

RECORD OF PROCEEDINGS

July 15, 2008

The Oil and Gas Conservation Commission met on July 15, 2008 at 8:00 a.m. in Ballroom B of the Brown Palace Hotel, 321 Seventeenth Street, Denver, Colorado, for a hearing in Cause Nos. 9, 112 (2 matters), 139 and 440, 139 (2 matters), 166 (2 matters), 191, 315 (2 matters), 427, 510, 513, and 531.

Those present were:

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

Commissioner Houpt requested that the proposed June 2008 minutes be corrected to reflect that in June's Consent Agenda Cause No. 139, Docket No. 0806-SP-12, she indicated that she had recused herself as a Garfield County Commissioner from the discussions that Garfield County had held with the Department of Energy so that she could vote on this matter as a COGCC Commissioner. A motion was made by Commissioner Dowling to approve the June 2008 minutes as amended by Commissioner Houpt, seconded by Commissioner Martin, and unanimously approved.

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

There was no report from the Acting Director.

Chris Canfield, COGCC Environmental Protection Specialist for the Northwest Area, made a presentation regarding unauthorized discharges in Garfield County that have impacted Ned Prather, ground water, springs, and surface water. He used a Powerpoint presentation to describe the issuance of notices of alleged violations, site investigation and remediation plans, and assessment of the work done at the various sites to mitigate the effects of the referenced discharges.

Bob Chesson, COGCC Environmental Protection Specialist, made a presentation on the West Divide Creek complaint and gave an update on work done at the site. His presentation included his opinion that concerns regarding seepage may be explained by naturally occurring biological conditions found at the site.

A preliminary docket for the August 2008 hearing was provided.

Acting Director Neslin reported that, in Cause No. 112, Docket No. 0801-EX-01, COGCC Staff has recommended granting a variance, subject to conditions imposed by COGCC which have been agreed to by Chevron Midcontinent, L.P. ("Chevron") and La Plata County in their Memorandum of Understanding filed in this matter, for the Crader 3-3 Well to be drilled by Chevron, within one and one-half miles of the outcrop contact between the Fruitland and Pictured Cliffs Formations in the 320-acre drilling and spacing unit in the E½ of Section 3, Township 34 North, Range 9 West, N.M.P.M., for the production of gas and associated hydrocarbons from the Fruitland coal seams. Josh Joswick, a representative of San Juan Citizens Alliance, was recognized and provided verbal comments to his

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Rule 510 statement filed in opposition to the application. Bill Keefe, attorney for Chevron, made a statement in support of allowing Acting Director Neslin to grant the variance.

A motion was made by Commissioner Houpt, seconded by Commissioner Gerhardt, to conduct an adjudicatory hearing prior to allowing Acting Director Neslin to grant the variance in Cause No. 112, Docket No. 0801-EX-01. Discussion by Vice Chair Epel regarding consultation, as it is his belief that the right to a hearing in this matter should be waived and the variance granted. Commissioner Gerhardt provided background regarding seeps and what gave rise to the requirement that the Commission be informed as to when an Application for Permit-to-Drill is filed within one and one-half miles of the outcrop contact between the Fruitland and Pictured Cliffs Formations. It was her desire that a hearing be conducted to educate the Commission as to those issues present in the application area. Commissioner Compton stated he would vote in opposition to the motion so as not to send a message to La Plata County that the Commission doesn't value their work in reaching a agreement with an operator. The motion was defeated, with only Commissioners Houpt and Gerhardt who voted in favor of said motion. Accordingly, Acting Director Neslin was allowed to grant a variance under Rule 502.b. for the Application for Permit-to-Drill the Crader 3-3 Well without the need for conducting a hearing before the Commission.

There was no report from the Assistant Attorney General.

There were no comments from the Commissioners.

There were no comments from the audience.

