

**TO: COGCC Commissioners**  
**FROM: Rich Griebing**  
**DATE: June 1, 1998**

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

## MONTHLY STAFF REPORT

### I. STATISTICS

- ◆ Our monthly statistics report is attached. The first five months year to date 1998 approved drilling permits are roughly 30% ahead of the same period for 1997. Average permits per month for 1998 are roughly 20% ahead of the 1997 full year average. This pace is surprising in light of significantly lower oil prices.

### II. NORTHEAST COLORADO

- ◆ Greater Wattenberg Area Special Well Location Rule 318A

The referenced rule you adopted at the April hearing became effective May 30. We have already issued drilling permits under the new rule.

### III. NORTHWEST COLORADO

- ◆ Northwest Colorado Oil and Gas Team

The next quarterly meeting of the team will be at a date and location to be determined. The team, which is made up of representatives from federal, state and local government, the oil and gas industry, and concerned citizens, is co-chaired by Brian Macke and Rio Blanco County Commissioner Don Davis. The agenda for the next meeting will include a discussion of how oil and gas tax and royalty revenues are distributed to local governments, and updates on current oil and gas activity in the area. Please contact Brian Macke at 894-2100 x122 to submit agenda topics for the next meeting.

- ◆ Parachute/Battlement Mesa COGCC Field Office

The COGCC is proceeding to finalize a lease for office space in the Battlement Mesa area for a local field office. The office, which is expected to open in July, will provide a central location for the Northwest Colorado Area Engineer and Field Inspector to be accessible to operators and the public. The COGCC is currently in the process of filling the new Northwest Colorado Field Inspector position.

◆ 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 that 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. During two May 14 meetings with the Garfield County Local Governmental Designee and local residents and the regularly scheduled outreach day at the Battlement Mesa Public Safety Building on May 15, Brian Macke met with nine area citizens.

Topics of concern at the meetings were:

- Progress of COGCC Rulemaking.
- The upcoming June COGCC outreach hearing in Rifle.
- Garfield County participation in the Local Governmental Designee Program.
- Dust control on county and lease roads.
- Concerns about impacts to ground water quality.

Dates for the following months will be the third Friday of each month with the next visit on June 19 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. Attached are newspaper articles about Garfield County/Battlement Mesa topics.

◆ Battlement Mesa and Project Rulison Vicinity Well Permitting

Tom Brown, Inc. has finished drilling the third well between the town of Battlement Mesa and the Project Rulison site since the 40 acre increased density application was approved last year. Tom Brown, Inc. continues to work with the community to minimize the impact of drilling operations. An example of extraordinary effort was an agreement by Tom Brown, Inc. to move a drilling rig out of the area after drilling the Bently #11-24 well, at considerable expense, to accommodate the request of a nearby surface owner who is attempting to sell their property.

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 Department of Energy for their review. Last month I referenced a letter from the Department of Energy which confirmed that DOE would attempt to take gas samples for radionuclide analysis from two of the three recently drilled Tom Brown, Inc. wells that are within three miles from Project Rulison; the Clem #15-14 and the Clem #15-23. DOE was present to perform the gas sampling during the week of May 11, 1998 when they were in the area performing the annual water sampling program for the EPA. Unfortunately the wells were in early stages of completion and gas samples could not be collected. The DOE is planning to return to the area to collect gas samples from the wells at a later date.

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 that will require the opportunity for public input.

◆ COGCC Project Rulison Research Summary

To assist the BLM in their preparation of the Glenwood Springs Resource Area Supplemental EIS, the COGCC recently prepared a summary of the research that has been conducted on the fracturing effects of Project Rulison. Project Rulison was a 1969 experiment to test the feasibility of detonating a nuclear explosive device in tight natural gas bearing rock formations to increase natural gas production. The cover letter of the report, which includes the conclusions that have been reached, is attached. Please contact the COGCC for copies of the entire research summary.

◆ 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. Since the last report there have not been any complaints about oil and gas vehicles on Garfield County roads. **Operators and contractors are commended for their efforts to address this issue.**

◆ 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.

The previous contractor for Phases I and II has been approved to perform Phase III. The project is slated to begin June 7, 1998.

