

March 22, 2005

The Oil and Gas Conservation Commission met on March 22, 2005 at 9:00 a.m. in Room 201, Las Animas County Courthouse, 200 East First Street, Trinidad, Colorado, for a hearing in Cause Nos. 139, 207, 510, 511 and 479 and 510.

Those present were:

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| 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 |

Chair Mueller welcomed the citizens from Las Animas County and thanked the Las Animas County Commissioners, Pioneer, the Van Stavern's and Mr. Mondragon for the meeting and field tour yesterday.

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

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 approximately 3,275 APDs may be approved this year compared to 2,917 for 2004.

Northwest Colorado: The last meeting of the Northwest Colorado Oil and Gas Forum was held on February 17, 2005 in Rifle, CO. The next forum will be on June 2, 2005.

An update on the Mam Creek Gas Field – West Divide Creek Gas Seep Investigation indicated the ongoing remediation project as EnCana Oil and Gas (USA) Inc. ("EnCana") continues to sample wells and other surface features.

An update on the public projects indicated the Memorandum of Understanding ("MOU") has been finalized and Garfield County plans to move ahead on the project as outlined for obtaining a Request for Proposal.

An update on the West Divide Creek Seep Shallow Ground Water Contamination Remediation Pilot Test indicated that EnCana is currently evaluating a low-flow air sparging system as a remedial option for the ground water clean-up.

Southwest Colorado: The last Gas and Oil Regulatory Team ("GORT") meeting was held on March 18, 2005, with most of the discussion centered on the explosion in the Bondad area. The next 3M Technical Peer Review meeting will be held April 28, 2005, and the group will review data and disparate technical hypotheses.

An emergency hearing was held in response to the explosion in the Bondad area on February 25, 2005. The Commission was updated on all activities that have occurred at the site since the explosion on February 12, 2005.

Staff Organization: An incorrect organizational chart is attached to the March Staff Report but changes will be made to the COGCC website to show the updated version. Loren Avis will be retiring as of April 30, 2005. COGCC staff is currently working to fill his position as soon as possible. There have been numerous applications filed for the IT Manager position.

The COGCC staff is pursuing the possibility of acquiring additional office space adjacent to the existing office space.

The Noise Regulation stakeholders group last met on February 17, 2005. Dave Dillon provided an update of the meeting.

Public Outreach update: Director Macke participated in a meeting of the Club 20 Energy Subcommittee in Grand Junction on Tuesday, February 15, 2005 to discuss the new COGCC onsite inspection policy as part of a panel discussion on split-estate energy development.

The annual Department of Natural Resources Legislative Reception was held at the Colorado Museum of History on Thursday, March 10, 2005, with Commissioners Mueller and Ashby, Director Macke, Morris Bell, Tricia Beaver and Elaine Winick in attendance.

Director Macke, Morris Bell and Commissioner Chairman Mueller provided a briefing on COGCC regulation of surface impacts from oil and gas development to the Colorado House of Representatives Agriculture, Livestock and Natural Resources Committee on March 16, 2005.

Director Macke and David Dillon have been invited to give a presentation at an oil and gas public informational session for the San Miguel and Montrose County residents in Norwood on March 24, 2005. COGCC staff will provide a discussion of COGCC rules and regulations and a description of the Local Governmental Designee program, among other topics.

The Onsite Inspection Policy was briefly discussed. Three requests for onsite inspections have been received to date. The policy will be discussed in more detail later in the hearing.

David Dillon provided an update on COGCC surveying rules.

A variance to Rule 325.o. has been given to GeoMet Operating Company to allow additional time to convert the East Rangely Federal #1-17 Well to a water disposal well.

A variance under Rule 502.b. to the provision in Order No. 112-168 for reporting perforation data and production data separately for the Lewis Shale from the Mesaverde Formation has been granted to Burlington Resources.

A field wide variance was granted to all operators affected by the Notice to Operators Drilling Williams Fork Wells in the Mamm Creek Field dated July 23, 2004. It was worded as follows: "You are hereby granted a field wide variance to the Notice to Operators Drilling Wells to the Williams Fork Formation in the Mamm Creek Field dated July 23, 2004. The variance affects the requirement to monitor the annular fluid level for four hours after production casing cementing prior to setting slips. You have the option of setting casing slips within one (1) hour of bumping the plug and circulating mud across the casing head until after the transition period, recording all mud losses to the annulus on the Sundry Notice request for approval to complete the well. We will issue a revised Notice to Operators to reflect this option in the near future."

