

RECORD OF PROCEEDINGS

May 8, 2008

The Oil and Gas Conservation Commission met on May 8, 2008 at 9:00 a.m. in Suite 801, The Chancery Building, 1120 Lincoln Street, Denver, Colorado, for a hearing in Cause Nos. 1V, 105, 112, 139 (2 matters), 166, 381 (4 matters), and 510 (2 matters).

Those present were:

Harris Sherman	Chair
Joshua Epel	Vice Chair
Rich Alward	Commissioner
Tom Compton	Commissioner
Mark Cutright	Commissioner
Michael Dowling	Commissioner
Kim Gerhardt	Commissioner
Trési Houpt	Commissioner
Jim Martin	Commissioner
Kelly Rees	Assistant Attorney General
David Neslin	Acting Director
Tricia Beaver	Hearings Manager

Executive Director's Report: Chair Sherman discussed the Interstate Oil and Gas Compact Commission Midyear Issues Summit he and Hearings Manager Beaver recently attended in Calgary, Alberta, Canada. He reported that member states and provinces were interested in the process surrounding and progress of the COGCC rulemaking.

Director's Report: Acting Director Neslin stated that 2,327 Applications for Permits-to-Drill (APDs) were approved as of May 1, 2008, which at this rate would result in an approximately 9% increase over the number of APDs issued last year, with the majority of APDs located in Garfield County (801 APDs for 34% of total) and Weld County (567 for 24%).

Northwest Colorado: The next meeting of the Northwest Colorado Oil and Gas Forum is scheduled for June 5, 2008, at the Garfield County Fairgrounds in Rifle.

Jaime Adkins, and Chris Canfield, along with representatives from the Colorado Department of Public Health and Environment ("CDPHE") and Colorado Division of Wildlife ("DOW"), met with operators in Rifle on March 6, 2008, regarding issues (primarily management of water from melting snow) associated with pits located in steep terrain. A second meeting (also involving staff from the COGCC, CDPHE, and CDOW, as well as the operators) took place in Parachute on March 13, 2008. Prior to the second meeting, the operators prepared an inventory of pits in the subject area and recommendations for mitigating potential problems this spring. A third meeting took place on April 3, also in Parachute. At that meeting Jaime Adkins presented a map depicting the area subject to possible future Conditions of Approval being considered by COGCC staff.

Project Rulison was a 1969 underground nuclear blast conducted by the Atomic Energy Commission, the predecessor to the Department of Energy ("DOE"), to investigate the use of nuclear explosives to stimulate gas production in Garfield County southeast of Parachute. The 3 operators that currently hold most of the oil and gas rights within 3 miles of the blast site, Noble Energy, Inc., Williams Production RMT, and EnCana Oil & Gas (USA) and a third-party consultant, URS Corporation ("URS"), developed a comprehensive monitoring, sampling, analysis, and emergency response plan (Plan) for drilling activities within a 3-mile radius area around the test site. A draft of the Plan was reviewed by the COGCC technical staff and their consultants, the CDPHE, the DOE, the Garfield County LGD, and the consultants retained by local residents, all of whom provided detailed comments and proposed changes to the plan and participated in a follow-up meeting with URS and

RECORD OF PROCEEDINGS

the 3 operators. A revised Plan was received and evaluated prior to the January Commission hearing. This Plan will be modified as necessary as additional data are collected. The revised Plan and all other documents related to Project Rulison and activities in the area were scanned and placed on the COGCC website under Project Number 1991. COGCC staff has recently approved 11 or 12 APDs for wells from one pad with the bottom-hole locations being 0.7 to 1.1 mile from the blast site. Most of these permitted wells are classified as Tier I which require sampling and analysis.

On March 12, 2008, Steve Lindblom, Chris Canfield, and Jaime Adkins of the COGCC participated in a meeting with representatives of the CDPHE, DOE, and BLM. The DOE is developing a plan for radionuclide monitoring in the vicinity of the Rulison site and is actively gathering data to update the numerical fate and transport model originally presented at the October 2007 informational session.

On April 25, 2008, COGCC GIS staff created layers on the Mapguide Intranet site showing the monitoring zones described in the Rulison Sampling and Analysis Plan. These layers will assist permitting staff in determining which wells are subject to monitoring and attaching appropriate Conditions of Approval to APDs.