◆ Air Issues in Piceance Basin

The COGCC continues to receive complaints from surface owners regarding odors and air emissions from drilling and production operations. We contacted CDPHE Air Quality staff to ensure an appropriate complaint response will occur, and continue to refer the complainants to the Air Quality field representatives. We expect the Grand Junction based representative to attend the June 3 hearing in Rifle.

◆ TransColorado Pipeline Project

Construction on the second phase is scheduled to begin July 15. 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. It will extend from 25 miles east of Rangely to Farmington, New Mexico and have a capacity of up to 300 mmcf/d.

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

BLM continues to prepare for leasing an area which is expected to be somewhat larger than 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. We have recently provided input to BLM for their preparation of a draft supplemental EIS which will include the area to be leased.

**IV. SOUTHWEST COLORADO**

◆ La Plata County Cooperative Agreement

Attached, please find my letter to La Plata County Commissioner Garner proposing an extension of the 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 20 session five residents met with COGCC Staffer Mark Weems. During the March 20 and April 17 sessions no concerned residents met with the COGCC representative. During the May 15 session two residents came in to discuss oil and gas issues with County Commission Garner being one of the people meeting with the OGCC representative.

Engineering Dynamics has been selected by staff to fulfill the third party expert review and practical recommendations regarding sound level data gathering methods and potential measures for cost-effective mitigation. This is specified in III.B.5. and C.1 in the Cooperative Agreement (CA). Estimated cost for this study is \$20,000 and will be funded by the Environmental Response Fund. We have contacted La Plata County and received their concurrence to conduct this study. The completion of the study will occur near the June 30, 1998 conclusion of the current CA.

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

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 has completed the test on this well. We have contracted Dave Cox of Questa Engineering to assist us in evaluating the results.

◆ La Plata County ERF Projects

The AO Martin #1, the JF Hill #1, and the Spatter #2 Wells have been plugged and abandoned for a total cost of \$115,000. Funding to complete this work was provided by the Environmental Response Fund. Savings of \$35,000 under our cost estimate for these wells will be applied to projects in NE Colorado.

◆ Pine River Update

As directed by the Commission at March Hearing, staff met with representatives from Amoco on May 9. At that meeting, Amoco notified the staff that they would not isolate and the test the Pictured Cliffs Formation in the Dulin D #1 Well. While they expressed a preference for offset wells to the Dulin D #1 as more desirable candidates to obtain the same water source information, Amoco is unwilling to expend the \$20,000 to \$30,000 that would be required to obtain the data. We also discussed the historic review and chronology on Pine River that Amoco will present at the July 9 and 10 hearing. We expect copies of that document to be distributed to you by Amoco at today's hearing for your review before the July presentation.

◆ La Plata County ERF Project - Domestic Water Well Monitoring

The COGCC and the BLM are working 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 1993-94 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.

Sampling began on May 3, 1998 and approximately 35 wells have been sampled to date.

**V. SOUTHEAST COLORADO**

◆ Eastern Colorado Land and Mineral Owners

Tricia Beaver, Debbie Baldwin, Bob VanSickle and I attended the May 11 meeting of the Eastern Colorado Land and Mineral Owners in Cheyenne Wells, Colorado. I made a presentation covering production value to the area counties. There were 25 people in attendance. Many of the questions were related to our reclamation rules.

◆ Las Animas County

At the request of local residents, we are planning a meeting at Trinidad State Jr. College Auditorium at 7:00 p.m. on Wednesday, June 24. Representatives from area operators, COGCC, BLM, Las Animas County and local residents are expected to attend.

## VI. ENVIRONMENTAL ISSUES

### ◆ Notary Water Well Complaint, Weld County

COGCC staff conducted an extensive investigation to determine whether oil and gas operations were responsible for the thermogenic gas detected in Mr. Notary's well. Based upon the investigation results, staff does not have reasonable cause to believe that a violation of the Oil and Gas Conservation Act, or of any rule, has occurred that would cause migration of gas from a gas well through the subsurface and into the water well. Nonetheless, the operator of nearby gas wells has voluntarily agreed to pay for the drilling of a replacement water well for Mr. Notary. The well was scheduled to be drilled last week.

