's interest in assisting with traffic problems, and County Commissioners Larry McCown, Marion Smith and John Martin addressed this issue of road impacts and indicated that the county would investigate funding mechanisms to help solve this problem. Discussions were also held about the upcoming COGCC local public forum process to address surface impacts related to increased well density, the recent COGCC Piceance Basin wellsite reclamation study, the BLM NOSR leasing process for gas development, the BLM Glenwood Springs Resource Area Supplemental EIS and other issues of local concern. The meeting was video taped by the local cable access station and the tape is available for viewing. The next meeting of the team will be from 10:00 a.m. until 2:00 p.m. Thursday, April 9 at the Rifle Town Hall. This team is co-chaired by Brian Macke and Rio Blanco County Commissioner

Don Davis. Please contact Brian Macke at 894-2100 x122 to submit agenda topics for the next meeting.

◆ Barrett Resources 20 Acre Density Application Approval

Newspaper articles covering last month's Barrett Resources 20 acre increased density application approval are attached. Other articles regarding Garfield County oil and gas activity are also attached.

◆ Garfield County Commission Addresses Road and Bridge Impacts

The Garfield County Commission has been addressing impacts to roads and bridges caused by the oil and gas industry and other industries at their two most recent County Commission meetings. Possible solutions include increases to overweight permit fees, increases to individual company road and bridge bonds and the establishment of a road and bridge impact fee to be paid on a per well basis by the oil and gas industry. The topic of funding for impacts to roads and bridges has been raised by many parties in Garfield County as oil and gas development has been increasing.

◆ Garfield County COGCC Local Response

The COGCC continues to implement a program in Garfield County where a COGCC hearing officer is available in a public place one day per month to address and respond to citizen concerns. Brian Macke was present at the Battlement Mesa Public Safety Building on January 16. Brian responded to thirteen citizens from across Garfield County who asked questions, registered complaints and voiced concerns regarding numerous aspects of the accelerated gas well development in the area.

The primary questions and concerns were regarding:

- The recent Barrett Resources 20 acre density application approval
- The upcoming COGCC public forum process to address surface impacts.
- Unsafe oil and gas vehicle driving practices on county roads.
- Funding for county road and bridge damages caused by oil and gas vehicles.
- Complaints about gas well flaring and its effects on air quality, suspected water well contamination from producing wells, and other environmental complaints.
- Questions about the COGCC Environmental Response Fund and the amount of financial surety held by the COGCC.
- Questions and complaints about a lack of adequate reclamation of well sites.
- Concerns about the current COGCC Commissioner makeup.

Dates for the following months will be the third Friday of each month with the next visit on February 20 at the Battlement Mesa Public Safety Building. Continuation of this effort will be dependent upon the amount of public participation that is demonstrated during future dates. Our thanks go to the Battlement Mesa Oil and Gas Committee for making the necessary arrangements for the outreach location.

◆ Battlement Mesa Oil and Gas Committee Meeting

Brian Macke and Jaime Adkins were invited to attend the January 15 meeting of the Battlement Mesa Oil and Gas Committee. While the Committee members were generally pleased with the additional reclamation and wildlife operation commitments in the recently adopted Barrett Resources 20 acre increased density applications, some frustration was clearly expressed regarding their inability to provide verbal comments before the Commission on the day that they were told to be present in Denver. The Committee was pleased with the communication being provided by Tom Brown, Inc. representatives about current and planned drilling near the community, and spoke highly of recent field demonstrations provided by Barrett Resources staff of their remote telemetry equipment. The group was assured that lines of communication between them and the COGCC will remain open.

◆ Battlement Mesa and Project Rulison Vacinity Well Permitting

Tom Brown, Inc. is drilling the first well near the town of Battlement Mesa since the 40 acre increased density application was approved last year. The Clem #15-14 Well is being drilled approximately 2 miles east of the developed portion of Battlement Mesa. Tom Brown, Inc. continues to do a model job of communicating with the local government and the Battlement Mesa Oil and Gas Committee to plan for the least impact on local residents. The Garfield County Road and Bridge Department has changed their requirement for heavy vehicles to enter on the Morrissania Mesa Road instead of the Battlement Parkway which was originally planned. Tom Brown staff are working to limit heavy truck traffic to daylight hours and to post "speed limit" and "children playing" signs where needed. Conversations with the Battlement Mesa Oil and Gas Committee indicate that they are generally satisfied with Tom Brown's efforts to work cooperatively with them. Attached is a letter from Tom Brown, Inc. regarding contractor vehicle traffic on county roads.

