

**TO: COGCC Commissioners**  
**FROM: Rich Griebing**  
**DATE: March 30, 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

A total of 39 "J" Sand infill applications have been heard for the January, February and March hearings. Five "J" Sand infill applications have been received for the April 27-28 hearing.

- ◆ Tipps Oil Company

The five wells have been plugged and abandoned and reclamation has been completed on the 11 wells.

The cost to complete this work was \$53,501. About \$12,850 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.

### III. NORTHWEST COLORADO

- ◆ Northwest Colorado Oil and Gas Team

The next meeting of this team will be held on Thursday, April 9 from 10:00 a.m. until 2:00 p.m. at the Rifle Town Hall. This team, which is made up of representatives from federal, state and local government, the oil and gas industry, and concerned citizens has evolved into an

important forum for the open discussion of local oil and gas issues. The quarterly meetings are an effective way for local citizens to meet in person with industry and government to brainstorm practical solutions to areas of conflict and to learn more about the oil and gas industry in the area. Tentative agenda items for the next meeting are oil and gas vehicle traffic and impacts on county roads, the COGCC rulemaking process to address surface impacts related to increased well density, the BLM NOSR leasing process for natural gas development, the BLM Glenwood Springs Resource Area Supplemental EIS and other issues of local concern. 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.

◆ Garfield County Commission Addresses Road and Bridge Impacts

The Garfield County Commission has been working to address impacts to roads and bridges caused by the oil and gas industry and other industries. The Commission has been consulting with the geotechnical engineering firm of Chen and Associates to prepare a study to quantify the impacts of various axle weight vehicles on the different types of county roads. The results of the study will be used to develop a rational methodology for calculating road impact fees which can be applied fairly among various different industries.

◆ 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 February 20, following the COGCC Local Public Forum evening meeting in Rifle and again on March 20. Brian responded to seven citizens in February and twenty citizens in March from across Garfield County who asked questions, registered complaints and voiced concerns regarding numerous aspects of natural gas development in the area.

The primary questions and concerns were regarding:

- The recent Barrett Resources 20 acre density application approval.
- The upcoming COGCC rulemaking process to address surface impacts.
- Questions and complaints about gas well flaring and its effects on air quality, suspected water well contamination from producing wells, and other environmental complaints.
- Questions and complaints about a lack of adequate reclamation of well sites.
- Complaints about impacts on county roads and bridges from oil and gas industry vehicles.
- Concerns about future natural gas well drilling inside of the Battlement Mesa planned unit development area.

Dates for the following months will be the third Friday of each month with the next visit on April 17 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.

◆ Grand Junction Chapter API Meeting

Brian Macke attended the March 9 meeting of the group to speak about COGCC activities and oil and gas development highlights in Northwest Colorado. About 30 people attended the meeting. The group is very interested in doing more public relations efforts to promote the benefits of oil and gas development in local communities. Attached is a letter from one of the members offering assistance in communications between the local citizen group and the industry.

◆ Battlement Mesa and Project Rulison Vicinity Well Permitting

Tom Brown, Inc. is drilling the second well close to the town of Battlement Mesa since the 40 acre increased density application was approved last year. The Clem #15-23 Well is being drilled approximately 2 miles east of the developed portion of Battlement Mesa. Members of the Battlement Mesa Oil and Gas Committee have remarked that Tom Brown, Inc. continues to do a good job of communicating with them and minimizing the impact of drilling operations on the local community by restricting heavy truck traffic through the area to daylight hours when possible, posting "speed limit" and "children playing" signs where needed, and by minimizing drilling rig moves in and out of the area.

As previously agreed, the COGCC staff has been sending Applications for Permit to Drill for wells within a few miles of Project Rulison to the DOE for their review. The DOE has indicated that they will take gas samples for radionuclide analysis from these new wells when they are in the area performing the annual water sampling program for the EPA this spring, which will be before the wells are connected to the sales pipeline. The new wells are being drilled nearly three miles away from Project Rulison, in close proximity to one of the older Williams Fork gas wells tested last summer for radionuclides with a result below detectable limits.

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 has triggered 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.