### ◆ Water Quality Control Commission/Division Quarterly Meeting

The next quarterly meeting with WQCC will be held on June 15, 1998 at 3:00 p.m. at their offices.

### ◆ EPA Enforcement on Spills/Releases From Oil and Gas Facilities

The CDPHE-WQCD took enforcement action against Texaco for spills to Wilson Creek. The action included a fine, as well as facility improvements. COGCC had also issued NOAV's to Texaco for recent spills, and requested a facility improvement plan as abatement. Robin Reade is in contact with WQCD to ensure avoidance of dual enforcement.

### ◆ Spill/Release Policy

We met with Dave Akers and Carla Lenkey, WQCD - spill enforcement, to begin conceptual discussions of each agency's role in reporting, responding, remediating, enforcing and assessing penalties regarding spills/releases to surface waters. It appears that our statutes provide both agencies with authority to protect surface water resources. Our objective is to clearly lay out how each agency will function and to avoid potential duplication and conflict. Our next meeting will bring the conceptual discussion to a review of bullet points. By late summer we may have a draft MOU which would be available for review and discussion by interested parties. The spill/release policy will be on hold until this process is completed.

### ◆ Pit Program

We are 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 and 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 Sundry Notice/Form 15 Report filed. The inventory database is being updated with Summary Closure Report information (due January 31, 1998), and with Pit Inventories received from operators as a result of our NOAV/AOC mailing in late January.

The inventory data is currently being used for various requests, such as complaint response and due diligence, as well as verifying compliance for internal purposes.

The operator database is also being corrected and updated as a result of responses to our mailing. To date, the COGCC responses fall into categories as follows:

- operators that were not in existence or did not operate wells as of 7/1/95 (118)
- operators that operated wells as of 7/1/95, but had no buried or partially buried tanks, structures or vessels, or pits (66)
- operators that operated wells as of 7/1/95 solely on federal or tribal lands (4)
- operators who operated wells and had pits or buried or partially buried tanks, structures or vessels, as of 7/1/95, but did not submit an inventory prior to 12/31/97.

Nineteen operators signed AOC's and paid \$1000 fines; however, upon staff review, four of these operators had wells solely in federal or tribal lands and their fines were refunded.

Robin Reade is working with field engineers to verify compliance with the inventory, the Sensitive Area Determination and proper closures. It appears that a number of pits remain open in Sensitive Areas. Operators will be requested to close pits in Sensitive Areas, and will be required to submit a Form 27, Site Investigation and Remediation Workplan for prior approval.

◆ Oil and Gas NORM Disposal

Last month we sent a letter to the Rocky Mountain Low-Level Waste Compact in support of industry, requesting the Compact board to extend the mining waste exclusion to oil and gas NORM waste, thereby enabling the waste to be managed onsite or in UIC wells. The Compact board met and agreed to revise existing rules to effect similar results, although did not actually extend the exclusion as requested. We will continue to monitor progress of this issue.

Currently, the IOGCC NORM subcommittee is working on a set of draft, model regulations for NORM management. Robin Reade reviewed the draft and submitted comments. The model regulations should be completed by fall, and will be recommended for rule adoption by each state.

**VII. ORGANIZATION**

◆ Our current organization chart is attached.

◆ Office and Field Technician Position Openings at the COGCC

There are three position openings at the COGCC. These openings are in three of the existing thirty-five FTE positions. The positions are as follows:

- 2 Engineering/Physical Science Technician II (Denver Office Permit/Completion Technicians)
- 1 Engineering/Physical Science Technician II (Northwest Colorado Field Inspector - based in the Battlement Mesa field office.)

The job announcements for these positions were published, and the response deadline was May 22. Approximately 100 applications were submitted. The COGCC is currently in the process of testing and interviewing applicants for these positions.

## VIII. PLANNING/ADMINISTRATION/OTHER

### ◆ Outstanding Oil and Gas Operations Awards Program

We are still accepting nominations for the award program. 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. Due to the limited number of nominations received to date, I am not recommending that a stakeholder selection team be convened. The Governor or a Governor's Representative will present the awards at a press conference. The nomination form is attached.

