

RECORD OF PROCEEDINGS

December 9, 2008

The Oil and Gas Conservation Commission met on December 9, 2008 at 8:30 a.m. in the Terrace Room at the Sheraton Hotel, 1550 Court Place, Denver, Colorado, for a hearing in Cause Nos. 1, 112 (2 matters), 191 (3 matters), 139 and 440, and 1V (2 matters).

Those present were:

Harris Sherman	Chair
Joshua Epel	Vice Chair
Rich Alward	Commissioner
Tom Compton	Commissioner
Mark Cutright	Commissioner
Michael Dowling	Commissioner
Trési Houpt	Commissioner
Jim Martin	Commissioner
Kelly Rees	Assistant Attorney General
David Neslin	Acting Director
Tricia Beaver	Hearings Manager

A motion was made by Commissioner Dowling to approve the October 2008 minutes, seconded by Vice Chair Epel, and unanimously approved.

There was no report from the Executive Director's Office.

There was no verbal report from the Acting Director, however, a written staff report was provided.

There was no report from the Assistant Attorney General.

There were no comments from the Commissioners.

There were no comments from the audience.

The December hearing was abbreviated due to the length of continuing rulemaking deliberations.

Consent Agenda: Commissioner Houpt requested that Cause Nos. 139 and 440, Docket No. 0812-AW-35 be voted on separately due to the proximity of the application lands to the Rulison blast site. Commissioner Compton recused himself from participating in Cause No. 112, Docket No. 0810-AW-32 and Cause No. 112, Docket No. 0810-AW-33 due to his disclosure of a conflict of interest. Commissioner Alward requested that Cause No. 191, Docket No. 0812-SP-26 and Cause No. 191, Docket No. 0812-UP-37 be voted on separately, and that parties to the application and protest be allowed to make argument regarding the inclusion of the matters on the consent agenda.

A motion was made by Commissioner Martin to approve the consent agenda matters, excepting Cause No. 112, Docket No. 0810-AW-32, Cause No. 112, Docket No. 0810-AW-33, Cause Nos. 139 and 440, Docket No. 0812-AW-35, Cause No. 191, Docket No. 0812-SP-26, and Cause No. 191, Docket No. 0812-UP-37, seconded by Vice Chair Epel, and approved unanimously. The following matters were approved:

Cause No. 191, Docket No. 0810-AW-31, Garfield County, 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 W½ NW¼ of Section 21, Township 6 South, Range 91 West, 6th P.M., for production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

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Cause No. 1, Docket No. 0812-GA-04, Routt County, request for approval of an Administrative Order by Consent to claim the bond of the Baierl #2 domestic gas well located in the NE¼ SE¼ of Section 25, Township 5 North, Range 88 West, 6th P.M.

Cause No. 1V, Docket No. 0812-OV-20, Routt County, request for approval of an Administrative Order by Consent for failure by Stephens Energy Company LLC to comply with Rule 902.c. (for operating a pit with less than two feet of freeboard), Rule 902.d. (for allowing oil to accumulate for more than 24 hours on an unpermitted, insufficiently fenced, unnetted pit), Rule 603.j. (for failing to maintain well site with respect to trash and excessive equipment/supplies not necessary for use on that lease), and Rule 1003.b. (for failure to complete interim reclamation of the reserve pit within 12 months of well completion; and for failure to maintain well site to minimize erosion), at the Breeze State #11-8 Well, located in the NE¼ SW¼ of Section 8, Township 6 North, Range 89 West, 6th P.M., and assessing a fine of \$4,000.

Cause No. 1V, Docket No. 0812-OV-21, Las Animas County, request for approval of an Administrative Order by Consent for failure by Pioneer Natural Resources USA, Inc. to comply with Rule 324A.a. (failing to take adequate precaution to protect environmental quality and to prevent the unauthorized discharge of E&P waste), Rule 902.a. (failing to construct and operate an E&P pit to protect waters of the state), Rule 902.g. (construction of a pit in fill material), and Rule 907.a.(1) (failing to ensure that E&P waste is properly stored, handled or disposed to prevent threatened significant adverse environmental impacts to water, soil or biological resources), at the Muleherder #14-14 Well located in the SW¼ SW¼ of Section 14, Township 32 South, Range 68 West, 6th P.M., and assessing a fine of \$14,000.

