

RECORD OF PROCEEDINGS

November 30, 2009

The Oil and Gas Conservation Commission (“COGCC”) met on November 30, 2009, in Suite 801 of The Chancery Building, 1120 Lincoln Street, Denver, Colorado, for a hearing in Cause Nos. 1 (3 matters), 1R (2 matters), 139, 232, 232 and 407, and 232, 407 and 499.

Those present were:

Joshua Epel	Chair
Michael Dowling	Vice-Chair
Richard Alward	Commissioner
Ned Calonge	Acting Commissioner
Tom Compton	Commissioner
DeAnn Craig	Commissioner
Mark Cutright	Commissioner
Trési Houpt	Commissioner
Jim Martin	Commissioner
David Neslin	Director
Rob Willis	Acting Hearings Manager

The meeting was called to order at 9:07 a.m. on November 30, 2009. Acting Commissioner Calonge was unable to attend the full day hearing, and was introduced as Acting Executive Director of the Colorado Department of Public Health and Environment (“CDPHE”) and an ex-officio Acting Commissioner, when he appeared for consideration of the Klabzuba Oil & Gas, Inc. request for variances, and the remainder of the agenda. A motion was made by Commissioner Compton to approve the October 2009 minutes, seconded by Commissioner Martin, and unanimously approved.

Report from the Executive Director. Commissioner Martin stated that the state continues to deal with projections regarding decreasing revenues and the budget deficiency. Rulemaking is ongoing through the State Engineer’s Office regarding produced waters from coalbed methane wells under the Vance decision, and once that is finalized, it may be appropriate that the Commission be given a presentation on the effects the rulemaking may have on the oil and gas industry.

Report from the Director. Thom Kerr, COGCC Information and Permitting Manager, gave a presentation explaining his amendment to the October Staff Report detailing permitting statistics as of November 22, 2009. The table below is a breakdown of the Form 2A, Location Assessment, forms received since the effective date of the amended rules. The amended rules changed the requirements of the Form 2A and it is now required on all oil and gas facility locations. There is only one Form 2A required for multiple well sites if the wells were identified on the last approved or accepted Form 2A. The table reflects the status of the Form 2As received in the month reported, hence an aging report.

Form 2A Location Assessment

Year	Month	Received	Approved Or Accepted	Withdrawn	In-Process	Percent In-Process
2009	4	0	-	-	-	-
2009	5	28	26	2	0	0%
2009	6	39	38	1	0	0%
2009	7	72	70	1	1	1%
2009	8	60	21	2	2	42%
2009	9	76	11	0	9	78%
2009	10	126	77	1	48	100%
2009	11	102	0	1	101	99%

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Total		503	334	8	161	32%
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The 2009 drilling permit totals for the top seven counties as of November 22nd are:

County	2009 (% of Total)	2008	2007	2006	2005	2004
Garfield	1,643 (37%)	2,888	2,550	1,844	1,508	796
Weld	1,194 (27%)	2,340	1,527	1,418	901	832
Mesa	413 (9%)	501	293	265	136	54
Rio Blanco	336 (8%)	477	321	360	161	154
La Plata	278 (7%)	328	251	235	117	102
Yuma	98 (2%)	545	541	798	782	237
Las Animas	62 (1%)	303	362	500	413	332
State Total	4,410	8,027	6,368	5,904	4,364	2,917

The table below is a breakdown of the Form 2, Application for Permit to Drill, (APD) forms received for the calendar year 2009 through November 22, 2009. The amended rules changed many of the filing requirements and procedures of the APD process. The table reflects the status of the Form 2As received in the month reported, hence an aging report. The last report to the Commission with data from October 25, 2009 had the total permits received at 3,524 and the approved at 2,763, this reflects an increase of 75 received and 380 permits approved in the time period since the last report.

Form 2 Application for Permit-to-Drill (APDs)

Year	Month	Received	Approved	Withdrawn	In-Process	Percent In-Process	Average Days to Process	<50 days	>50 days
2009	1	519	510	6	3	1%	82	132	378
2009	2	411	399	8	4	1%	59	229	170
2009	3	1,476	1,395	20	61	4%	88	369	1,026
2009	4	40	37	2	1	3%	92	6	31
2009	5	54	43	5	6	11%	75	19	24
2009	6	219	211	1	8	4%	78	35	176
2009	7	122	120	1	1	1%	61	40	80
2009	8	157	143	9	5	3%	61	53	90
2009	9	231	120	1	110	48%	45	71	49
2009	10	369	165	1	203	55%	22	164	1
2009	11	309	3	1	305	99%	3	3	0
Totals		3,599	3,143	54	707	11%		1,118	2,025

Commissioner Martin stated that he and Director Neslin have been given a firm directive by the Governor’s Office to get the permitting time down to an acceptable level.

