

RECORD OF PROCEEDINGS

June 10 - June 11, 2008

The Oil and Gas Conservation Commission met on June 10, 2008 at 8:30 a.m. in the Two Rivers Convention Center, 159 Main Street, Colorado River Room, Grand Junction, Colorado, for receipt of public comments as to the ongoing process of statewide rulemaking.

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

Chairman Sherman introduced the Commissioners and described their expertise and background, and gave an introductory statement concerning the statewide rulemaking process. He introduced the COGCC staff and AAG Rees, and described the mission of the Commission during the rulemaking process.

Over the course of morning and afternoon sessions, the Commission heard from 120 plus individuals regarding their respective concerns over the statewide rulemaking process and the impact the proposed rules would have on industry, public welfare, health and safety, environment, and wildlife. Those individuals requesting the opportunity to address the Commission were required to sign lists and indicate whether they were affiliated with either Environment, Industry, Local Government (to include concerned citizens), or Landowner/royalty owner. The public comment session was broadcast over the internet through the COGCC website.

The hearing adjourned at 3:45 p.m.

The Oil and Gas Conservation Commission reconvened on June 11, 2008 at 8:30 a.m. in the Two Rivers Convention Center, 159 Main Street, Colorado River Room, Grand Junction, Colorado, for a hearing in Cause Nos. 112, 139 (3 matters), 232 and 407 (6 matters), 371 and 429, and 1V (10 matters).

A motion was made by Commissioner Houpt to approve the May 2008 minutes as amended by Commissioner Dowling, seconded by Commissioner Compton, and unanimously approved.

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

Director's Report: A written report was provided and Acting Director Neslin stated that 2,933 Applications for Permits-to-Drill (APDs) were approved as of June 2, 2008, which at this rate would result in an approximately 9% increase over the number of APDs issued last year, with the majority of APDs located in Garfield County (1002 APDs for 35% of total) and Weld County (708 for 24%).

Northwest Colorado. There was a meeting of the Northwest Colorado Oil and Gas Forum on June 5, 2008, at the Garfield County Fairgrounds where State, Federal, County, and Industry

RECORD OF PROCEEDINGS

Updates on NW Colorado Oil & Gas Activity were discussed. The next meeting is scheduled for September 4, 2008, at the Garfield County Fairgrounds.

Jaime Adkins, Dave Andrews, Debbie Baldwin, Chris Canfield, and Kevin King met with operators in Battlement Mesa on May 21, 2008, to discuss issues associated with pits and develop the requirements to be included in a Notice to Operators ("NTO") that would be drilling wells in proximity to the rim of the Roan Plateau. A draft of the NTO was discussed further at the NW Oil and Gas Forum on June 5, 2008. The draft NTO acknowledges the continued need for the use of pits in and the potential problems and environmental impacts that can occur even when a closed loop or semi-closed loop system is used. Nonetheless it encourages continued infrastructure development, and the evaluation and use of alternatives to pits. It includes proposed specifications for constructing, lining, operating, maintaining, monitoring, permitting, and closing pits.

The Garfield County Phase II Hydrogeologic Characterization Project is being conducted for Garfield County by S.S. Papadopoulos & Associates. This is another Public Project In Lieu of Fines that will be funded by EnCana. Task 1 - Domestic Water Well Sampling was completed in August, 2007. Task 2 - Gas Well Sampling was completed in December 2007. This sampling event included the collection of both produced water samples and production gas samples from selected wells. Final results were received in January 2008 and the project database was updated. Evaluation of both Task 1 and Task 2 water quality data began in February 2008. A draft report has been prepared and should be submitted to the Garfield County for review by June 16, 2008. A water quality results guideline pamphlet is also being prepared for distribution with the final report.

Because of the extremely heavy workload and personnel changes, initiation of the Mesa County Drainage Area Project has been delayed. Staff is hopeful that the water well sampling will begin during the summer.

