

February 14, 2005

The Oil and Gas Conservation Commission met on February 14, 2005 at 9:00 a.m. in Suite 801, The Chancery Building, 1120 Lincoln Street, Denver, Colorado, for a hearing in Cause Nos. 105, 139, 166, 191, 232, 407 & 499 and 440, 479, & 510.

Those present were:

Peter Mueller	Chair
Brian Cree	Vice Chair
John Ashby	Commissioner
Kimberlee Gerhardt	Commissioner
Mike Klish	Commissioner
Samuel Potter	Commissioner
Tom Reagan	Commissioner
Carol Harmon	Assistant Attorney General
Brian Macke	Director
Morris Bell	Deputy Director of Operations
Patricia Beaver	Hearings Manager

The Commission unanimously approved the minutes from the January 2005 hearing (without Brian Cree who was not present at the January Hearing) after acknowledging the need for a minor correction.

Director's Report: A written report was provided and Director Macke reported a continued projected high number of Applications for Permits-to-Drill for calendar year 2005.

Northwest Colorado: A newspaper article from The Rocky Mountain News on February 2, 2005 reported a 43% increase in federal royalties for Colorado from oil and gas activity.

The next meeting of the Northwest Colorado Oil and Gas Forum will be held on February 17, 2005 from 10:00 a.m. until 2:00 p.m. at the new indoor arena meeting facility at the Garfield County Fairgrounds in Rifle, CO. Among other topics, there will be a discussion on gathering systems.

An update on the Mam Creek Gas Field indicated there has been no detection of benzene since early December. A presentation at today's hearing by Kim Kaal will provide a complete update on this investigation.

An update on the public projects under Order No. 1V-276 indicated that a final agreement between the Colorado Oil and Gas Conservation Commission ("COGCC"), Garfield County and EnCana Oil and Gas (USA) Inc. ("EnCana") is pending. Once finalized, the Request for Proposal will go forward.

An update on the West Divide Creek Seep indicated that EnCana is currently evaluating a low-flow air sparging system remedial option for the ground water clean-up.

A hydrogen sulfide gas release from a Devon Energy Production Company L.P. ("Devon") well caused two local residents to seek medical care due to exposure. A Notice of Alleged Violation was issued by COGCC due to Devon's lack of reporting the incident to the COGCC, and failure to have a hydrogen sulfide gas operations plan.

Southwest Colorado: The next Gas and Oil Regulatory Team ("GORT") meeting will be March 18, 2005. The last 3M Technical Peer Review meeting was January 27, 2005. The next meeting is scheduled for April 28, 2005. A presentation at today's hearing will be given on the Fruitland Outcrop Monitoring.

Staff Organization: A new organizational chart shows the reallocation of the Deputy Director position. The process to fill the vacant position is still currently under Human Resources review.

The COGCC office space lease will expire on August 31, 2005. COGCC staff is once again exploring new office space and comparing with existing office space to determine the best cost and fit.

The Noise Regulation stakeholders group last met on January 12, 2005 and will meet again on February 17, 2005. There appears to be a concurrence on changing the distance noise is measured from the source to a standard distance of 350 feet.

Public Outreach update: Director Macke and Dave Dillon participated in an oil and gas training session for the San Miguel County Planning Commission and county staff in Telluride on January 14, 2005 and provided a presentation of oil and gas activity in Colorado. Director Macke has been invited to participate in a meeting of the Club 20 Energy Subcommittee in Grand Junction on February 15, 2005 to discuss the new COGCC onsite inspection policy.

The annual Department of Natural Resources Legislative Reception will be held at the Colorado Museum of History on Thursday, March 10, 2005, and it is hoped that all Commissioners will be able to attend.

The March hearing will be held in Trinidad, CO and the logistics will be communicated to the Commissioners as they are solidified. There will be a field trip and public meeting on March 21st and breakfast with the Las Animas County Commissioners on March 22nd. The hearing will take place after the breakfast with return to Denver the same day.

The Onsite Inspection Policy was distributed to all operators and Local Governmental Designees on January 27th and 28th. The Bureau of Land Management ("BLM") expressed concern about how the policy affects federal lands. Duane Spencer from the BLM provided an overview of how the BLM processes works regarding its onsite inspections and how its process and the COGCC process could possibly conflict. Director Macke provided proposed language to address the BLM issue which was approved unanimously by the Commission.

Digital logs can now be submitted to COGCC.

Production curves by county for six counties show that La Plata County gas production has the highest growth for gas production. The rate is reported between 5% and 10% in the state.

A group within the Department of Natural Resources is preparing comments on the Roan Plateau to submit to the BLM.

