

**TO:** COGCC Commissioners  
**FROM:** Rich Griebing  
**DATE:** December 3, 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.

### II. NORTHEAST COLORADO

- ◆ Complaints from Surface Land Developers Regarding Alleged Idle Wells

A copy of Engineering Supervisor David Dillon's letter to Mr. Gene Osbourne of November 3, 1998 in response to his complaint regarding alleged idle wells on the John Ehler properties is attached. As we continue to address idle wells, we will focus our efforts on complaint response and apparent violations observed during inspections. If you have any comments or concerns regarding our procedures or position on this topic as expressed in Mr. Dillon's letter, please advise me. We are in the early stages of preparing a recommendation for your consideration on this topic in February as you directed during the last hearing.

### III. NORTHWEST COLORADO

- ◆ Beecher Island ERF Project

The bid to plug and abandon three wells located in Yuma County has been awarded and the work should begin in the next two weeks. The cost estimate to abandon the wells is \$27,000. There is no financial assurance to cover these wells and ERF funds will be used to abandon them.

- ◆ Northwest Colorado Oil and Gas Forum

The last meeting was held on November 12 and was attended by approximately 40 people. Items on the meeting agenda included:

- A discussion of concerns including oil and gas vehicle problems and well flaring by Garfield County Sheriff Tom Dalessandri.
- An update by Steve Moore and Dan Sokal with the BLM about the Glenwood Springs Resource Area Supplemental EIS and the Naval Oil Shale Reserve (NOSR) leasing plans.
- A presentation by Rich Griebing about the recently adopted rules to address surface impacts related to spacing and increased well density applications.
- An update by Garfield County Planner Mark Bean on the Garfield County oil and gas road impact fee study.
- An update by the COGCC and operators about current and future oil and gas activity.

The next meeting of the team is scheduled for Thursday, February 11 from 10:00 a.m. until 2:00 p.m. at the Rifle City 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 Garfield County Commissioner Larry McCown. Please contact Brian Macke at 303-894-2100 x122 to submit agenda topics for the next meeting. Newspaper articles about the last meeting and the COGCC Piceance Basin baseline ground water study are attached.

◆ Garfield County/Industry Meeting to Discuss Road and Bridge Impact Fee Study

Brian Macke and Jaime Adkins attended a November 18 meeting between Garfield County officials and oil and gas industry representatives to discuss the Garfield County road and bridge impact fee study. The COGCC was asked by the county to facilitate the gathering of data from the operators regarding the number, configuration and weight of all vehicles used in drilling, completion and production operations of typical wells in Garfield County. The operators requested the meeting to discuss the approach that the county is taking to perform the impact fee study.

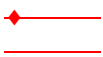
Garfield County Commissioner Larry McCown, planner Mark Bean, the county road and bridge engineer and an engineering consultant hired to work on the study presented the concepts behind the development of the impact fee. The primary goal of the study is to determine if there is a need for the county to assess a per well impact fee from the oil and gas industry that would be a pre-payment of the county share (a relatively small portion) of the property taxes paid for each well. Some of the information being compiled in the study includes:

- The amount of shortfall in tax revenues and State Highway Users Trust Fund (HUTF) moneys earmarked for upgrading and maintaining county roads and bridges.
- The predicted costs of upgrade and maintenance associated with impacts to county roads caused by the industry.

According to Garfield County officials, the benefits of the per well fee/property tax pre-payment concept are, (1) the county would be able to upgrade and maintain roads while the impacts were occurring, and; (2) many of the road restrictions and shutdowns that affect the industry could be avoided.

At this time, the county is not contemplating any per well fee for existing wells. The meeting ended with the oil and gas industry agreeing to provided the county engineering consultant with the road usage numbers that he needed for his calculations, and with the county committing to keep the industry fully informed about the results of the study prior to any County Commission action, if any. The county asked the COGCC to assist in compiling the information from the operators and to continue to be involved in the process.

The Garfield County Commissioners adopted a resolution in August to increase overweight and oversized vehicle permit fees from \$8 per vehicle to \$15 per vehicle plus \$5 per axle. The road and bridge bond was also increased from a maximum of \$100,000 per operator to a maximum of \$500,000. At this time it has not yet been decided if these permit fees would be incorporated into any new per well impact fee. Attached is a newspaper article about the impact fee study.



◆ Battlement Mesa and Project Rulison Vicinity Issues

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 preparation of a BLM Environmental Assessment that will be issued by the last week of November for a two-week public comment period.