Southwest Colorado: With regards to ongoing investigation, reclamation, and mitigation of residual methane in the vicinity of the Bryce 1-X Well area, Bondad, Colorado, a soil gas survey was conducted by LT Environmental (LTE) on May 13, 2008, using the same sampling grid as previous soil gas surveys. LTE reported that methane was not detected in the shallow soils, which is consistent with the three previous soil gas surveys. The written report on the results of the May 13, 2008, survey is complete and available on the COGCC website Library. Additional soil gas surveys will continue in 2008 to verify the lack of methane in the shallow soils. Groundwater sampling of vicinity water wells was also conducted on May 13, 2008, by Four Corners Geoscience (FCG). Methane concentrations have decreased in all water wells since the last sampling event in December 2007. Full analytical and isotopic results are pending. The next round of groundwater sampling from vicinity water wells is scheduled for late 2008.

The GORT/Southwest Colorado Oil and Gas Stakeholders meeting was held on June 5, 2008, in the La Plata Room at the La Plata County Fairgrounds.

Debbie Baldwin, Karen Spray, and Steve Lindblom of the COGCC Staff continue to work with La Plata County Energy Council, La Plata and Archuleta County, and USFS/US BLM personnel to develop work plans for the gas seep monitoring and mitigation projects in La Plata and Archuleta Counties. A Request for Proposal ("RFP") for the Fruitland Formation Geologic Characterization and Reservoir Pressure Monitoring (PHA-837) was posted on April 24, 2008. A pre-bid onsite meeting was held on May 5, 2008. Proposals are due on June 13, 2008, and contractor selection will be completed shortly thereafter. After contractor selection and after completion of the archeological and threatened and endangered species surveys, permits will be obtained from the U.S. Forest Service to conduct the work. Permits for access across Southern Ute Indian Tribe lands to reach some of the proposed well locations were requested from the Tribe on May 19, 2008. COGCC staff is also developing a Scope of Work for the La Plata County Fruitland Formation Additional Characterization and Monitoring Project.

RECORD OF PROCEEDINGS

Northeast Colorado: The COGCC will be performing a baseline water quality study in the Upper Crow Creek Designated Ground Water Basin in northern Weld County. The High Plains Aquifer is present in this area and makes up an important regional aquifer in eastern Colorado. The study is being undertaken due to an increase in drilling activity in this area. Ground water samples will be collected from 25 existing domestic water wells and analyzed for both organic and inorganic constituents. This information will result in a more comprehensive baseline database that COGCC staff will use as a tool in responding to landowners who allege impacts to water wells from oil and gas activities in the basin. The data will also help determine if revised regulatory requirements are warranted regarding the use of unlined earthen pits in this area. The project has been awarded to Terracon Consultants, Inc. with field work scheduled to begin on June 2 and should be completed by the end of the month. The final report will be completed by July 2008.

Southeast Colorado: On May 21, 2008, Norwest Applied Hydrology ("NAH"), on behalf of Petroglyph Energy Inc. ("PEI"), submitted a summary of activities from April 15 to May 16, 2008. The document and the data submitted with the monthly report are posted on the website. NAH, on behalf of PEI continues screening water wells in and around the area where domestic water wells have been impacted by thermogenic methane. During the most recent reporting period from April 15, 2008, to May 16, 2008, NAH screened 55 water wells. Peter Gintautas, COGCC Southeast Area Environmental Protection Specialist, provided an update on the Phase I investigation and ongoing monitoring and mitigation activities to the Huerfano County Commission meeting in Walsenburg on May 14, 2008. He will present another update of PEI's Phase 1 MIMMP activities to the Huerfano County Commission on June 25, 2008.

An investigation of oil and gas exploration and production pits in Elbert County is being conducted. The investigation has 2 objectives: 1. To evaluate the accuracy and completeness of the information in the COGCC web-based information system (COGIS) database for facilities in Elbert County, and 2. To locate and evaluate the status of pits listed in the COGCC database for Elbert County. The investigation will determine if the pits are still active, closed, or abandoned. Pit status will be verified by field inspections. The work is scheduled to be completed by the end of June 2008. The results of this study will be used as a starting point for staff to evaluate the accuracy and completeness of the COGCC pit data on a statewide basis and will serve as a pilot study for a statewide pit investigation.

