

**TO: COGCC Commissioners**  
**FROM: Rich Griebing**  
**DATE: August 17, 1998**

cc: Wade Buchanan  
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. Through the first half of 1998, average permits per month are roughly 25% ahead of the 1997 full year average. This pace is surprising in light of significantly lower oil prices.

### **II. NORTHEAST COLORADO**

- ◆ Adena J Unit

On March 9, 1998, the Commission issued an order approving a plan from Rex Monahan to implement a tertiary oil recovery pilot project and waive the inactive financial surety requirements of Rule 707.a. for the Adena J Unit in Morgan County. The order required the pilot project be implemented by September 1, 1999. Duncan Oil has taken over operations of the Adena J Unit and has drilled and cored a well in the pilot area. Duncan Oil plans to implement the pilot project by the end of the year.

- ◆ Patina Shut-In Well Agreement

On August 13, 1997, the Commission issued an order requiring the staff to update the Commission bi-annually on the status of the agreement between Patina and the Director. During the last six months, Patina has returned 23 wells to production, MIT'd 1 well, and plugged and abandoned 2 wells. Patina has met their obligations to date under the agreement. There are 105 wells remaining on the shut-in well list.

### **III. NORTHWEST COLORADO**

- ◆ Northwest Colorado Oil and Gas Team

The next quarterly meeting of the team will be from 10:00 a.m. until 2:00 p.m. on Thursday, August 20 at the Rifle Town Hall. 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 has finalized a lease agreement for office space in the Battlement Mesa area for a local field office. The office, which is expected to open later this month, will provide a central location for the Northwest Colorado Area Engineer and Field Inspector to be accessible to operators and the public. The office will be located in the central business strip mall near the Battlement Mesa City Market. The COGCC has hired Jay Krabacher to fill the new Northwest Colorado Field Inspector position. He will be starting in this position August 17.

- ◆ 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. Northwest Colorado Engineer Jaime Adkins performed the public outreach in Brian Macke's absence on July 17 in Battlement Mesa.

The next public outreach session will be Friday, August 21 either at the Battlement Mesa Public Safety Building or at the new COGCC Parachute/Battlement Mesa field office if it is available.

- ◆ Garfield County Williams Fork Formation Well Surface Casing Requirements

Since a blowout event in the Rulison Field in Garfield County last year, surface casing setting depths for Williams Fork wells in Garfield County have been required to be 1,100 feet in the Rulison Field Overpressured area and 10% of the total depth of the well (650 to 700 feet) in all other fields, including the rest of the Rulison Field, the Grand Valley Field, and the Parachute Field.

COGCC staff has completed a review of data from Williams Fork Formation wells in the Grand Valley Field in Garfield County to determine the appropriate surface casing setting depth in that field. The data included surface casing shoe leakoff data gathered during the past year, pore pressure data, and surface pressures encountered while circulating out gas kicks while drilling.

As a result of the data review, the COGCC staff has determined that a surface casing setting depth of 300 feet in the Grand Valley Field will provide adequate well control to prevent waste and protect the public and the environment. The surface casing depth requirement for the Grand Valley Field has been changed accordingly. The Grand Valley field is the area up the Parachute Creek drainage north of the town of Parachute. A surface casing setting depth of 1,100 feet is still required in the Rulison Field Overpressured Area, and 10% of the total depth of the well in the rest of the Rulison field and in the Parachute field, east of and adjacent to the Grand Valley field. Attached are updated notices to operators regarding surface casing setting depths for Williams Fork Formation wells in Garfield County.

◆ Battlement Mesa and Project Rulison Vicinity Issues

COGCC staff have been following up on complaints filed by Monte and Linda O'Neal about air quality concerns, including exacerbation of asthma conditions, related to the Tom Brown, Inc. Bently #11-24 gas well. Bob Jorgenson with CDPHE-AQCD conducted a site inspection in early June and concluded that there were no immediately apparent air quality problems with the site. A complete assessment of air quality impacts on the O'Neals could not be made without more information regarding a number of other air quality factors in the area. Attached is a response letter from Ms. O'Neal to my July 6 letter and a related newspaper article. Completion work, including fracturing and flaring operations, on the Bently #11-24 well is finished and the well is currently waiting to go to sales pending the completion of the gathering line. Because of the recent hot weather, Tom Brown intends to allow the reserve pit on the Bently #11-24 to dry as much as possible during the rest of August. Tom Brown, Inc. plans to permit the Bently #11-23 well as a vertical 40 acre offset to the west in the near future, and has recently staked the location. This well was originally planned to be a directional well from the Bently #11-24 location; however, the surface location was moved to a new site to avoid additional complaints from the neighboring surface owners.

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 reported that the Department of Energy attempted 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. These samples were collected July 29 and are undergoing analysis. In addition, the DOE took water samples for radionuclide analysis last May from the Goad water well and two other monitor wells which were impacted by last year's gas well underground blowout in the Rulison area. Although these sample points are approximately six miles from Project Rulison, the sampling was performed to address public concern. The analysis results for these samples, which were made available to the COGCC on July 21, show Tritium and Uranium concentrations consistent with naturally occurring background levels for the area, and neither plutonium nor man-made gamma-emitting radionuclides were detected in any sample.