A Rule 502.b. variance to Rule 318.a. allowing wells to be located less than 1200 feet apart, was granted to Meritage Energy Partners for the Sindt #14 Well located in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 31, Township 10 North, Range 52 West, 6th P.M., the Sindt #13 Well located in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 31, Township 10 North, Range 52 West, 6th P.M., the Dickinson #6 Well located in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 6, Township 9 North, Range 52 West, 6th P.M. and the Fluharty #2 Well located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 6, Township 9 North, Range 52 West, 6th P.M.

Assistant Attorney General's Report: A litigation memo was provided. The Commission unanimously approved Assistant Attorney General Harmon's request to go into over lunch and later to come out of Executive Session to discuss the Allen Oil and Gas lawsuit.

Commissioner Comments: Commissioner Ashby introduced his son Brandon who was recently discharged from the Marines and an Iraqi Veteran. He also commented on the Divide Creek/Mam Creek area and wants the Commission to track wells by exploration versus development and large operators versus small operators on a statewide basis. Commissioner Potter has discussed with Shane Henry coordinating a tour of Roan Plateau with the hearing in Meeker for this summer. Chair Mueller wants an update on Leyden and would like a map showing all of the 10-acre density spaced lands at the next hearing. He would like to know how cementing may affect water

wells. There was a discussion on the Red Oak letter regarding Plateau Field and plugging of wells and plans for future clean-up and development. Commissioner Potter mentioned that the area Antero Resources purchased from Williams is near several subdivisions with 10-acre lots.

Audience Comments: Ken Wonstolen of the Colorado Oil and Gas Association (“COGA”) thanked Commissioners Reagan, Ashby and Mueller and COGCC staff for attending COGA’s Legislative Reception. COGA supports the language to address the BLM’s concerns adopted at today’s hearing for the Onsite Inspection Policy. He also thanked Director Macke for supporting and testifying on COGA’s CERI bill in legislative. He expressed less optimism than Dave Dillon on the noise regulation changes based on Garfield County Commissioner Haupt and the Oil and Gas Accountability Project proposals. He presented a written document from COGA to the Commission for review that opposes HB 05-1219.

Cause No. 1V, Docket No. 0411-OV-34, failure by Joseph Strabala to properly reclaim Wedel #1 Well located in the SW¼ NW¼ of Section 26, Township 17 South, Range 48 West, 6th P.M was continued to the March 2005 Hearing.

Cause Nos. 479 and 510, Docket No. 0501-AW-02, request for an order to increase well density in existing drilling and spacing units to the equivalent of one well per 10 acres and establish new setbacks for various sections in Townships 4, 5 and 6 South, Ranges 95 and 96 West, 6th P.M. for the production of gas and associated hydrocarbons from the Williams Fork Formation was continued to the March 2005 Hearing.

Cause No. 525, Docket No. 0501-AW-03, request for an order to increase well density to the equivalent of one well per 10 acres and establish new setbacks for various sections in Townships 4, 5 and 6 South, Ranges 95 and 96 West, 6th P.M. for the production of gas and associated hydrocarbons from the Iles Formation was continued to the March 2005 Hearing.

Cause No. 510, Docket No. 0502-AW-07, request for an order to allow the equivalent of one well per ten acres to be drilled no closer than 100 feet from the boundaries of the lease line, for various sections in Township 7 South, Range 96 West, 6th P.M. for the production of gas and associated hydrocarbons from the Williams Fork Formation was continued to the March 2005 Hearing.

Cause No. 207, Docket No. 0502-AW-08, request for an additional well to be located on the 160-acre drilling and spacing units in Section 16, Township 11 North, Range 97 West, 6th P.M., with the permitted well to be located no closer than 600 feet from the unit boundary and 900 feet from another well for the production of gas and associated hydrocarbons from the Fort Union Formation was continued to the March 2005 Hearing.

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

Cause No. 166, Docket No. 0501-AW-04, request for an order to increase the number of wells allowed to a total of 4 wells per 160-acre drilling and spacing unit in various sections in Townships 9 and 10 South, Ranges 94 and 95 West, 6th P.M. for the production of gas and associated hydrocarbons from the Mesaverde Formation.

Cause No. 105, Docket No. 0501-AW-05, request for an order to allow an additional well to be drilled on the 640-acre drilling and spacing unit consisting of Section 24, Township 21 South, Range 48 West, 6th P.M., located no closer than 600 feet from the boundaries of the drilling and spacing unit for the production of gas and associated hydrocarbons from the McClave Sand Formation.