◆ Oil and Gas Vehicle Traffic on Garfield County Roads

Conversations with oil and gas operator and contractor personnel indicate that the operators are continuing to communicate their expectations of courteous and legal driving habits to the field personnel. Attached is an example letter from Wildhorse Energy Partners, LLC encouraging good driving habits. The COGCC is continuing to share information about complaints regarding oil and gas vehicle traffic with the Garfield County Sheriffs office. Garfield County Undersheriff Jim Sears reports that although their enforcement efforts are continuing, they have not had to issue any citations and have not received any complaints in the last couple of months. Operators should be commended for their efforts to improve this situation.

◆ Garfield County Underground Blowout

On January 27 and 28 groundwater was tested at thirteen water wells around the Goad water well. The Goad well is the water well that was contaminated by benzene from the blowout of

the Barrett Resources RMV 108-4. None of the thirteen water wells tested in January show any BTEX contamination.

The Goad Replacement water well and two monitor wells have benzene contamination above action levels. The Goad replacement well was tested on January 27 and had a level at that time of benzene of 230 ppm, down from 410 ppm in October, 1997. Monitor well #1, which is west of the Goad well had levels of benzene of 19 ppm in January, down from 33 ppm in December. Monitor well #3, northeast of the Goad well tested 21 ppm benzene on January 27, it did not have enough water to sample in December during the first round of monitor well sampling.

The Barrett report dated February 23, 1998, suggests that there are two distinct aquifers present in the area, an eastern aquifer which supplies most of the drinking water wells in the area, and a western aquifer which has only one water well near the benzene contaminated monitor well #1. Barrett plans to sample 17 domestic wells and the 5 monitor wells through 1998 and then review the sampling program at the end of that period.

The COGCC Environmental staff has reviewed the report and will advise Barrett Resources regarding the future sampling plan.

- ◆ Proposed Piceance Basin Study Phase III

Additional water well sampling is proposed for the Piceance Basin for the spring of this fiscal year. An estimated additional 40 wells will be sampled in the basin. Sampling will concentrate in the areas that have the potential for future gas drilling and in areas sparsely sampled in the previous two studies. The additional sampling is proposed to fill the gaps in data not previously collected in Phase I and II.

- ◆ TransColorado Pipeline Project

This 300 mile long natural gas pipeline project is being designed to transport natural gas from underutilized supplies in western Colorado to consumers in California and Midwest markets. The route of the project traverses through nine counties in western Colorado. The final stages of local government and BLM EIS review are now taking place. Mesa County has requested COGCC staff comments on the project, which are attached. The COGCC staff has also provided comment on the BLM Draft Supplemental Final EIS. Newspaper articles about recent delays in obtaining local government approval are attached.

- ◆ 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 February 20th session five people met with COGCC Staffer Mark Weems. During the March 20th session no concerned people met with the COGCC representative.

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

The last GORT meeting was held March 19, 1998. Topics of discussion were the La Plata County Cooperative Agreement, proposed rules for local public forums, proposal to revise braden head testing period, update on seep data gathering, and upcoming water sampling program. The next GORT meeting will be Thursday, June 18 at 8:30 a.m. in the conference room at the La Plata County Fairgrounds.

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

Amoco attempted a pressure falloff test on this well and was unsuccessful. They will make another attempt by the end of the month.

- ◆ La Plata County ERF Project

Work to plug and abandon two wells near the Amoco's Tiffany nitrogen injection project was started on March 16. The wells will be plugged utilizing ERF funds. Estimated cost to plug and abandon and reclaim the two wells is \$160,000.

- ◆ Huber Spacing Decision Proposed Development Plan

Huber will present their proposed development plan for your consideration at today's hearing.

- ◆ Water Rights Issues

An application was made to District Court, Water Division 7 by a landowner for the right to use produced water from an evaporation/percolation pit permitted by the COGCC. Fourteen Fruitland Formation coalbed methane gas wells are the source of the water. The right to use this waste water will be adjudged and decreed by the Court. Although staff, on behalf of the COGCC, did not ask for party status nor formally object in this matter, the Director did submit written comments to the Honorable Patalan for his consideration. The comments focused on the potential for adjudication of produced water rights to become a loophole for improper disposal of this E&P waste and the need to demonstrate the suitability of the produced water for the intended beneficial use. A copy of this letter is attached. Also attached is the proposed water court decree following the Baird Application, which we anticipate will be fully executed in the near future.