◆ BLM Letter of Commendation for Tom Brown, Inc. Porcupine Creek Wells

Attached is a letter from BLM State Director Ann Morgan commending Tom Brown, Inc.'s successful reclamation efforts on wellsites in the Porcupine Creek drainage area in Garfield County. Tom Brown, Inc. was also recognized for active community involvement, for directional drilling to eliminate site disturbance and for preparing plans of development to assist the BLM's oil and gas development and resource protection efforts. We would like to congratulate Tom Brown, Inc. for this recognition.

◆ BLM Glenwood Springs Resource Area Draft Supplemental Environmental Impact Statement

The end of the public comment period for the BLM Glenwood Springs Resource Area Draft Supplemental Environmental Impact Statement (SEIS) was extended from September 17 to November 23. The time period was extended to allow the BLM additional time to provide new information concerning air quality for public review and to address the numerous public comments that have been submitted in order to make appropriate changes in the final SEIS. The extension of the comment period will extend the lease sale of the Naval Oil Shale Reserves (NOSR) lands originally scheduled for November 1998 to March 1999. Attached is a newspaper article about the SEIS public comment period.

The Draft SEIS focuses on the area's 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 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.

◆ Oil and Gas Vehicle Traffic on Garfield County Roads

At the Northwest Colorado Oil and Gas Team meeting on November 12, Garfield County Sheriff Tom Dalessandri recommended that communications be improved between his department, the COGCC and the oil and gas industry. COGCC Northwest Colorado Inspector Jaime Adkins is planning to meet with Sheriff Dalessandri to discuss his concerns with oil and gas activity in Garfield County.

◆ Grand Junction API Chapter Meeting

Brian Macke was invited to speak at the monthly meeting of the Grand Junction API Chapter on November 10. Brian provided the group with an update of COGCC and industry activity in Colorado and presented the new COGCC rules for addressing surface impacts related to spacing and increased density applications.

◆ TransColorado Pipeline Project

Construction on the second phase of TransColorado Pipeline has been delayed by bad weather, unanticipated archeological finds and delays in getting final approval from government agencies. The project was originally scheduled to be completed in mid-November, but will not be completed until January, 1999. This 280 mile long natural gas pipeline project has been 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 MMCFD. Attached are newspaper articles about the pipeline construction.

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

BLM continues to prepare for leasing approximately 7,700 acres of the developed area of NOSR III referred to as the NOSR Production Area. These lands were prescribed for leasing late in 1998 by recent legislation that transferred management from DOE to BLM. The extension of the comment period for the BLM Glenwood Springs Resource Area Draft Supplemental Environmental Impact Statement (SEIS) will extend the lease sale of the Naval Oil Shale Reserves (NOSR) lands originally scheduled for November 1998 to March 1999. The lease stipulations that are developed in the Glenwood Springs Resource Area Supplemental Environmental Impact Statement will apply to the new leases in the NOSR Production Area.

**IV. SOUTHWEST COLORADO**

◆ La Plata County Sound Rules

After their November 16, 1998 hearing the La Plata County Commissioners voted to extend the stay of their sound rules for six (6) months. They also expressed an interest in discussing sound regulation with you during their scheduled meeting this afternoon. I have attached a copy of my letter to La Plata County Commissioners of November 11, 1998 on this topic for your reference. Also attached for your reference is my letter to them of October 9, 1998 and their response of October 20, 1998.

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

The next meeting is scheduled for December 10, 1998 at 8:30 a.m. at the La Plata County Fairgrounds. During the October 1998 hearing the COGCC Commissioners directed staff to present several of our recommendations regarding additional work on and monitoring of three of Amoco's monitoring wells (Salmon 1, 2, and 3) at the Pine River Ranches to the GORT team members. Staff will make this presentation and encourage discussion to evaluate the usefulness of our recommended activities, to determine whether modifications should be made to our recommendations, and to determine whether other recommendations should be made.

◆ Pressure Falloff Test, Simon Land & Cattle Disposal Well

We have issued a Notice of Alleged Violation to Amoco regarding this well following our discussion with you during the September hearing. The NOAV specified an abatement date of November 1, 1998 to shut-in the disposal well.

A meeting was held on October 22 and attended by representatives of Amoco, the EPA and the COGCC. Amoco presented a proposal to gather more information on the well and requested an extension of the abatement date deadline. Both the EPA and the COGCC extended the deadline to shut-in the well until December 15, 1998.