Cause Nos. 440, 479 and 510, Docket No. 0502-AW-06, request for an order to increase well density in existing drilling and spacing units to the equivalent of one well per 10 acres and establish new setbacks for various sections in Townships 6 and 7 South, Ranges 94 through 96 West, 6th P.M. for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause No. 191, Docket No. 0502-EX-01, request for an order to allow an exception to the permitted well location for wells to be located less than 600 feet from the boundary of the Gibson Gulch II Federal Unit for Sections 19 through 21 and 28 through 33 in Township 6 South, Ranges 91 West, 6th P.M. for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause No. 139, Docket No. 0502-SP-02, request for an order to establish 40-acre drilling and spacing units for certain lands in Township 8 South, Ranges 95 and 96 West, 6th P.M., with the permitted well to be located no closer than 100 feet from the unit boundary for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause Nos. 232, 407 & 499, Docket No. 0502-SP-03, request to segregate the 320-acre drilling and spacing unit consisting of the S½ of Section 31, Township 5 North, Range 63 West, 6th P.M. into four 80-acre drilling and spacing units for wells drilled in each quarter quarter section, and to segregate the S½ of said Section 31 into two 160-acre drilling and spacing units for wells drilled in the center of each quarter section for the production of gas and associated hydrocarbons from the Dakota, “J” Sand, Codell and Niobrara Formations.

A discussion of COGCC Surveying Rules was initiated by Dave Dillon. The State Board of Professional Engineers and Land Surveyors licenses surveyors, but some of the survey plats being submitted to COGCC by licensed surveyors are not in compliance with COGCC Rules and Regulations. Under Rule 303.c.(1), well location plats could be submitted to the COGCC using measurements not in compliance with the State Board. Chair Mueller inquired as to what accuracy should there be for increased well density locations and Commissioner Ashby inquired how changes in survey plat rules would affect other location concerns for wells regarding the surface locations, roads, etc.

A presentation was given by Kim Kaal on Informational Briefing on EnCana’s West Divide Creek Gas Seep Monitoring.

A presentation was given by John Peterson to update the Commission on the Fruitland Coal Outcrop Monitoring.

The meeting adjourned at 2:50 p.m.

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The Secretary was therefore authorized to issue the following orders:

Order No. 166-20, Plateau Field, Mesa County: Approves the request for an order to increase the number of wells allowed to a total of 4 wells per 160-acre drilling and spacing unit in various sections in Townships 9 and 10 South, Ranges 94 and 95 West, 6th P.M. for the production of gas and associated hydrocarbons from the Mesaverde Formation.

Order No. 105-43 McClave Field, Bent County: Approves the request for an order to allow an additional well to be drilled on the 640-acre drilling and spacing unit consisting of Section 24, Township 21 South, Range 48 West, 6th P.M., located no closer than 600 feet from the boundaries of the drilling and spacing unit for the production of gas and associated hydrocarbons from the McClave Sand Formation.

Order Nos. 440-28, 479-14 & 510-12, Rulison, Parachute and Grand Valley Fields, Garfield County: Approves the request for an order to increase well density in existing drilling and spacing units to the equivalent of one well per 10 acres and establish new setbacks for various sections in Townships 6 and 7 South, Ranges 94 through 96 West, 6th P.M. for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Order No. 191-9, Mam Creek Field, Garfield County: Approves the request for an order to allow an exception to the permitted well location for wells to be located less than 600 feet from the boundary of the Gibson Gulch II Federal Unit for Sections 19 through 21 and 28 through 33 in

Township 6 South, Ranges 91 West, 6th P.M. for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Order No. 139-45, Rulison Field, Garfield and Mesa Counties: Approves the request for an order to establish 40-acre drilling and spacing units for certain lands in Township 8 South, Ranges 95 and 96 West, 6th P.M., with the permitted well to be located no closer than 100 feet from the unit boundary for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Order Nos. 232-239, 407-287 & 499-77, Wattenberg Field, Weld County: Approves the request for an order to segregate the 320-acre drilling and spacing unit consisting of the S½ of Section 31, Township 5 North, Range 63 West, 6th P.M. into four 80-acre drilling and spacing units consisting of the N½ SW¼, S½ SW¼, E½ SE¼ and W½ SE¼ of said Section 31, for wells drilled in each quarter quarter section, and to segregate the S½ of said Section 31 into two 160-acre drilling and spacing units consisting of the SW¼ and SE¼ of Section 31 for wells drilled in the center of each quarter section for the production of gas and associated hydrocarbons from the Dakota, “J” Sand, Codell and Niobrara Formations.

Patricia C. Beaver, Secretary

Approved:

Peter M. Mueller, Chair