- ◆ La Plata County ERF Project - Domestic Water Well Monitoring

The COGCC and the BLM will work together to conduct another phase of ground water sampling from domestic water wells. Approximately 90 water wells will be sampled. We will focus on water wells located in the vicinity of gas wells that have been repaired or that are

being vented as a result of failed historic bradenhead tests. Ground water analytical results will be used to determine whether the gas well remediation efforts have resulted in a decrease in methane concentrations in the water wells. In addition, other water wells sampled during the 1993-994 La Plata County ground water investigation will be sampled again and analyzed so we can continue to monitor and to investigate whether changes in methane concentrations and water quality are occurring.

Expenditures for this project have been approved by DNR purchasing and field work is expected to begin in early April 1998.

## V. SOUTHEAST COLORADO

### ◆ Raton Basin Operators and Landowners Meeting

Evergreen Operating Corp. held their second annual property owners meeting March 9 at 7:00 p.m. at the Trinidad Holiday Inn. The purpose of the meeting was to present Evergreen's plans for future development and discuss landowner issues. Topics such as road maintenance, road dust, traffic and drillsites were discussed. The Assistant State Engineer, Steve Lautenschlager, was present and addressed issues related to beneficial use of water from gas wells. Rich Griebing, Cindy McNeill, Dave Dillon, Bob VanSickle and Loren Avis also attended the meeting representing the COGCC, and answered questions from concerned residents. Video tapes of this meeting were made available for your review.

### ◆ City of Florence

We are investigating potential sources of methane in the City of Florence that led to a city order to vacate a residence due to methane explosion hazard.

Greeley Gas checks for leaks along their pipelines on an annual basis. High levels of methane were detected near one of their lines in the 700 block of East 3rd Street. When they determined that the gas line was not leaking, they checked the adjacent property on which there is an orphaned gas well.

On February 19, the COGCC was notified by Greeley Gas that excessive levels of methane had been detected on the adjacent property. Larry Robbins met with Greeley Gas representatives the following day and measured levels of methane reaching 80 to 90% next to a home owned by the Lopez family of Denver. The Lopez family uses the well as a gas source.

On February 23, Greeley Gas took measurements inside the Lopez home and discovered explosive levels of methane. It was suspected that the gas was from a natural source since no mercaptan odor was present in the Lopez home. Larry Robbins contacted the City of Florence and recommended the Lopez residence be vacated until measures could be taken to lower the level of methane in the home. Greeley Gas then disconnected service to the home. On March 3, Loren Avis and Larry Robbins met with Greeley Gas representatives to collect gas samples for isotope analysis. A supply line connected to the Lopez home was disconnected and the orphaned gas well was sampled first. Samples were also taken from a soil boring at the back of the home, across the road from the residence and from a Greeley Gas Company tap adjacent to the residence.

Isotope results show the orphaned well gas and the soil sample gas are almost identical and are from a biogenic source. The Greeley Gas sample is completely different and is from a thermogenic source. It is suspected that the methane found on the Lopez property may be either a naturally occurring phenomenon or the result of an improperly plugged well that was drilled prior to the turn of the century. The COGCC is considering plugging the orphaned well; however, because of the way wells were plugged at that time, it may be impossible to determine the exact location of the wellbore.

## VI. ENVIRONMENTAL ISSUES

### ◆ Environmental Projects Budget FY 97-98

The Environmental Projects budget has been revised from the September 1997 version to reflect changes in projects by COGCC staff with input from the Industry Environmental Advisory Team (see attachment). Under **Water Quality Projects**, staff will conduct the third phase of the Piceance Basin study, originally proposed for FY98-99 this fiscal year in response to the activity in the basin. Staff has increased the scope of the La Plata County study to include the collection of additional samples. The Raton Basin Study was completed last fiscal year and thus has been removed from the February 1998 budget proposal. The **Remediation Projects** and the Pit and Landfarm Permits projects from the September 1997 budget have been incorporated into the **Ongoing Projects** under Complaints, Spills/Releases & Other Field Investigations. This project has also been set up by basin for closer tracking. The Spill/Release Database Management/Analysis project under **Special Projects** in the September 1997 budget has been consolidated into the Database Management project and thus the total budget amount has increased. Under **Special Projects**, outreach projects by basin have also been established for closer tracking. The Abandoned Wells/Rangely Field project under **Special Projects** has been postponed until FY98-99. The total budget amount for the EGD project and the NORM survey has been reduced in the February 1998 budget to accommodate the Water Quality Study projects. The Gas Chromatograph Training under **Miscellaneous** in the September 1997 budget has been postponed to FY98-99. We will be requesting your approval of these changes at today's hearing.