Consent Agenda: Michael Wozniak, attorney for EnCana Oil and Gas (USA) Inc., disclosed that a small portion of application lands found in Cause Nos. 139 and 440, Docket No. 0806-AW-15 are within the 3-mile notification area of the Rulison blast site. Based on this disclosure, Commissioner Houpt requested that Cause Nos. 139 and 440, Docket No. 0806-AW-15 be voted on separately under the consent agenda.

A motion was made by Commissioner Compton to approve the consent agenda matters, excepting Cause Nos. 139 and 440, Docket No. 0806-AW-15, seconded by Commissioner Martin, and approved unanimously. The following matters were approved:

Cause No. 112, Docket No. 0710-AW-22, La Plata County, request for an order to allow two additional wells, for a total of four, in the 320-acre drilling and spacing units in certain lands in Township 34 North, Ranges 9 and 10 West, N.M.P.M., with the permitted well to be located no closer than 660 feet from the outer unit boundary, for the production of gas and associated hydrocarbons from the Fruitland coal seams.

Cause No. 315, Docket No. 0805-AW-12, Yuma County, request for an order to allow three additional wells, for a total of four wells, in the 160-acre drilling and spacing units in Sections 22 and 23, Township 1 South, Range 44 West, 6th P.M., with the permitted well to be located no closer than 900 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Niobrara Formation.

Cause No. 315, Docket No. 0805-EX-03, Yuma County, request for an order allowing an exception to the permitted location in Order No. 315-3, for the drilling of the proposed Chapman 22-12 Well with a surface location of 2451 feet FSL and 651 feet FWL, in the NW¹/₄ SW¹/₄ of Section 22, Township 1 South, Range 44 West, 6th P.M., for the production of gas and associated hydrocarbons from the Niobrara Formation.

Cause No. 166, Docket No. 0806-SP-13, Mesa County, request for an order to vacate 160-acre drilling and spacing units and establish 40-acre drilling and spacing units and to allow one

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well per 10 acres, with the permitted well to be located no closer than 200 feet to the unit or lease line boundary for certain lands in Townships 9 and 10 South, Range 95 West, 6th P.M., for production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause No. 427, Docket No. 0806-UP-15, Moffat County, request for an order to establish an 80-acre exploratory drilling and spacing unit in the S½ NW¼ of Section 31, Township 12 North, Range 90 West, 6th P.M., and to pool all nonconsenting interests in said unit, for production of gas and associated hydrocarbons from the Lewis and Mesaverde Formations.

Cause No. 510, Docket No. 0807-AW-20, 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 outside boundary for certain lands in Township 7 South, Range 97 West, 6th P.M., for production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Cause No. 513, Docket No. 0807-AW-21, 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 lease line or outside boundary for certain lands in Township 6 South, Range 91 West, 6th P.M., for production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Cause No. 9, Docket No. 0807-UP-16, Logan County, request for an order to amend Order No. 9-5 and establish an 80-acre drilling and spacing unit consisting of the E½ SE¼ of Section 20, Township 9 North, Range 53 West, 6th P.M. and pool all nonconsenting interests in said 80-acre drilling and spacing unit, for the drilling of a horizontal well, for the development and operation of the "O" Sand Formation.

Cause No. 191, Docket No. 0807-SP-14, Garfield County, request for an order to vacate Order Nos. 191-15 and 191-25, which established a 320-acre drilling and spacing unit and establish an approximate 80-acre drilling and spacing, an approximate 215.94-acre drilling and spacing unit, and an approximate 24.152-acre drilling and spacing unit for certain lands in the N½ of Section 11, Township 6 South, Range 93 West, 6th P.M., and 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 production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Cause No. 531, Docket No. 0807-SP-15, Jackson County, request for an order to establish approximate 640-acre drilling and spacing units and complete one horizontal well in each unit for certain lands in Townships 6 and 7 North, Ranges 80 and 81 West, 6th P.M., with the option to drill a second horizontal well, with a bottom hole location no closer than 600 feet from the boundaries of the unit, for production of gas and associated hydrocarbons from the Niobrara Formation.

