

June 6, 2005

The Oil and Gas Conservation Commission met on June 6, 2005 at 9:05 a.m. in Suite 801, The Chancery Building, 1120 Lincoln Street, Denver, Colorado, for a hearing in Cause Nos. 1V (3 matters), 112 (2 matters), 139, 232 and 499 (2 matters), 407 and 526.

Those present were:

Peter Mueller	Chair
Brian Cree	Vice Chair
John Ashby	Commissioner
Kimberlee Gerhardt	Commissioner
Mike Klish <i>via tele.</i>	Commissioner
Samuel Potter <i>via tele.</i>	Commissioner
Tom Reagan	Commissioner
Carol Harmon	Assistant Attorney General
Brian Macke	Director
Patricia Beaver	Hearings Manager

The Commission unanimously approved the minutes from the April 2005 hearing.

Executive Director's Report: Shane Henry, Assistant Director of the Department of Natural Resources ("DNR") reported that the Division of Wildlife has received approval to hire a full time employee to handle oil and gas issues such as comments on the Roan Plateau and all other energy issues (mining, wind, etc.) The Department made it through the legislative session fairly well. There is a meeting on June 7, 2005 to discuss the study on water depletion and Debbie Baldwin will also attend the meeting. The CERI bill passed during the legislative session and after discussion, the Commission asked the Director to continue along the path of getting CERI to work on a study to evaluate water and seeps in the San Juan, Raton, and Piceance Basins. Representative Curry's surface owner bill did not pass during this legislative session so she's working with DNR Executive Director Russell George to set up a workgroup to study surface owner issues. Chair Mueller and Director Macke will be asked to attend a July 8, 2005 meeting at the Capitol as the first meeting in this workgroup. The next meeting on the Roan Plateau will be June 28, 2005, and the final proposal may be out by the end of 2005. DNR held a budget retreat recently where Director Macke presented an aggressive budget plan for the COGCC.

Director's Report: A written report was provided and Director Macke reported a continued projected high number of Applications for Permits-to-Drill ("APDs") for calendar year 2005. Statistics show Garfield County has surpassed Weld County for the first time due to the activity level. Thirteen hundred (1300) APD's are expected this year in Garfield County. An informal poll taken by COGCC permitting technicians indicates that the permitting level expected in 2005, 2006, and 2007 are anticipated to continue to be high. Approximately twenty-nine thousand (29,000) active wells are projected in the state by the end of the year.

Northwest Colorado: A very good Northwest Oil and Gas Forum was held on June 2, 2005 in Rifle with various presentations made. EnCana has voluntarily conducted (and continues to conduct) an environmental study in the North Parachute Ranch area. The next Northwest Oil and Gas Forum will be held on September 8, 2005.

Low concentrations of benzene have again dissipated to non-detectable concentrations in the Mamm Creek Gas Field.

Low concentrations of toluene have been observed in water samples from the Schwartz monitoring well which have been attributed to material introduced by the drilling and/or well pump installation.

The selection committee's recommendation regarding bids proposed by the nine contractors on the local projects will be made to the Garfield County Commissioners on June 13, 2005.

Bob Chesson, Jaime Adkins, Jay Krabacher and Thom Kerr attended EnCana's Energy Expo/Job Fair for COGCC and highlighted our website.

Southwest Colorado: The next Gas and Oil Regulatory Team meeting will be held on September 16, 2005.

LTE conducted a soil gas survey in February at the Bondad explosion site which is available on the COGCC website. A second soil gas survey was conducted, and a map was distributed to the Commissioners which shows the extent of methane seepage as of April 19, 2005. A discussion occurred on how to purchase Mr. Yoakum's land.

Southeast Colorado: Director Macke described the work occurring at the Saint and Mondragon residences. This week LTE will be conducting a detailed soil gas study. One of the Las Animas County Commissioners has asked to have his crawlspace monitored for methane gas.

The gas survey at Primero School shows only propane in school bus garage and we are advising school authorities of this. Apogee Scientific is conducting another gas study in a nine (9) mile area.

Organization: Interviews of the top three candidates for the Information Technology Manager will be conducted on Friday of this week, and interviews for the Deputy Director of Operations will occur early next week.

Margaret Ash, the southeast Colorado Environmental Protection Specialist and Steve Lindblom, the Onsite Inspection Specialist were introduced. Cassie Brown is working as a temporary employee to help out with hearing matters. Jan Missey is working as a temporary employee in the Executive Assistant position, and is also a candidate for the full time position. The COGCC has received approval to hire two additional field inspectors for Garfield and Weld Counties.

