

RECORD OF PROCEEDINGS

August 18, 2009

The Oil and Gas Conservation Commission ("COGCC") met on August 18, 2009, at 9:05 a.m., at the La Quinta Inn & Suites, 2833 Toupal Drive, Trinidad, Colorado, for a hearing in Cause Nos. 105, 407 (4 matters), 416 and 516, 440 (2 matters), and 479 and 516.

Those present were:

| | |
|-----------------|----------------------------|
| Harris Sherman | Chair |
| Joshua Epel | Vice-Chair |
| Richard Alward | Commissioner |
| Tom Compton | Commissioner |
| DeAnn Craig | Commissioner |
| Mark Cutright | Commissioner |
| Michael Dowling | Commissioner |
| Trési Houpt | Commissioner |
| Jim Martin | Commissioner |
| Kelly Rosenberg | Assistant Attorney General |
| David Neslin | Director |
| Rob Willis | Acting Hearings Manager |

A motion was made by Vice-Chair Epel to approve the July 2009 minutes, seconded by Commissioner Martin, and unanimously approved.

Report from the Executive Director. Chair Sherman, Department of Natural Resources ("DNR") Executive Director, stated that the Governor is scheduled to make an announcement today, August 18, regarding the state budget and associated impacts of the budget on services.

Staff Report. Director Neslin stated that as of August 6, 2009, there were 3,360 Applications for Permits-to-Drill ("APDs") approved. It is estimated that there will be 5,000 drilling permits approved this year. This will be a 38% decline in permit activity over the previous record high of 8,027 APDs approved in 2008, which was 26% higher than the 6,368 APDs approved in 2007. This does not correlate with the 60% decline in rig count since the peak of last year, but may be a reflection of the push to get permits in before the effective date of the amended rules. The 2009 drilling permit totals for the top seven counties as of August 6th are:

| County | 2009 (% of Total) | 2008 | 2007 | 2006 | 2005 | 2004 |
|--------------------|-------------------|--------------|--------------|--------------|--------------|--------------|
| Garfield | 1,247 (37%) | 2,888 | 2,550 | 1,844 | 1,508 | 796 |
| Weld | 904 (27%) | 2,340 | 1,527 | 1,418 | 901 | 832 |
| Mesa | 315 (9%) | 501 | 293 | 265 | 136 | 54 |
| La Plata | 241 (7%) | 328 | 251 | 235 | 117 | 102 |
| Rio Blanco | 212 (6%) | 477 | 321 | 360 | 161 | 154 |
| Yuma | 92 (3%) | 545 | 541 | 798 | 782 | 237 |
| Las Animas | 59 (2%) | 303 | 362 | 500 | 413 | 332 |
| State Total | 3,360 | 8,027 | 6,368 | 5,904 | 4,364 | 2,917 |

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On January 5, 2009, the Interim Policy for APDs went into effect. There were 195 permits that were received on or shortly thereafter that were postmarked prior to January 5th. These permits were accepted without the Interim Policy Form. Through July 9th there have been a total of 2,263 permits with 53% of the total requiring no additional environmental review. Below is a table detailing the breakdown of the permits and how they fall into the different categories of additional environmental review.

| Report Period | Permits | No Additional Review | | Sensitive Habitat | | Restricted Surface | | Riparian Area | | Drinking Water Buffer Area | |
|---------------|---------|----------------------|-----|-------------------|------|--------------------|----|---------------|-----|----------------------------|----|
| Jan-09 | 283 | 187 | 66% | 85 | 30% | 1 | 0% | 27 | 10% | 12 | 4% |
| Feb-09 | 394 | 258 | 65% | 132 | 34% | 0 | 0% | 30 | 8% | 4 | 1% |
| Mar-09 | 1,440 | 731 | 51% | 671 | 47% | 29 | 2% | 88 | 6% | 63 | 4% |
| Apr-09 | 16 | 14 | 88% | 2 | 13% | 0 | | 0 | | 0 | |
| May-09 | 22 | 0 | | 22 | 100% | 0 | | 0 | | 0 | |
| June-09 | 108 | 14 | 13% | 94 | 87% | 1 | 1% | 0 | 1% | 6 | 6% |
| Total | 2,119 | 1,180 | 53% | 1,006 | 44% | 31 | 1% | 146 | 6% | 85 | 4% |

The following table shows a summary of oil and gas well permits requiring new well locations that have been approved by the COGCC in 2006 and through August 6, 2009. The summary shows the number of new location permits that have been granted where the surface owner owns mineral rights, where the surface ownership has been severed from the mineral ownership, where surface use agreements have been executed on severed lands, and where surface damage bonds have been posted on severed lands.