Organization: Jaime Adkins, COGCC Engineering Supervisor, will be retiring from the COGCC in August. He began his career with the Commission in April 1994. He has been the main point of contact for northwest Colorado operations throughout his tenure, and has gained the respect of all who worked with him. He also represented the Commission at the Northwest Colorado Oil and Gas Forums and other public events throughout northwestern Colorado. We will miss his expertise in engineering and his knowledge of the Commission's history. The entire staff wishes him all of the best in his future endeavors.

Randall Ferguson, COGCC Environment Protection Supervisor, is leaving the COGCC to pursue other career opportunities. He has been an integral part of the environmental group for 10 years and has taken a leadership role in helping to develop procedures for implementing the environmental portion of the COGCC regulations. He has overseen the remediation of hundreds of sites impacted by exploration and production wastes, he has investigated many water well complaints, and conducted numerous ground water studies. His experience and expertise as a geologist and environmental scientist are respected by his COGCC colleagues and industry peers. Randall will be missed by the COGCC, but we all wish him well, and look forward to working with him in future as he embarks on his new career.

A preliminary docket for the July 2008 hearing has been provided.

There have been no new variances granted since the last Staff Report.

RECORD OF PROCEEDINGS

There was no report from the Assistant Attorney General.

Commissioner Comments: Commissioner Houpt requested that local governments be added to the list of attendees in the Rulison and Rio Blanco project discussions. Commissioner Cutright was concerned about any damage done to oilfield properties as result of the recent tornado in the Windsor, Colorado area. It was reported by Acting Director Neslin that staff is unaware of any concerns or damage. Commissioner Dowling voiced concern over the affect new rules would have on pending Applications for Permits-to-Drill (APDs) and when new conditions would be imposed on pending APDs.

Audience Comments: Kenneth Collins, Garfield County resident, indicated that he was concerned about a pending APD being approved in the Garfield Creek State Wildlife Area. He asked the Commission to perform a more thorough wildlife study prior to allowing drilling in that area.

Sarah Will, Garfield County resident, voiced her concerns over a pending APD being approved in the Garfield Creek State Wildlife Area. She asked the Commission withhold any issuance of an APD in that area until a thorough wildlife study is performed. Chair Sherman urged Acting Director Neslin not to approve any pending APD in the area prior to the July regular hearing, and to provide a report on this matter. A motion was made by Commissioner Dowling to direct Acting Director Neslin not to approve the pending APD in the area until a report in this matter is considered at the July regular hearing of the Commission, seconded by Commissioner Houpt, and approved. Opposition to the motion by Vice Chair Epel and Commissioner Houpt were noted.

Consent Agenda: Commissioner Houpt disclosed that Docket No. 0806-SP-12 is a matter that Garfield County is discussing with the Department of Energy and indicated that she has recused herself from those discussions as Garfield County Commissioner so that she can vote on this matter as a COGCC Commissioner. She requested that Docket No. 0806-SP-12 be voted on separately.

A motion was made by Commissioner Martin to approve the consent agenda matters, excepting Docket No. 0806-SP-12, seconded by Commissioner Houpt, and approved unanimously.

A motion was made by Commissioner Martin to approve Docket No. 0806-SP-12, seconded by Commissioner Cutright, and approved by all Commissioners except Commissioner Houpt. The following matters were approved:

Cause Nos. 371 and 429, Docket No. 0806-AW-14, Mesa County, request for an order to vacate the 160-acre drilling and spacing unit established for Section 20, Township 9 South, Range 94 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 lease line for the SE¼ NE¼ of said Section 20, for the production of gas and associated hydrocarbons from the Mesaverde Formation.