Project Rio Blanco was the second and final underground nuclear blast conducted by the Atomic Energy Commission, the predecessor to the DOE, to investigate the use of nuclear explosives to stimulate gas production in the Mesa Verde and Fort Union Formations in Rio Blanco County, approximately 52 miles northeast of Grand Junction. In February 2008, Acting Director Neslin and Chris Canfield met with operators to begin initial discussions regarding future development in the area. In addition, potential monitoring requirements for activities near the Rio Blanco site were briefly discussed by COGCC, DOE, CDPHE and BLM at the March 12, 2008, meeting. On April 2, 2008 Steve Lindblom, Chris Canfield, Jane Stanczyk, Debbie Baldwin, and Jaime Adkins of the COGCC participated in a meeting with representatives of the CDPHE, DOE and industry regarding strategy for petroleum drilling in the Rio Blanco area. An update on permitting in the area was discussed, as was the status of the DOE fate and transport model, ongoing DOE monitoring, and a preliminary strategy for monitoring by industry.

Chris Canfield has been involved in the Sage-grouse work group that has finalized a conservation plan for the Piceance-Parachute-Roan Greater Sage-grouse area.

The alluvial aquifer underlying the Plateau Creek drainage area provides a significant ground water resource with principal uses of the water including irrigation, private domestic supply, and public supply. The water from that alluvial aquifer is generally of good quality; however the COGCC and CDPHE currently have analytical data from only a limited number of water wells in the subject area. In recent years there has been a significant increase in drilling activity in Mesa County with the number of approved APDs increasing by 100% between 2003 and 2004, 152% between 2004 and 2005, and 95% between 2005 and 2006. In response to this increase in drilling activity, COGCC staff will be conducting a study of the baseline water quality of the Plateau Creek drainage area. The work will consist of collecting water samples from selected water wells and surface water locations for laboratory analyses of both organic and inorganic analytes. The result will compliment the previously completed Plateau Field Baseline Study and provide a more comprehensive baseline database for use by COGCC staff when responding to landowners alleging impacts to water wells from oil and gas activities in western Colorado. Monies from the Special Environmental and Mitigation Studies of the Colorado Oil and Gas Conservation and Environmental Response Fund (Fund 170) will be used for this project during fiscal year 2007-2008. A Scope of Work ("SOW") is being prepared for this work.

Southwest Colorado: Debbie Baldwin, Karen Spray, and Steve Lindblom continue to work with La Plata County Energy Council, La Plata and Archuleta County, and the United States Fish and Wildlife Service ("USFWS"), and BLM personnel to develop work plans for the gas seep monitoring and mitigation projects in La Plata and Archuleta Counties. Funding for these projects comes from the COGCC mill levy on production. Preliminary work to identify locations for monitoring wells is being

RECORD OF PROCEEDINGS

conducted in both La Plata and Archuleta Counties. The Fruitland–Pictured Cliffs contact has been mapped at several locations along the outcrop in Archuleta County and several proposed well locations were inspected by COGCC and USFWS staff in September 2007. Surface access agreements with federal agencies and private property owners are in the process of being negotiated and memorialized. An Archeological Survey Scope of Work has been completed and initial cost estimates are being evaluated. A contracting mechanism will be determined based upon the results of these estimates.

COGCC has implemented an interagency agreement with the Colorado Geological Survey (“CGS”) and approved a Scope of Work and cost proposal from the CGS that outlines a plan to conduct detailed geologic mapping of the Fruitland Formation outcrop in Archuleta County. This work will be similar to mapping done in 1999-2000 by the CGS as part of the 3M Project. This project will encompass mapping the extent of the Fruitland Formation coal beds for approximately 23 miles. The COGCC will administer this project. The work proposed includes mapping (at 1:24,000 scale) the surface expression of the uppermost Cretaceous units, Pictured Cliffs Sandstone, Fruitland Formation, Kirtland Shale, along the rim of the San Juan Basin in Archuleta County between the La Plata-Archuleta County line and the northern boundary of the Southern Ute Indian Reservation. The unit contacts that will be mapped include:

- Lewis Shale/Pictured Cliffs Sandstone
- Pictured Cliffs Sandstone/Fruitland Formation
- Fruitland Formation/Kirtland Shale
- Kirtland Shale/Animas Formation

In addition to these geologic contacts, the locations of springs and methane seeps, if present, will also be recorded and geologic cross sections will be constructed from measured sections and geophysical logs from gas wells. CGS plans to use faculty and staff from Fort Lewis College in Durango to assist in the mapping project. Preparation for field work has been initiated and a project kick-off meeting is anticipated for April 28, 2008.