The Application for Permit to Drill has been submitted for the Clem #15-23, which will be the second of three wells permitted by Tom Brown, Inc. east of Battlement Mesa in the vicinity of the Project Rulison. As previously agreed, the COGCC staff sent the Application for Permit to Drill to the DOE for their review.

Tom Brown, Inc. has submitted a Notice to the BLM of its intent to drill 7 wells in 1998 and possibly 9 wells in 1999 in the area south of Battlement Mesa on federal and immediately adjacent non-federal leasehold. This action will trigger the need for an Environmental Assessment which will require a public scoping process. Very few if any of the proposed well locations will be visible from the Battlement Mesa community.

◆ Garfield County Underground Blowout

Groundwater testing and monitoring of the aquifer impacted by the September 16, 1997 underground blowout of the Barrett Resources RMV 108-4 Well in the Rulison Field is continuing. Barrett had submitted a Rulison Area Ground Water Characterization Workplan to the COGCC in late November which was reviewed by the Environmental staff who approved it with some modifications. Six ground water observation wells were drilled and sampled around the impacted Goad water well. One of the wells was dry and consequently plugged. Results of tests from the five remaining monitor wells show BTEX contamination in two of the wells. The two contaminated monitor wells are approximately five (500) hundred feet from the Goad site and have benzene contamination above action levels of 5 ppb. Monitor Well No. 1 west of the Goad property has levels of benzene at 33 parts per billion (ppb). Monitor Well No. 3 northeast of the Goad well has benzene levels of 21 ppb.

Results of continued sampling and monitoring of the other local residences' water wells shows no BTEX contamination. The most recent samples were taken January 27, 1998. Sampling and testing of residential water wells will continue on a monthly basis until a written assessment is completed and reviewed. The assessment report is expected to be completed in mid February. Results of water well analysis have been sent to the individual well owners.

A meeting was held with local residents at the Rifle Town Hall January 26, 1998. Questions concerning their water well test results and future testing were answered. Approximately twenty (20) people were in attendance including Barrett Resources representatives Duane Zavadil and Scott Brady and COGCC staff members Rich Griebing, Brian Macke, Loren Avis, and Jaime Adkins. Two representatives from the EPA were present, Robert Benson a toxicologist and Barbara Conklin with enforcement. Conversations with EPA representatives indicated that they are comfortable with the ground water characterization plan that is being implemented.

Because of the incident, the COGCC placed interim additional requirements on newly drilled Williams Fork Formation gas wells in Garfield County. An investigation was completed to determine adequate surface casing depths for various area fields. The requirements were amended in the December 29, 1997 Notice to Operators. It requires 1,100 feet of surface casing in the Rulison Field Overpressured Area and a minimum of 10% of total well depth for surface casing in other fields. There are also requirements for surface casing leak off tests and reporting to the COGCC field office regarding lost circulation, kicks and when total depth is reached so that cementing may be witnessed. This policy is expected to continue to be data driven as more information is provided by operators.

◆ Naval Oil Shale Reserves (NOSR) I and III, Garfield County

BLM is in the early phases of planning prior to leasing the 6000 acre developed area of NOSR III which was prescribed for leasing this year by recent legislation that transferred management from DOE to BLM.

IV. SOUTHWEST COLORADO

◆ La Plata County Cooperative Agreement

A COGCC hearing officer continues to maintain office hours at the La Plata County Courthouse the third Friday of each month to meet with concerned residents. During the January 16th session 9 groups of people, 13 visitors in all, met with COGCC Hearing Officer David Dillon. They filed 10 complaints with several people lodging complaints. Approximately half the complaints involved the COGCC's recent approval of the Huber application in January to drill additional wells in the Fruitland Coal Formation.

