

RECORD OF PROCEEDINGS

100 Leaves

August 16, 2006

The Oil and Gas Conservation Commission met on August 16, at 8:37 a.m. in the Meeker Town Hall, 345 Market Street, Meeker, Colorado, for a hearing in Cause Nos. 191 (2 matters), 250, 407, 510 (2 matters), 527.

Those present were:

Peter Mueller	Chair
John Ashby	Commissioner
Kimberlee Gerhardt	Commissioner
Michael Klish	Commissioner
Samuel Potter	Commissioner
Tom Reagan	Commissioner
Carol Harmon	Assistant Attorney General
Brian Macke	Director
Patricia Beaver	Hearings Manager

Director's Report: Director Macke thanked Rio Blanco and Garfield County Commissioners and other county representatives for attending the social event last night. He thanked Shane Henry of Williams, and Antero and BBC for their participation in the field tour and Jaime Adkins for organizing the tour.

Director Macke stated that approximately five thousand one hundred seventy-eight (5178) Applications for Permits-to-Drill (APDs) have been approved this year. He is being told by numerous operators that operations for drilling will be ramped up for each year over the next few years.

He referred to the table in the staff report that indicates more wells are being permitted with surface use agreements (SUA) in place and not with surface bonds.

An article highlighted a severance tax increase of one quarter of a billion dollars (\$250,000).

Northwest Colorado: The next meeting of the Northwest Colorado Oil and Gas Forum has been scheduled for Thursday, September 21, 2006 from 10:00 a.m. until 2:00 p.m. at the Garfield County fairgrounds in Rifle. Larry McCown will not be available to co-chair with Director Macke but someone else from Garfield County will be available.

The Phase IV Piceance Basin Baseline Water Quality Study has commenced with field data collection and an anticipated completion date of December 2006.

URS has completed the Phase I Hydrogeological Project in Garfield County south of Rifle and Silt, and the proposal for Phases II and III will be presented later this morning by Garfield County.

Southwest Colorado: The Coalbed Methane Stream Depletion Assessment Study and the 2005 Fruitland Outcrop Monitoring Report will be presented at the September hearing.

The ongoing investigation, reclamation, and mitigation of the explosion in Bondad has progressed with A-Plus Well Service moving to the Bryce 1X wellsite on July 21, 2006. They rigged up their equipment and began operations to re-enter the Bryce Well on July 25, 2006.

The next GORT meeting is scheduled for September 7, 2006, at 8:30 a.m. at the La Plata County Fairgrounds.

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Northeast Colorado: The contractor for the baseline water quality study is LT Environmental and completion of the study is planned for December 2006.

Tests have been completed and reported to COGCC on the Greater Wattenberg Area Phase II Bradenhead Retest Program with 23 out of the 218 wells exhibiting high bradenhead pressures.

Southeast Colorado: The Phase II Raton Basin Seep Mapping Project is progressing and will begin in October 2006.

Pioneer National Resources drilling operations in the North Fork Ranch Area of Las Animas County appear to have impacted two domestic water wells. Both complaints were investigated on July 20, 2006. COGCC staff observed water being blown out and over the well casing of one of the domestic wells. Both wells had discolored water, noticeable odors, and contained fine grained sediment. Subsequent sampling and observations indicate that water quality has been degraded and that there has been an increase in dissolved methane concentrations. Explosive levels of methane have been detected in both water wells creating a safety hazard. Pioneer Natural Resources, the oil and gas operator who is currently developing coalbed methane resources in the area, is working in cooperation with the COGCC as the incident is being investigated. Pioneer has responded to the incident by providing fresh water to both households, conducting monitoring and sampling of both water wells, and has offered to put the residents up in hotels. Pioneer has also voluntarily agreed with the COGCC to cease its drilling operations within one mile at the apparently impacted water wells while the situation is being investigated and the issue is being resolved.

Staff Organization: Employment examinations were given during the week of July 17, 2006, to a total of eighteen candidates for the four new Environmental Protection Specialist (EPS) positions. Some of the candidates have applied for multiple locations. The job locations for the new EPS positions are Greeley, Rifle, Durango, and Trinidad. Oral examination boards are tentatively scheduled for the week of August 14, 2006.

The COGCC is proud to announce the addition of Bob Koehler to the staff as an Engineering Technician II. This is a newly created position based out of the Denver office. Bob will be assisting the engineering staff with document review and other projects related to well completions. Bob has been employed in a temporary capacity as a technician at the COGCC for the last few months and has done an outstanding job for the COGCC.

The COGCC is also proud to announce the addition of Paul Schnitz to the staff as a Professional Engineer I. Paul has accepted the position made vacant by the retirement of Larry Robbins. Paul will be joining the COGCC staff in our Denver office later in August.

Public Outreach: Brian Macke and Bob Chesson participated in a discussion about oil and gas development issues and COGCC regulation at the last quarterly meeting of the Colorado Directors of Environmental Health, which is an organization that includes local government health department officials, on July 13, 2006, in Aspen, Colorado.