A motion was made by Commissioner Martin to approve Cause No. 112, Docket No. 0810-AW-32 and Cause No. 112, Docket No. 0810-AW-33, seconded by Vice Chair Epel, and approved unanimously with Commissioner Compton abstaining. The following matters were approved:

Cause No. 112, Docket No. 0810-AW-32, La Plata County, request for an order to allow up to four optional wells in certain 320-acre drilling and spacing units, with the permitted well to be located no closer than 660 feet from the unit boundary and with no setback any interior quarter section line, for certain lands in Townships 34 and 35 North, Ranges 6 through 8 West, N.M.P.M., for production of gas and associated hydrocarbons from the Fruitland coal seams.

Cause No. 112, Docket No. 0810-AW-33, La Plata County, request for an order to allow up to four optional wells in certain 320-acre drilling and spacing units, with the permitted well to be located no closer than 660 feet from the unit boundary and with no setback to any interior quarter section line, for certain lands in Township 32 North, Ranges 5, 6 and 9 West, N.M.P.M. and Township 34 North, Ranges 6 and 7 West, N.M.P.M., for production of gas and associated hydrocarbons from the Fruitland coal seams.

A motion was made by Commissioner Martin to approve Cause Nos. 139 and 440, Docket No. 0812-AW-35, seconded by Vice Chair Epel, and approved by majority with Commissioner Houpt voting in opposition. The following matter was approved:

Cause Nos. 139 and 440, Docket No. 0812-AW-35, Garfield County, 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 SE¼ NW¼ of Section 22, Township 7 South, Range 95 West, 6th P.M., for production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

A motion was made by Vice Chair Epel to approve Cause No. 191, Docket No. 0812-SP-26 and Cause No. 191, Docket No. 0812-UP-37, seconded by Commissioner Martin, following the consideration of arguments presented by Nathan Keever, attorney for the Protestants, James R.

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Carnahan and Colleen Carnahan, and William Keefe, attorney for the Applicant, Antero Resources Piceance Corporation, regarding the dismissal of a protest to the application filed by Protestants made by the Hearing Officers. The motion was approved unanimously, and the following matters were approved:

Cause No. 191, Docket No. 0812-SP-26, Garfield County, request for an order to vacate the approximate 186.3-acre drilling and spacing unit and establish an approximate 154.377-acre and an approximate 36.845-acre drilling and spacing unit, and allow one well per 10 acres, with the permitted well to be located no closer than 100 feet to the unit for certain lands in the N½ of Section 12, Township 6 South, Range 93 West, 6th P.M., for production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Cause No. 191, Docket No. 0812-UP-37, Garfield County, request for an order to pool all nonconsenting interests in the approximate 154.377-acre drilling and spacing unit for certain lands in the N½ of Section 12, Township 6 South, Range 93 West, 6th P.M., for the development and operation of the Williams Fork and Iles Formations.

The following matters have been continued to the January 2009 hearing:

Cause No. 112, Docket No. 0812-AW-34, La Plata County, request for an order to allow up to four optional wells in certain 320-acre drilling and spacing units, with the permitted well to be located no closer than 660 feet from the unit boundary and no closer than 130 feet to any interior quarter section line, for certain lands in Township 34 North, Ranges 8 and 9 West, N.M.P.M. and Township 34.5 North, Range 9 West, N.M.P.M., for production of gas and associated hydrocarbons from the Fruitland coal seams.

Cause No. 139, Docket No. 0812-SP-25, Garfield County, request for an order to vacate the 320-acre drilling and spacing unit consisting of the W½ of Section 21, Township 6 South, Range 93 West, 6th P.M., and establish an approximate 80-acre laydown drilling and spacing unit consisting of the N½ NW¼ of said Section 21, and allow one well per 10 acres, with the permitted well to be located no closer than 100 feet to the unit, for production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Cause No. 1V, Docket No. 0809-OV-19, Boulder County, request for approval of an Administrative Order by Consent finding TOP Operating Company in continuing violation of Rule 906.d. for failing to perform timely remediation required by Remediation Work Plan #3743 at the Counter #2 Well located in the NE¼ NE¼ of Section 30, Township 2 North, Range 66 West, 6th P.M., the Counter #3 Well located in the SE¼ NE¼ of Section 30, Township 2 North, Range 66 West, 6th P.M., the Schneider #3 Well located in the NW¼ NW¼ of Section 30, Township 2 North, Range 66 West 6th P.M., the Knox #1-23 Well located in the SW¼ NW¼ of Section 23, Township 2 North, Range 67 West, 6th P.M., and the Knox #22-23 Well located in the SE¼ NW¼ of Section 23, Township 2 North, Range 67 West, 6th P.M.