Cause No. 112, Docket No. 0806-AW-16, Archuleta County, request for an order to allow two optional infill wells, for a total of four wells, in the 320-acre drilling and spacing units, for certain lands in Township 32 North, Ranges 5 and 6 West, N.M.P.M., for the production of gas and associated hydrocarbons from the Fruitland coal seams.

Cause No. 139, Docket No. 0806-AW-17, 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 the W½ of Section 19, Township 6 South, Range 93 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Cause No. 139, Docket No. 0806-AW-18, 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

RECORD OF PROCEEDINGS

from the outside boundary for the W½ of Section 19, Township 6 South, Range 93 West, 6th P.M., for the production of gas and associated hydrocarbons from the Iles Formation.

Cause Nos. 232 and 407, Docket No. 0806-UP-09, Broomfield and Weld Counties, request for an order to establish an approximate 160-acre wellbore spacing unit for the E½ SW¼ and W½ SE¼ of Section 34, Township 1 North, Range 68 West, 6th P.M., for the production of oil and associated hydrocarbons from the "J" Sand, Codell and Niobrara Formations, and to pool all nonconsenting interests in said unit, for the development and operation of said formations. Due to re-noticing to correct the legal location, no order can be issued until after June 26, 2008.

Cause Nos. 232 and 407, Docket No. 0806-UP-10, Broomfield and Weld Counties, request for an order to establish a 320-acre drilling and spacing unit in the W½ of Section 34, Township 1 North, Range 68 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the proposed Bickler 23-34 directional well with a surface location of 2426 feet FSL and 2412 feet FWL and drilling of the proposed Bickler 24-34 directional well with a surface location of 2411 feet FSL and 2412 feet FWL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Cause Nos. 232 and 407, Docket No. 0806-UP-11, Boulder County, request for an order to establish a 160-acre wellbore spacing unit in the S½ NE¼ and the N½ SE¼ of Section 24, Township 1 North, Range 69 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the proposed Lumry 6-4-24 directional well with a surface location of 894 feet FNL and 1010 feet FEL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Cause Nos. 232 and 407, Docket No. 0806-UP-12, Broomfield County, request for an order to establish a 320-acre drilling and spacing unit in the E½ of Section 34, Township 1 North, Range 68 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the proposed Kats 31-34 directional well with a surface location of 1648 feet FNL and 1637 feet FEL, the Kats 41-34 Well with a surface location of 1648 feet FNL and 1622 feet FEL, the Kats 42-34 Well with a surface location of 1663 feet FNL and 1637 feet FEL, and the Kats 6-4-34 Well with a surface location of 1663 feet FNL and 1652 feet FEL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Cause Nos. 232 and 407, Docket No. 0806-UP-13, Broomfield and Weld Counties, request for an order to establish a 160-acre wellbore spacing unit in the SE¼ NW¼, SW¼ NE¼, NE¼ SW¼, and NW¼ SE¼ of Section 34, Township 1 North, Range 68 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the proposed Bickler 4-4-34 directional well with a surface location of 2426 feet FSL and 2427 feet FWL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Cause Nos. 232 and 407, Docket No. 0806-UP-14, Boulder County, request for an order to establish a 160-acre wellbore spacing unit in the N½ NE¼ of Section 24 and the S½ SE¼ of Section 13, both in Township 1 North, Range 69 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the proposed Lumry 6-0-24 directional well with a surface location of 863 feet FNL and 990 feet FEL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Cause No. 139, Docket No. 0806-SP-12, Garfield County, request for an order to establish four approximate 160-acre drilling and spacing units for certain lands in Section 12, Township 7 South, Range 95 West, 6th P.M., with the bottomhole location of each permitted well in the unit to be located no closer than 600 feet from the unit boundaries, for the production of gas and associated hydrocarbons from the Wasatch Formation.