Amoco's proposal to gather more information on the well included performing a step rate test, running a temperature survey and tracer surveys and performing another pressure falloff test. Amoco has completed the step rate test and the temperature and tracer surveys.

◆ Point Lookout Plugging Project

The bid to plug and abandon 16 wells located in Montezuma County has been awarded and the work should begin in the next two weeks. The cost estimate to abandon the wells is \$61,000. The COGCC will utilize the \$30,000 financial assurance and \$31,000 of ERF funds to abandon these wells.

◆ La Plata County ERF Project - Domestic Water Well Monitoring

The COGCC and the BLM have conducted another phase of ground water sampling from domestic water wells. The sampling of the 116 water wells and the analysis of all of the water and gas samples are complete. Letters have been sent to all of the well owners summarizing and explaining the results. A final report containing all data and an evaluation will be produced for distribution to interested parties.

◆ La Plata County/San Juan Basin 3M Proposal

Details and rationale for the comprehensive monitoring, mapping, and modeling program (3M Proposal) that you will be considering at the December 1998 hearing are provided as attachments. Also attached is the Supplemental Budget Request which asks for \$138,000 in FY 98-99 and \$807,230 in FY 99-00 in Severance Tax Funds for the project.

**V. SOUTHEAST COLORADO**

◆ Union Pacific Resources Ladder Creek Helium Plant Begins Operation

The Union Pacific Resources Ladder Creek Helium Plant, located just west of Cheyenne Wells, began shipping liquefied helium on October 12. The plant is currently processing 35 Million Cubic Feet of low BTU gas from about 200 wells in Cheyenne, Kiowa and Kit Carson counties. We congratulate Union Pacific Resources on the completion of this facility, which is one of only 12 in the world capable of producing liquefied helium. Attached is an article about the new plant.

◆ Las Animas County Local Public Forum

In response to a request from Las Animas County, we held a Rule 508 local public forum on November 19 from 5:00 p.m. to 6:30 p.m. in Trinidad to receive comment on Chandler's spacing application for 160-acre well density in the Hill Ranch Lorencito Canyon area. There were approximately 31 industry, county and citizen representatives in attendance. Copies of the videotape and the LPF summary have been provided to the Commissioners, the county and the applicant.

◆ Southern Las Animas County Homeowners Associations

At the request of Homeowners Associations in a specific portion of Southern Las Animas County where domestic water wells and coalbed methane wells are completed in the same shallow zones, we are initiating a process to look for alternate sources of domestic water. This was discussed at the November 19 Local Public Forum and the county has scheduled a meeting on December 7 with affected landowners to work toward a solution.

**VI. ENVIRONMENTAL ISSUES**

◆ Water Quality Control Commission/Division Quarterly Meeting

The next quarterly meeting with WQCC is being scheduled for early 1999.

◆ North Washington Water Users Association – Water Well

Geophysical logs were run and a downhole video was made in the NWWUA No. 1 water well. Staff has examined these data and has evaluated several different alternatives. Because this matter involves the water supply used by over fifty households and the expenditure of Environmental Response Fund monies, we have selected what we believe to be the most expedient alternative.

We recommend that a larger diameter water well be drilled at the current location of the NWWUA No. 2 well. This well is located approximately  $\frac{3}{4}$  of a mile north of the impacted well, does not contain gas, and is presently hooked into a treatment and distribution system. Its

current output is limited by the size of the well and pump. In addition to the costs of drilling and constructing the well, modifications would need to be made to the distribution and treatment system. Attached is the supplemental budget request for \$140,000 which has been submitted to the JBC.

◆ EPA Problem Pit Program

The EPA Problem Oil Pits (POP) workgroup held a national conference November 17-18 in Denver for all EPA and USFWS regions. The goals of the POP program are to protect wildlife and the environment. The EPA considers the program a partnership and wants state agencies to take the lead on compliance and enforcement matters for which they are authorized and enabled. Through this program, EPA and USFWS are monitoring compliance with federal, non-delegable statutes such as the Migratory Bird Treaty Act (MBTA), Spill Prevention Controls and Countermeasures (SPCC) and the Oil Pollution Act (OPA); and also with state-delegated programs from federal statutes such as the Clean Water Act (CWA) and the Resource Conservation and Recovery Act (RCRA).

Robin Reade has worked closely with USFWS and EPA Region 8 in Colorado on this program, which is described as a program success. Robin was invited to present a primer on oil and gas field operations and to attend the closed conference.