A Request For Proposal (“RFP”) for the 4M Outcrop Mitigation project in La Plata County (PHA-827) was due on April 11, 2008. Two bids for the work were received and are currently under evaluation by the COGCC. It is anticipated that the contract will be awarded early in May and approved so that work can begin no later than June 1, 2008. This will maximize the amount of work that can be completed during the 2008 field season. An RFP for the Fruitland Formation Geologic Characterization and Reservoir Pressure Monitoring (PHA-837) was posted on April 24, 2008. A pre-bid onsite meeting is scheduled for May 5, 2008. After contractor selection and after completion of the archeological and threatened and endangered species surveys, permits will be obtained from the U.S. Forest Service to conduct the work. COGCC staff is also developing a Scope of Work for the La Plata County Fruitland Formation additional characterization and monitoring project. The Draft La Plata County – 2007 Fruitland Outcrop Monitoring Report has been submitted is currently being reviewed by staff.

On behalf of Elm Ridge Resources, Inc. (“Elm Ridge”) and Petrox Resources, Inc. (“Petrox”), the majority lease holders in the eastern half of the northern rim of the San Juan Basin (“SJB”) in Archuleta County, Colorado, LT Environmental, Inc. (“LTE”) conducted the fourth annual monitoring program along the Fruitland Formation (“Kf”) outcrop in Archuleta County. This monitoring program meets the conditions of approval for production well permits in this area. The project area includes approximately 18 miles of Kf outcrop starting from the La Plata County – Archuleta County boundary and extending southeast along the outcrop to the Southern Ute Indian Tribe (SUIT) Reservation Boundary near the confluence of the Piedra River and Stollsteimer Creek. The purpose of the program is to identify the presence of methane seepage along the Kf outcrop and if observed, to monitor changes in seepage conditions over time and space. A similar program has been underway

RECORD OF PROCEEDINGS

along the Kf outcrop in La Plata County since 1997. The overriding goal of the monitoring program is to ensure the safety of the public.

LTE conducted the initial reconnaissance of the Kf outcrop in Archuleta County in September 2004. The 2007 report presents the results of the fourth monitoring event conducted within the project area. Between 2006 and 2007, equipment with improved monitoring capabilities were identified and procured, so it is important to note that the method used to conduct soil gas surveys during 2007 was different than the method used during previous monitoring events. During 2007, LTE used equipment capable of detecting the presence of methane at concentrations even lower than the levels that could be detected with the equipment used in previous years. This new equipment is also capable of measuring the flux rate even at very low flows. This could not be done as accurately with the equipment used in previous years. Therefore, the presence of methane observed during the 2007 monitoring event at locations where methane had not been previously detected, does not represent an increase in methane seep conditions. The results of the monitoring event indicate that methane seepage along the Kf outcrop in Archuleta County is very low. Methane was detected at low flux rates within the six drainages mapped by LTE and at the Big Horn-Schomburg #1 abandoned well site. The maximum flux rate observed over the entire project area was 0.30 moles per square meter per day (moles/m²-day) or 0.34 cubic feet per square meter per day (ft³/m²-day). This flux value is very low relative to the maximum flux rate observed in La Plata County (1,175 moles/m²-day or 1,316 ft³/m²-day) during 2007. Based on LTE's field observations, including stressed and dead vegetation, methane seep conditions along the Kf outcrop in Archuleta County do not appear to have changed. LTE observed several surface water methane seeps along a section of Squaw Creek near the Vance driveway during 2006 and again in 2007. A gas sample was collected from this area in 2006 and results indicated that the gas was near-surface microbial gas of biogenic origin; therefore, no gas sample was collected from this area in 2007. LTE observed several surface water methane seeps along a section of Stollsteimer Creek. The stream in this area contains relatively stagnant water with a muddy, organic-rich stream bed. An underground gas pipeline, owned by Xcel Energy, was observed running underneath this section of Stollsteimer Creek. Results of a gas sample collected from this area of Stollsteimer Creek indicate that the gas is thermogenic gas. Based on field observations and isotopic data, the possible sources of the gas are the underground gas pipeline and/or coal bed methane associated with the Kf outcrop. Data collected during the natural spring survey indicate the presence of dissolved methane in four of the 10 natural springs sampled. Three of the four natural springs containing detectable concentrations of dissolved methane are located on the Kf outcrop. The highest concentration of methane (0.65 milligrams per Liter [mg/L]) was found in the water sample collected from SE John Grub Spring. This spring is located on the Kf outcrop and is not used as a residential water supply. In general, the water flow rates of natural springs observed in 2007 were lower than flow rates observed in 2006. Lower flow rates were most likely observed in 2007 because field activities were conducted in the fall while 2006 field activities were conducted in the spring.