RECORD OF PROCEEDINGS

Commissioner Dowling questioned the amount of fines proposed under Magpie Operating, Inc. ("Magpie") violations set out under the Administrative Order by Consent ("AOC") docket. Tricia Beaver, Hearings Manager, reviewed memorandum prepared by Carol Harmon, COGCC Enforcement Officer, describing the staff's position regarding the proposed fines. A motion was made by Commissioner Martin to approve the proposed AOC matters pertaining to Magpie, seconded by Vice Chair Epel, and approved unanimously. The following matters were approved:

Cause No. 1V, Docket No. 0806-OV-05, Larimer County, request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery and Rule 907.c.(1), and produced water shall be treated prior to placement into a production pit to prevent crude oil from entering the pit at the Stugart 1 Well located in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 30, Township 5 North, Range 68 West, 6th P.M.

Cause No. 1V, Docket No. 0806-OV-06, Larimer County, request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery, Rule 907.a.(1), E&P waste shall be properly stored and handled, and Rule 210.b.(2) requiring permanent signs at the battery at the Warberg, Carl A. D #1 Well located in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 29, Township 5 North, Range 68 West, 6th P.M.

Cause No. 1V, Docket No. 0806-OV-07, Larimer County, request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery and Rule 907.c.(1), produced water shall be treated prior to placement into a production pit to prevent crude oil from entering the pit at the Saulcy #2 Well located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 29, Township 5 North, Range 68 West, 6th P.M.

Cause No. 1V, Docket No. 0806-OV-08, Larimer County, request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery, Rule 907.a.(1), E&P waste shall be properly stored and handled, and Rule 210.b.(2), requiring a permanent sign at the battery at the Dean Proctor #1 Well located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 28, Township 5 North, Range 68 West, 6th P.M.

Cause No. 1V, Docket No. 0806-OV-09, Larimer County, request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery, Rule 907.a.(1), E&P waste shall be properly stored and handled, and Rule 907.c.(1), produced water shall be treated prior to placement into a production pit to prevent crude oil from entering the pit at the Ihnen #1-A Well located in the SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 31, Township 5 North, Range 68 West, 6th P.M.

Cause No. 1V, Docket No. 0806-OV-10, Larimer County, request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery and Rule 907.c.(1), produced water shall be treated prior to placement into a production pit to prevent crude oil from entering the pit at the Hale #2 Well located in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 31, Township 5 North, Range 68 West, 6th P.M.

Cause No. 1V, Docket No. 0806-OV-11, Larimer County, request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery, Rule 907.a.(1), E&P waste shall be properly stored and handled, and Rule 907.c.(1), produced water shall be treated prior to placement into a production pit to prevent crude oil from entering the pit at the Bunker #1 Well located in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 31, Township 5 North, Range 68 West, 6th P.M.

Cause No. 1V, Docket No. 0806-OV-12, Larimer County, request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery, Rule 907.a.(1), E&P waste shall be properly stored and

RECORD OF PROCEEDINGS

handled, and Rule 907.c.(1), produced water shall be treated prior to placement into a production pit to prevent crude oil from entering the pit at the Bunker #5 Well located in the SE¼ SW¼ of Section 29, Township 5 North, Range 68 West, 6th P.M.

Cause No. 1V, Docket No. 0806-OV-13, Larimer County, request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery, Rule 907.a.(1), E&P waste shall be properly stored and handled, and Rule 907.c.(1), produced water shall be treated prior to placement into a production pit to prevent crude oil from entering the pit at the Anderson #1 Well located in the SW¼ SW¼ of Section 32, Township 5 North, Range 68 West, 6th P.M.

Commissioner Cutright recused himself from participating in Docket No. 0806-OV-14 due to a conflict of interest. A motion was made by Commissioner Dowling to approve the proposed AOC matter in Docket No. 0806-OV-14, seconded by Commissioner Martin, and approved unanimously. The following matter was approved:

Cause No. 1V, Docket No. 0806-OV-14, Yuma County, request to approve an AOC for failure by Petroleum Development Corporation to comply with Rule 325.c.(7), failure to inject at pressures less than the maximum injection pressure, as set by the Director, for the Gardner (SWD) 12-26 Well located in the SW¼ NW¼ of Section 26, Township 1 North, Range 45 West, 6th P.M.