### ◆ 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 were sampled and analyzed for C<sub>1</sub> through C<sub>6</sub> components, carbon dioxide, air, and δ<sup>13</sup>C and δD isotopes. The results of the isotope and compositional analyses indicate that the gas in the water well is thermogenic; however it is different from any of the production or bradenhead gas from wells within a mile or more of the water well. Based upon the results of this extensive investigation, COGCC staff does not have reasonable cause to believe that a violation of the Oil and Gas Conservation Act or of any COGCC rule has occurred that would cause migration of gas from a gas well through the subsurface and into the water well. At present staff does not plan to issue an Notice of Alleged Violation to any operator in response to this complaint.

The COGCC staff will continue to attempt to identify the mechanism by which thermogenic gas has migrated into the shallow subsurface in this area, including additional evaluation of data by geological and geochemical experts with extensive experience in the Wattenberg Field.

- ◆ Water Quality Control Commission/Division Quarterly Meeting

The last quarterly meeting with WQCC was held at 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. The pre-hearing conference was held on March 3, 1998. There were no objectors and the WQCC's pre-statement supported the proposed rule making.

- ◆ EPA Enforcement on Spills

EPA apparently requested WQCC consider enforcement action against an operator for spills at the Wilson Creek field. We issued NOAVs for spills to the operator, requiring facility improvement plans to prevent future spills. We are deferring proposed fine assessment actions to WQCC at this time.

- ◆ EPA Problem Pit Program

Robin Reade accompanied EPA and USFW staff on field inspections of production pits and commercial pits designated as "Problem pits" from flyover surveys. The production pits were inspected by COGCC field personnel who ensured that operators cleaned up or closed the problem pits. These inspections with EPA and USFW confirmed that COGCC was taking care of the problems as promised. The last area of inspection is near Durango, where many of EPA's problem pits are on tribal lands.

- ◆ 2nd Discussion Draft - Spill/Release Enforcement Policy

Attached please find the referenced draft. We will continue to take comments prior to proposing a policy to you before the June 1 hearing.

- ◆ Pit Program

Robin Reade is tracking the requirements of the pit program, as initiated by rule changes in May 1995. The primary objectives of the program were to test all buried & partially buried tanks, vessels and structures, eliminate leaking tanks and pits in Sensitive Areas, and ensure all earthen pits remaining in service are permitted or have a report filed.



Inventory database: Our contract employee is continuing to update the database with corrections and inventory data provided by operators and gatherers in letters sent in response to the COGCC NOAV letters.

Summarized data from the inventory database to date:

Total pits, buried & partially buried vessels:	12,715
Earthen pits	3,950
Concrete vaults	3,567
Steel tanks	2,017
Fiberglass tanks	1,707
Tin horns	451

Inventory enforcement: A cursory evaluation of letters sent by operators in response to the COGCC NOAV letters indicates categories that include the following:

- operators that were not in existence or did not own wells 7/1/95;
- domestic well owners that were not aware of these requirements;
- operators that owned no pits 7/1/95;
- operators with federal wells only; and
- operators claiming they had no notice of rule requirements.

Summary of program activity to date:

Operators that sent inventories 12/31/97:	280
NOAV letters sent:	639
Responses to NOAV letters to date:	458
AOC's signed:	26
Fines paid	20
Operators that sent followup inventories & closure rpt by 1/31/98:	34

◆ COGCC Support of Exemptions for Oil and Gas NORM Disposal as Regulated by the Rocky Mountain Low-Level Waste Compact

Attached is a copy of a letter sent to the Rocky Mountain Low-Level Waste Compact in support of extending the mining waste exclusion to oil and gas NORM waste.