Northeast Colorado: The COGCC will be performing a baseline water quality study in the Upper Crow Creek Designated Ground Water Basin in northern Weld County. The High Plains Aquifer is present in this area and makes up an important regional aquifer in eastern Colorado. The study is being undertaken due to an increase in drilling activity in this area. Ground water samples will be collected from 25 existing domestic water wells and analyzed for both organic and inorganic constituents. This information will result in a more comprehensive baseline database that COGCC staff will use as a tool in responding to landowners who allege impacts to water wells from oil and gas activities in the basin. The data will also help determine if revised regulatory requirements are warranted regarding the use of unlined earthen pits in this area. Monies from the Special Environmental and Mitigation Studies of the Colorado Oil and Gas Conservation and Environmental Response Fund (Fund 170) will be used for this study. The project has been awarded to Terracon Consultants, Inc. with field work scheduled to begin in May, 2008. The final report will be completed by July 2008.

RECORD OF PROCEEDINGS

Southeast Colorado: Norwest Applied Hydrology (NAH), on behalf of Petroglyph Energy Inc. ("PEI"), continues screening water wells in the area where domestic water wells have been impacted by thermogenic methane. During the most recent reporting period from March 14, 2008 to April 15, 2008 NAH screened 65 water wells. At the request of landowners, the COGCC with its contractor Whetstone Environmental, continues to monitor 2 impacted water wells located in Sections 10 and 15, Township 29 South, Range 67 West, 6th P.M. Gas flow rates in the domestic water well located in Section 15 remain consistent while flow rates for the domestic water well in Section 10 have decreased. The monitoring well investigation report was submitted on March 31, 2008. COGCC retained a third party contractor to conduct a review and analyze the results of the report. PEI is working with a homeowner on cost sharing for a cistern to vent methane from the water prior to it entering the residential structure. PEI started drilling the remediation wells on March 17, 2008 and anticipates completing the work within 6 to 8 weeks. The drilling program includes 4 pumping wells and 8 extraction wells. Testing of the remediation wells is anticipated to last through May 19, 2008. PEI is currently supplying water to 11 homes. During the reporting period three recovery wells and two injection wells were completed. PEI submitted the Monitoring and Response Plan to the COGCC and it has been posted on the website. Margaret Ash met with Valois Shea of the EPA on April 28, 2008 to discuss the status of the project and the path forward, and to exchange data. Peter Gintautas will provide an update on the Phase I investigation and ongoing monitoring and mitigation activities to the Huerfano County Commission meeting in Walsenburg on May 14, 2008.

Staff Organization: David Shelton, Southern Area Engineering Supervisor, and Jaime Adkins, Northwest Area Engineering Supervisor, have announced their retirements. Further, Kevin Lively, Northeast Area Inspector, has resigned to pursue other interests. The COGCC Staff and the Commission wish them all the best in their future endeavors.

Planning/Administration: Governor Ritter recently signed the long bill which includes 21 full-time employees.

A preliminary docket for the June 2008 hearing has been provided.

Under Rule 502.b., a variance was granted to Samson Resources Company on April 9, 2008. The variance was for 4 sidetracks out of an existing wellbore. The original wellbore was drilled at an unorthodox location in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 13, Township 34 North, Range 7 West, N.M.P.M. due to archeological concerns. The operator requested to enter the coal near the wellbore to minimize waste and more effectively produce gas from the 4 sidetracks. The proposed entry point creates an encroachment to the north and to the east. Waiver request letters were mailed to the 24 mineral owners to the north in Section 12. One signed waiver was received, one letter was returned with no forwarding address, and no protests were received. Mr. Trahan, an authorized representative of the Southern Ute Indian Tribe, provided a verbal waiver to the COGCC on April 7, 2008. BP America, the operator of the spacing units to the east in Section 18 and northeast in Section 7, signed the waiver allowing the encroachment.

Acting Director Neslin reported that, acting in conformance with Order No. 1-126 entered during the course of the April 2008 COGCC hearing, Lexam Explorations (U.S.A.), Inc. has filed an APD for Baca Well No. 7 which will be approved subject to those conditions set forth in the order.