The following matters have been continued as indicated:

Cause No. 112, Docket No. 0710-AW-22, La Plata County, request for an order to allow 2 additional wells for a total of 4 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, was continued to the July hearing.

Cause No. 112, Docket No. 0801-EX-01, La Plata County, request for an order to allow a well to be drilled 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 consisting of the E½ of Section 3, Township 34 North, Range 9 West, N.M.P.M., for the production of gas associated hydrocarbons from the Fruitland coal seams, was continued to the July hearing

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 through 24, 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, was continued to the July hearing.

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 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, was continued to the July hearing.

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, was continued to the July hearing.

RECORD OF PROCEEDINGS

Cause No. 510, Docket No. 0806-EX-04, Garfield County, request for an order allowing an exception to the permitted location in Order No. 510-32 for the Cotner 35-14D Well at a bottomhole location of 150 feet FSL and 440 feet FWL 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, was continued to the July hearing.

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 S $\frac{1}{2}$ NW $\frac{1}{4}$ 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, was continued to the July hearing.

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 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, was continued to the July hearing.

An update was provided in Cause No. 1R, Docket No. 0803-RM-02, regarding the Statewide Rulemaking by Acting Director Neslin. The process for considering the draft rules published in the Colorado Register on April 10, 2008, continues. On May 15, the parties filed their final prehearing statements, which include their written testimony, exhibits, and alternative proposals. On May 16, the Commission staff issued a cost-benefit and regulatory analysis to provide additional information to the Commission, parties, and public and comply with the Administrative Procedure Act. This analysis addresses each of the proposed regulatory amendments and provides information on its purpose, its anticipated benefits and costs, the parties affected, and certain alternatives. On May 21, the Commission staff issued a 13-page set of recommended clarifications to the draft rules, which reflects the staff's further analysis of the rules and input from various parties. On May 22, the Commission initiated the rulemaking hearing to consider pending motions, the hearing schedule, and other procedural matters. Following argument and action on the motions and approval of a schedule for the remainder of the hearing, the Commission continued the hearing to June 10 in Grand Junction, at which time it accepted public comment on the draft rules. On May 28, the Commission staff issued guidance for persons intending to provide public comment. On May 29, Prehearing Officer Epel issued an order to the parties, which set forth the time for opening statements and direct and cross examination at the hearing allocated by interest group and the sequence of topics for presentation to the Commission by the staff and parties during the remainder of the hearing on June 10, 23, 24, 25, 26, 27, 28 (if needed), and 30, July 1, 15, 16, 17, and 18, and August 12. The May 29 order also directed the parties to inform the Commission by June 5 how they wish to allot their hearing time among the topics and which witnesses will testify at the hearing on their behalf. On June 2, Prehearing Officer Epel issued an amended order that extended the date for submittal of this information to June 13 and directed that it should also include identification of any exhibits that the party intends to discuss at the hearing. Acting Director Neslin stated that COGCC staff continues to meet with parties on concerns about the rules and anticipates a second set of clarifications early next week, and that a new set of rules incorporating those changes will be provided along with just the changes. He stated that a location for the rulemaking hearing is being arranged.

Ken Wonstolen, attorney for Colorado Oil and Gas Association ("COGA"), stated that industry will present a panel of witnesses that will be brought up as a group and will present 9 hours of testimony with powerpoint presentations and exhibits. He suggested that the Commission should use its time by questioning witnesses.

RECORD OF PROCEEDINGS

Commissioner Cutright commented that he would have liked to have had a discussion on the Isgar/Curry letter at the May hearing, and wants to ensure that the letter is part of the record. Acting Director Neslin confirmed that the letter is part of the record.

The hearing adjourned at 9:57 a.m.