| Calendar Year | Permits For New Oil And Gas Wells | Surface Owner Party To A Mineral Lease | Surface Owner Is Not Party To A Mineral Lease | Surface Use Agreements | Total Permitted Under A Surface Use Bond | \$25,000 Blanket Surface Damage Bond | \$2,000 Individual Surface Damage Bond For Non-Irrigated Land | \$5,000 Individual Surface Damage Bond for Irrigated Land |
|---------------|-----------------------------------|--|---|------------------------|--|--------------------------------------|---|---|
| 2006 | 5,848 | 3,933 (67%) | 1,915 (33%) | 1,223 (21%) | 692 (12%) | 689 (12%) | 3 (<1%) | 0 (0%) |
| 2007 | 6,335 | 3,876 (61%) | 2,459 (39%) | 1,558 (25%) | 901 (14%) | 900 (14%) | 1 (<1%) | 0 |
| 2008 | 7,974 | 4,741 (59%) | 3,233 (41%) | 2,152 (27%) | 1,081 (14%) | 1,075 (13%) | 3 (<1%) | 3 (<1%) |
| 2009 | 3,349 | 2,134 (64%) | 1,215 (36%) | 862 (25%) | 353 (11%) | 349 (10%) | 2 (<1%) | 2 (<1%) |

April 1, 2009 was the effective date for the change in the rules requiring the submission, and at times the approval, of the Location Assessment, Form 2A. This change will provide for the tracking of new and expansion of existing locations used for oil and gas development facilities. Tracking oil and gas locations provides for the evaluation of the impact to the surface as multiple wells are now drilled from a single location. The Form 2A is also required for other types of oil and gas development facilities that are built to provide the infrastructure necessary to get the product to market.

| Month | Year | Received | Approved or Accepted | Withdrawn | Remaining | Percent Remaining |
|-------|------|----------|----------------------|-----------|-----------|-------------------|
| 4 | 2009 | 0 | | | | |
| 5 | 2009 | 28 | 12 | 1 | 15 | 53 |
| 6 | 2009 | 39 | 4 | 1 | 34 | 87 |
| 7 | 2009 | 72 | 5 | 0 | 67 | 93 |

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| | | | | | | |
|---|------|----|---|---|----|-----|
| 8 | 2009 | 11 | 0 | 0 | 11 | 100 |
|---|------|----|---|---|----|-----|

Northwest Colorado: The Northwest Colorado Oil and Gas Forum (“Forum”) is an informal gathering of local, state, and federal government officials, oil and gas industry representatives, and citizens that have met regularly since 1989. The purpose of the Forum is to share information about oil and gas development in northwest Colorado and to make government officials and oil and gas industry representatives easily accessible to the public. Currently the meetings are conducted once per quarter and are co-chaired by Director Neslin, and Garfield County Commissioner, Mike Samson. The next meeting is scheduled for September 3, 2009, at the Garfield County Fairgrounds in Rifle.

On June 12, 2008, COGCC staff issued a *Notice to Operators Drilling Wells within 3/4 Mile of the Rim of the Roan Plateau in Garfield County, Pit Design, Construction, and Monitoring Requirements* (“NTO”). The NTO acknowledges the continued need for the use of pits in the Area of Concern defined in the NTO and the potential problems and environmental impacts that can occur even when a closed loop or semi-closed loop system is used. Nonetheless, the NTO encourages continued infrastructure development, and the evaluation and use of alternatives to pits. The NTO includes specifications for designing, constructing, lining, operating, maintaining, monitoring, permitting, and closing pits. Because of recent releases within and outside of the Area of Concern, COGCC staff is collecting additional data and considering an expansion of the Area of Concern.

Southwest Colorado: Ongoing investigation, reclamation and mitigation of residual methane in the vicinity of the Bryce 1-X Well area, near Bondad, Colorado continues. Four Corners Geoscience, representing the COGCC, collected groundwater samples from area water wells on July 28, 2009. Analytical results are pending. A soil gas survey was also conducted by LTE on July 28, 2009. Soil gas was not detected during this survey and soil gas has not been detected since July 2007.

The next Gas and Oil Regulatory Team (“GORT”), Southwest Colorado Oil and Gas Stakeholders meeting is scheduled for August 20, 2009, at 8:30 a.m. at the La Plata County Fairgrounds in Durango.

As part of the Fruitland Formation Outcrop Mitigation and Monitoring Project (“4M Project”), the Colorado Geological Survey (“CGS”) is finalizing a detailed geologic map of the Fruitland Formation outcrop in Archuleta County. This work is similar to mapping done in 1999-2000 by the CGS as part of the Fruitland Formation Outcrop Monitoring (“3M Project”). The work included mapping the surface expression of the uppermost Cretaceous units, Pictured Cliffs Sandstone, Fruitland Formation, Kirtland Shale, along the rim of the San Juan Basin in Archuleta County between the La Plata-Archuleta County line and the northern boundary of the Southern Ute Indian Reservation. The final map and associated report will be posted to the website shortly after receipt from the CGS.