It appears that this exclusion will allow for cost-effective disposal of oil and gas NORM waste in the state of Colorado. In addition, the exclusion will enable the COGCC to establish appropriate requirements for and oversee safe NORM management within the oil and gas industry. The COGCC may consider adopting NORM requirements after reviewing NORM regulation guidelines to be published by IOGCC sometime in 1998, and after a survey is performed to assess the extent of NORM waste in Colorado.

**VII. ORGANIZATION**

- ◆ Our current organization chart is attached.
- ◆ Congratulations to Marnan Peacock

The Commission is having an open house in honor of Marnan Peacock's retirement Friday, April 24 from 2:00 to 4:00 p.m. at our offices. Please stop by and help us wish her well. Her final day with us will be Thursday, April 30.

Marnan began working at the Commission in September 1965. She has held various positions within the production and levy sections and is currently Manager of Information. Marnan has been a tremendous asset to the Commission through the years and she will be greatly missed.

## VIII. PLANNING/ADMINISTRATION/OTHER

### ◆ Outstanding Oil and Gas Operations Awards Program Call for Nominations

Because of the limited number of nominations that have been received as of the original deadline date of March 16, the deadline has been extended until April 20. 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. A stakeholder selection team will be 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.

### ◆ COGCC Letter to Colorado Real Estate Commission

Attached is your letter of February 9 advocating explicit disclosure of mineral interest ownership in real estate forms.

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

Three public forums were held across the state during the week of February 16. The purpose of the public forums was to take comments on proposed rulemaking drafts addressing surface and well spacing issues. Video tapes of the public forums were provided for your review. The public forums were held in the following places:

**Greeley** - Commissioner Bruce Johnson presided over this meeting, which was attended by approximately 40 people. Five attendees provided comment on the proposed rule draft, including representatives of the industry, local government, and one citizen.

**Durango** - Commissioner Mike Matheson presided over this meeting which was attended by approximately 70 people. Comment letters from La Plata County and several residents were distributed for your review. Attached is La Plata County's draft Land Use Impact Statement.

**Rifle** - Commissioner Mike Matheson presided over this two and one-half hour long meeting which was attended by approximately 150 people in a full meeting room. Twenty four people, including representatives of the industry, private citizens, and local citizen groups, spoke during the meeting. While some specific comments were provided about the proposed rule drafts, many of the comments were more general expressions of the various viewpoints of oil and gas development in the area from the industry and the public. Representative Russell George was not able to attend the meeting, but had sent a written message urging the support of the COGCC staff proposed Rule 508 which establishes a local forum process to address impacts from increased well density applications. Representative George's letter is

attached. The meeting was made available to a wide audience of viewers through the City of Rifle's local access television system. In spite of the forecasts for a very contentious meeting, the meeting was a remarkable display of courtesy and willingness to listen by all parties. Attached are some newspaper articles reporting on the meeting.

Transcripts have been made available for the Commissioners from each of the Public forums, and each of the public forums were videotaped. Interested persons may arrange to view the video tapes in the COGCC offices upon request.

The COGCC staff rulemaking draft has been revised to incorporate the numerous comments that have been received through the public forums, in writing, and verbally regarding the previous draft. The Commission acted on February 26 to notice draft 9 for the rulemaking hearing on March 31. The revised draft 9 was distributed by fax and mail to an extensive mailing list on March 3. 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

Senator Bishop and Representative Russell George are the sponsors for SB 98-159 which has passed the Senate and has been sent to the House floor for 2nd reading after the House Agriculture Committee passed the bill with minor amendments.

◆ 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 legislation had proposed changes the membership of the Oil and Gas Commission, added requirements for disclosure by Commissioners and Staff and introduced a local informal public meeting process. The bill was heard by the Senate Local Government Committee on February 11, where it was amended and voted down in a 7-6 vote. Newspaper articles about this bill are attached.

◆ Enforcement

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

◆ COGCC Computer System Overhaul

A contract database administrator was hired March 1 to create the physical data model from the logical model. The Requirements Analyst has created a final draft product requirements document which will provide the blueprint for the completed system.

The Workflow Analyst is finalizing the data dictionary. The workflow software has been purchased and a vendor meeting is set for early April to start mapping the forms processing and routing. This portion of the project is expected to create time savings and efficiency for the COGCC.

Work has been completed on the buildout for a secure, temperature controlled server room. The network equipment is in place, and progress is being made to bring the Local Area Network into operation by mid-April. The planned completion of the computer system overhaul project is first quarter 1999.

