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September 18, 2006

The Oil and Gas Conservation Commission met on September 18, at 9:03 a.m. in Suite 801, The Chancery Building, 1120 Lincoln Street, Denver Colorado, for a hearing in Cause Nos. 112 (2 matters), 191, 139, 440 (2 matters), 479, 495, 510 (2 matters), 1R, and 1V (2 matters).

Those present were:

Peter Mueller	Chair
Brian Cree	Vice 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

The August minutes will be available tomorrow for review and approval. Assistant Director King is on vacation so there was no report from the Executive Director's Office.

<u>Director's Report</u>: Director Macke stated that 5400 to 6000 Applications for Permits-to-Drill (APDs) are anticipated to be approved in the calendar year with the number of APDs approved without bond continuing to decrease (due to an increase in surface use agreements).

Linda Pavelka and Ed Dimatteo will be retiring and Carol Rensel will take a new position within the industry.

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. Garfield County Commissioner Larry McCown will not be available to co-chair with Director Macke but someone else from Garfield County will be available.

The data collection for the Phase IV Piceance Basin Baseline Water Quality Study was completed as of August 16, 2006 with an anticipated completion date of December 2006 for the project. There is no response as of yet on the letter from Director Macke to the Department of Energy. Garfield County is currently preparing Request for Proposal packages with a publication date of September 2006.

Southwest Colorado: The Coalbed Methane Stream Depletion Assessment Study and the 2005 Fruitland Outcrop Monitoring Report will be available September 19, 2006.

The Bondad explosion site well has been successfully plugged and water well samples have been collected for analysis.

The next GORT meeting is scheduled for March 8, 2007 at 8:30 a.m. at the La Plata County Fairgrounds. The last meeting was well attended with approximately 25 participants. Representatives from the Oil and Gas Accountability Project commented that it was a good meeting.

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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.

The Greater Wattenberg Area Rule 318A. testing requirements currently show results from ten (10) wells and requires a quarterly report on Rule 318A. water well testing.

The Keota Field remediation and reclamation has started.

Southeast Colorado: The Phase II Raton Basin Seep Mapping Project is progressing and will begin mid-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. Pioneer has responded to the incident by drilling new water wells for the affected landowners.

A stormwater complaint was received by COGCC staff and under the new stormwater policy the matter was turned over to the Water Quality Control Division.

Staff Organization: Interviews for the four new Environmental Protection Specialist (EPS) positions are currently in progress. Some of the candidates have applied for multiple locations. The job locations for the new EPS positions are Greeley, Rifle, Durango, and Trinidad.

Jaime Adkins has been promoted to the newly created Engineering Supervisor position for the Rifle – Parachute area. Jaime has been with the COGCC for over twelve (12) years and has worked the northwestern portion of the state since he joined the Commission. Jaime has demonstrated his ability to handle this additional responsibility by acting in a supervisory role for the last few years.

Another coalbed methane stream depletion study of the Raton and Piceance Basins is underway at the Request for Proposal stage.

The United States Fish and Wildlife Service meeting held August 29, 2006 regarding bird deaths in oil and gas heater/treaters and other fired equipment was attended by COGCC staff. Colorado Oil and Gas Association ("COGA") and COGCC staff are getting the word out to operators that enforcement will start March 1, 2007. Chair Mueller would like COGCC inspectors to note if bird cones are on heater/treater stacks during inspections. Only one (1) out of fifty (50) pits in Colorado was found to have oil on pits.

The noise data project will be discussed later today during the rulemaking portion of the hearing.

Public Outreach: The COGCC provided an informational exhibit display in the Department of Natural Resources building at the Colorado State Fair that was open from August 25 through September 4, 2006. Several COGCC employees volunteered to staff the exhibit display to greet the public and provide information about oil and gas operations in Colorado and about COGCC activities. Sincere thanks to the COGCC staff members who participated in this important outreach effort.

Brian Macke provided 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. Representatives from the Bureau of Land Management and the U.S. Forest Service were also on the panel to discuss the federal lands oil and gas leasing process.

Brian Macke and Tricia Beaver participated in a community informational meeting in Crestone at the Baca Grande Property Owners Association building on September 12, 2006, to discuss the two-well

natural gas exploratory well drilling program that is being planned in the San Luis Valley area by Lexam Exploration.

Brian Macke provided 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.