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.

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The next meeting is scheduled for December 3, 2009, at the Colorado Mountain College-West Garfield Campus in Rifle.

A Request For Information ("RFI") was sent to Piceance Basin operators on October 23, 2009. The RFI required that operators provide an inventory of oil and gas locations, number of permitted wells per location, the number of wells where surface casing or conductor casing have been set but the wells not drilled and a list of pits on these locations. The submittal date was November 9, 2009, and industry response was extremely positive. Operators provided detailed inventories and actively engaged with the COGCC to discuss issues that may arise due to the slowdown in drilling activities. The data will allow the COGCC to work with operators to ensure that interim reclamation, site stabilization procedures and stormwater best management practices (BMP) are implemented and maintained during the downturn and that site security is maintained at potentially inactive locations.

Southwest Colorado: The next Gas and Oil Regulatory Team ("GORT"), Southwest Colorado Oil and Gas Stakeholders meeting is scheduled for January 14, 2010, 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. The mapped extent of the Fruitland Coal outcrop in Archuleta County is now available in COGIS as the layer "San Juan Basin – Archuleta_Kf."

Fruitland Formation Outcrop - 4M Pilot Scale Mitigation Projects La Plata County: The South Fork Texas Creek ("SFTC") system was shut down in early October 2009 due to a faulty methane sensor. A new sensor was ordered and installed, but it failed within a week of installation, so another type of sensor has been ordered and it will be installed upon receipt. As a result, electricity is not currently being generated at the site. Once the system can be operated safely it will be put back online. Gas continues to be collected and vented at the Pine River Ranches ("PRR") location. Data collection and assessment will continue for a period of one year.

4M Monitoring Wells La Plata County: Installation of the 4M monitoring wells is ongoing. At the BP Highlands location, the contact between the Fruitland Formation and the Pictured Cliffs was encountered at a depth of 195 feet below ground surface (fbgs), which was shallower than expected; therefore, only one well was needed to monitor the coal seams at this location. The Fruitland/Pictured Cliffs contact was also encountered at a shallower depth (approximately 400 fbgs) than anticipated at the Fiddler location. Wells have been installed and completed at both locations and are awaiting instrumentation.

The Fruitland/Pictured Cliffs contact at the Palmer Ranch location was encountered at a depth of approximately 720 fbgs, and the Fruitland Formation is comprised of several good coal seams. A well is currently being completed and it is anticipated, weather permitting, that all of the wells should be instrumented and operational by early December. Well site reclamation and re-contouring has been conducted at both the BP Highlands and Fiddler locations, although re-seeding will not occur until the spring. Reclamation at the Palmer Ranch location will occur as soon as possible after well completion and installation of the monitoring equipment and as weather conditions permit.

Pressure data from 2 of the existing 3M monitoring wells, one at Basin Creek and one at SFTC, indicate possible leaks or transducer issues with the 2009-installed equipment. Norwest/Applied

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Hydrology will investigate and attempt repairs during their next site visit.

4M Monitoring Wells Archuleta County: Pressure data from one of the wells at Wagon Gulch indicates a potential leak in the wellhead. Norwest/Applied Hydrology will investigate and attempt to repair this leak during their next site visit.

Souder, Miller & Associates has provided the COGCC staff a final report for the monitoring well installation and reclamation conducted in 2008 and 2009. A copy of the final report, including formation pressures, well completion diagrams, and coal core analytical results, will be posted on the COGCC website soon.

San Juan Basin Coalbed Methane Water Quality Analysis ("WQA"): 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. Work on this project has begun and a draft report should be available for staff review by the end of 2009. Data quality review is complete and trend analysis evaluations have been initiated.

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 Norwest Applied Hydrology on behalf of several operators. A draft report was delivered on September 21, 2009 for review by the NSJB TAG.

Northeast Colorado: On October 26, 2009, the northeast area COGCC staff organized and supported a Commissioner field tour of the Anadarko Commons drill site (Extreme Rig 11), a high density production pad and reclamation site in the Town of Frederick.

Investigation of Nelson Water Well in Logan County: COGCC began investigating the Nelson water well in 2007. Water samples had been collected from the Nelson Well by other parties as early as 1984, and it was apparent that the quality of the water had deteriorated significantly over time. To identify the source of the apparent impact, COGCC retained Terracon Consultants, Inc. to perform additional sampling and analysis of the Nelson water well and produced water from nearby oil and gas operations. Terracon also evaluated all historic data and concluded in a report dated December 3, 2008, that the Nelson Water Well had been impacted by produced water disposed at infiltration pits at the Schwake A-2 tank battery. Over 2 million barrels of produced water had been disposed at this location between 1954 and 1998.

