

October 31, 2005

The Oil and Gas Conservation Commission met on October 31, 2005, at 10:05 a.m. at the Ramada Inn & Suites, 124 West 6th Street, Glenwood Springs, Colorado, for a hearing in Cause Nos. 1 (5 matters), 112 (2 matters), 133, 139 (2 matters), 166, 376, 510, 523.

Those present were:

Peter Mueller	Chair
John Ashby	Commissioner
Kimberlee Gerhardt	Commissioner
Mike Klish	Commissioner
Samuel Potter	Commissioner
Carol Harmon	Assistant Attorney General
Brian Macke	Director
David Dillon	Deputy Director of Operations
Patricia Beaver	Hearings Manager

Chair Mueller asked for a motion to approve the September 7 & 26, 2005 hearing minutes. Commissioner Gerhardt corrected the September 7th minutes by adding Rule 333. and corrected the September 26th minutes by pointing out that the Gas & Oil Regulatory Team ("GORT") next meeting date should be 2006. Commissioner Potter corrected the September 7th minutes to remove his name as he was absent from the hearing. A motion was made by Commissioner Klish, seconded by Commissioner Ashby and the September 7th minutes were unanimously approved by all, except Commissioner Potter. A motion was made by Commissioner Klish and seconded by Commissioner Potter and the September 26th minutes were unanimously approved.

Executive Director's Report: Shane Henry, Assistant Director from the EDO announced his resignation and new position with Williams Production Company as Government Affairs Manager effective December 5, 2005. His discussions with the Department of Regulatory Affairs and the Department of Local Affairs indicate that severance tax projections did not include contract workers as part of the statistics reported previously on oil and gas industry employees. Mr. Henry mentioned the COGCC staff increase proposal stating that Director Macke would discuss this in more detail. He described the numerous Roan Plateau meetings over the past few weeks and stated his expectation that the Bureau of Land Management ("BLM") will present its final product in the near future.

Director's Report: Director Macke thanked Shane Henry for his past four (4) years of service and wished him well in his new endeavors.

Based on the data as of October 21, 2005, the COGCC expects about 4150 Applications for Permits-to-Drill ("APDs") to be approved for 2005. Garfield County has 1113 APDs approved as of October 21, 2005. The top seven counties for issuing APDs this year are: Garfield, Weld, Yuma, Las Animas, Mesa, Rio Blanco and La Plata. Currently COGCC staff is geared up to approve approximately 300 APDs per month, with each APD causing approximately six to seven additional pieces of follow-up paperwork. The backlog of APDs and follow-up paperwork are affecting the current COGCC staff levels. Well records and permitting staff are affected with the increase in APDs and follow-up paperwork. The shortfalls are being addressed with emergency supplemental requests so that temporary and contract employees can be hired.

The next Northwest Oil and Gas Forum will be December 7, 2005, from 10:00 a.m. to 2:00 p.m., on Wednesday instead of the usual Thursday, with John Harpole making a presentation.

Mamm Creek Gas Field - West Divide Creek Gas Seep Investigation Update: There is continued improvement in both water quality and aerial extent, and decreasing concentrations of thermogenic methane in the shallow ground water aquifer in the seep area. The Schwartz Monitoring Well continues to have no detection of either benzene or toluene. Investigation of the earlier benzene occurrence in the Schwartz Monitoring Well is continuing.

Local Project status: project is well underway and should be completed by year end.

Chair Mueller asked whether drilling inside the moratorium area had occurred. Commissioner Ashby asked if any mechanical integrity tests have been performed on the two wells inside the moratorium area.

Southwest Colorado: The coalbed stream depletion assessment study will be performed by S.S. Papadopoulos and Associates, Inc of Boulder to develop a quantitative assessment of the levels of stream depletion or reduction information outflows that may occur as a result of removing water from coalbed methane wells.

The next GORT meeting will be March 9, 2006.

Additional excavation and preliminary work at the Bondad Explosion Site will start November 1, 2005.

Southeast Colorado: No combustible gases have been detected from the Primero School gas survey.

Organization: Sharon Tansey will be retiring at the end of November. She has been with the Commission for over 30 years and will be greatly missed.

Jim Precup has been hired as a new field inspector for the northeast area and a new inspector is still being sought for the Rifle area, hopefully to be completed in the next couple of weeks.

Public Outreach: Bob Chesson provided a presentation on oil and gas development and produced water handling at the Western Colorado Watershed Issues & Impacts Symposium sponsored by the Colorado River Watershed Association at the Two Rivers Convention Center in Grand Junction on September 27, 2005.

Brian Macke and Debbie Baldwin joined staff from the Division of Water Resources ("DWR") and the Water Quality Control Division ("WQCD") (see page 4) to provide a presentation on produced water associated with oil and gas operations to the Legislative Interim Water Committee on September 28, 2005.