Cause No. 1, Docket No. 0809-GA-01, Adams County, request for an order to designate Barr Lake State Park as a Designated Outside Activity Area.

Cause No. 531, Docket No. 0809-UP-18, Jackson County, request for an order to pool all nonconsenting interests in the 629-acre drilling and spacing unit consisting of Section 30, Township 7 North, Range 80 West, 6th P.M., for the development and operation of the Niobrara Formation.

The hearing adjourned at 9:17 a.m., at which time rulemaking deliberations were resumed.

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The Secretary was therefore authorized to issue the following orders:

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Order No. 191-57, Mamm Creek 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 from the unit boundary for the W $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 21, Township 6 South, Range 91 West, 6th P.M., for production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Order No. 112-214, Ignacio-Blanco Field, La Plata County: Approves the request for an order to allow up to four optional wells in certain 320-acre drilling and spacing units, with the permitted well to be located no closer than 660 feet from the unit boundary and with no setback any interior quarter section line, for certain lands in Townships 34 and 35 North, Ranges 6 through 8 West, N.M.P.M., for production of gas and associated hydrocarbons from the Fruitland coal seams.

Order No. 112-215, Ignacio-Blanco Field, La Plata County: Approves the request for an order to allow up to four optional wells in certain 320-acre drilling and spacing units, with the permitted well to be located no closer than 660 feet from the unit boundary and with no setback to any interior quarter section line, for certain lands in Township 32 North, Ranges 5, 6 and 9 West, N.M.P.M. and Township 34 North, Ranges 6 and 7 West, N.M.P.M., for production of gas and associated hydrocarbons from the Fruitland coal seams.

Order Nos. 139-103 and 440-55, Rulison and Parachute Fields, 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 the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 22, Township 7 South, Range 95 West, 6th P.M., for production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Order No. 191-58, Mamm Creek Field, Garfield County: Approves the request for an order to vacate the approximate 186.3-acre drilling and spacing unit and establish an approximate 154.377-acre and an approximate 36.845-acre drilling and spacing unit, and allow one well per 10 acres, with the permitted well to be located no closer than 100 feet to the unit for certain lands in the N $\frac{1}{2}$ of Section 12, Township 6 South, Range 93 West, 6th P.M., for production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Order No. 191-59, Mamm Creek Field, Garfield County: Approves the request for an order to pool all nonconsenting interests in the approximate 154.377-acre drilling and spacing unit for certain lands in the N $\frac{1}{2}$ of Section 12, Township 6 South, Range 93 West, 6th P.M., for the development and operation of the Williams Fork and Iles Formations.

Order No. 1-142, Routt County: Approves the Administrative Order By Consent to claim Mr. Leonard Yoast's plugging bond for the Baierl #2 domestic gas well located in the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 25, Township 5 North, Range 88 West, 6th P.M., and to authorize monies from the Oil and Gas Conservation and Environmental Response Fund to meet any shortfall in costs between the proceeds of said bond and the actual costs of plugging, abandoning, and reclaiming the Baierl #2 Well and associated production facilities.

Order No. 1V-334, Las Animas County: Approves the Administrative Order By Consent for failure by Pioneer Natural Resources USA, Inc. to comply with Rule 324A.a., failing to take adequate precaution to protect environmental quality and to prevent the unauthorized discharge of E&P waste; Rule 902.a., failing to construct and operate an E&P pit to protect waters of the state; Rule 902.g., construction of a pit in fill material; and Rule 907.a.(1), failing to ensure that E&P waste is properly stored, handled or disposed to prevent threatened significant adverse environmental impacts to water, soil or biological resources, at the Muleherder #14-14 Well located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 14, Township 32 South, Range 68 West, 6th P.M., and assesses a fine of \$14,000.

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Order No. 1V-335, Routt County: Approves the Administrative Order by Consent for failure by Stephens Energy Company LLC to comply with Rule 902.c., for operating a pit with less than two feet of freeboard; Rule 902.d., for allowing oil to accumulate for more than 24 hours on an unpermitted, insufficiently fenced, unnetted pit; Rule 603.j., for failing to maintain well site with respect to trash and excessive equipment/supplies not necessary for use on that lease; and Rule 1003.b., for failure to complete interim reclamation of the reserve pit within 12 months of well completion; and for failure to maintain well site to minimize erosion, at the Breeze State #11-8 Well, located in the NE¼ SW¼ of Section 8, Township 6 North, Range 89 West, 6th P.M., and assesses a fine of \$4,000.

Approved:

Harris Sherman, Chair

Patricia C. Beaver, Secretary