Brian Macke and Jaime Adkins provided a presentation about COGCC oil and gas regulation at a Town of Palisade public meeting on the evening of July 18, 2006. Local government officials and citizens in the Town of Palisade are concerned about the recent leasing of federal mineral acreage in the town's watershed on the western slope of the Grand Mesa. The purpose of the COGCC presentation was to provide the town officials and the public about oil and gas operations and COGCC regulations, particularly how the COGCC rules provide protection for surface owners and interaction with local governments.

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Northwest Area Engineer Jaime Adkins attended an Oil & Gas Forum held in conjunction with the San Miguel County Fair in Norwood on July 22, 2006. The forum was organized by EnCana Oil & Gas USA Inc. at the request of San Miguel County officials and was held in an exposition format that allowed the public to interact with operators, contractors and regulatory officials.

The COGCC will have an informational exhibit display in the Department of Natural Resources building at the Colorado State Fair that will be open from August 25 through September 4, 2006. Several COGCC employees have volunteered to staff the exhibit display to greet the public and provide information about oil and gas operations in Colorado and about COGCC activities.

Brian Macke has been invited to provide a presentation about oil and gas development in Colorado and COGCC regulatory activities during an oil and gas panel discussion at the annual Fall Meeting of Club 20 in Grand Junction on Saturday, September 9, 2006.

Brian Macke has been invited to provide a presentation about oil and gas development in Colorado and COGCC regulatory activities during an energy panel discussion at a weekend summit on Colorado's Energy Future sponsored by the Vail Symposium in Beaver Creek on Saturday, September 16, 2006.

The Severance Tax Performance Audit was finalized with one recommendation for the COGCC 200 series rules, specifically to include proper maintenance and calibration of production measurement equipment. COGCC staff will propose a rulemaking to accomplish these adjustments.

The Colorado Department of Public Health and Environment ("CDPHE") Oil and Gas Team has been formed with folks from Water Quality Control Division ("WQCD"), Air Pollution Control Division ("APCD") and staff from COGCC.

The 2005 Outstanding Oil and Gas Operations Awards were presented on August 8, 2006, at the Colorado Oil and Gas Associations ("COGA") Natural Gas Conference. The recipients of the 2005 COGCC Outstanding Operations Awards were:

EnCana Oil and Gas USA Inc. - Environmental Protection (With Special Recognition By the Colorado Division of Wildlife) for its North Parachute Ranch Greater Sage-Grouse Management Plan.

EnCana Oil and Gas USA Inc. - Pipeline And Gathering System Projects, Community Relations for its three phase gathering system and water delivery and gathering system in the North Piceance area, and for its support of the development of a new Colorado Mountain College campus complex in western Garfield County.

Chevron U.S.A. Inc. - Enhanced Recovery for its CO₂ tertiary recovery expansion project that has halted a lengthy steep oil production decline and has actually increased production in the giant Rangely Oil Field.

BP America Production Company - Local Government Coordination, Public Health And Safety for successfully entering into a Memorandum of Understanding with the La Plata County local government regarding a request to the COGCC for increased coalbed methane well density, and for its gas tap safety program.

Williams Production RMT Company - New Technology, Community Relations for its use of the new Flex Rig 4 multiple wellpad drilling technology and simultaneous operations (SIMOPS), and for its support of the construction of the new technology wing at the Colorado Mountain College West Garfield Campus.

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The onsite inspection policy update shows that this policy has been extremely helpful with surface owners with only thirteen (13) onsite inspections having to be conducted out of a total of fifty-three (53) requests submitted.

The Bureau of Land Management ("BLM") lease stipulations map layers are now available on the COGCC GIS, and the pre-1999 production data is close to becoming fully automated in the COGIS database.

The Colorado Oil and Gas Association ("COGA") is helping to get the word out to operators regarding the submittal of logs in the Log Ascii Standard ("LAS") format.

The noise data project is proceeding with data collection despite being mistakenly omitted from the August Staff Report.

Diana Fairlamb left COGCC for Red Willow Production Company at the end of July after being with us for approximately five (5) years.

Director Macke discussed the proposed Stormwater Management Policy and described its purpose. The Commission adopted the policy in concept at its July hearing, and this is the written document prepared from that hearing. A motion was made to accept the Stormwater Management Policy, seconded by Commissioner Klish and approved unanimously to remove the topic of revising the stormwater management rules from the October hearing.

Assistant Attorney General Harmon described the rationale of the proposed Pipeline Policy and the need to overturn the current Pipeline Rules and return to the previous Flowline Rules in light of the definition adoption by the federal Department of Transportation in February 2006.

Commissioner Potter believes operators should have approximately three (3) years to provide pipeline/gathering line data to the COGCC in a digital format.

The pipeline policy needs to be revised in conjunction with the return to the Flowline Rules. A stakeholder process with a timeline needs to be established with the Public Utilities Commission to work through its rulemaking process.

A motion was made by Commissioner Potter to modify the interim policy to address the stakeholder process, seconded by Commissioner Reagan and approved unanimously.