Northwest Area Engineer Jaime Adkins provided a 20-minute presentation at the Grand Junction Lions Club luncheon on August 29, 2006. He reviewed the mission of the COGCC and the status of development throughout the state, and in the northwest area in particular. The Lions Club is made up of prominent businessmen, civic leaders and concerned citizens and the presentation was well received. Approximately 140 people attended.

Brian Macke has been invited to provide a presentation about COGCC activities and regulation at the American Planning Association Colorado Annual Conference in Telluride on Friday, September 22, 2006.

The COGCC has been invited to provide a presentation about COGCC activities and regulation at a meeting of the Colorado Rural Electric Association in Grand Junction on Monday, September 25, 2006.

A severance tax performance audit resulted in a need for the COGCC to hold a rulemaking by June 2007.

The onsite inspection policy continues to work well.

The October hearing docket has twenty-three (23) new applications and three (3) continued matters. The Hearings Manager plans to limit future dockets to fifteen (15) matters given the staff's ability to process all aspects of each application. A meeting with William A. Keefe, Michael J. Wozniak, Assistant Attorney General Harmon and Tricia Beaver needs to be set up to discuss how to proceed with the large number of applications that are received monthly. It is possible that the COGCC will need fulltime hearing officers to handle the increase in applications.

The COGCC, in cooperation with the Bureau of Land Management ("BLM"), has released the new map layers containing the lease stipulations from the BLM on the COGCC GIS Online website.

LAS (log ASCII) format files are being discussed with two operators who have concerns about the format and Rule 308A.

Production data previous to 1999 should be available on the COGCC website by the end of September.

A variance under Rule 502.b. was granted to Antero Resources Corporation to allow two well pads to be built in the SW¼ NW¼ of Section 12, Township 6 South, Range 93 West, 6th P.M. This is a variance to Order No. 510-16. Waivers were obtained from the affected surface owners and Garfield County had no objection.

A variance under Rule 502.b. was granted to Williams Production RMT Company for an exception to the downhole location of the PA 41-0 Well located in the NE¼ NE¼ of Section 9, Township 7 South, Range 95 West, 6th P.M. to allow the well to be located less than 600 feet from the unit boundary. Requests for waivers were sent to the affected owners and no objections to the granting of the variance were received by the COGCC staff.

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<u>Assistant Attorney General's Report:</u> AAG Harmon briefly described the written litigation memo she provided to the Commission prior to the hearing and would like to have an executive session during lunch to discuss the Finley et al settlement agreement. A motion was made by Commissioner Potter to go into and come out of executive session, seconded by Commissioner Klish and approved unanimously by all Commissioners.

<u>Commissioner Comments:</u> Chair Mueller stated that there has been no word from the Governor's office regarding reappointment and new appointments. Commissioner Gerhardt commended David Dillon and Debbie Baldwin for their work on plugging the Bryce 1X Well. Commissioner Ashby thanked the engineers who provided pressure data for the hearing matters. Commissioner Klish would like to know if a positive press release could be prepared and distributed regarding the COGCC's work on the Bryce IX Well.

<u>Audience Comments:</u> William Keefe mentioned to the Commissioners that Garfield County has sent a letter to the Department of Energy ("DOE") regarding Presco's potential application for drilling inside the half mile radius near Project Rulison. Mr. Keefe was concerned that the DOE is not responding to COGCC or the County's letter.

<u>Consent Agenda:</u> In response to Chair Mueller's question regarding whether any Commissioners have a conflict of interest with any of the matters on the Consent Agenda, Commissioner Ashby recused himself from the Edward Mike Davis matter as he was a contractor for the company about five (5) years ago. Commissioner Klish is a consultant for Williams and Oxy but he does not believe he has a conflict. Commissioner Potter has a lease with Williams and his son works for Williams, but he does not believe he has a conflict.

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

Cause No. 440, Docket No. 0609-AW-15, 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 the S½ of Section 5, Township 7 South, Range 95 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause No. 112, Docket No. 0609-AW-16, request for an order to allow up to four (4) wells to be optionally drilled in the 320-acre drilling and spacing units for certain lands in Townships 32 and 33 North, Ranges 9 and 10 West, N.M.P.M., with the permitted well to be located no closer than 660 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Fruitland coal seams.

Cause No. 112, Docket No. 0609-AW-18, request for an order to allow up to four (4) wells to be optionally drilled in the 320-acre drilling and spacing units for certain lands in Township 33 North, Range 7 West, N.M.P.M., with the permitted well to be located no closer than 660 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Fruitland coal seams.