Presco, Inc. ("Presco") has 4 pending APDs filed in Huerfano County on which Huerfano County has filed an application for hearing, although not in accordance with Rule 303.k.(2). Margaret Ash, COGCC Environmental Supervisor, described the 10 conditions of permit approval developed by the COGCC Staff for the 4 wells. Commissioner Dowling asked about whether soil gas surveys were being required. Commissioner Gerhardt asked if dead vegetation would provide an early sign of methane leaking. Commissioner Cutright asked whether Presco should be required to install monitors to alert residents if there is a methane buildup. Commissioners Martin and Alward indicated that they would not be comfortable with the Acting Director approving the APDs given the concerns.

RECORD OF PROCEEDINGS

Chair Sherman stated that he was not comfortable proceeding with any discussion on the APDs or the hearing application as neither matter was docketed for the Commission's consideration at today's hearing. Ken Wonstolen, attorney for Presco, agreed with Chair Sherman that procedurally the matter was not noticed for today's hearing and that presently COGCC Staff is ready to approve the APDs with appropriate conditions. Further, Mr. Wonstolen commented that, on February 5, 2008, Presco applied for Conditional Use Permits which are to be heard by the Huerfano County Commissioners next week. Richard Goodwin, Huerfano County resident, came forward to describe a local meeting wherein some 200 people attended opposing further coalbed methane ("CBM") development in the county. Margaret Ash indicated that there is substantial CBM production in Huerfano County with no reported problems associated with that production. Acting Director Neslin described actions that the Commission could take to be: 1) the Commission could ask for a formal hearing, or 2) COGCC Staff could work on conditions of approval with CDPHE and Huerfano County officials. Chair Sherman stated he would like to have COGCC staff work with CDPHE and Huerfano County to develop appropriate conditions and proceed with the permitting process in due course.

There was no report from the Assistant Attorney General.

Commissioner Comments: Commissioner Houpt stated that she is generally concerned that 10-acre density wells are being approved throughout the Piceance Basin without taking into consideration wildlife issues. Commissioner Cutright stated he is distressed that Jaime Adkins is retiring and taking with him so much expertise. Commissioner Gerhardt stated she too was sorry to see 3 capable COGCC Staff members leave the agency.

Audience Comments: Richard Goodwin, Huerfano County resident, was recognized and asked for assistance in understanding the portion of the Order No. 1C-6 that has COGCC Staff making information available to the county residents. He is concerned that county residents are not being informed properly concerning the development of oil and gas resources. Commissioners Dowling and Sherman questioned whether local meetings in Huerfano County are open to citizens and whether the stated concerns are topical during the local meetings. Margaret Ash described how Peter Gintautas, COGCC Southeast Area Environmental Protection Specialist, works with the impacted surface estate owners by taking samples, writing letters and conversing with the media. Acting Director Neslin stated that COGCC Staff utilize the regular scheduled public meeting in Huerfano County to field concerns by the citizens and that Peter Gintautas is always available to answer questions of the populace. Commissioner Martin suggested that COGCC work with the Huerfano County Commissioners to expand their meetings to include reports by local COGCC Staff to address the concerns of the citizenry. Commissioner Dowling raised a concern over the cumulative effect of imposing additional reposting requirements on COGCC staff.

Dean Long, Yuma County resident, voiced his concerns over oil and gas development which has been proposed to occur near his property by Rosetta Resources. He filed a written protest to Rosetta's hearing application to increase well density and participated in a prehearing conference but remains concerned that more than one well may be allowed to be drilled on his surface property.

Consent Agenda: A motion was made by Commissioner Martin to approve the consent agenda matters, seconded by Commissioner Dowling, and approved unanimously. The following matters were approved:

Cause No. 510, Docket No. 0803-AW-08, Garfield County, request for an order to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the lease line for certain lands in Township 6 South, Range 97 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause No. 139, Docket No. 0803-AW-10, Garfield County, request for an order to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet

RECORD OF PROCEEDINGS

from the lease line for certain lands in Townships 7 and 8 South, Range 93 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause No. 139, Docket No. 0805-AW-11, Garfield County, request for an order to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the lease line for Section 29, Township 6 South, Range 93 West, 6th P.M., for the production of gas and associated hydrocarbons from the Iles Formation.

Cause No. 166, Docket No. 0805-AW-13, Mesa County, request for an order to allow the option of two additional horizontal wells, with the permitted well to be located no closer than 600 feet from the outer boundaries for Section 28, Township 10 South, Range 96 West, 6th P.M., for the production of gas and associated hydrocarbons from the Mesaverde Formation.