◆ La Plata County Rules Clarification

During the past year, our staff has been working with an operator to produce, MIT, or abandon the Ute B #1 Well, located in the SW/4 of the SW/4 of Section 7, T32N, R9W in La Plata

County. The operator had decided to plug and abandon the well, but discovered access was restricted due to new buildings which the County permitted to be built less than our 150' minimum safety set back from the well.

The attached letter from the La Plata County Commissioners articulates what some see as a discriminatory county policy which applies a baseless 400' setback requirement to proposed new wells from existing residences but exempts proposed new residences from any setback requirement from existing wells. The referenced letter responds to my attached letter of December 5.

- ◆ La Plata County Gas and Oil Regulatory Team (GORT)

The next GORT meeting is scheduled for March 19, 1998, at La Plata County Fairgrounds from 8:00 am to noon.

- ◆ Pressure Falloff Test, Simon Land & Cattle Disposal Well #1 Well

In the attached letter from Amoco, they indicated they would perform a well test on the Simon Land and Cattle Disposal #1 to acquire data that could resolve concerns of potential impacts to an Entrada Formation water seep several miles away. Amoco has indicated that the test will be conducted beginning in early February.

- Amoco Tiffany Nitrogen Enhanced Coalbed Methane Recovery Project

Nitrogen injection has commenced. Roughly one year of observation is anticipated to be necessary to begin to evaluate performance.

- ◆ La Plata County ERF Project

The COGCC will plug and abandon two old wells near the Amoco's Tiffany nitrogen injection project. The wells will be plugged utilizing ERF funds. On February 2, Dave Dillon met with contractors on site to explain the bid procedure and answer questions concerning the project. Estimated cost to plug and abandon and reclaim the two wells is \$160,000. The project is expected to start April 1.

- Huber Spacing Decision Proposed Development Plan

We are currently preparing our third draft of the referenced development plan. While there are several issues which have been most likely will be agreeably resolved, I anticipate that some details of our proposed plan will not be agreed to by either party. I attended a meeting in Durango with both parties (that was open to the public) on Friday, February 6. The county representatives expressed the opinion that our second draft addresses some health and safety concerns but fails to address "welfare" concerns. This opinion was expressed in response to my rejection of their request for the Development Plan to require compliance with County rules which conflict with our rules and statute. No definition of welfare was offered. Some of the issues raised by the County reopen the fundamental legal jurisdictional questions which I understood the local government and industry trade associations to have agreed to set aside for the time being. I plan to ask Assistant Attorney General McNeill for legal review of our third draft before sending it to the parties no later than March 1. Huber and the County plan to meet to try to resolve some issues regarding specific well locations.

V. SOUTHEAST COLORADO

◆ Southeast Colorado Land and Mineral Owners Association

The referenced organization held a meeting with attendance reported by their attorney, John Evans, of 100 people of which 79 became members. The impetus for the meeting was a contractual dispute (now in litigation) regarding surface impacts from a 3-D seismic survey conducted by Mull Drilling, part of which was to be on lands owned by Mr. Bill Lowe. I have responded to inquiry from Representative Brad Young regarding this matter.

VI. ENVIRONMENTAL ISSUES

◆ Notary Water Well Complaint, Weld County

In response to a complaint from a landowner, Linda Pavelka, Ed DiMatteo, and Debbie Baldwin have been investigating the occurrence of thermogenic gas in a Fox Hills water well located east of Platteville, Colorado. 106 gas wells in the area have been inspected and bradenhead tests have been conducted. High bradenhead pressures that would not bleed off in 30 minutes were detected in 14 gas wells.

Gas from the water well and from the bradenhead and/or production tubing of 25 gas wells has been sampled and analyzed for C₁ through C₆ components, carbon dioxide, air, and $\delta^{13}\text{C}$ and δD isotopes. Analytical results have been received and are being evaluated.

The 14 gas wells with high bradenhead pressures will be continuously vented for 3 weeks. This will be completed by the first week of March, 1998. The bradenheads will then be shut in for one week at which time the COGCC will conduct another set of bradenhead tests.