Cause No. 510, Docket No. 0609-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 400 feet from the unit boundary for certain lands in Townships 6 and 7 South, Ranges 96 and 97 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause Nos. 139, 440, 479, 495 and 510, Docket No. 0609-AW-20, 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 Township 7 South, Range 95 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause No. 191, Docket No. 0609-SP-41, request for an order to establish various drilling and spacing units for certain lands in Township 6 South, Range 92 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 100 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Cause No. 191, Docket No. 0609-SP-42, request for an order to vacate certain lands in the N¹/₂ of Section 18, Township 6 South, Range 92 West, 6th P.M. from the provisions of Order Nos. 191-25 and 510-16 and establish a 256.92 drilling and spacing unit for the N¹/₂ of Section 18, Township 6 South, Range 92 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Cause No. 1V, Docket No. 0609-OV-12, request to approve an Administrative Order by Consent finding Yale Oil Association, Inc. in violation of Rule 1004.a., failure to properly grade, recontour, reseed, and reclaim the well site and access road for the Roberts #19-9 Well, located in the NE¼ SE¼ of Section 19, Township 34 South, Range 61 West, 6th P.M.

Cause No. 1V, Docket No. 0609-OV-13, request to approve an Administrative Order by Consent finding Edward Mike Davis, LLC. in violation of Rule 301., failure to provide written notice of intention to change plans previously approved and failure to receive written approval for the change before the work had begun for the Krause 33-19 Well located in the NW¼ SE¼ of Section 19, Township 3 South, Range 50 West, 6th P.M.

Cause No. 112, Docket No. 0609-AW-17, request for an order to allow up to four (4) wells to be optionally drilled in the 320-acre drilling and spacing units for certain lands in Townships 32 and 33 North, Ranges 9 and 10 West, N.M.P.M., with the permitted well to be located no closer than 660 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Fruitland coal seams Formation was continued to the October hearing.

Cause No. 399, Docket No. 0609-SP-43, request for an order to establish 20-acre drilling and spacing units for certain lands in Township 10 South, Range 93 West, 6th P.M., with the permitted well to be located no closer than 200 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Williams Fork Formation was continued to the October hearing.

A hearing was held in Cause No. 1R, Docket No. 0609-RM-02, request for an order to amend the 45db(A) established in Rule 802.c., consider proposed revisions to Table 910-1, and proposed amendments to the 100 and 1100 Series Rules.

Assistant Attorney General Harmon provided opening remarks to describe what the Commission is considering today.

David Dillon presented the results of the COGCC staff's noise study. He described the process and the results from the two hundred (200) completed surveys received.

The Commission heard testimony from Ken Wonstolen, attorney for COGA, who stated that the table on the COGCC website indicating the noise survey results was confusing.

The Commission heard testimony from Ralph Wesche-Petroleum Engineer, Brant Grimmeson- EnCana and Lisa McDonald, who believe that the current regulation results in high costs with little benefit.

The Commission heard testimony from Anita Lewis-Alberta Energy & Utilities Board, who described Alberta's noise control process. She described that receptors are based 15 meters from homes and that property line measurements do not adequately address noise issues. The permissible sound level equals the basic sound level. Temporary noise generated from oil and gas operations include drilling rigs. Companies have retrofitted current compressors, and often go beyond requirements to address noise complaints.

The Commission heard testimony from Lisa Sumi-Research Director with the Oil and Gas Accountability Project and Josh Joswick-Oil and Gas Coordinator with the San Juan Citizen's Alliance both who submitted handout.

David Dillon, COGCC Engineering Manager, provided a handout on the COGCC staff's position.

Rule 510 Statements were made by the following:

Tom Parise, spoke from a written statement he provided, and supported the current Rule 802.

Jake Jacobs of EnCana Oil & Gas clarified how gas is measured.

Tracy Dahl, North Fork Ranch resident from Las Animas County, supported keeping the current Rule 802.

Patrick Barber, Grand Valley Citizens Alliance representative asked that the Commission uphold its regulations as adopted. He likes the source-based approach and he handed out a written document from the Lee Estates Family.

Sid Lindaur provided a written statement which he read into the record supporting the current Rule 802.

Gopa Ross, North Fork Ranch resident, described the noise she heard on July 18, 2006 which was over 80 dbA and described how a water well blowout has affected her and her neighbors.