Planning: Candidates for the outstanding Oil and Gas Operator Awards will be presented to the Commissioners very soon. We are continuing to go through the state process for our office space lease and some build out will occur as we work through this process.

There will be one last meeting on June 9, 2005 of the Noise Regulation Stakeholder Group after which the group will prepare proposed rules for the Commission's consideration.

Public Outreach: Director Macke and COGCC Commission Chairman Peter Mueller provided a briefing on oil and gas development in Colorado and COGCC activities to the Colorado Senate Agriculture, Natural Resources and Energy Committee on April 27, 2005.

Director Macke and David Dillon provided a presentation at an oil and gas public informational session for San Miguel and Montrose County residents in Norwood on May 3, 2005 at the Norwood Community Center.

Director Macke has been invited to provide a presentation on COGCC regulation of oil and gas development at the Colorado County Attorneys Association 2005 summer seminar in Steamboat Springs on June 9, 2005.

Director Macke has been invited to serve on a panel for the Piceance Basin Natural Gas Educational Forum that is being sponsored by the Garfield County Energy Advisory Board and Colorado Mountain College at the Garfield County Fairgrounds in Rifle on Saturday, July 16, 2005 from until 8:30 a.m. until 4:30 p.m.

Onsite Inspection Policy: The COGCC has received a total of ten (10) requests for onsite inspections with five (5) requests withdrawn under the newly adopted Policy For Onsite Inspections On Lands Where The Surface Owner Did Not Execute a Lease Or Is Not A Party To A Surface Use Agreement which was effective for Applications for Permits-to-Drill ("APD") submitted after February 15, 2005.

The July hearing will be in Garfield County. There are two enforcement items that are not reflected on the July docket. The Hearings Manager discussed logistics with the Commission and the decision was made to drive out early Monday morning on the day of the hearing.

Assistant Attorney General's Report: She provided a confidential litigation memo. AAG Harmon discovered at a recent IOGCC meeting that noise is primarily regulated at the local level in other states. There was discussion of proposed changes to Rule 303.k. as prepared by AAG Harmon, an attempt to expand the discretion of the Director to withhold approval of Applications for Permits-To-Drill.

Commissioner Comments: Commissioners Klish and Potter appreciate being able to attend via phone today. Commissioner Potter thanked Chair Mueller for coming over to meet with him and the Western Colorado Congress. Commissioner Ashby had questions for Director Macke and Mr. Loesby based on the materials he received from Mr. Loesby. The Commission encouraged Mr. Loesby to send a letter to Xcel asking for the #35 Well to be turned over to him for use as a water well. Commissioner Ashby asked Director Macke to incorporate some of today's discussion into the Director's talks with Xcel on the Consolidated Mutual Water Well gas issue. Vice Chair Cree thanked Commissioner Ashby for looking into this matter in more depth. Chair Mueller thanked Dave Shelton, COGCC Engineer, for his quick and complete work, and response to Mr. Eatherton's complaints at the Leyden Gas Storage Facility.

Audience Comments: Bill Keefe, attorney for Presco, mentioned that although the request to amend Order No. 139-42 was not on today's docket, he wanted to describe the history behind how the order was crafted and what happened subsequent to the administrative hearing.

Ken Wonestolen, General Counsel for COGA, reminded the Commission of the COGA National Gas Conference dates of August 1 through August 4 where the COGCC Oil and Gas Outstanding Operations Awards will be presented. He stated that a bill has been introduced in the Senate that addresses hydraulic fracturing based on testimony provided by Laura Amos. A meeting has been scheduled for June 28, 2005 to discuss issues between the oil and gas industry and agricultural representatives regarding surface owner issues. He doesn't believe there will be a consensus rulemaking on the noise issues. The next COGA Legislative, Legal and Regulatory Committee meeting will be held on June 30, 2005 and the COGCC could come and discuss the proposed amendments to Rule 303.k.

Laura Amos, Garfield County landowner, indicated that the Commission's November minutes were not posted on the website. She wanted to clarify her comments in the National Public Radio story. Ms. Amos said she did not misstate any facts in the story. She believes the information contained in the report prepared by the COGCC on her water well is not complete regarding a shallow Wasatch Formation frac that occurred five weeks after initial disturbance to her water well, and would like more information on this frac. Ms. Amos presented photos of the Goad well, showing a geyser, attributing this to hydraulic fracturing. Director Macke explained that a well blow out caused this geyser not hydraulic fracturing.