=====

The Secretary was therefore authorized to issue the following orders:

Order Nos. 371-4 and 429-8, Brush Creek Field, Mesa County: Approves the request for an order to vacate the 160-acre drilling and spacing unit established for Section 20, Township 9 South, Range 94 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 lease line for the SE $\frac{1}{4}$ NE $\frac{1}{4}$ of said Section 20, for the production of gas and associated hydrocarbons from the Mesaverde Formation.

Order No. 112-211, Ignacio-Blanco Field, Archuleta County: Approves the request for an order to allow two optional infill wells, for a total of four wells, in the 320-acre drilling and spacing units, for certain lands in Township 32 North, Ranges 5 and 6 West, N.M.P.M., for the production of gas and associated hydrocarbons from the Fruitland coal seams.

Order No. 139-92, Rulison 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 the W $\frac{1}{2}$ of Section 19, Township 6 South, Range 93 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

Order No. 139-93, Rulison 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 the W $\frac{1}{2}$ of Section 19, Township 6 South, Range 93 West, 6th P.M., for the production of gas and associated hydrocarbons from the Iles Formation.

Order Nos. 232-244 and 407-309, Wattenberg Field, Broomfield and Weld Counties: Approves the request for an order to establish an approximate 160-acre wellbore spacing unit for the E $\frac{1}{2}$ SW $\frac{1}{4}$ and W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 34, Township 1 North, Range 68 West, 6th P.M., for the production of oil and associated hydrocarbons from the "J" Sand, Codell and Niobrara Formations, and to pool all nonconsenting interests in said unit, for the development and operation of said formations. Due to re-noticing to correct the legal location, no order shall be issued until after June 26, 2008.

Order Nos. 232-245 and 407-310, Wattenberg Field, Broomfield and Weld Counties: Approves the request for an order to establish a 320-acre drilling and spacing unit in the W $\frac{1}{2}$ of Section 34, Township 1 North, Range 68 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the proposed Bickler 23-34 directional well with a surface location of 2426 feet FSL and 2412 feet FWL and drilling of the proposed Bickler 24-34 directional well with a surface location of 2411 feet FSL and 2412 feet FWL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Order Nos. 232-246 and 407-311, Wattenberg Field, Boulder County: Approves the request for an order to establish a 160-acre wellbore spacing unit in the S $\frac{1}{2}$ NE $\frac{1}{4}$ and the N $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 24, Township 1 North, Range 69 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the proposed Lumry 6-4-24 directional well with a surface location of 894 feet FNL and 1010 feet FEL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Order Nos. 232-247 and 407-312, Wattenberg Field, Broomfield County: Approves the request for an order to establish a 320-acre drilling and spacing unit in the E $\frac{1}{2}$ of Section 34,

RECORD OF PROCEEDINGS

Township 1 North, Range 68 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the proposed Kats 31-34 directional well with a surface location of 1648 feet FNL and 1637 feet FEL, the Kats 41-34 Well with a surface location of 1648 feet FNL and 1622 feet FEL, the Kats 42-34 Well with a surface location of 1663 feet FNL and 1637 feet FEL, and the Kats 6-4-34 Well with a surface location of 1663 feet FNL and 1652 feet FEL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Order Nos. 232-248 and 407-313, Wattenberg Field, Broomfield and Weld Counties: Approves the request for an order to establish a 160-acre wellbore spacing unit in the SE $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, and NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 34, Township 1 North, Range 68 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the proposed Bickler 4-4-34 directional well with a surface location of 2426 feet FSL and 2427 feet FWL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Order Nos. 232-249 and 407-314, Wattenberg Field, Boulder County: Approves the request for an order to establish a 160-acre wellbore spacing unit in the N $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 24 and the S $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 13, both in Township 1 North, Range 69 West, 6th P.M., and to pool all nonconsenting interests in said unit for the drilling of the proposed Lumry 6-0-24 directional well with a surface location of 863 feet FNL and 990 feet FEL, for the development and operation of the "J" Sand, Codell and Niobrara Formations.