Josh Joswick commented on the rulemaking process and stated that he would like the staff analysis to be made public prior to hearings so parties can have time to respond.

Brett Sherman, La Plata County Planning Department, was present to support keeping the noise rule as is.

Gwen Lachalt, Oil and Gas Accountability Project, urged the Commission to keep the standards that were set at the December 2005 hearing.

All exhibits were accepted, the record was closed at 5:41 p.m., and the Commissioners began deliberation.

Commissioner Ashby believes the biggest compliance issues are compressors although most complaints are at the wellhead.

Commissioner Reagan pointed out that it took Alberta 26 years to make a decision on noise regulations. He believes most of the complaints will come from pumping units and is concerned about background noise levels. He believes that he is better informed now than during the previous rulemaking.

Vice Chair Cree who was not present during the December hearing for the final vote and agrees with the staff recommendation with no grandfathering in for existing sites, nor does he believe 50dbA is too high at 350 feet.

Commissioner Klish believes that today's presentations were helpful.

Commissioner Gerhardt suggested keeping well heads at 45-50 dbA and compressors at 50-55 dbA.

Commissioner Potter does not think it makes sense to set standards lower that the ambient noise.

Chair Mueller believes that regardless of the vote on this, there is still quite a bit of work that needs to be done on existing facilities.

Commissioner Ashby believes that the current 45dbA should remain in place and the distance from which the measurement is taken should be increased.

Vice Chair Cree likes the 350 foot distance.

Commissioners Reagan, Ashby and Potter have a concern about where existing structures are located.

David Dillon stated that most of the complaints come from compressor sites, and well site complaints are inexpensive and easily resolved.

Commissioner Gerhardt stated that her main concern is to make sure that homes are not adversely affected.

Vice Chair Cree believes that in December 2005 the Commission went too far and agrees with the staff's proposal that the distance should be 350 feet.

Commissioner Reagan learned yesterday that it is hard to differentiate between 5dbA and has a lot of confidence in the excellent COGCC staff. He would like to make sure that everyone knows they can come to the COGCC with any kind of noise complaint. He believes that the noise rules should be revisited in the near future.

Commissioner Gerhardt would like more noise survey data prior to the next consideration of the noise rules.

Commissioner Klish agrees with Vice Chair Cree and thinks the issue should continue to be reviewed.

Commissioner Potter agrees that the issue needs to continue to be reviewed and thinks the goal should be to get to the 45dbA level.

Commissioner Gerhardt supports the COGCC staff's recommendations.

Commissioner Ashby supports the COGCC staff's recommendations.

Commissioner Reagan supports the COGCC staff's recommendation with previously made comments about Alberta's 26 years to promulgate its rules.

Chair Mueller supports the staff's recommendation and suggests that the Commission look back in two years and in the meantime continue to consider the low frequency issue.

A motion was made by Commissioner Ashby to amend Rule 802.c. as it currently exists so that facilities constructed after January 1, 2007, would be subject to the current decibel levels for residential/agricultural/rural and repeal the 5dbA level that was to go into effect on January 1, 2007, and revisit the noise rule in June, 2008, seconded by Vice Chair Cree and approved unanimously.

Debbie Hathaway, S. S. Papadopulos & Associates, Inc. made a presentation of the Coalbed Methane Stream Depletion Assessment Study.

Dick Wolfe described upcoming studies proposed by the Division of Water Resources in the Raton and Piceance Basins. He indicated a different method to conduct the studies is being considered.

John Peterson of LT Environmental made a presentation on the 2005 Fruitland Outcrop Monitoring Report.

John Peterson of LT Environmental made a presentation on Recent Soil Gas Survey Data at Bondad.

The Commission considered changes to Table 910-1 to comport with the Water Quality Control Commission standards set September 9, 2004. Debbie Baldwin, COGCC Environmental Manager, described how the standards changed.

A motion was made by Commissioner Klish to approve the changes to Table 910-1, seconded by Commissioner Reagan and approved unanimously.

The Commission considered changes to the 100 and 1100 Series Rules.

Chair Mueller asked if the COGCC has a sense of what it wants regulated regarding pipelines.

Commissioner Potter stated that he continues to be concerned about the safety issues related to pipelines.

Director Macke suggested that the Commission could create a resolution to describe its expectations regarding pipelines for submission to the Public Utilities Commission ("PUC"), and to make sure construction, maintenance and abandonment are done properly and that there is a database to contain all pertinent information.