### ◆ COGCC Letter to Colorado Real Estate Commission

We have continued to follow up on your letter of February 9 advocating explicit disclosure of mineral interest ownership in real estate forms. I contacted Colorado Real Estate Commission Director Mike Gorham to request that explicit disclosure provisions be incorporated in the "Contract to Buy or Sell Form".

### ◆ Potential Royalty Owner Information and Payment of Proceeds Legislation

Senator Bishop and Representative Russell George are the sponsors for SB 98-159, which was signed into law by Governor Romer May 15.

### ◆ 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

Work continues on development of the workflow system. The workflow routing structure has been documented and the initial forms conversion is nearing completion. The work on creating and adding the edits to the forms in the workflow will begin in the middle of June.

Work continues on the physical database model and data dictionary. These areas are being fine-tuned as the workflow process becomes more defined.

All desktop PCs have been converted to Windows 95 which is necessary for access to Windows NT servers on the Local Area Network

### ◆ Production Reporting by E-mail

All operators are encouraged to submit their production reports in this manner to e-mail address: *dianne.lyons@state.co.us*. Attachments must meet the same guidelines required for diskette submission. Questions should be directed to Dianne Lyons at x129.



◆ Production Reporting by Well and by Formation

A joint Industry/COGCC task force met on May 14 to further refine the proposed Form 7 "Monthly Report of Operations" and its associated data elements and to discuss further action needed to implement production reporting by well. Because the new computer system is being developed, it is critical that decisions be made regarding how production will be reported.

Two points have been emphasized by the oil and gas industry representatives on the task force since the April Commission hearing:

- The Industry needs to be given as much time as possible to prepare for this important change in production reporting.
- The COGCC should mail out a notice of this change in production reporting to all Colorado operators and producers to allow them as much time as possible to prepare.

Attached are a notice and the most recent draft Form 7 that was mailed to all Colorado operators and purchasers. I would like to request that the Commission move the consideration of the adoption of the new Form 7 "Monthly Report of Operations" to the July hearing to allow the industry as much time as possible to prepare for the production reporting change before the January 1999 production month. Those wishing to obtain a copy of the proposed production reporting form or to make comments should contact Brian Macke at 894-2100 x122 or Thom Kerr at x127.

◆ Department of Natural Resources Imaging Project

The COGCC is working with the Division of Water Resources 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 the project beginning FY98-99. One of the project goals is to make COGCC document images accessible by the oil and gas industry and by the public in remote locations.

Work on the RFP is nearly completed. The tentative schedule for the procurement process is as follows:

- May 8, 1998 - Request for Proposals (RFP) put out on the state BIDS system.
- June 8, 1998 - Deadline for vendor RFP responses.
- July 10, 1998 - Finish evaluating proposals.
- July 17, 1998 - Select a vendor for the system.
- Sept. 4, 1998 - Finish contract work.
- Sept. 6, 1998 - Vendor begins work on project.

Those who would like to provide project input should contact Thom Kerr at x127.

◆ Minerals, Energy, Geology Advisory (MEGA) Board

The Oil and Gas Subcommittee of the MEGA Board will meet on June 12 from 11:30 a.m. to 1:00 p.m. at our offices to discuss budget issues.

◆ 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 have been 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. We will be making recommendations to you regarding some of these items in executive session.

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

The midyear meeting is scheduled for June 21 to 23 in Overland Park, Kansas.

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

A variance was granted to drilling permit conditions for the Barrett Resources Clough RMV #211-20 Well to allow the setting of 940 feet of surface casing instead of the 1,100 feet of surface casing required by permit conditions. This was due to a mud pump breakdown that would have caused a 3-4 day drilling delay. The staff weighed the risks of being able to hold a slightly lower surface shut in pressure in the event of a well control problem against the high probability of surface casing cementing problems and poor aquifer isolation due to hole problems caused by the delay. As is the case for other wells drilled in the Rulison Overpressured Area, Barrett Resources is required to closely monitor and report lost circulation and kicks during the drilling of the well, and to provide notice to the area engineer to allow opportunity for witnessing operations. This situation was considered to be extraordinary in nature. While this variance is not strictly required to be reported to you under the provisions of Rule 502.b., I felt your previous interest in groundwater protection in this area made reporting appropriate.

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