Debbie Baldwin provided a presentation to the Colorado Hazardous Waste Management Society on October 11, 2005. Her presentation covered oil and gas exploration, development, and production trends, jurisdictional control, staff organization and areas of responsibility, and COGCC rules and regulations, with an emphasis on those that apply to the management of exploration and production wastes and protecting public health, safety, welfare, and the environment.

Brian Macke provided a presentation on oil and gas development in Colorado and COGCC regulation to the Weld County Planning Commission in Greeley on October 18, 2005.

2005 Outstanding Operations Awards: This is the tenth anniversary and we hope to have numerous nominees submitted.

The Water Quality Control Commission plans to adopt rules to address stormwater at its January 9, 2006 hearing. COGCC staff is working with them to coordinate through a Memorandum of Understanding in the event the rules pass. COGCC will not participate as a party in the proceedings, but as a witness.

COGCC staff worked with WQCD to respond to a complaint from a landowner in Las Animas County about sedimentation in a creek.

COGCC staff has received twenty six (26) requests for onsite inspections since the policy went into effect on February 15, 2005. Seven inspections have been held in Boulder, Weld, La Plata and Las Animas Counties.

The COGCC GIS staff is working on a project to make directional well bores visible on the COGCC Internet map.

A variance under Rule 502.b. was granted to Williams Production RMT Company for a Wasatch Formation recompletion in the Federal PA 47-31 Well. Waivers were received from all but two affected parties.

Lease negotiations are underway with the management staff of The Chancery Building so that we can stay in our current space and be able to build out a new conference room in which to better accommodate our hearings.

At the request of Chair Mueller, Director Macke described the COGCC interim reclamation rules and how they are administered.

The Director thanked the Petrogulf representatives for coming to today's hearing to make a presentation regarding response to noise complaints.

Assistant Attorney General Report: Assistant Attorney General Harmon provided a confidential litigation memo pertaining to the Allen versus the State of Colorado case, for which briefing schedules have yet to be set.

Commission Comments: Commissioner Klish would like the Commission to schedule at least five (5) of its hearings out-of-Denver each year. Commissioner Potter thanked the Commission for holding the hearing in Garfield County, as the statistics presented earlier showed the county ranked at the top in the state for APDs issued.

Audience Comments: Ken Wonstolen, Colorado Oil and Gas Association ("COGA"), stated that on November 9, 2005, COGA will hold its annual lunch and reception meeting. COGA members are concerned about the timing for APD approvals. In the upcoming 2006 legislative session, it is expected that two (2) technical bills will be introduced. The first bill will be to clarify the counting of contract employees for severance tax purposes and the second bill will be to address distribution formulations of the severance tax which will be a major issue during the 2006 session. COGA and its members have been having discussions with Colorado Rock Products and other surface developers regarding notice to mineral owners and leasees prior to surface development proposals. Mr. Wonstolen has been asked to draft a new notice provision to use COGCC's GIS system to provide registrants a better mechanism to be noticed about parties who plan activities on the same lands. He will work on getting funding for an application developer to create this GIS element. Mr. Wonstolen provided background on stormwater issues, including the proposal from WQCD and the proposal from COGA/CPA for the COGCC December 5, 2005 rulemaking. The issue of field-wide permits are a problem for COGA's members.

Tresi Houpt, Garfield County Commissioner, thanked everyone for coming to Garfield County. Doug Dennison was recognized and it was announced that he would be leaving his position as Garfield County's Oil and Gas Auditor. Chair Mueller and Commissioner Potter thanked Mr. Dennison for his hard work.

Dan Randolph, San Juan Citizens Alliance, commented on the Samson Resources application that is on the Commission's consent agenda. He is concerned about produced water from the increased drilling, which is regulated by the Environmental Protection Agency ("EPA"). He had hoped that the water quantity issue would have also been addressed in the Samson order.

Petrogulf made a presentation in response to the noise complaints in Las Animas County. Charlie Goodin, Petrogulf's Land and Legal Manager, stated that Petrogulf has approximately twenty (20) employees and provided the Commissioners with a packet containing a summary to describe its operating philosophy and practices. John Whistler, Operations Engineer for Petrogulf, described Petrogulf's noise mitigation plan and showed a video of noise measurements recently taken in several of the complaint areas. Andy Bowden, Senior Landman, corrected some misconceptions that have occurred regarding public relations.