The results of this procedure and the chemical and isotopic testing will be used in combination to determine whether the high bradenhead pressures are due to hydrocarbon trapped from drilling and completion, gas from productive zones that have not been properly isolated, or casing leaks. Once the source is determined remedial activities as appropriate will be taken.

After the pump was pulled and sediment removed from the water well, a suite of geophysical logs were run. From this information, it appears that a replacement well could be drilled and completed in the upper portion of the Fox Hills. The original water well will be used to monitor the effects of remediation activities.

The landowner and the operator have cooperated in the investigations conducted by staff. In addition, the operator has agreed to pay for pulling the pump and cleaning out the existing water well, the geophysical logs, and the drilling and completion of the replacement well.

◆ The New 900 Series Rules

The 900 Series Rules were adopted at the November commission hearing and became effective 12/30/97. The new rules are available to operators through e-mail, the web page and by mailing copies on request. A memo to a partial list of operators was sent by fax

modem, which describes operators' obligations for managing pits before and after the deadline.

- ◆ Water Quality Control Commission/Division Quarterly Meeting

The next quarterly meeting with WQCC is scheduled for 1:00 p.m. March 26, 1998 at our offices.

- ◆ Proposed Changes to WQCC Rules

In our ongoing process of resolving discrepancies between the EPA requirements for UIC programs and WQCC Standards and Classifications for ground water, Debbie Baldwin and Ed DiMatteo have continued to work with staff from both agencies. A proposed rule change which would apply to the Weber Formation and Navajo Sandstone in the Rangely Field area has been submitted to the WQCC for consideration at their April 13, 1998 hearing. Debbie Baldwin and Bill McKee, CDPHE-WQCD staff, met with the Rio Blanco County Commissioners on January 26 to discuss the proposed rule. A copy of the proposed rule change, including the statement of basis and purpose, was provided with the January Staff Report.

- ◆ EPA Enforcement on Spills

EPA indicated to Chevron they are continuing with enforcement action, although we have not received this information formally. We are aware EPA is also pursuing enforcement against other operators in Colorado, in similar fashion.

- ◆ Spill Policy

Due to recent increased attention to spills in the oilfield paid by EPA and the appearance of overlapping jurisdiction, COGCC staff is working on development of a spill policy to outline our authorities over spills and how enforcement will be applied in accordance with the current rules. Attached is a discussion draft of a proposed spill policy that is being distributed to stakeholders for their comments. The policy is intended to be used by all staff responding to and enforcing on spill rules, to ensure coordination and consistency, and to provide a description of our methods and intent to other interested parties, including the EPA and CDPHE. After reviewing those comments and seeking legal review by Assistant Attorney General McNeill, we plan to propose a formal policy for your consideration by June 1, 1998. In the meantime, unless you direct us otherwise, we plan to apply enforcement consistent with the discussion draft.

- ◆ Pit Program

We have hired a temporary employee to assist with data management, verify which operators have not sent reports, track final disposition of pits and compile more complete reports on progress of the program.

We have sent NOAV/AOC letters to all active operators with wells, gas gatherers and gas processors who have not submitted inventories to date for violation of the Dec. 31, 1995 deadline for pit inventories to be submitted. The letter required operators to send in inventories by the end of the month, sign an enclosed AOC letter, and submit a fine of \$1000. Operators may submit a letter disputing the allegation as needed.

Variance requests were received from operators regarding the pit program rules and these are identified in Section X. of this report. We suspect additional operators may submit similar requests in the weeks ahead since we are aware of a number of operators who have not yet submitted inventories, made Sensitive Area determinations, tested vaults and tanks, completed closures of pits in Sensitive Areas, or submitted the required closure reports and pit permits due by the 1/31/98 deadline.

Operators currently testing and closing pits without a variance must file a Form 27 for prior approval. We have received no Form 27's for pit closures to date. Operators with unlined and unpermitted pits in Sensitive Areas are in violation of the 900-Series rules.

VII. ORGANIZATION

Our current organization chart is attached.