Start-up of both 4M Outcrop Mitigation Pilot Projects in La Plata County occurred during the week of May 4, 2009, and continuous operations were implemented during the week of May 18, 2009. Both systems are functioning as planned, however methane concentrations are too low at the Pine River Ranch location for effective combustion. Electricity is being generated at the South Fork Texas Creek location and system optimization is planned to increase the overall methane recovery and electrical generation. Data collection and assessment will continue for a period of one year.

The 4M Monitoring Well Installation for La Plata County proposal (PHA-950) was awarded to Souder Miller and Associates (“SMA”) on June 24, 2009. The contract has been approved by the State Controller and has been signed by SMA and COGCC. A project kick-off meeting was held on August 5, 2009, with permit application preparation beginning immediately thereafter. It is anticipated that field activities will begin in September 2009. COGCC continues to negotiate with private surface owners to finalize access agreements for monitoring well locations.

As part of the 4M monitoring well project, COGCC contracted with Brame Geoscience to conduct a

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study to provide certain pre-drill geological information pertaining to the proposed 4M La Plata County monitoring wells. This study involved analysis of various geological data across the area with particular focus on COGCC website data and geological displays from COGCC hearing files.

COGCC contracted with InSitu, Inc. to upgrade the existing seven La Plata County Outcrop monitoring wells to the same telemetry system that is being used in the Archuleta County monitoring program and that will also be used in the new La Plata County monitoring program. The existing monitoring system was removed from the wells on June 25, 2009, and the new systems were installed during the week of June 29, 2009. Data collection is ongoing.

Drilling and installation of monitoring wells for the 4M Project in Archuleta County. COGCC conducted a pre-reclamation site visit with the U.S. Forest Service ("USFS") and Souder Miller and Associates ("SMA") on June 23, 2009 to confirm USFS requirements for final site reclamation. Site re-contouring and topsoil replacement have been completed. Re-vegetation has not yet commenced. SMA continues to work on the final report for the monitoring well installation conducted in 2008. A copy of the report, including formation pressures, well completion diagrams, and coal core analytical results, will be posted on the COGCC website upon completion.

With regards to the 3M Project, the January 2009 monitoring report is available on the COGCC website.

San Juan Basin Coalbed Methane Water Quality Analysis. Request for Proposal ("RFP") PHA-1007 was posted on July 13, 2009. The objective of this study is to assess potential long-term trends in general groundwater quality in the San Juan Basin based on data available in the existing COGCC database. Bids are currently undergoing evaluation. It is anticipated that a contractor will be selected by the end of this month.

Steve Lindblom and Karen Spray have been participating in the Northern San Juan Basin Groundwater Model Technical Advisory Group ("NSJB TAG"). The NSJB TAG consists of experts in hydrogeology, groundwater modeling, geology, and water resources from industry, the CGS, the COGCC, the Colorado State Engineers Office, and the Colorado School of Mines. The NSJB TAG has been meeting on a monthly basis since June 2008 to discuss technical issues related to a numerical groundwater model for the Northern San Juan Basin being developed by NAH on behalf of several operators. A draft report was anticipated in July 2009 for review by the NSJB TAG; however, the schedule has been delayed by requests for additional time to review the model.

Northeast Colorado: Many oil and gas wells and associated production facilities permitted by the COGCC have accesses onto Weld County Roads. However, the location and construction of many of these accesses have not been reviewed by the Weld County Department of Public Works for public safety concerns. Weld County requires access permits for all such accesses.

Public safety issues associated with oil and gas facility traffic at these county road access points include sight distances, posted speed limits, road quality (paved vs. graded gravel), restricted bridges, coordination with other driveways and access points, and consideration of heavy truck hauling. Planning issues include allowance for future road widening and insufficient setbacks from the future rights-of-way. Conversion of seasonal farm field accesses to a year-round oil and gas driveways is sometimes inappropriate, especially for long-term facility (tank battery) accesses by tanker trucks and work-over rigs.

For these reasons, and the public's safety on county roads, Weld County requests that oil field operators contact the County early in their planning process, prior to negotiation of access points with surface owners to ensure that safe accesses are selected.

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Southeast Colorado: Engineering and Environmental staff have been investigating possible locations of unplugged pre-1910 oil and gas wells in a residential area in Florence. One orphaned well has been plugged, but there are indications from venting pipes and from soil gas surveys that one or more other wells may be present on the same property.