**VII. ORGANIZATION**

- ◆ Our current organization chart is attached.

We would like to welcome Dianna Bowers, who accepted an offer for the position of Data Entry Operator and Ginger Morelli, who accepted an offer for the position of Office Administrative Assistant. Both Dianna and Ginger bring with them strong backgrounds in their respective fields.

To respond more efficiently to environmental concerns throughout the state, work responsibilities will be divided among the four environmental staff members on a regional basis. The divisions are shown on the attached map. Some ongoing projects will be retained by the staff member currently handling them, but others will be redistributed by region.

◆ Staff Update

On October 30, 1998 Ron Schmela, the GIS/ Permit Supervisor for the Commission staff, passed away. Ron had been courageously battling cancer since August 1997. Ron will be dearly missed by his friends, co-workers and the oil and gas industry, with which he had been associated for 26 years.

**VIII. PLANNING/ADMINISTRATION/OTHER**

◆ Colorado State Land Board – Stewardship Trust Process

A copy of your letter of October 20, 1998 encouraging the State Land Board to provide for future oil and gas leasing of Stewardship Trust Lands is attached.

◆ COGCC Letter to Colorado Real Estate Commission (CREC)

I attended the November 5 CREC hearing to advocate adoption of draft language for the "Contract to Buy or Sell Form" that advises buyers to inquire about and understand the impacts that title to oil, gas or other mineral interests may have on their ownership rights. The CREC chair complemented our proposed language as being easily understood by the average person reading the form.

◆ Professional Engineering Registration Requirements Relating to COGCC Testimony

At your direction we have researched this topic and prepared a draft policy for your review.

◆ COGCC Computer System Overhaul

The database model is currently undergoing a close final review and a logic test to ensure relational integrity and to ensure all of the form and functional data elements are being addressed. This analysis should be complete in the first two weeks in December.

Production testing on routing and form completion for the forms affecting operators and LGDs is currently being conducted. After this test, the forms dealing with wells and well tests will be production tested.

Conversion utilities have been created for most of the existing COGIMS data with the exception of a few areas pending the outcome of the database analysis. It is planned that the utilities will be prepared and tested before they are used on the chosen conversion date.

The import format has been established to enable electronic reporting of the Monthly Report of Operations, Form 7. It is anticipated that the same type of report format may eventually be used for all forms.

The query screens are beginning to take shape but cannot be tested until some test data is imported. This should take place in early December.

◆ 1999 Hearing Schedule

A copy of our current 1999 hearing schedule is attached. Although no out-of-town hearing locations have been designated for the remainder of the fiscal year, I would like you to consider holding the February hearing in Trinidad and the June hearing in Rifle.

◆ Production Reporting by E-mail

All operators are encouraged to submit their production reports via e-mail to: *dianne.lyons@state.co.us*. Attachments must meet the same guidelines required for diskette submission. Questions should be directed to Dianne Lyons at (303) 894-2100 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. A notice has been sent to all operators of oil and gas injection wells in Colorado, along with a list of all AGI numbers for each operator’s wells.

◆ Department of Natural Resources Imaging Project

The contract for the software and hardware procurement and installation has been signed by the contractor and is pending Attorney General approval for the state’s execution. Installation will begin after the contractor conducts a two-week needs assessment to ensure the proposed system meets the actual needs of each agency.

Central Services has agreed to perform the conversion of the historic documents (backfile).

◆ Minerals, Energy, Geology Advisory (MEGA) Board

I attended the MEGA Board meeting on October 22-23 in Victor. The next meeting of the full Board is scheduled for December 11 in Denver at 10:00 a.m. at 1313 Sherman Street, Room 220, Centennial Building. A meeting of the oil and gas subcommittee is being scheduled prior to December 11 to discuss our recent budget requests.

◆ 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 has been posted the day following receipt. The newest additions to the website include the Local Public Forum summaries, the monthly Commission hearing docket and the 1999 hearing schedule. 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 [www.dnr.state.co.us/oil-gas/](http://www.dnr.state.co.us/oil-gas/). The COGCC’s general e-mail address is [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.

◆ January Hearing Docket

A preliminary docket for January will be provided for your review at today’s hearing.

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

Brian Macke will be standing in for me at the Annual IOGCC meeting in Salt Lake City December 5 – 8 due to schedule conflicts with our Legislative Joint Budget Committee hearing on December 7.

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

I have not granted any variances since my last report.

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