The content of the COGCC website was described in detail so that audience members would be aware of all of the information available to the public.

Maps showing the lands in Garfield County where 10-acre well density has been approved were provided to the Commissioners.

The Western Organization of Resource Councils Report on various state oil and gas commissions and federal agencies which reviewed inspections and enforcement programs in five western states was discussed.

Director Macke described COGCC inspection staff, new staff requested and the proposed budget to handle the increased activity and inspections.

Executive Director's Report: Shane Henry, Department of Natural Resources (DNR) Assistant Director for Energy, Land and Forestry, thanked Director Macke and COGCC staff for their availability to the legislature and for educating the public along with the legislators. The senate confirmation hearing for Commissioners Potter and Gerhardt will take place tomorrow upon adjournment. The Roan Plateau discussions and meetings will continue to occur. Mr. Henry also thanked the COGCC staff and Commissioners for attending the Department of Natural Resources Legislative Reception on March 10, 2005.

Assistant Attorney General's Report: The BDS International, LLC litigation and appeal is moving forward to the court of Appeals, and the bankruptcy court has allowed the matter to go forward. The IOGCC is organizing a noise regulation discussion for all of its member states in light of Colorado's noise issues.

Commissioner Comments: Commissioner Ashby commented that perhaps gas seeps can be exacerbated by gas production in both La Plata County and Las Animas County. Commissioner Potter disclosed that he may have a conflict of interest with Williams Production RMT Company ("Williams") issues as he and his wife entered into a lease near Rifle, Colorado with Barrett Resources Corporation, the predecessor company to Williams, and thus may need to recuse himself of any spacing issues related to his land. Chair Mueller and Commissioners Klish, Gerhardt and Ashby all agreed that Commissioner Potter's contributions on Garfield County issues are valuable. Chair Mueller thanked the Las Animas County Commissioners and other officials for meeting with COGCC Commissioners and thanked Pioneer for its meeting last night. He also thanked the Van Staverns and Mr. Mondragon for inviting the Commissioners onto their properties.

Update on Plateau Field: Chad McEver of Red Oak Capital Management and Greg Danielson, attorney for Red Oak discussed the background of Red Oak Capital and its acquisition of these properties. They acquired the properties in September 2004, and have plugged and abandoned one well and are working to plug a second well. Red Oak had numerous title problems before being able to start any work. They are looking into selling a portion of their ownership and have now been approached with selling their entire ownership. Red Oak has agreed to a schedule for testing and plugging its wells.

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

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.

Cause Nos. 510, Docket No. 0502-AW-07, request for an order to establish 160-acre drilling and spacing units for certain lands and to allow the equivalent of one well per ten acres within said units and upon unspaced lands, with the permitted well to be located 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.

Cause No. 207, Docket No. 0502-AW-08, request to allow 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.

Cause No. 139, Docket No. 0503-AW-09, request for an order to allow the equivalent of one well per 20 acres to be drilled no closer than 200 feet from the boundaries of the unit and no closer than 400 feet from any existing well for Sections 30 and 31, Township 7 South, Range 95 West, 6th P.M. and Sections 25 and 36, Township 7 South, Range 96 West, 6th P.M. for the production of gas and associated hydrocarbons from the Iles Formation.

Cause No. 511, Docket No. 0503-SP-05, Request to rescind the Cliff "D" Sand Unit Agreement for various sections in Townships 11 and 12 North, Range 54 West, 6th P.M. for the production of gas and associated hydrocarbons from the "D" Sand Formation.

Director Macke presented an overview of the new surface owner onsite inspection policy for situations where there is no surface use agreement or the surface owner is not a party to a lease.

Audience Comments: Chris Heyden, a Las Animas County landowner near Spanish Peaks owns both minerals and surface, expressed his view of the negative impact he sees from oil and gas activity. He also believes the COGCC is reactive and not proactive.

Deb Messemer, a landowner in Rancho Escondito brought in pipe and garbage that she has found on her property left by an oil and gas company. She believes that water and oil are being sucked out of Las Animas County and is concerned about trash being left behind on the land.

Kaye Wymon, who lives in Margarite, had questions on state, federal and fee minerals and the Bureau of Land Management.