Two monitoring wells, four recovery, and eight injection wells have been drilled, completed and tested by Petroglyph Energy Inc. ("PEI") as part of Phase 1 of the MIMMP. Treatment under Phase 1 consists of physically separating dissolved methane from the recovered ground water using a vertical separator. The methane is sent to a controlled flare for combustion. Operation of the pump, treatment, and injection system started on December 8, 2008. More than 3.7 million gallons of water had been pumped to the surface and treated as of May 12, 2009. To date, more than 4.75 million gallons of water have been pumped to the surface and treated. More than 99% of that water has been re-injected into the aquifer after treatment. PEI was granted permission by the Bureau of Land Management ("BLM") to drill an exploratory well in the vicinity of the impacted water well located in Section 15, Township 29 South, Range 67 West, 6th P.M. This impacted water well is located more than one mile south of the ring of injection wells. The exploratory hole will assist in determining if gas is present, at what level the gas occurs, and whether additional venting or treatment is needed at that location. A monitoring well was drilled in this area in mid-May 2009. Water was not encountered during drilling of the 1,180 foot deep BLM 15-12 monitoring well. Some natural gas was detected during and after drilling of this monitoring well. Isotopic and compositional analyses of gas venting from this well are consistent with analyses from Huerfano County CBM and water wells. PEI may leave this hole open to vent methane for one year per their agreement with the BLM. The monitoring well will be plugged and abandoned by May 2010.

PEI drilled an exploratory hole (Haupt #1) through the Vermejo Formation coals, the Trinidad Sandstone and into the Pierre Shale in the area of Seep 643 from the Phase II Raton Basin Baseline study. Methane was detected during drilling and a sample was collected for compositional and isotopic analyses. This exploratory monitoring well is located near the outcrop of the Vermejo Formation coals and is located in an area that was previously mined. Gas flows are monitored at four domestic wells by PEI or its consultant and at two domestic wells by COGCC and its consultant. Overall gas flow has decreased in all monitored domestic wells.

During the period from June 15, 2009, to July 19, 2009, PEI screened 79 domestic water wells for the presence of methane with hand-held methane detectors for changes in percent volume of methane, %LEL, and %O₂; 53 of the monitored wells showed little change from the previous month's monitoring, 20 wells showed increases in methane concentration, and 6 wells showed decreases in methane concentration.

In mitigation, PEI is currently supplying water to 16 homes upon request of the well owner. Methane alarms have been installed in 14 homes.

The United States EPA held a public meeting in Walsenburg on August 10, 2009, regarding PEI's applications for wells that would be used to inject Vermejo Formation water produced from coalbed methane (CBM) wells into water bearing units in the Poison Canyon. PEI has submitted an application to the Division of Water Resources to ask for changes to water sources and injection as part the process of initiating Phase II. Approval to operate some of PEI's CBM wells by the COGCC will also be needed prior to initiation of Phase II.

HB 07-1298 and HB 07-1341 Rulemaking Update: On December 11, 2008, the COGCC also adopted an Interim Policy for Applications for Permits-to-Drill ("APDs"). The policy covers APDs submitted during the interim period between January 5, 2009, and the effective date of the Final Amended Rules (i.e., April 1, 2009, for non-federal lands, and July 1, 2009, for federal lands). The policy requests operators to identify whether each APD submitted during the interim period falls within one or more of the following areas: (1) drinking water protection area; (2) restricted surface

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occupancy area; (3) sensitive wildlife habitat area; and (4) riparian areas. The Interim Policy will remain in effect for riparian areas until the Commission conducts additional rulemaking to address riparian area protection.

On May 7, 2009, the proposed amendment to Rule 503.b.(7) was duly noticed for rulemaking hearing, and approved by the Commission. Subparts (D) and (E) were deleted from Rule 503.b.(7), said amendment effectively eliminating the ability of CDPHE and CDOW to seek appeal of the approval of APDs. Chair Sherman directed CDPHE and CDOW staff to provide periodic updates on the manner in which their recommendations were being considered in the COGCC approval process.

Director Neslin described concerns raised by operators regarding the implementation of the new COGCC Rules.

On May 30, 2009, a permanent rulemaking hearing was held to modify Rule 201A, which resulted in the effective date of the Final Amended Rules being changed from May 1, 2009, to July 1, 2009, on federal lands.

COGCC Staff has initiated stakeholder meetings to address gas measurement practices under a new rulemaking.

The final MOU with BLM and USFS was posted to the COGCC website on July 10, 2009, after the MOU was approved by the Commission at a Special Hearing which took place on June 24, 2009.

Options for disposal of pit liners are currently being assessed and evaluated by CDPHE on legal advice from the Attorney General's Office. An amendment to the new rules may address this issue with one possibility that pit liners be disposed of onsite as exploration and production ("E&P") waste.

A preliminary docket for the September 2009 hearing was provided.

The hiring of the COGCC field inspection unit manager, oil and gas location assessment supervisor, and the open environmental supervisor positions are moving forward.

Thom Kerr, COGCC Information and Permit Manager, updated the Commission as to the implementation of the new rules on APDs.

Variances: (1) ExxonMobil Oil Corporation ("ExxonMobil") submitted Sundry Notices requesting a variance to the production casing compressive strength requirements of Rule 317.i. for the following planned wells, which are located on the same pad in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 8, Township 2 South, Range 97 West, 6th P.M.: Freedom Unit 297-8B1, Freedom Unit 297-8B2, Freedom Unit 297-8B3, Freedom Unit 297-8B4, Freedom Unit 297-8B5, Freedom Unit 297-8B6, Freedom Unit 297-8B7, Freedom Unit 297-8B8, Freedom Unit 297-8B9, and Freedom Unit 297-8B10. All of the wells listed above have federal jurisdiction for surface and minerals.