Consent Agenda: Commissioner Klish stated that his company has contracts with EnCana and Commissioner Ashby stated that his brother works for Noble in the mid-continent area. Neither Commissioner believed they had a conflict and a motion was made by Commissioner Klish, seconded by Commissioner Gerhardt to approve the consent agenda; the consent agenda was approved unanimously as follows:

Cause No. 139, Docket No. 0510-SP-14, request for an order to establish 40-acre drilling and spacing units, to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary, for certain lands in Townships 7 and 8 South, Ranges 93 thru 96 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause No. 510, Docket No. 0510-AW-19, 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 unit boundary for portions of Sections 11-14, Township 6 South, Range 92 West, 6th P.M. and Sections 7, 8 and 18, Township 6 South, Range 93 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause No. 523, Docket No. 0510-SP-13, request for an order to establish 320-acre drilling and spacing units consisting of the S½ of Sections 9 and 10 and the N½ of Sections 14 and 15, Township 6 South, Range 92 West, 6th P.M., and to allow the equivalent of one well per 10 acres, 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 No. 166, Docket No. 0510-SP-15, request for an order to re-establish a 640-acre drilling and spacing unit consisting of Section 1, Township 10 South, Range 96 West, 6th P.M., with the permitted well to be located no closer than 600 feet from any lease line or 1200 feet from any producible well, for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause No. 133, Docket No. 0510-AW-17, request for an order to allow up to eight (8) wells in each 320-acre drilling and spacing unit in S½ of Section 19, Township 12 North, Range 100 West 6th P.M. and the S½ of Section 24, Township 12 North, Range 101 West, 6th P.M., for the production of gas and associated hydrocarbons from the Wasatch, Fort Union-Lance-Lewis and Mesaverde Formations.

Cause No. 112, Docket No. 0510-AW-18, request for an order to allow up to four (4) wells in each 320-acre drilling and spacing unit in certain lands in Townships 32 through 34 North, Ranges 7 thru 9 West, N.M.P.M., for the production of gas and associated hydrocarbons from the Fruitland coal seams.

Cause No. 112, Docket No. 0507-AW-14, request for an order to allow one additional well to be drilled in certain 320-acre drilling and spacing units in Township 32 North, Ranges 6 through 10 West, N.M.P.M., with the permitted wells to be located no closer than 990 feet to the boundary of the unit and no closer than 130 feet to any interior quarter section line, for production from the Fruitland coal seam formation. The application was withdrawn and the hearing canceled.

Cause No. 1, Docket No. 0510-GA-04, request for an order pursuant to Rule 524. to determine responsible party status with respect to a release of oil and gas from the Anderson-Coombs #6 Well and/or related facilities located in the NW¼ NW¼ of Section 25, Township 5 North, Range 66 West, 6th P.M. The application has been continued to the December hearing.

Cause No. 376, Docket No. 0509-SP-11, request for an order vacating certain 320-acre drilling and spacing units from the provisions of Order No. 376-1, for the production of gas and associated hydrocarbons from the Dakota/Morrison Formation. The application has been continued to the December hearing.

Cause No. IV, Docket No. 0507-OV-06, request for an Order finding EnCana Oil & Gas (USA) Inc. in violation of Rules 209., 324A.a., and 906.a. and b., failure to prevent the contamination of fresh water by gas, failure to prevent a significant adverse environmental impact to water, to protect public health, safety and welfare, and to prevent the unauthorized discharge of gas, for the former Dietrich water well located in the SE¼ SE¼ of Section 3, Township 7 South, Range 92 West, 6th P.M. The matter has been continued to the March 2006 hearing.

Cause No. 1V, Docket No. 0507-OV-07, request for an Order finding EnCana Oil & Gas (USA) Inc. in violation of Rules 209., 324A., and 906.b.(3), failure by EnCana Oil & Gas (USA) Inc. to prevent the contamination of fresh water by gas, failure to prevent a significant adverse environmental impact to water, to protect public health, safety and welfare, and to prevent the unauthorized discharge of gas, and failure to control and contain a release of E&P waste upon discovery for the Amos/Walker water well located in the SE¼ of Section 33, Township 6 South, Range 92 West, 6th P.M. The matter has been continued to the March 2006 hearing.

A hearing was held in Cause No. 1R, Docket No. 0510-RM-03, request to amend the 1100 Series Rules to include pipeline regulations.

Jim Evans, Associated Governments of Northwest Colorado and Craig Meis, Mesa County Commissioner, introduced the proposed Rule and stated the reasons for the proposed changes.

Ken Wonstolen, COGA, presented the proposed rules and clarified the inadvertent change COGCC staff make to Rule 1001.f.

Tresi Houpt, Garfield County Commissioners stated her concern about the rulemaking process and lack of involvement by Colorado counties. She stated that Garfield County has not had a formal discussion on this issue and believes this is a land use issue that the counties should address.

Mike Matheson, La Plata County Oil & Gas Technical Advisor, provided a letter that, in general supports the proposed rule but La Plata County does not want this to be seen as a preemption issue. He stated the importance of regulating pipelines to protect public health, safety, welfare and the environment. Mr. Matheson suggested including the local governmental designee in the rule along with the local government. The county's specific comments are described in his letter. He stated that the plan should be sent to the sheriff within each area who has emergency response duties.