Assistant Attorney General's Report: AAG Harmon briefly described the written litigation memo she provided to the Commission prior to the hearing.

Commissioner Comments: Commissioner Potter stated he may not be available for the October hearing. Commissioner Gerhardt thanked the COGCC staff for their work on the Bryce IX Well, especially David Dillon. Chair Mueller thanked Commissioner Ashby for his diligent work. Chair Mueller presented Commissioner Klish with the honorary pump jack for his eight years of service as a Commissioner.

Jesse Smith of Garfield County presented the proposed public projects using the remaining and new fine monies. He described the proposed Phase II and Phase III hydrogeologic studies indicating that Phase II will complete the analysis from Phase I. There is approximately two hundred fifty-six thousand dollars (\$256,000) available for Phase II and Phase III. A motion was made by Commissioner Gerhardt to approve Garfield County's Phase II and Phase III proposal, seconded by Commissioner Klish and approved unanimously.

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Consent Agenda: Chair Mueller recused himself from the Machii-Ross matter as did Commissioner Ashby. Commissioner Ashby thanked Windsor, Chevron and Berry Petroleum for presenting pressure data in their engineering testimony.

A motion was made by Commissioner Ashby to approve the consent agenda, seconded by Commissioner Reagan and approved unanimously, except Chair Mueller and Commissioner Ashby as noted above for the adjudicatory items as follows:

Cause No. 527, Docket No. 0608-AW-12, request for an order to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 400 feet from the unit boundary for certain lands in Townships 2 and 3 South, Ranges 97 and 98 West, 6th P.M., for the production of gas and associated hydrocarbons from the Iles and Sego Formations.

Cause No. 191, Docket No. 0608-AW-13, 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 certain lands in Townships 6 and 7 South, Range 91 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Cause No. 510, Docket No. 0608-AW-14, 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 for the Williams Fork Formation and no closer than 600 feet for the Iles and Sego Formations, from the unit boundary for certain lands in Townships 4 through 7 South, Ranges 97 through 99 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork, Iles and Sego Formations.

Cause No. 510, Docket No. 0608-SP-39, request for an order to establish various drilling and spacing units for certain lands in Townships 5 and 6 South, Ranges 96 and 97 West, 6th P.M, and to allow the equivalent of one (1) well per 10 acres, with the permitted well to be located no closer than one hundred (100) feet from the unit boundary, for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause No. 191, Docket No. 0608-SP-37, request for an order to establish 40-acre drilling and spacing units and allow increased density of up to four (4) wells, for certain lands in Township 6 South, Range 92 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 of the Mesaverde Group.

Cause Nos. 250 & 407, Docket No. 0608-SP-40, request to confirm the 80-acre drilling and spacing unit consisting of the N½ SE¼ and S½ SE¼ of Section 17, Township 2 North, Range 67 West, 6th P.M., for production from the Sussex, Shannon, Codell and Niobrara Formations and to segregate the N½ SE¼ into two (2) 40-acre drilling and spacing units consisting of the NE¼ SE¼ and NW¼ SE¼ of said Section 17.

A motion was made by Commissioner Klish to approve the July minutes, seconded by Commissioner Reagan and approved unanimously.

The meeting adjourned at 11:35 a.m.

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The Secretary was therefore authorized to issue the following orders:

Order No. 527-2, Sulphur Creek Field, Rio Blanco 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 400 feet from the unit boundary for certain lands in Townships 2 and 3 South, Ranges 97 and 98

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West, 6th P.M., for the production of gas and associated hydrocarbons from the Iles and Sego Formations.

Order No. 191--32, Mamm Creek Field, Garfield County: Approves the request 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 6 and 7 South, Range 91 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Order No. 510-24, 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 for the Williams Fork Formation and no closer than 600 feet for the Iles and Sego Formations, from the unit boundary for certain lands in Townships 4 through 7 South, Ranges 97 through 99 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork, Iles and Sego Formations.

Order No. 510-25, Grand Valley Field, Garfield County: Approves the request for an order to establish various drilling and spacing units for certain lands in Townships 5 and 6 South, Ranges 96 and 97 West, 6th P.M., and to allow the equivalent of one (1) well per 10 acres, with the permitted well to be located no closer than one hundred (100) feet from the unit boundary, for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Order No. 191-33, Mamm Creek Field, Garfield County: Approves the request for an order to establish 40-acre drilling and spacing units and allow increased density of up to four (4) wells, for certain lands in Township 6 South, Range 92 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 of the Mesaverde Group.

Order Nos. 250-38 & 407-289, Wattenberg Field, Weld County: Approves the request to confirm the 80-acre drilling and spacing unit consisting of the N½ SE¼ and S½ SE¼ of Section 17, Township 2 North, Range 67 West, 6th P.M., for production from the Sussex, Shannon, Codell and Niobrara Formations and to segregate the N½ SE¼ into two (2) 40-acre drilling and spacing units consisting of the NE¼ SE¼ and NW¼ SE¼ of said Section 17.

Approved:

Peter M. Mueller, Chair

Patricia C. Beaver, Secretary