As a result of the use of high-temperature-capable cement retarders in the cement slurry, ExxonMobil's production casing cement design for these wells does not meet the temperature requirement of Rule 317.i., which specifies that production casing cement "shall be of adequate quality to achieve a minimum compressive strength of at least 300 psi after twenty-four hours and 800 psi after seventy-two hours measured at 95°F and at 800 psi." ExxonMobil's production casing cement design will meet the required compressive strengths within the required timeframes at the expected downhole temperatures.

ExxonMobil contends that the requested variances do not violate the basic intent of the Oil & Gas Conservation Act. On July 31, 2009, COGCC Staff approved ExxonMobil's Rule 317.i variance

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requests for the wells listed above. ExxonMobil submitted similar requests to the BLM in late July 2009.

(2) Chevron USA, Inc. ("Chevron") submitted a blanket Sundry Notice requesting variances to the mechanical integrity test (MIT) frequency requirements of Rule 326.a.(4)A for Underground Injection Control ("UIC") wells, which are located in the Rangely Field, Rio Blanco County, Colorado: Carney Unit #2X, C.T. Carney 6-5, C.T. Carney 24X-35, Emerald #6, Emerald #23, Emerald #25, Emerald #30AX, Emerald #36, Emerald #72X, Fee #50, Fee #91X, Fee #107X, Fee #115X, A.C. McLaughlin #12, A.C. McLaughlin #26, A.C. McLaughlin #56X, S.W. McLaughlin #3, Raven A-3, Sharples-McLaughlin 2-33, Union Pacific 34-31, Union Pacific 68-32, Union Pacific 85X-34, and Union Pacific 90X-29.

Despite Chevron's good-faith effort to comply, and because of scheduling conflicts with COGCC Staff, MITs were not performed by the 5-year periodic deadline. Rule 326.a.(4)A, specifies that dedicated injection well MITs "shall be performed at the rate of not less than one (1) test every five (5) years." For each of the wells listed above, the required MITs were performed within 30 days after their respective 5-year deadlines.

Chevron contends that the requested variances do not violate the basic intent of the Oil & Gas Conservation Act. On July 13, 2009, COGCC staff approved Chevron's Rule 326.a.(4)A variance requests for the wells listed above. COGCC staff granted these approvals following consultation with U.S. Environmental Protection Agency, Region VIII, as required by Rule 502.b.(2).

Report from the Assistant Attorney General. AAG Rosenberg gave an oral report on the following Commission-related litigation matters: (1) *Allen Oil & Gas v. COGCC*, the Court of Appeals rendered its decision affirming the district court and the actions of the COGCC, and (3) In the lawsuit filed by the COGA regarding the Final Amended Rules (COGA v. COGCC, Denver District Court, Division 2, Case No. 09CV4435), COGA did not file suit on the implementation of the rules on federal land, and the Colorado Environmental Coalition and Gunnison County Board of County Commissioners have been joined as interveners in the case. AAG Rosenberg was thanked by the Commission for her efforts in representing the Commission/COGCC Staff over the past several years.

Comments from the Commissioners. Commissioner Cutright expressed his thanks to Petroglyph, Red River Ranch, XTO, and Pioneer Resources for guiding the Commission and COGCC Staff through their respective operations in the Raton Basin during an optional field trip day held on August 17, 2009. Commissioner Cutright also made comments on the effect the nationwide recession is having on industry.

Commissioner Houpt requested that enforcement go forward on alleged contamination of the Prather springs in Garfield County. Director Neslin indicated that staff continues to investigate issues surrounding the alleged contamination, and will bring enforcement action as warranted in due course.

Commissioner Houpt requested that Staff provide a synopsis of options recited by the Commission in going forward on development at or around the Project Rulison site.

Chair Sherman commented on the impact of oil and gas development in the area around Crestone, Colorado, and felt it would be helpful for Commission to visit that area to assess the uniqueness of the area. Director Neslin stated that Lexam Explorations (USA) Inc. ("Lexam") has two active APDs for the Baca National Wildlife Refuge in Saguache County, and Lexam has indicated the proposed wells would not be drilled this calendar year.

Comments from the Audience. Loretta Kennedy, regional director for Congressman Salazar's office, invited the Commissioners to attend a problem-solving meeting in Walsenberg on August 25 to address issues involving the River Ridge Subdivision.

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Gary Fusslier, a resident of Penrose, gave a statement dealing with the disposal of pit liners in qualified landfills.

Lisa Cyriacks, Crestone resident and a member of San Juan Citizens' Alliance, gave a statement regarding the impact of oil and gas development in Saguache County.

David Bright, Crestone resident and a member of San Juan Citizens' Alliance, gave a statement regarding the impact of oil and gas development in Saguache County.