Cause No. 166, Docket No. 0807-SP-17, Mesa County, request for an order to 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, for production of gas and associated hydrocarbons from the Niobrara Formation.

Cause No. 139, Docket No. 0807-SP-18, Garfield County, request for an order to establish a 40-acre drilling and spacing unit consisting of the NW¼ SE¼ and a 160-acre drilling and spacing unit consisting of the SW¼, both in Section 4, Township 8 South, Range 96 West, 6th P.M., and allow the equivalent of one well per 20 acres, with the permitted well to be located no closer than 200 feet from the unit boundaries, for production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Cause No. 139, Docket No. 0807-SP-19, Garfield County, request for an order to establish a 640-acre drilling and spacing unit consisting of Section 1, Township 8 South, Range 97

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West, 6th P.M., and allow the equivalent of one well per 20 acres, with the permitted well to be located no closer than 200 feet from the unit boundaries, 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 Nos. 139 and 440, Docket No. 0806-AW-15, seconded by Commissioner Compton, and approved by all Commissioners except Commissioner Houpt. The following matter was approved:

Cause Nos. 139 and 440, Docket No. 0806-AW-15, 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 certain lands in Township 7 South, Range 95 West, 6th P.M., for production of gas and associated hydrocarbons from the Williams Fork Formation.

The following matters have been continued to the August 2008 hearing:

Cause No. 510, Docket No. 0806-EX-04, Garfield County, request for an order allowing an exception to the permitted location for the Mancos Formation at a bottomhole location of 150 feet FSL and 440 feet FWL and the Iles Formation to be produced at a bottomhole location of 184 feet FSL and 440 feet FWL in the Cotner 35-14D Well located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 35, Township 7 South, Range 96 West, 6th P.M., for production of gas and associated hydrocarbons from the Mancos Formation.

Cause No. 139, Docket No. 0807-AW-19, Garfield County, request for an order allowing the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the outside boundary for the S $\frac{1}{2}$ NW $\frac{1}{4}$ and N $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 8, Township 7 South, Range 93 West, 6th P.M., for production of gas and associated hydrocarbons from the Williams Fork Formation and to allow the equivalent of one well per 20 acres for production from the Iles Formation in said lands.

Cause No. 520, Docket No. 0807-UP-17, Huerfano County, request for an order to establish standup 320-acre drilling and spacing units and to pool all nonconsenting interests in two units for certain lands in Townships 29 and 30 South, Range 69 West, 6th P.M., for production of gas and associated hydrocarbons from the Entrada and Dakota Formations.

The hearing adjourned at 9:40 a.m.

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The Secretary was therefore authorized to issue the following orders:

Order No. 112-212, Ignacio-Blanco Field, La Plata County: Approves the request for an order to allow two additional wells, for a total of four, in the 320-acre drilling and spacing units in certain lands in Township 34 North, Ranges 9 and 10 West, N.M.P.M., with the permitted well to be located no closer than 660 feet from the outer unit boundary, for the production of gas and associated hydrocarbons from the Fruitland coal seams.

Order No. 112-213, Ignacio-Blanco Field, La Plata County: Approves the request for a variance under Rule 502.b. to allow the Application for Permit-to-Drill the Crader 3-3 Well, located in the NE $\frac{1}{4}$ of Section 3, Township 34 North, Range 9 West, N.M.P.M. (NUL), within one and one-half miles of the outcrop contact between the Fruitland and Pictures Cliffs Formations, for the production of gas and associated hydrocarbons from the Fruitland coal seams without the need for conducting a hearing.

Order No. 315-11, Vernon Field, Yuma County: Approves the request for an order to allow three additional wells, for a total of four wells, in the 160-acre drilling and spacing units in Sections 22 and 23, Township 1 South, Range 44 West, 6th P.M., with the permitted well to be

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located no closer than 900 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Niobrara Formation.