Order No. 139-94, Rulison Field, Garfield County: Approves the request for an order to establish four approximate 160-acre drilling and spacing units for certain lands in Section 12, Township 7 South, Range 95 West, 6th P.M., with the bottomhole location of each permitted well in the unit to be located no closer than 600 feet from the unit boundaries, for the production of gas and associated hydrocarbons from the Wasatch Formation.

Order No. 1V-320, Larimer County: Approves the request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery and Rule 907.c.(1), produced water shall be treated prior to placement into a production pit to prevent crude oil from entering the pit at the Stugart 1 Well located in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 30, Township 5 North, Range 68 West, 6th P.M.

Order No. 1V-321, Larimer County: Approves the request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery, Rule 907.a.(1), E&P waste shall be properly stored and handled, and Rule 210.b.(2) requiring permanent signs at the battery at the Warberg, Carl A. D #1 Well located in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 29, Township 5 North, Range 68 West, 6th P.M.

Order No. 1V-322, Larimer County: Approves the request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery and Rule 907.c.(1), produced water shall be treated prior to placement into a production pit to prevent crude oil from entering the pit at the Saulcy #2 Well located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 29, Township 5 North, Range 68 West, 6th P.M.

Order No. 1V-323, Larimer County: Approves the request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery, Rule 907.a.(1), E&P waste shall be properly stored and handled, and Rule 210.b.(2), requiring a permanent sign at the battery at the Dean Proctor #1 Well located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 28, Township 5 North, Range 68 West, 6th P.M.

Order No. 1V-324, Larimer County: Approves the request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery, Rule 907.a.(1), E&P waste shall be properly stored and handled, and

RECORD OF PROCEEDINGS

Rule 907.c.(1), produced water shall be treated prior to placement into a production pit to prevent crude oil from entering the pit at the Ihnen #1-A Well located in the SE¼ NE¼ of Section 31, Township 5 North, Range 68 West, 6th P.M.

Order No. 1V-325, Larimer County: Approves the request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery and Rule 907.c.(1), produced water shall be treated prior to placement into a production pit to prevent crude oil from entering the pit at the Hale #2 Well located in the SE¼ SE¼ of Section 31, Township 5 North, Range 68 West, 6th P.M.

Order No. 1V-326, Larimer County: Approves the request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery, Rule 907.a.(1), E&P waste shall be properly stored and handled, and Rule 907.c.(1), produced water shall be treated prior to placement into a production pit to prevent crude oil from entering the pit at the Bunker #1 Well located in the NE¼ NE¼ of Section 31, Township 5 North, Range 68 West, 6th P.M.

Order No. 1V-327, Larimer County: Approves the request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery, Rule 907.a.(1), E&P waste shall be properly stored and handled, and Rule 907.c.(1), produced water shall be treated prior to placement into a production pit to prevent crude oil from entering the pit at the Bunker #5 Well located in the SE¼ SW¼ of Section 29, Township 5 North, Range 68 West, 6th P.M.

Order No. 1V-328, Larimer County: Approves the request to approve an AOC for failure by Magpie Operating, Inc., to comply with Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery, Rule 907.a.(1), E&P waste shall be properly stored and handled, and Rule 907.c.(1), produced water shall be treated prior to placement into a production pit to prevent crude oil from entering the pit at the Anderson #1 Well located in the SW¼ SW¼ of Section 32, Township 5 North, Range 68 West, 6th P.M.

Order No. 1V-329, Yuma County: Approves the request to approve an AOC for failure by Petroleum Development Corporation to comply with Rule 325.c.(7), failure to inject at pressures less than the maximum injection pressure, as set by the Director, for the Gardner (SWD) 12-26 Well located in the SW¼ NW¼ of Section 26, Township 1 North, Range 45 West, 6th P.M.

Patricia C. Beaver, Secretary

Approved:

Harris Sherman, Chair