VIII. PLANNING/ADMINISTRATION/OTHER

◆ Welcome to New COGCC Commissioner Sommerville

On January 22 Governor Romer appointed Molly L. Sommerville as Commissioner from Congressional District 1 to fill the vacancy created by the resignation of Marla Williams. We welcome and look forward to working with Commissioner Sommerville and we are grateful to have her oil and gas legal expertise and her experience in resolving land use issues related to oil and gas development on the Commission. Attached is the Governor's executive order appointing Ms. Sommerville and a biographical sketch of the current Commissioners. Please review your biographical sketches and advise Mara Jauch of any updates or changes.

◆ Outstanding Oil and Gas Operations Awards Program Call for Nominations

This is the second year for the program, which was a great success last year in recognizing outstanding accomplishments by oil and gas operators in several categories. This year's Call for Nominations form for operations that occurred in 1997 is attached. Please note that the deadline for nominations is March 16, with a stakeholder selection team being convened by May 1 and the award recipients selected by June 1. The awards will be presented by the Governor or a Governor's Representative during a press conference.

◆ San Juan Citizen's Alliance Request for COGCC Commissioner Disclosure

Attached is a letter from the San Juan Citizen's Alliance requesting full disclosure of COGCC Commissioners' contractual, employment and financial interests. The response to this letter is also attached.

◆ Public Forums Regarding Rulemaking to Address Surface Impact and Well Spacing Issues

Attached is a revised notice we have distributed to announce the referenced public forums as you directed during the special Commission Meeting of December 10. The rulemaking drafts were distributed by fax and mail to an extensive mailing list on February 6 after the completion of the COGCC staff draft rules. These rules include an overhaul of the 500 Series Rules of Practice and Procedure, and were delayed due to their extensive nature. A cover memo to the draft rules from me is attached. Any parties wishing to obtain copies of the proposed draft rules should contact the COGCC.

◆ Potential Royalty Owner Information and Payment of Proceeds Legislation

As discussed during the December 10 meeting, Senator Bishop has asked us to facilitate a discussion between some of his constituents and industry representatives regarding the referenced potential legislation. Senator Bishop has introduced SB 98-159 which was heard in the Senate Agriculture, Natural Resources and Energy Committee last week. The bill was tabled by the Committee and I was asked to facilitate further discussion between a constituent and industry before the bill is heard again on February 12.

◆ Regulation of Oil and Gas Production Legislation

Representative Dyer has introduced HB 98-1254, a bill concerning regulation of oil and gas production in Colorado. The proposed legislation changes the membership of the Oil and Gas Commission, adds requirements for disclosure by Commissioners and Staff and introduces a local informal public meeting process. The bill will be heard by the Senate Local Government Committee on February 11. A letter from Jim Lochhead to Rep. Dyer regarding this bill should be available at today's hearing and may be included as a late attachment to this report.

◆ Meeting with BLM, Plugging and Abandoning Orphaned Wells on Federal Lands

Brian Macke and I met with BLM Colorado State Office representatives on January 28 to discuss projects for 1998 which include clarifying policies in split estate and federal unit situations. The draft BLM/COGCC agreement continues to be reviewed and revised by both parties.

◆ Enforcement

Staff has sent out letters requesting additional financial assurance to 19 operators of 100 wells or more as required by Rule 706. Thirteen operators have increase their financial assurance for plugging and abandonment to \$100,000.

◆ State-Local Oil and Gas Regulatory Jurisdictional Issues

This process has been terminated upon the mutual agreement of the local government and industry representatives. Attached is a letter from Chairman Heinle to Senator Ament and Representative Entz regarding the recommendations made in a joint letter by COGA, RMOGA, CML and CCI addressing local government and oil and gas Industry concerns about oil and gas regulation and development.

◆ COGCC Computer System Overhaul

The COGCC Computer System Overhaul Committee which includes the industry representatives will meet on February 13 to review project status including the completed logical data model and the first complete draft of the system requirements. The new Windows NT servers have been procured, powered up, and configured; one server will be dedicated as database server and the other will be an application server.

A contract database administrator has been hired and will start on March 1 to create the physical data model and the subsequent database itself. The system requirements will be further refined to establish project priorities and scope to ensure cost containment.

The Workflow Analyst is preparing a compilation of all the data elements, their associated business rules and the forms processing routing. This will be used to construct the workflow plan and automated data editor. This portion of the project is expected to create time savings and efficiency for the COGCC.