Cause No. 105, Docket No. 0805-EX-02, Kiowa County, request for an order allowing an exception to the permitted location in Order No. 105-1 for the drilling of the proposed Abrams #11-1 Well at a surface location of 660 feet FNL and 660 feet FEL in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 11, Township 20 South, Range 49 West, 6th P.M., for the production of gas and associated hydrocarbons from the McClave Sand Formation.

Cause No. 381, Docket No. 0805-UP-03, Weld County, request for an order to establish a 160-acre wellbore spacing unit in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ and SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 23 and in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ and NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 26, both in Township 6 North, Range 66 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the Barney 8 directional well with a surface location of 216 feet FSL and 2840 feet FWL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Cause No. 381, Docket No. 0805-UP-04, Weld County, request for an order to establish a 160-acre wellbore spacing unit in the S $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 23 and in the N $\frac{1}{2}$ N $\frac{1}{4}$ of Section 26, both in Township 6 North, Range 66 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the Barney 7 directional well with a surface location of 231 feet FSL and 1120 feet FWL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Cause No. 381, Docket No. 0805-UP-05, Weld County, request for an order to establish a 160-acre wellbore spacing unit in the E $\frac{1}{2}$ SW $\frac{1}{4}$ and the W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 23, Township 6 North, Range 66 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the Barney 5 directional well with a surface location of 246 feet FSL and 1500 feet FWL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Cause No. 381, Docket No. 0805-UP-06, Weld County, request for an order to establish a 160-acre wellbore spacing unit in the SW $\frac{1}{4}$ of Section 23, Township 6 North, Range 66 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the Barney 6 directional well with a surface location of 246 feet FSL and 1500 feet FWL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Cause No. 510, Docket No. 0805-SP-10, Garfield County, request for an order to establish an approximate 40-acre drilling and spacing unit in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ and an approximate 80-acre drilling and spacing unit in the S $\frac{1}{2}$ SE $\frac{1}{4}$, both in Section 28, Township 7 South, Range 96 West, 6th P.M., and to allow one well per 10 acres in the 40-acre unit, with the permitted well to be located no closer than 100 feet from the lease line, for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause No. 112, Docket No. 0805-SP-11, Archuleta County, request for an order to vacate 320-acre drilling and spacing units and establish various drilling and spacing units and to allow a horizontal well and various optional additional wells, with a bottomhole location no closer than 660

RECORD OF PROCEEDINGS

feet to any outer boundary for certain lands in Township 32 North, Ranges 3 through 5 West, N.M.P.M., for the production of gas and associated hydrocarbons from the Fruitland coal seams.

Carol Harmon, COGCC Enforcement Officer, described an enforcement matter pending on the consent docket. A motion was made by Commissioner Martin to approve the proposed Administrative Order by Consent ("AOC"), seconded by Vice Chair Epel, and approved unanimously. The following matter was approved:

Cause No. 1V, Docket No. 0805-OV-04, Rio Blanco County, request to approve an AOC for failure by Chevron U.S.A., Inc. to comply with Rule 303., commencing operations without a valid permit on the Associated Unit A #4X Well located in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 14, Township 2 North, Range 103 West, 6th P.M.

The following matters have been continued as indicated:

Cause No. 112, Docket No. 0710-AW-22, request for an order to allow 2 additional wells for a total of 4 in the 320-acre drilling and spacing units in certain lands in Township 34 North, Ranges 9 and 10 West, N.M.P.M., with the permitted well to be located no closer than 660 feet from the outer unit boundary, for the production of gas and associated hydrocarbons from the Fruitland coal seams, was continued to the June hearing.

Cause No. 112, Docket No. 0801-EX-01, request for an order to allow a well to be drilled within one and one-half miles of the outcrop contact between the Fruitland and Pictured Cliffs Formations in the 320-acre drilling and spacing unit in the E $\frac{1}{2}$ of Section 3, Township 34 North, Range 9 West, N.M.P.M., for the production of gas and associated hydrocarbons from the Fruitland coal seams, was continued to the June hearing

Cause No. 315, Docket No. 0805-AW-12, request for an order to allow three additional wells, for a total of four (4) wells, in the 160-acre drilling and spacing units, in Sections 22 through 24, Township 1 South, Range 44 West, 6th P.M., with the permitted well to be located no closer than 900 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Niobrara Formation, was continued to the June hearing.