Marcia Dasko, member of board of managers of North Fork Ranch in Las Animas County, gave a statement regarding her concerns on surface water and water wells on the ranch.

Gopa Ross, oil and gas issues chair for the Sierra Club RMC, gave a statement regarding concerns on Petroglyph Energy, Inc. coal-bed methane development and impact on the environment.

James Colt, resident of Las Animas County, gave a statement regarding concerns over sounds associated with gas blow-off by Pioneer Resources, Inc. at Primero Ranch. Ron Schindler, associate general counsel for Pioneer, came forward and informed the Commission that he would ensure his company would investigate Mr. Colt's complaints.

Nancy Meadows, resident of Huerfano County, gave a statement regarding her concerns over the alleged contamination of her domestic water well by oil and gas activities.

Consent Agenda. Acting Hearings Manager Willis requested that Cause No. 440, Docket No. 0908-UP-11 be placed on the Consent Agenda due to the resolution and withdrawal of the outstanding protest filed by Sharon Gardner, and that Cause No. 139, Docket No. 0908-SP-18 be removed from the Consent Agenda due to a protest filed by the BLM and a request for a continuance filed by the Applicant Williams Production RMT Company. Commissioner Houpt recused herself from participating in Cause No. 440, Docket No. 0908-UP-11 and Cause No. 0908-SP-17, due to her participation as a Garfield County Commission on issues involving lands in or around the Battlement Mesa Planned Unit Development ("PUD"). Commissioner Cutright requested that Cause Nos. 479 and 510, Docket No. 0908-UP-20 and Cause No. 105, Docket No. 0908-SP-19 be pulled from the Consent Agenda and considered separately. Vice-Chair Epel moved to approve Cause No. 407, Docket No. 0906-UP-05, Cause No. 407, Docket No. 0906-UP-06, Cause Nos. 416 and 516, Docket No. 0908-UP-17, Cause No. 407, Docket No. 0908-UP-18, and Cause No. 407, Docket No. 0908-UP-19, seconded by Commissioner Martin, and approved unanimously. The following matters were approved:

Cause No. 407, Docket No. 0906-UP-05, Weld County, request for an order to establish two approximate 160-acre wellbore spacing units for certain lands located in Section 30, Township 5 North, Range 64 West, 6th P.M., and Section 25, Township 5 North, Range 65 West, 6th P.M., for the production of oil and associated hydrocarbons from the Codell and Niobrara Formations, and to pool all nonconsenting interests in said units, for the development and operation of the Codell and Niobrara Formations.

Cause No. 407, Docket No. 0906-UP-06, Weld County, request for an order to establish two approximate 160-acre wellbore spacing units for certain lands located in Section 14, Township 5 North, Range 67 West, 6th P.M., for the production of oil and associated hydrocarbons from the Codell and Niobrara Formations, and to pool all nonconsenting interests in said units, for the development and operation of the Codell and Niobrara Formations.

Cause Nos. 416 and 516, Docket No. 0908-UP-17, Weld County, request for an order to establish the Moyer Unit for enhanced recovery unit and approve enhanced recovery operations for

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certain lands in Township 12 North, Range 56 West, 6th P.M., for the development and operation of the D Sand and J Sand Formations.

Cause No. 407, Docket No. 0908-UP-18, Weld County, request for an order to establish an approximate 160-acre wellbore spacing unit consisting of the SW $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 31, Township 5 North, Range 64 West, 6th P.M., and the SE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 20, Township 5 North, Range 65 West, 6th P.M., for the production of oil and associated hydrocarbons from the Codell and Niobrara Formations, and to pool all nonconsenting interests in said unit, for the development and operation of the Codell and Niobrara Formations.

Cause No. 407, Docket No. 0908-UP-19, Weld County, request for an order to establish two approximate 160-acre wellbore spacing units consisting of the NE $\frac{1}{4}$ of Section 20, Township 4 North, Range 66 West, 6th P.M., and the E $\frac{1}{2}$ NW $\frac{1}{4}$ and W $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 20, Township 4 North, 4 Range 66 West, 6th P.M., for the production of oil and associated hydrocarbons from the Codell and Niobrara Formations, and to pool all nonconsenting interests in said unit, for the development and operation of the Codell and Niobrara Formations.

Vice-Chair Epel moved to approve Cause No. 440, Docket No. 0908-SP-17, seconded by Commissioner Martin, and approved unanimously (with Commissioner Houpt abstaining). The following matter was approved:

Cause No. 440, Docket No. 0908-SP-17, Garfield County, request for an order to vacate an existing 320-acre drilling and spacing unit and establish two approximate 240-acre drilling and spacing units consisting of the NW $\frac{1}{4}$ and W $\frac{1}{2}$ NE $\frac{1}{4}$ and SW $\frac{1}{4}$ and W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 17, Township 7 South, Range 95 West, 6th P.M., for the production of gas and associated hydrocarbons Williams Fork and Iles Formations.