Work has started on the buildout for a temperature controlled, secure server room and is expected to be complete in early February. The planned completion of the computer system overhaul project is December 1998.

- ◆ Production Reporting by Well and by Formation

The COGCC staff presented a revised form at the November hearing showing the proposed data elements for production reporting by well and by formation, as directed by you at the August 1997 hearing. The proposed forms have been distributed to the oil and gas industry trade associations and the environmental community for comments. Because the new computer system is beginning to be developed, it is critical that decisions be made regarding how production will be reported.

The staff plans to hold another workshop with Industry and other interest parties in the near future to finalize the form and data elements. Those with comments may provide them to Brian Macke at 894-2100 x122.

- ◆ Department of Natural Resources Imaging Project

The COGCC is working with the Division of Water Resources and the COGCC to help prepare an imaging needs assessment document for the divisions and a Request for Proposal (RFP) for contractor bidding on the document imaging project. The Division of Water Resources is preparing to begin the project this fiscal year, and the COGCC is requesting Severance Tax funding for a document imaging project beginning in FY98-99. One of the goals of the project is to make COGCC document images accessible by the oil and gas industry and the public in remote locations. Those wishing to provide input into the project should contact Brian Macke (x122).

- ◆ Minerals, Energy, Geology Advisory (MEGA) Board

I attended an oil and gas subcommittee meeting on Friday, February 6. There was clear support for our request in FY 98-99 for \$70,000 of severance tax funding source to offset our forecasted lower cash fund revenue of \$20,000 in levy (oil prices) and \$50,000 in change of operator fees. I will be distributing supporting documentation and formally requesting your

endorsement of this request at today's hearing. The next board meeting is scheduled for February 13 in Denver at which time the board will consider our \$70,000 request and present a wish list of FY 99-00 projects to the divisions. Our preliminary FY 99-00 budget request will be presented to the board for their review at the May 8 meeting in Denver.

◆ COGCC on the Internet

The COGCC continues to expand its Internet presence. After March 1 a listing of all drilling permit applications and hearing applications received will be posted the day following receipt. Our stakeholders are accelerating their use of the COGCC Website to find current information about the COGCC and to download up to date versions of documents such as COGCC Rules and Regulations and rulemaking drafts. Our Long Range Plan, the severance tax/ad valorem tax tables, the list of orphaned wells and sites and the revised hearing schedule are now available. The newest additions to the Website are the recently adopted 900 Series Rules and downloadable ASCII files containing the Colorado Oil and Gas Operator Name and Address list and the COGCC County, Geological Formation and Oil and Gas Field computer codes. The Monthly Staff Report will be available in the very near future. The COGCC is in the process of redesigning its Web pages to provide improved customer service. The public is invited to leave comments or suggestions for improvements at the COGCC Internet site. The address is <http://www.dnr.state.co.us/oil-gas/>. The COGCC also has a "general mail box" for e-mail at dnr.ogcc@state.co.us.

◆ Penalties Status

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

◆ Hearing Applications with Increased Well Density for February Hearing

"J" Sand infill applications were addressed in the Northeast Colorado Section of this report. No applications of this nature have been submitted for the March hearing at this time, however, many are anticipated. The application deadline is February 16.

IX. INTERSTATE OIL AND GAS COMPACT COMMISSION (IOGCC)

X. VARIANCES GRANTED BY THE DIRECTOR UNDER RULE 502.b.

Variations granted to date, regarding the pit program rules:

- Conoco: Requested variance from Rule 911, to obtain an extension for submittal of Sundry Notices for pit closures and pits remaining in service (in non-sensitive areas). Reason for request: asset transfer to new operator.
- Bonneville Fuels: Requested variance from Rule 911, to obtain an extension of deadline, so they may continue to close pits in non-sensitive areas, although not required by the rule. Reason for request: budget constraints.

- Central Resources: Requested variance from Rule 911, to obtain an extension for only one pit, to complete the closure. Reason for request: waiting on the Air Force team to scan for and remove ordinances existing in and around pit, which is located on the Bombing Range.

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