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.

◆ BLM Glenwood Springs Resource Area Draft Supplemental Environmental Impact Statement

The BLM Glenwood Springs Resource Area released their Draft Supplemental Environmental Impact Statement (SEIS) on June 19 for a 90-day public review and comment period. The SEIS will focus on the area having a high oil and gas potential, primarily in the area along the I-70 corridor between Silt and Parachute. The purposes of the SEIS are:

- To provide public disclosure of the impacts of higher than expected rates of gas well development than was foreseen in the 1991 Final Environmental Impact Analysis.
- To provide an improved information base for managing gas development impacts.
- To prepare a set of standard operating procedures that could be used to manage future oil and gas development.
- To permit the review and modification of lease stipulations that could be applied to future leases or used as Conditions of Approval on existing leases.
- To develop mitigation measures to be applied to new leases in the Naval Oil Shale Reserve.

A public open house was conducted in Parachute July 7 by BLM to discuss the SEIS. The 90-day comment period will conclude September 17. Attached is a newspaper article about the Draft SEIS and the open house.

◆ Oil and Gas Vehicle Traffic on Garfield County Roads

Conversations with oil and gas operators 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. An August 4 conversation with Garfield County Undersheriff Jim Sears confirmed that their office has not received any complaints within the past few months either. Operators and contractors are commended for their efforts to address this issue.

◆ Piceance Basin Study Phase III

The Piceance Basin Water Quality Study Phase III is complete. Forty water samples were taken from water wells, springs and creeks. Two gas samples were collected from water wells and isotope analysis will be run on these gases, if sufficient gas is present. The written report summarizing the data will be completed later this month.

◆ TransColorado Pipeline Project

Construction on the second phase began July 27. A legal attempt by the San Juan Citizens Alliance to delay construction of the TransColorado Pipeline over environmental concerns failed recently in the U.S. District Court in Denver. 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. Newspaper articles about the pipeline are attached.

◆ Joint Budget Committee Staff Provided Grand Valley Area Oil and Gas Field Tour

On July 29, Brian Macke, Jaime Adkins and I gave COGCC Joint Budget Committee Analyst Bill Levine a field tour of the Grand Valley and Rulison Fields. The tour was an excellent opportunity for Mr. Levine to view several examples of drilling and production.

◆ 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.

**IV. SOUTHWEST COLORADO**

◆ La Plata County Correspondence

Attached, please find La Plata County Commissioner Shirley Garner's letter to me of July 21, her letter to COGA of July 24 copied to me, as well as my response letter of July 31 to her.

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

The next meeting is scheduled for September 23, 1998 at 8:30 a.m. at the La Plata County Fairgrounds.

◆ Pressure Falloff Test, Simon Land & Cattle Disposal Well

Amoco has completed the test on this well. Staff has contracted with Dave Cox of Questa Engineering to assist us in evaluating the results. Amoco has evaluated the test results and the two test interpretations are different. We will try and resolve the differences between the two evaluations this month.

◆ 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 110 water wells will be sampled. We are focused 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 105 wells have been sampled to date.

◆ Pine River Update

We are in the process of comparing actual production with the model-forecasted production for the Fruitland wells in the Pine River area. Depending on the match, and in light of the lack of pressure data acquisition since the original model runs, new modeling may not be necessary. We are continuing to prepare a recommendation for your consideration at the October hearing.

◆ La Plata County Noise Study Update

Engineering Dynamics is approximately 30% done with the noise study commissioned by the COGCC last May. Engineering Dynamics estimates that the report should be completed by August 26, 1998.

V. **SOUTHEAST COLORADO**

◆ Southeast Colorado ERF and Financial Assurance Project

The project to plug and abandon 11 wells in southeast Colorado is almost complete. All the wells have been plugged and the sites are currently being reclaimed. The project involves wells from four different operators. The estimated cost to complete the project is \$79,400 with financial assurance monies of \$55,000 and ERF monies of \$24,400 being used to complete the project.

◆ Canyon City Orphaned Well Study

Larry Robbins is completing a study of orphaned wells in Fremont County. Larry has spent several days touring the area with local operators and photographing and logging wells for future plugging operations. He has noted 35 orphaned wells in the area. The COGCC plans to plug five to seven of these wells each year using the Environmental Response Fund.

◆ City of Florence and Fremont County

Larry Robbins, Cindy McNeill, and David Dillon met Friday, July 31, with Fremont County and City of Florence officials to discuss the orphaned gas wells, which may pose a safety hazard to residents. A plan was discussed for the plugging of the wells and the order in which they will be plugged. Many of the wells are on private property, therefore, access issues and legal aspects were also discussed. Environmental Response Fund monies will be requested to plug and abandon the orphaned wells and any wells currently being used by local residents for domestic gas use will be required to comply with COGCC rules. Fremont County Commissioners agreed to provide their assistance to solve these problems. The meeting agenda is attached.