Vice-Chair Epel moved to approve Cause No. 440, Docket No. 0908-UP-11, seconded by Commissioner Martin, and approved unanimously (with Commissioner Houpt abstaining). The following matter was approved:

Cause No. 440, Docket No. 0908-UP-11, Garfield County, request for an order to pool all nonconsenting interests in a 240-acre drilling and spacing unit consisting of the NW $\frac{1}{4}$, and W $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 17, Township 7 South, Range 95 West, 6th P.M., for the development and operation of the Williams Fork and Iles Formations.

Vice-Chair Epel moved to approve Cause Nos. 479 and 510, Docket No. 0908-UP-20 as amended Commissioner Dowling to include language in the order that permitted bottomhole locations under the order be consistent with the efficient production of the resource which prohibits waste of the resource, seconded by Commissioner Martin, and approved by a vote of eight for and one against (Commissioner Cutright). The following matter was approved:

Cause Nos. 479 and 510, Docket No. 0908-UP-20, Garfield County, request for an order to establish the North Parachute Ranch Unit under § 34-60-118, C.R.S., for certain lands located in Sections 15 through 17, Sections 20 through 22, and Sections 27 through 34, Township 5 South, Range 95 West, 6th P.M., for the development and operation of the Williams Fork Formation.

Vice-Chair Epel moved to approve Cause No. 105, Docket No. 0908-SP-19, seconded by Commissioner Martin, and approved by a vote of five for and three against (Commissioners Cutright, Houpt, and Craig) with Commissioner Martin not participating. The following matter was approved:

Cause No. 105, Docket No. 0908-SP-19, Kiowa County, request for an order to vacate the established 640-acre drilling and spacing unit for Section 6, Township 20 South, Range 48 West,

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6th P.M., and establish a 160-acre drilling and spacing unit for the SE $\frac{1}{4}$ of said Section 6, for the production of gas and associated hydrocarbons from the McClave Formation.

The following matters have been continued to either the September 2009 hearing or a subsequent hearing:

Cause No. 440, Docket No. 0908-UP-10, Garfield County, request for an order to pool all nonconsenting interests in a 240-acre drilling and spacing unit consisting of the NW $\frac{1}{4}$, and W $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 17, Township 7 South, Range 95 West, 6th P.M., for the development and operation of the Williams Fork and Iles Formations. Protest filed by Sharon Gardner.

Cause No. 449, Docket No. 0908-EX-04, Cheyenne County, request for an order to allow an exception to the permitted well location, and remove the production limitations as specified in Order 449-7, for the re-entry of the Lewis 22-17 #4 Well located in the W $\frac{1}{2}$ of Section 17, Township 14 South, Range 42 West, 6th P.M., for the production of gas and associated hydrocarbons from the Morrow "A" Formation. Protest filed by Citation Oil & Gas Corporation.

Cause No. 139, Docket No. 0908-SP-18, Garfield County, request for an order to: (1) establish a 640-acre drilling and spacing unit consisting of Section 15, Township 7 South, Range 94 West, 6th P.M., (2) continue to allow the equivalent of one well per 10 acres for said Section 15, for the Williams Fork Formation, and (3) allow the equivalent of one well per 10 acres for the Iles Formation, for the production of gas and associated hydrocarbons Williams Fork and Iles Formations. Protest filed by the BLM.

Cause Nos. 232 and 407, Docket No. 0907-UP-15, Weld County, request for an order to establish two 160-acre drilling and spacing units consisting of the SW $\frac{1}{4}$ of Section 10 and the NW $\frac{1}{4}$ of Section 30, Township 2 North, Range 66 West, 6th P.M., and to pool all nonconsenting interests in said units, for the development and operation of the Codell, Niobrara and "J" Sand Formations. Protest filed by Anadarko Petroleum Corporation.

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. Protests filed by Noble Energy, Inc., Anadarko Petroleum Corporation, and James Alexander, Alexander Energy Company, HRM Resources, Texas American Resources Company, and Sovereign Energy, LLC.

Water Management Practices for Coal-Bed Methane Wells in Raton Basin. Margaret Ash, COGCC Environmental Supervisor, and Peter Gintantas, COGCC Environment Protection Specialist, gave a presentation on management of coal-bed methane produced water in the Raton Basin.

Martha Rudolph, Director of Environmental Programs for CDPHE, gave a presentation on environmental impacts and safety issues surrounding produced water from coal-bed methane operations.

Alan Curtis, attorney from White & Jankowski, LLP, gave a statement regarding the management of coal-bed methane produced water in the Raton Basin.

Brett Corsentino, a resident of Walsenburg, gave a statement regarding the impact that coal-bed methane produced water has on his lands.

Paul Powell, COO of Petroglyph Energy, Inc., made a statement regarding his company's practices in dealing with produce water from their coal-bed methane wells in the area of Mr. Corsentino's property.