Ms. Amos would like an opportunity for others to be heard at the July hearing. She provided a letter authored by Steve Movaldi whose wife is very ill. Ms. Amos indicated that she had recently learned of another woman in the area with a pituitary gland problem.

The consent agenda was approved by the Commission which included the following:

Cause No. 112, Docket No. 0506-EX-02, request for an order allowing an exception to the 130 interior line setback established in Order No. 112-60 for the Jaramillo 32-6 #12-1 Well and the Jaramillo 32-6 #12-2 Well located in the N½ of Section 12, Township 32 North, Range 6 West, N.M.P.M., for the production of gas and associated hydrocarbons from the Fruitland coal seams.

Cause No. 112, Docket No. 0506-AW-10, request for an order to increase the number of wells allowed to a total of 3 wells in the 320-acre drilling and spacing unit consisting of the N½ of Section 13, Township 32 North, Range 6 West, N.M.P.M., for the production of gas and associated hydrocarbons from the Fruitland coal seams.

Cause No. 526, Docket No. 0506-SP-09, request for an order to establish four 160-acre drilling and spacing units in Section 26, Township 3 South, Range 51 West, 6th P.M., and to allow proposed wells to be drilled at exception locations to Rule 318.a., for the production of gas and associated hydrocarbons from the Dakota, "J" Sand, Codell, Niobrara and Sussex Formations.

Cause No. 407, Docket No. 0506-UP-04, request for an order to establish 160-acre drilling and spacing units consisting of the SW¼ of Section 16 and the SE¼ of Section 17 of Township 5 North,

Range 65 West, 6th P.M., and to pool all non-consenting owners in the two 160-acre drilling and spacing units, for the production of gas and associated hydrocarbons from the Dakota, "J" Sand, Codell Niobrara and Sussex Formations.

Cause No. 139, Docket No. 0506-SP-08, request for an order to establish 640-acre drilling and spacing units for certain lands and to allow the equivalent of one well per 10 acres within said units and upon existing 320-acre drilling and spacing units, with the permitted well to be located no closer than 100 feet from the boundaries of the drilling and spacing unit, for various sections in Township 6 South, Range 93 West, 6th P.M. for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause Nos. 232 & 499, Docket No. 0506-SP-06, request for an order to segregate the 320-acre drilling and spacing unit consisting of the N½ of Section 9, Township 5 North, Range 67 West, 6<sup>th</sup> P.M., into two 160-acre drilling and spacing units consisting of the NE¼ and the NW¼, for the production of gas and associated hydrocarbons from the Dakota and "J" Sand Formations.

Cause Nos. 232 & 499, Docket No. 0506-SP-07, request for an order to segregate the 320-acre drilling and spacing unit consisting of the E½ of Section 3, Township 2 South, Range 65 West, 6<sup>th</sup> P.M., into two 160-acre drilling and spacing units consisting of the NE¼ and the SE¼, for the production of gas and associated hydrocarbons from the Dakota and "J" Sand Formations.

Update on proposed surveying rules by Dave Dillon, Thom Kerr and Jim Milne, COGCC staff – believes a change to the rules is preferred over adopting a policy. A handout was presented to show the proposed language changes. Chair Mueller asked about using Global Positioning System to locate flowlines and stated that the rules need an error of tolerance. Mr. Kerr believes that requiring operators to provide as as-built measurement using a Global Positioning System will be the most controversial due to added costs. Commissioner Ashby wants operators to certify that wells were drilled where they were surveyed and permitted.

David Dillon discussed the May 19, 2005 letter from Gail Van Stavern and pointed out some of the errors in the letter.

The Commission considered items to be discussed during an upcoming retreat to be held on August 16, 2005. Those items are: recent budget requests, the COGCC enforcement process, how the COGCC is an implementing agency for the Water Quality Control Commission and the Environmental Protection Agency, seeps and mitigation including purchasing affected land, pipelines, and flowlines, and improving the COGCC's image.

The meeting adjourned at 1:50 p.m.

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The Secretary was therefore authorized to issue the following orders:

Order No. 112-178, Ignacio-Blanco Field, Archuleta County: Approves the request for an order allowing an exception to the 130' interior line setback established in Order No. 112-60 for the Jaramillo 32-6 #12-1 Well and the Jaramillo 32-6 #12-2 Well located in the N½ of Section 12, Township 32 North, Range 6 West, N.M.P.M., for the production of gas and associated hydrocarbons from the Fruitland coal seams.