Chair Mueller does not want to handle high pressure lines or large distribution lines and may want the PUC's to authority occur at the first meter.

A motion was made by Commissioner Gerhardt to amend Rules in the 100 and 1100 Series affecting pipelines to return to the previous rules, seconded by Commissioner Reagan and approved by all Commissioners except Commissioner Potter.

John Peterson of LT Environmental made a presentation on behalf of the La Plata County Energy Council Methane Mitigation Advisory Group on the La Plata County Methane Seep Mitigation efforts.

Dan Weber of Erroll Montgomery & Associates Inc. presented the seep survey results.

Christi Zeller of the La Plata County Energy Council stated that using Fund 170 monies is the favored approach for mitigation. She stated that La Plata County produces the most amount of methane gas with the fewest number of wells. The group has considered the possibility of asking for Energy Impact Funds or a special mil levy in La Plata County for mitigation funds. In addition, the group is aware of other grant opportunities from the Gas Research Institute, Department of Energy, and Colorado Energy Research Institute.

Dave Brown of BP believes the COGCC should lead the mitigation process.

Christi Zeller stated that the group will write up a proposal and will look at a funding budget. She will discuss this with her board next Thursday.

Debbie Baldwin stated that COGCC will continue to work toward funding from the five hundred thousand dollar (\$500,000) line of the COGCC budget to assist in this mitigation effort.

She believes the 3M Project should be extended into Archuleta County and described the difference in the geologic model in the Archuleta County from La Plata County.

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

The meeting adjourned at 3:45 p.m.

The Secretary was therefore authorized to issue the following orders:

<u>Order No. 1R-103, Statewide:</u> Approved the request for an order to amend the 45db(A) established in Rule 802.c., revisions to Table 910-1, and amendments to the 100 and 1100 Series Rules.

<u>Order No. 440-36, Parachute Field, Garfield County</u>: Approved 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 the S¹/₂ of Section 5, Township 7 South, Range 95 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation.

<u>Order No. 112-192, Ignacio-Blanco Field, La Plata County:</u> Approved the request for an order to allow up to four (4) wells to be optionally drilled in the 320-acre drilling and spacing units for certain lands in Townships 32 and 33 North, Ranges 9 and 10 West, N.M.P.M., with the permitted well to be located no closer than 660 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Fruitland coal seams.

<u>Order No. 112-193</u>, Ignacio-Blanco Field, La Plata County: Approved the request for an order to allow up to four (4) wells to be optionally drilled in the 320-acre drilling and spacing units for certain lands in Township 33 North, Range 7 West, N.M.P.M., with the permitted well to be located no closer than 660 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Fruitland coal seams.

<u>Order No. 510-26, Grand Valley Field, Garfield County</u>: Approved 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 6 and 7 South, Ranges 96 and 97 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation.

<u>Order Nos. 139-38, 440-23, 479-11, 495-3 and 510-8, Rulison/Parachute/Grand Valley Fields,</u> <u>Garfield County:</u> Approved 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 certain lands in Township 7 South, Range 95 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation.

<u>Order No. 191-34, Docket No. 0609-SP-41, Mamm Creek Field, Garfield County</u>: Approved the request for an order to establish various drilling and spacing units for certain lands in Township 6 South, Range 92 West, 6th P.M., and to allow the equivalent of one (1) well per 10 acres, with the

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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 and Iles Formations.

<u>Order No. 1V-304, Docket No. 0609-OV-12, Las Animas County:</u> Approved the Administrative Order by Consent finding Yale Oil Association, Inc. in violation of Rule 1004.a., failure to properly grade, recontour, reseed, and reclaim the well site and access road for the Roberts #19-9 Well, located in the NE¹/₄ SE¹/₄ of Section 19, Township 34 South, Range 61 West, 6th P.M.

<u>Order No. 1V-305, Docket No. 0609-OV-13, Washington County</u>: Approved the Administrative Order by Consent finding Edward Mike Davis, LLC. in violation of Rule 301., failure to provide written notice of intention to change plans previously approved and failure to receive written approval for the change before the work had begun for the Krause 33-19 Well located in the NW¼ SE¼ of Section 19, Township 3 South, Range 50 West, 6th P.M.

Approved:

Patricia C. Beaver, Secretary

Peter M. Mueller, Chair