Cause No. 315, Docket No. 0805-EX-03, request for an order allowing an exception to the permitted location in Order No. 315-3, for the drilling of the proposed Chapman 22-12 Well with a surface location of 2451 feet FSL and 651 feet FWL, in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 22, Township 1 South, Range 44 West, 6th P.M., for the production of gas and associated hydrocarbons from the Niobrara Formation, was continued to the June hearing.

Carol Harmon, COGCC Enforcement Officer, and Dirk Sutphin, COGCC South Area Engineer, provided an update as to their efforts to comply with directives set out in Order No. 1E-8, and asked for Commission authority to expend \$90,000 from the Oil and Gas Conservation and Environmental Response Fund to properly plug and abandon the Trinidad MGP #1 Well. A motion was made by Commissioner Martin to approve the emergency order and expenditure of funds, seconded by Vice Chair Epel, and unanimously approved.

Acting Director Neslin, described that in Cause No. 1, Docket No. 0705-AW-11, a request for an order to vacate Order No. 1-41, which established a high density area for the N $\frac{1}{2}$ of Section 8, Township 1 North, Range 68 West, 6th P.M. and place the lands under the provisions of the Rules and Regulations of the Commission and applicable orders in Cause Nos. 232, 407, 493, 496 and 499, for the production of gas and associated hydrocarbons from the Cretaceous Age Formations, or, in the alternative, the request for an exception to the location requirements set out in Order No. 1-41, as provided in Rule 603.e.(6), or as requested in the amended application, a variance under Rule 502.b. to the permitted location set out in Order No. 1-41, the parties have been able to reach an agreement and that a

RECORD OF PROCEEDINGS

conditional withdrawal has been proposed once the 8 APDs are approved. The Commissioners commended the parties and COGCC and CDPHE Staffs for reaching this settlement.

Hearings Manager Beaver gave an update as to Cause No. 1, Docket No. 0803-GA-02, request for a hearing on the proposed Lake 31-43 Well located in the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 31, Township 6 North, Range 66 West, 6th P.M., or in the alternative for an order designating the entire site of the Poudre Learning Center as both a High Density Area and a Designated Outside Activity Area, the parties have reached a settlement and hope to have it finalized soon which would result in the matter being withdrawn.

Maria Pastore, Grand River Consulting, representing West Divide Water Conservancy District and Kirby Wynn, U.S. Geological Survey, gave a joint presentation on the Proposed Southern and Northern Piceance Basin Common Data Repositories and Water Resource Assessments and made a request for COGCC support of their plans. Acting Director Neslin stated that COGCC staff recommended to fund the project with a total of \$10,000 (\$5,000 in 2009 fiscal year and \$5,000 in 2010). A motion was made by Vice Chair Epel to accept the staff's recommendation of COGCC funding for the project, seconded by Vice Chair Epel, and unanimously approved. Chair Sherman would like the presenters to contact Bill Levine at the Department of Natural Resources ("DNR") to attempt to secure additional DNR funding for the project.

A motion was made by Commissioner Dowling to approve the April 2008 minutes, seconded by Commissioner Martin, and unanimously approved.

An update was provided in Cause No. 1R, Docket No. 0803-RM-02, regarding the Statewide Rulemaking. Acting Director Neslin provided updates as to the First and Second Prehearing Orders, in that, he met with parties and their representatives last week several times to try to consolidate issues or settle areas of conflict, and, further, discussed a proposed hearing schedule proposing an additional 8 days be added to the hearing schedule. A document prepared by Deputy Attorney General Casey Sphall was also described. Chair Sherman stated that Commissioners will need to rely on written testimony to prepare for hearings. Commissioner Dowling suggested that the topic of planning be moved and that more time be added to the schedule believing that industry and environmental groups would require the same amounts of time. Commissioner Alward stated his concern about exceeding the July 16, 2008 deadline granted by the legislature. Commissioner Gerhardt asked about limiting testimony and exhibits from parties. Deputy AG Sphall advised that limiting testimony and exhibits would not be permissible under the rulemaking process. Chair Sherman stated that public comment is encouraged to be provided in written form. Vice Chair Epel stated that the draft will be posted on COGCC website for comments from parties. Commissioner Alward would like COGCC to consider mined land reclamation statutes regarding preplanning for oil and gas reclamation rules.

Deputy AG Sphall discussed Commissioner disclosures and set out Commissioner Gerhardt's disclosure statement as an example.