Order No. 315-12, Vernon Field, Yuma County: Approves the request for an order allowing an exception to the permitted location in Order No. 315-3, for the drilling of the proposed Chapman 22-12 Well with a surface location of 2451 feet FSL and 651 feet FWL, in the NW¼ SW¼ of Section 22, Township 1 South, Range 44 West, 6th P.M., for the production of gas and associated hydrocarbons from the Niobrara Formation.

Order Nos. 139-95 and 440-52, 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 certain lands in Township 7 South, Range 95 West, 6th P.M., for production of gas and associated hydrocarbons from the Williams Fork Formation.

Order No. 166-27, Plateau Field, Mesa County: Approves the request for an order to vacate 160-acre drilling and spacing units and establish 40-acre drilling and spacing units and to allow one well per 10 acres, with the permitted well to be located no closer than 200 feet to the unit or lease line boundary for certain lands in Townships 9 and 10 South, Range 95 West, 6th P.M., for production of gas and associated hydrocarbons from the Williams Fork Formation.

Order No. 427-4, Wildcat Field, Moffat County: Approves the request for an order to establish an 80-acre exploratory drilling and spacing unit in the S½ NW¼ of Section 31, Township 12 North, Range 90 West, 6th P.M., and to pool all nonconsenting interests in said unit, for production of gas and associated hydrocarbons from the Lewis and Mesaverde Formations.

Order No. 510-43, 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 from the outside boundary for certain lands in Township 7 South, Range 97 West, 6th P.M., for production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Order No. 513-4, Kokopelli 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 lease line or outside boundary for certain lands in 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. 9-6, Walker Field, Logan County: Approves the request for an order to amend Order No. 9-5 and establish an 80-acre drilling and spacing unit consisting of the E½ SE¼ of Section 20, Township 9 North, Range 53 West, 6th P.M., and pool all nonconsenting interests in said 80-acre drilling and spacing unit, for the drilling of a horizontal well, for the development and operation of the "O" Sand Formation.

Order No. 191-54, Mamm Creek Field, Garfield County: Approves the request for an order to vacate Order Nos. 191-15 and 191-25, which established a 320-acre drilling and spacing unit and establish an approximate 80-acre drilling and spacing, an approximate 215.94-acre drilling and spacing unit, and an approximate 24.152-acre drilling and spacing unit for certain lands in the N½ of Section 11, Township 6 South, Range 93 West, 6th P.M., and 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 production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Order No. 531-2, Unnamed Field, Jackson County: Approves the request for an order to establish approximate 640-acre drilling and spacing units and complete one horizontal well in each unit for certain lands in Townships 6 and 7 North, Ranges 80 and 81 West, 6th P.M., with the option

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to drill a second horizontal well, with a bottom hole location no closer than 600 feet from the boundaries of the unit, for production of gas and associated hydrocarbons from the Niobrara Formation.

Order No. 166-28, Plateau Field, Mesa County: Approves the request for an order to 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, for production of gas and associated hydrocarbons from the Niobrara Formation.

Order No. 139-96, Rulison Field, Garfield County: Approves the request for an order to establish a 40-acre drilling and spacing unit consisting of the NW¼ SE¼ and a 160-acre drilling and spacing unit consisting of the SW¼ both in Section 4, Township 8 South, Range 96 West, 6th P.M., and allow the equivalent of one well per 20 acres, with the permitted well to be located no closer than 200 feet from the unit boundaries, for production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Order No. 139-97, Rulison Field, Garfield County: Approves the request for an order to establish a 640-acre drilling and spacing unit consisting of Section 1, Township 8 South, Range 97 West, 6th P.M., and allow the equivalent of one well per 20 acres, with the permitted well to be located no closer than 200 feet from the unit boundaries, for production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Patricia C. Beaver, Secretary

Approved:

Harris Sherman, Chair