Rich Stiles, who owns a teepee in Rancho Escondito, never knew gas companies would be coming on his land. He claims he was not told about severed minerals at the time he bought his property. He also expressed concern about easements not filed in the public records.

Gopa Ross, who has lived here for one year, thanked the COGCC and Las Animas County Commissioners for being here. She is a member of the Sierra Club and is working with them on concerns about gas drilling. Ms. Ross has spent her entire retirement fund to buy her land and was never told about gas activities in the area.

Joni Steiner suggested COGCC needs to manage growth of gas and give economic incentives to landowners to report COGCC rule violations.

Lloyd Shepard is a retired veteran and requested that his meadow be restored from gas development. He is also concerned about the quality of his water well if a well is ever drilled on his property.

Julia Colangelo stated that she believes landowners are not being protected by COGCC and that COGCC is prejudiced toward the oil and gas operators.

Carter Morris, a landowner in Wet Canyon, described the effects from coalbed methane drilling on public health and safety. Pioneer is drilling 3 wells per well pad in his area. He is concerned about frac effects and believes directional drilling will reduce health and safety problems and make landowners happier. He stated he would like rocket fuel ingredients used in perforating charges to be provided and would like to know that COGCC is doing everything it can to protect public health, safety and welfare.

Ron Leef, who lives in Weston, stated he is pro gas development and wants wells to be spaced for orderly development. He owns surface and minerals and gets royalties but doesn't think the bond amount is enough.

Carol Mitchel asked questions on participating area revisions concerning when she comes into a federal unit. She also had questions about taxes on her royalties.

Masood Saeedi, a landowner who owns mineral rights near Cokedale, stated he has been told lies by Evergreen and now Pioneer who has the same employees. He stated that noise is an issue at his house. Mr. Saeedi would like to see pumps changed to electric and would like a small enclosure around the pumps. He would also like to see APDs withheld until companies enclose pumps to reduce the noise.

Jay Kemper Will, an attorney representing Richard Loesby and Chris Eatherton, stated that citizens have been tracking the Leyden closure for the past year and are concerned about the Consolidated Mutual water well. Development is planned near the Leyden area and there are many residential areas currently nearby. There are several questions he would like answered by Xcel Energy ("Xcel"). Drilling logs are available and should be publically available. No permits have been located for Test Holes 1, 2, 3 and State Well 34. He is concerned about safety and would like someone to inspect south of Patton Road to determine if there is a safety issue there. He would also like downhole pressure data.

Chair Mueller reminded Mr. Will that there will be an update on Leyden by Xcel at the April hearing and requested that Xcel provide production data to the COGCC.

Ken Wonstolen, Colorado Oil and Gas Association (“COGA”), suggested a button on the COGCC website called “Areas of Oil and Gas Activity” so the public can find out where oil and gas activity is rather than relying on realtors, etc. He passed out a letter from COGA to the Water Quality Control Commission (“WQCC”) about delaying implementation of stormwater discharge permits as the EPA is doing. COGA is contemplating legal action against the WQCC.

The meeting adjourned at 1:45 p.m.

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The Secretary was therefore authorized to issue the following orders:

Order No. 139-46, Rulison Field, Garfield County: Approves the request for an order to allow the equivalent of one well per 20 acres to be drilled no closer than 200 feet from the boundaries of the unit and no closer than 400 feet from any existing well for Sections 30 and 31, Township 7 South, Range 95 West, 6th P.M. and Sections 25 and 36, Township 7 South, Range 96 West, 6th P.M., for the production of gas and associated hydrocarbons from the Iles Formation.

Order No. 511-3, Cliff Field, Logan County: Approves the request to rescind the Cliff "D" Sand Unit Agreement for various sections in Townships 11 and 12 North, Range 54 West, 6th P.M., for the production of gas and associated hydrocarbons from the “D” Sand Formation, and place the lands under the provisions of the Rules and Regulations of the Colorado Oil and Gas Conservation Commission.

Order Nos. 479-15 & 510-13, Grand Valley Field, 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 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.

Order No. 510-14, Rulison, Parachute and Grand Valley Fields, Garfield County: Approves the request for an order to establish 160-acre drilling and spacing units for certain lands and to allow the equivalent of one well per ten acres within said units and upon unspaced lands, with the permitted well to be located 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.

Order No. 207-5, Powder Wash Field, Moffat County: Approves the request to allow 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.

Patricia C. Beaver, Secretary

Approved:

Peter M. Mueller, Chair