◆ Production Reporting by E-mail

The production department is now accepting monthly production reporting as a formatted file attached to E-mail. All attachments must meet the same guidelines required for diskette submission. This month, Williams Production submitted their production via E-mail and it was successfully downloaded into the system. The address to use is: *dianne.lyons@state.co.us*. Please contact the production department at ext. 129 with any questions.

◆ 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 and to discuss rulemaking to implement production reporting by well. The proposed date of the workshop is on Thursday, April 16 from 9:00 a.m. until 12:00 noon. Those wishing to obtain a copy of the proposed production reporting form or to make comments should contact 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 who would like to provide project input should contact Brian Macke (x122).

◆ Minerals, Energy, Geology Advisory (MEGA) Board

I attended the MEGA Board meeting on Friday, February 13. The board supported 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. Our preliminary FY 99-00 budget request will be presented to the board for their review at the May 8 meeting in Denver.

◆ Status of FY 98-99 Budget Request

The Joint Budget Committee has recommended approval of the COGCC FY 98-99 budget request with the exception of two of the Severance Tax funded line items as follows:

<u>Oil and Gas Development Promotion:</u>	Requested Amount	\$50,000
	JBC Approved Amount	\$40,000

The Joint Budget Committee did not approve the \$10,000 portion of this funding that was dedicated to Oil and Gas Development Promotional Meetings in select parts of the state to make use of the promotional materials and to inform the public about oil and gas development and environmental protection in Colorado.

<u>Development Planning and Outreach:</u>	Requested Amount	\$50,000
	JBC Approved Amount	\$35,500

The Joint Budget Committee did not approve the entire amount of this funding which is requested for establishment of a new Garfield County Field Office, two additional COGCC field hearings per year, local public forums to address spacing and well density issues, and increased travel for COGCC staff for general outreach and information sharing with local governments and citizens' groups.

◆ COGCC on the Internet

The COGCC continues to expand its Internet presence. As of March 1<sup>st</sup>, a listing of all drilling permit applications received are posted the day following receipt. The newest additions to the website include the draft proposed rules, the draft spill policy, the Quality Assurance Project Plan (QAPP) and the monthly staff report. The COGCC continues to redesign 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 e-mail address: [dnr.ogcc@state.co.us](mailto: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 March/April Hearings

"J" Sand infill applications were addressed in the Northeast Colorado Section of this report. A total of 14 applications were submitted for the March hearing and another 5 were submitted for the April hearing.

The Commissioners granted the COGCC Hearing Officers the authority to review verified hearing applications along with supporting exhibits without holding administrative hearings in order to make recommendations on "J" Sand applications for Commissioner approval. The Hearing Officers have been given this authority through the April hearing. The "Greater Wattenberg Area Rule" proposed by industry has been docketed for hearing.

**IX. INTERSTATE OIL AND GAS COMPACT COMMISSION (IOGCC)**

I attended the Spring Quarterly Meeting in Washington, D.C. from Saturday, March 14 through Wednesday, March 18. Areas of emphasis included the Federal Oil and Gas Regulatory Reform Process and a reactivation of the state E&P waste peer review program.

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

Rule 502.b. Variance was used in issuing a permit to drill an observation well for Public Service Company, the Leyden #35. The well is located 67 feet north of a 100-foot easement for Union Pacific Railroad. Rule 602.a.2 requires a well to be located a minimum distance of 150 feet from a surface property line. Public Service Company's rig is 45 feet in height; Leyden #35 does not create a safety hazard to the surface owned by Union Pacific nor to the railroad itself, 173 feet to the south.

The observation well is being drilled north of the Leyden Gas Storage facility in connection with a lawsuit filed by Northwest Industrial Subdivision (NWIS). An agreement with NWIS allows for an eight-week period to select a site, survey, permit, construct a location and drill and operate the well; the clock began when Public Service Company first entered the property to survey the well location. Past experience with Union Pacific by Public Service Company does not provide adequate time to obtain a waiver to Rule 603.a.2.

The spirit of article 34-60-105 of the Oil and Gas Conservation Act is being observed by the granting of this variance of Rule 602.a.2 by approving the variance requested under Rule 502.b.

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