Ken Wonstolen, attorney for Colorado Oil and Gas Association ("COGA"), discussed COGA's Motion to Reconsider and Revise Second Prehearing Order. Deputy AG Sphall clarified that any motions the parties want ruled on by May 22, 2008 should be presented in a timely manner to the Commissioners. Vice Chair Epel clarified that he desired the Commission to consider and decide procedural and jurisdictional issues prior to commencement of rulemaking. Commissioner Martin suggested that dispositive motions that need to be considered be filed and then resolved at the end of the May 22 hearing, and he referenced that May 14, 2008, is when substantive motions are due in prehearing statements made by parties.

Ken Wonstolen mentioned that no cost-benefit analyses were identified in the COGCC testimony in support of the proposed rules.

RECORD OF PROCEEDINGS

The hearing adjourned at 3:27 p.m.

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The Secretary was therefore authorized to issue the following orders:

Order No. 510-41, Grand Valley Field, Garfield County: Approves the request for an order to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the lease line for certain lands in Township 6 South, Range 97 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Order No. 139-90, Rulison Field, Garfield County: Approves the request for an order to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the lease line for certain lands in Townships 7 and 8 South, Range 93 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Order No. 139-91, Rulison Field, Garfield County: Approves the request for an order to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the lease line for Section 29, Township 6 South, Range 93 West, 6th P.M., for the production of gas and associated hydrocarbons from the Iles Formation.

Order No. 166-26, Plateau Field, Mesa County: Approves the request for an order to allow the option of two additional horizontal wells, with the permitted well to be located no closer than 600 feet from the outer boundaries for Section 28, Township 10 South, Range 96 West, 6th P.M., for the production of gas and associated hydrocarbons from the Mesaverde Formation.

Order No. 105-44, McClave Field, Kiowa County: Approves the request for an order allowing an exception to the permitted location in Order No. 105-1 for the drilling of the proposed Abrams #11-1 Well at a surface location of 660 feet FNL and 660 feet FEL in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 11, Township 20 South, Range 49 West, 6th P.M., for the production of gas and associated hydrocarbons from the McClave Sand Formation.

Order No. 381-9, Bracewell Field, Weld County: Approves the request for an order to establish a 160-acre wellbore spacing unit in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ and SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 23 and in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ and NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 26, both in Township 6 North, Range 66 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the Barney 8 directional well with a surface location of 216 feet FSL and 2840 feet FWL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Order No. 381-10, Bracewell Field, Weld County: Approves the request for an order to establish a 160-acre wellbore spacing unit in the S $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 23 and in the N $\frac{1}{2}$ N $\frac{1}{4}$ of Section 26, Township 6 North, both in Range 66 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the Barney 7 directional well with a surface location of 231 feet FSL and 1120 feet FWL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Order No. 381-11, Bracewell Field, Weld County: Approves the request for an order to establish a 160-acre wellbore spacing unit in the E $\frac{1}{2}$ SW $\frac{1}{4}$ and the W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 23, Township 6 North, Range 66 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the Barney 5 directional well with a surface location of 246 feet FSL and 1500 feet FWL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Order No. 381-12, Bracewell Field, Weld County: Approves the request for an order to establish a 160-acre wellbore spacing unit in the SW $\frac{1}{4}$ of Section 23, Township 6 North, Range 66 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the Barney 6

RECORD OF PROCEEDINGS

directional well with a surface location of 246 feet FSL and 1500 feet FWL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Order No. 510-42, Grand Valley Field, Garfield County: Approves the request for an order to establish an approximate 40-acre drilling and spacing unit in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ and an approximate 80-acre drilling and spacing unit in the S $\frac{1}{2}$ SE $\frac{1}{4}$, both in Section 28, Township 7 South, Range 96 West, 6th P.M., and to allow one well per 10 acres in the 40-acre unit, with the permitted well to be located no closer than 100 feet from the lease line, for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Order No. 112-210, Ignacio-Blanco Field, Archuleta County: Approves the request for an order to vacate 320-acre drilling and spacing units and establish various drilling and spacing units and to allow a horizontal well and various optional additional wells, with a bottomhole location no closer than 660 feet to any outer boundary for certain lands in Township 32 North, Ranges 3 through 5 West, N.M.P.M., for the production of gas and associated hydrocarbons from the Fruitland coal seams.

Order No. 1V-319, Rio Blanco County: Approves the request to approve an Administrative Order by Consent for failure by Chevron U.S.A., Inc. to comply with Rule 303., commencing operations without a valid permit on the Associated Unit A #4X Well located in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 14, Township 2 North, Range 103 West, 6th P.M.

Patricia C. Beaver, Secretary

Approved:

Harris Sherman, Chair