Order No. 112-179, Ignacio-Blanco Field, Archuleta County: Approves the request for an order allowing an exception to the 130' interior line setback established in Order No. 112-60 for the Jaramillo 32-6 #12-1 Well and the Jaramillo 32-6 #12-2 Well located in the N½ of Section 12, Township 32 North, Range 6 West, N.M.P.M. for the production of gas and associated hydrocarbons from the Fruitland coal seams.

Order Nos. 232-240 and 499-78, Wattenberg Field, Weld County: Approves the request for an order to segregate the 320-acre drilling and spacing unit consisting of the N½ of Section 9, Township 5 North, Range 67 West, 6th P.M., into two 160-acre drilling and spacing units consisting of the NE¼ and the NW¼, for the production of gas and associated hydrocarbons from the Dakota and "J" Sand Formations.

Order Nos. 232-241 and 499-79, Wattenberg Field, Adams County: Approves the request for an order to segregate the 320-acre drilling and spacing unit consisting of the E $\frac{1}{2}$  of Section 3, Township 2 South, Range 65 West, 6th P.M., into two 160-acre drilling and spacing units consisting of the NE $\frac{1}{4}$  and the SE $\frac{1}{4}$ , for the production of gas and associated hydrocarbons from the Wattenberg and "J" Sand Formations.

Order No. 139-47, Rulison Field, Garfield County: Approves the request for an order to establish 640-acre drilling and spacing units for certain lands and to allow the equivalent of one well per 10 acres within said units and upon existing 320-acre drilling and spacing units, with the permitted well to be located no closer than 100 feet from the boundaries of the drilling and spacing unit, for various sections in Township 6 South, Range 93 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Order No. 526-1, Rush Willadel Field, Washington County: Approves the request for an order to establish four 160-acre drilling and spacing units in Section 26, Township 3 South, Range 51 West, 6th P.M., and to allow proposed wells to be drilled at exception locations to Rule 318.a., for the production of gas and associated hydrocarbons from the Dakota, "J" Sand, Codell, Niobrara and Sussex Formations.

Order No. 407-288, Wattenberg Field, Weld County: Approves the request for an order to establish 160-acre drilling and spacing units consisting of the SW $\frac{1}{4}$  of Section 16 and the SE $\frac{1}{4}$  of Section 17 of Township 5 North, Range 65 West, 6th P.M., and to pool all non-consenting owners in the two 160-acre drilling and spacing units for the production of gas and associated hydrocarbons from the Dakota, "J" Sand, Codell, Niobrara and Sussex Formations.

Order No. 1V-285, Adams County: Approves the recommendation for an order finding violation of Rules 319.b. (3) and 326.b. (1), failure by Setex Oil and Gas Company to obtain Director approval for continuing shut-in status and failure to perform a mechanical integrity test within thirty (30) days of removing the surface production equipment from the (UPRR) Vetter # 21-31 Well located in the NE $\frac{1}{4}$  NW $\frac{1}{4}$  of Section 31, Township 1 South, Range 64 West, 6th P.M.

Order No. 1V-286, Weld County: Approves the recommendation for an order finding violation of Rule 317.i. and Form 2 Permit Conditions of Approval, failure by Bonanza Creek Oil Company to provide 200' of 800 psi compressive strength cement above the Niobrara Formation for the Siebring #32-32 and #42-32 Wells located in the SW $\frac{1}{4}$  SW $\frac{1}{4}$  and the SE $\frac{1}{4}$  NE $\frac{1}{4}$  of Section 32, Township 5 North, Range 63 West, 6th P.M.

Order No. 1V-287, Washington County: Approves the recommendation for an order finding violation of Rules 704., 907.a., 907.b., 907.c. and 908., failure by Delta Petroleum Corporation of operating a centralized E&P waste management facility without the required financial assurance, failure to ensure that E&P waste is properly stored, handled, transported, treated, recycled or disposed to prevent threatened or actual significant adverse environmental impacts, off-site disposal of E&P waste at a facility not authorized by the COGCC, disposing of produced water in an unauthorized manner and operating a centralized E&P waste management facility without COGCC approval for the Church #4 Well located in the NW $\frac{1}{4}$  NE $\frac{1}{4}$  of Section 25, Township 3 South, Range 51 West, 6th P.M.

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Patricia C. Beaver, Secretary

Approved:

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Peter M. Mueller, Chair