VI. **ENVIRONMENTAL ISSUES**

◆ OGCC 1998 Plugging and Reclamation Activity

During the fiscal year ending June 30, 1998, the OGCC plugged and abandoned and reclaimed 22 wells throughout the state. The OGCC also reclaimed 8 sites. Total cost for this work was \$279,000. Funding for this work was provided by the Environmental Response Fund (\$210,000) and by claimed financial assurance (\$69,000).

◆ Water Quality Control Commission/Division Quarterly Meeting

In lieu of the next quarterly meeting with WQCC, staff will prepare our annual report to be submitted for WQCC's review and make a presentation at their hearing September 15.

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

The CDPHE-WQCD is reviewing spill events by Evergreen Operating in the Raton Basin, in conjunction with the notice of the CURE lawsuit. COGCC already wrote NOAVs to Evergreen for non-compliance with COGCC rules regarding spills. Robin Reade is in contact with WQCD to ensure avoidance of dual enforcement.

◆ EPA Problem Pit Program

A commercial oilfield waste disposal facility was issued a cease & desist order under a RCRA 7003 enforcement action by the EPA. Although the facility was permitted under the CDPHE - HWMD, the operation apparently was not in compliance and posed a threat to the environment. The EPA action demands compliance, and if the facility cannot comply, then it must be closed and cleaned up, under the supervision of the EPA. The facility operator is Mr. Lou Wyman, also an oil & gas operator. The COGCC has recently issued NOAV's to Wyman for well operations and pits. Should the facility operator claim bankruptcy, with no funds for the cleanup, the EPA will require the waste generators to perform the cleanup. No further decisions or actions at this time.

**VII. ORGANIZATION**

◆ Our current organization chart is attached. The COGCC staff has recently undergone a reorganization that combined the Engineering section and the Environmental Section into one Operations Unit reporting to Operations Manager Morris Bell. Debbie Baldwin was promoted into the Environmental Supervisor position. Tricia Beaver's position was converted to a Hearings Manager position at the same level to address the increased level of responsibility created by the newly adopted 500 Series Rules.

◆ Office and Field Technician Position Openings at the COGCC

The three Engineering/Physical Science Technician II position openings at the COGCC have recently been filled. Bill McCaw and Jim Milne filled the two Denver Office Permit/Completion Technician positions, and Jay Krabacher has filled the Northwest Colorado Field Inspector position.

A new Environmental Protection Specialist II position was created in the reorganization, and has been filled by Randall Ferguson.

Congratulations go to the new employees, and sincere thanks go to DNR Personnel Analyst Joan Avery who provided the COGCC with excellent service in filling these positions.

**VIII. PLANNING/ADMINISTRATION/OTHER**

◆ Outstanding Oil and Gas Operations Awards Program

This is the second year for the program, which is intended to recognize outstanding accomplishments by oil and gas operators in several categories. The awards were approved by the Commission at the July 9 hearing, and were presented at the COGA Natural Gas Conference luncheon on August 13 by Acting DNR Executive Director Wade Buchanan.

◆ 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". During several follow-up contacts, he continues to assure me that their Commission is working on form revision.

◆ COGCC Computer System Overhaul

Eric Holm, a consultant, has started programming on the automated data editor portion of the workflow system. The workflow will use the automated to review forms for incorrect data and route accordingly. He will also program the workflow software for the routing of the forms.

A summary database has been created which will be used for most data queries. The MRDB is complete for well and operator data with work continuing on the customer interface and other facilities subject areas conversion from the logical to the physical model.

◆ 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

During the July hearing the Commission adopted the new Form 7 "Monthly Report of Operations" to allow the industry as much time as possible to prepare for the production reporting change before the January 1999 production month. Because the new computer system is being developed, it was critical that the decision was made regarding how production will be reported.

◆ Department of Natural Resources Imaging Project

The COGCC/Division of Water Resources Request for Proposal (RFP) for contractor selection on the document imaging system was released July 23, 1998. Bids are due by 4:00 PM August 25, 1998 with selection of the vendor to be around September 21, 1998. At this time it appears that Central Services has determined that they would not bid on the conversion of the historic documents (backfile). If this is indeed the case another RFP will have to be released to deal with the backfile conversion.

◆ Minerals, Energy, Geology Advisory (MEGA) Board

The Board met Friday, July 17 and voted to recommend approval of our FY 99-00 budget request. The next meeting is scheduled for October 22-23 in Victor.

◆ 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 newly adopted 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 update you regarding some of these items in executive session.

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

I will be attending the Quarterly IOGCC meeting in Jackson, Wyoming September 23-24.

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

I have granted a variance to rule 603.a.(2) for the Hiner No. 4-6 Well located in the SE/4 SW/4 of Section 6, T34N, R8W in La Plata County. I granted the variance due to the surface owner's request to locate the well in the corner of an alfalfa field, which will reduce the surface impacts to the farming operations.

I have also granted variances to the 100 series rule definition of stratigraphic well for the #1 Osiris, #1 Jake, and #1 Jareho wells in Morgan County. These wells were permitted as stratigraphic wells to acquire data prior to the drilling of horizontal test wells. They are not permitted for testing or completion as producing wells. The variance was necessary because the definition of stratigraphic well doesn't apply to known productive horizons in delineated fields.