After the record was closed, the Commissioners began deliberation.

Chair Mueller stated his belief that pipeline maps should be provided to the COGCC annually.

Commissioner Potter believes the COGCC needs as-builts of all pipelines, whenever the information is available.

Assistant Attorney General Harmon stated that she never considered preemption an issue when she read the proposed rules.

Commissioner Gerhardt would like to see other counties and stakeholders have an opportunity to comment on the proposed rules.

After amendments were proposed by the Commission to several rules, a motion was made by Commissioner Klish, seconded by Commissioner Ashby and approved by all except Commissioner Gerhardt to adopt the amended rules and make them effective June 1, 2006.

Patricia Beaver presented an As-built Location Policy as requested by the Commission at its September 7, 2005 hearing with proposed amended language to set a five (5) year time period in which all well locations must have GPS coordinates provided. A motion was made by Commissioner Klish, seconded by Commissioner Gerhardt and unanimously approved to adopt the amended policy.

A hearing was held in Cause No. 1R, Docket 0512-RM-02, Noise Abatement Rules. Carolyn Lamb, Oil and Gas Accountability Project ("OGAP"), stated their main objective for today was to discuss the issue of cost for noise compliance but they were not able to prepare for it. They believe COGA's cost data is too high and would like to present cost data at the December 5, 2005 hearing. She contacted most of the La Plata County complainants whose noise complaints were under 50 decibels and knows of one complaint where the operator and the complainant split the cost for noise mitigation. Ms. Lamb stated that Petrogulf was not in compliance with COGCC Rules when OGAP was in Las Animas County taking measurements.

Dan Randolph, San Juan Citizens Alliance, wants to make a presentation at the December hearing to show why decibel levels should be lowered.

Commissioner Gerhardt wants to know more about the low frequency noise and why acoustical material has not been used more often. She would like to hire a third party independent sound consultant to assist the Commission.

Commissioner Potter agrees with Commissioner Gerhardt's comments including hiring a consultant, and would like more information on Petrogulf's sound measurements.

Commissioner Klish would like clarification on the state's standards in term of whether they could be modified. Assistant Attorney General Harmon was asked for an opinion and also if other agencies have modified state noise requirements.

Assistant Attorney General Harmon believes proper findings would need to be found in order to decrease the decibel levels.

Chair Mueller would like an independent expert on mitigation and standards.

David Dillon stated that an acoustical engineer can be hired to answer the Commissioners' questions on low frequency noise, sound mitigation alternatives, mitigation costs, effect of topography on mitigation, health effects, and decibel level comparisons in other states and set by other agencies.

The matter was continued to the December hearing.

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The Secretary was therefore authorized to issue the following orders:

Order No. 139-51, Rulison Field, Garfield/Mesa Counties: Approves the request for an order to establish 40-acre drilling and spacing units, to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary, for certain lands in Townships 7 and 8 South, Ranges 93 thru 96 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Order No. 510-16, Mamm Creek, 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 unit boundary for portions of Sections 11-14, Township 6 South, Range 92 West, 6th P.M. and Sections 7, 8 and 18 of Township 6 South, Range 93 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Order No. 523-2, Mamm Creek, Garfield County: Approves the request for an order to establish 320-acre drilling and spacing units consisting of the S½ of Sections 9 and 10 and the N½ of Sections 14 and 15, Township 6 South, Range 92 West, 6th P.M., and to allow the equivalent of one well per 10 acres, 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 No. 166-21, Plateau Field, Mesa County: Approves the request for an order to re-establish a 640-acre drilling and spacing unit consisting of Section 1, Township 10 South, Range 96 West, 6th P.M., with the permitted well to be located no closer than 600 feet from any lease line or 1200 feet from any producible well, for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Order No. 133-24, Hiawatha West, Moffat County: Approves the request for an order to allow up to eight (8) wells in each 320-acre drilling and spacing unit in S½ of Section 19, Township 12 North, Range 100 West 6th P.M. and the S½ of Section 24, Township 12 North, Range 101 West, 6th P.M., for the production of gas and associated hydrocarbons from the Wasatch, Fort Union-Lance-Lewis and Mesaverde Formations.

Order No. 112-181, Ignacio-Blanco Field, Garfield County: Approves the request for an order to establish up to four (4) wells in each 320-acre drilling and spacing unit in certain lands in Townships 32 thru 34 North, Ranges 7 through 9 West, N.M.P.M., for the production of gas and associated hydrocarbons from the Fruitland coal seams.

Patricia C. Beaver, Secretary

Approved:

Peter M. Mueller, Chair