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Karen Solipich, a resident of Las Animas County, made a statement regarding the impact that coal-bed methane produced water has on her lands.

Gary Waller, a resident of Aguilar, Colorado, made a statement on sodium absorption ratios on soil and impact of produced water from coal-bed methane gas production on his lands.

Warren McDonald gave a statement regarding the impact that produced water from coal-bed methane has on the environment.

Informational Session on Methane Investigation, Monitoring, and Mitigation Plan ("MIMMP"). Peter Gintantas, COGCC Environment Protection Specialist, gave a presentation on the overview of the development of the MIMMP.

Paul Powell, COO of Petroglyph Energy, Inc., gave a presentation on his company's development of coal-bed methane wells in Huerfano County and the company's attempts to gain compliance with the MIMMP as it attempts to go forward with development of the impacted wells.

Alan Curtis, attorney from White & Jankowski, LLP, gave an additional statement regarding the management of coal-bed methane produced water in the Raton Basin.

The hearing adjourned at approximately 4:30 p.m. on August 18, 2009.

The Secretary was therefore authorized to issue the following orders:

Order No. 407-335, Wattenberg Field, Weld County: Approves the request for an order to establish two approximate 160-acre wellbore spacing units for certain lands located in Section 30, Township 5 North, Range 64 West, 6th P.M., and Section 25, Township 5 North, Range 65 West, 6th P.M., for the production of oil and associated hydrocarbons from the Codell and Niobrara Formations, and to pool all nonconsenting interests in said units, for the development and operation of the Codell and Niobrara Formations.

Order No. 407-336, Wattenberg Field, Weld County: Approves the request for an order to establish two approximate 160-acre wellbore spacing units for certain lands located in Section 14, Township 5 North, Range 67 West, 6th P.M., for the production of oil and associated hydrocarbons from the Codell and Niobrara Formations, and to pool all nonconsenting interests in said units, for the development and operation of the Codell and Niobrara Formations.

Order No. 440-57, Parachute Field, Garfield County: Approves the request for an order to pool all nonconsenting interests in a 240-acre drilling and spacing unit consisting of the NW $\frac{1}{4}$, and W $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 17, Township 7 South, Range 95 West, 6th P.M., for the development and operation of the Williams Fork and Iles Formations.

Order Nos. 416-1 and 516-2, Border and May Fields, Weld County: Approves the request for an order to establish the Moyer Unit for enhanced recovery unit and approve enhanced recovery operations for certain lands in Township 12 North, Range 56 West, 6th P.M., for the development and operation of the D Sand and J Sand Formations.

Order No. 407-337, Wattenberg Field, Weld County: Approves the request for an order to establish an approximate 160-acre wellbore spacing unit consisting of the SW $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 31, Township 5 North, Range 64 West, 6th P.M., and the SE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 20, Township 5 North, Range 65 West, 6th P.M., for the production of oil and associated hydrocarbons from the Codell and Niobrara Formations, and to pool all nonconsenting interests in said unit, for the development and operation of the Codell and Niobrara Formations.

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Order No. 407-338, Wattenberg Field, Weld County: Approves the request for an order to establish two approximate 160-acre wellbore spacing units consisting of the NE $\frac{1}{4}$ of Section 20, Township 4 North, Range 66 West, 6th P.M., and the E $\frac{1}{2}$ NW $\frac{1}{4}$ and W $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 20, Township 4 North, 4 Range 66 West, 6th P.M., for the production of oil and associated hydrocarbons from the Codell and Niobrara Formations, and to pool all nonconsenting interests in said unit, for the development and operation of the Codell and Niobrara Formations.

Order Nos. 479-20 and 510-49, Grand Valley Field, Garfield County: Approves the request for an order to establish the North Parachute Ranch Unit under § 34-60-118, C.R.S., for certain lands located in Sections 15 through 17, Sections 20 through 22, and Sections 27 through 34, Township 5 South, Range 95 West, 6th P.M., for the development and operation of the Williams Fork Formation.

Order No. 440-58, Parachute Field, Garfield County: Approves the request for an order to vacate an existing 320-acre drilling and spacing unit and establish two approximate 240-acre drilling and spacing units consisting of the NW $\frac{1}{4}$ and W $\frac{1}{2}$ NE $\frac{1}{4}$ and SW $\frac{1}{4}$ and W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 17, Township 7 South, Range 95 West, 6th P.M., for the production of gas and associated hydrocarbons Williams Fork and Iles Formations.

Order No. 105-45, McClave Field, Kiowa County: Approves the request for an order to vacate the established 640-acre drilling and spacing unit for Section 6, Township 20 South, Range 48 West, 6th P.M., and establish a 160-acre drilling and spacing unit for the SE $\frac{1}{4}$ of said Section 6, for the production of gas and associated hydrocarbons from the McClave Formation.

Robert A. Willis, Acting Secretary

Approved:

Joshua Epel, Vice Chair