COGCC agreed with the conclusion and issued a Notice of Alleged Violation ("NOAV") to Schneider Energy Services, who currently operates the Schwake A-2 on behalf of Merchant Energy Partners. Corrective actions stipulated in the NOAV included providing an alternate potable water supply for the Nelson residence and proper closure of the produced water pits at the Schwake A-2 tank battery. Merchant Energy Partners is currently developing a gas storage facility in the West Peetz Field where the Schwake A-2 is located, and although they never disposed of produced water in the Schwake A-2 water pits, they agreed to the corrective actions required by the NOAV. In cooperation with past operators, Merchant Energy installed a replacement water well for the Nelson residence in October 2009. Merchant Energy is currently evaluating the extent of soil contamination associated with the water pits to develop an appropriate closure plan.

Southeast Colorado: Three 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

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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 8.9 million gallons of water had been pumped to the surface and treated as of November 1, 2009. More than 99% of that water has been re-injected into the aquifer after treatment. PEI has proposed adding one domestic well to the methane and water recovery system to hasten removal of free gas from the impacted aquifer systems. The domestic well would function as a removal well with the water re-injected in a nearby injection well that is already part of the system. PEI has applied for this use to the United States Environmental Protection Agency ("EPA") and the Colorado Division of Water Resources with consent of the domestic well owner. COGCC staff agree with PEI regarding the utility of this change.

Gas flows are monitored at 4 domestic wells by PEI or its consultant and at 2 domestic wells by COGCC and its consultant. Overall gas flow has decreased in all monitored domestic wells.

During the period from September 23, 2009, to November 1, 2009, PEI screened 83 domestic water wells for the presence of methane with hand-held methane detectors for changes in percent volume of methane, %LEL, and %O₂. Methane was not detected at 48 of the wells. Methane was detected at 35 of the screened wells and levels of methane decreased in 9 of these. Twenty-six domestic wells had increases in methane levels detected during this monitoring period. Seventeen of the wells showing increases are drilled into coal bearing formations or into formations deeper than the coals. Seven of the wells showing increases in methane are believed to be completed in the impacted Poison Canyon Formation near the remediation system.

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

The 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 CBM wells into water-bearing units in the Poison Canyon Formation. 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.

Organization: Boris (Bo) Brown has been hired as a Field Inspector in the central Wattenberg Area of northeastern Colorado. Bo has an extensive oil and gas background having worked as a drilling supervisor for Marathon Oil Company and as a Petroleum Engineer Technician with the Bureau of Land Management ("BLM") where he performed oil and gas inspections and conducted extensive oilfield training programs for BLM personnel. Bo will report to Ed Binkley, the Northeast Area Inspection Supervisor.

Interviewing for the vacant Hearings Manager position was recently completed. Carol Harmon, former COGCC Enforcement Officer, has accepted the position and will start her duties on December 1, 2009.

Onsite Inspection Policy. Under the Policy For Onsite Inspections On Lands Where The Surface Owner Is Not A Party To A Surface Use Agreement, which was effective for Applications for Permits-to-Drill (APDs) submitted after February 15, 2005, the COGCC has received to date a total of 133 requests for onsite inspections.

Twenty-nine onsite inspections have been conducted, 87 requests for inspections have been withdrawn, one onsite inspection is being scheduled, and 16 onsite inspections are pending and will be scheduled, if necessary, after the APD is received, or after issues related to local governmental designee consultation, location change, or surface use agreements are resolved.

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Of the 133 requests for onsite inspection, 72 were for locations in Weld County, 24 for Las Animas County, 9 for Adams County, 7 for La Plata County, 5 for Garfield County, 3 each for Archuleta, Boulder and Yuma Counties, 2 each for Logan and Morgan Counties, and 1 each for Baca, Kiowa, and Larimer Counties.

In addition to the Onsite Inspection Policy, onsite inspections are being conducted in the San Juan Basin under Cause 112, Order Nos. 156 and 157 where an Onsite Inspection was required because an APD was submitted without a surface use agreement. Several onsite inspections under Cause 112, Orders 156 and 157 are anticipated in the next few months, depending upon operator activity in the area.

COGIS Projects, Updates and Changes Electronic Form Submission: As of July 1, 2009, operators have been electronically filing APDs and the new Oil and Gas Location Assessment ("OGLA") forms. The system allows the operator to submit the data for the form and all of the required attachments. Attachments must be in a PDF file format. Benefits of the eForm's application to the operator include the ability to circulate the forms internally and check data prior to submitting to the COGCC and a decrease in the time it takes for the form to begin its regulatory review. Additional features of the new application include the tracking of the regulatory form as it is being reviewed within the COGCC, the viewing of the required attachments as the form is being reviewed, along with allowing public comments on certain regulatory forms.

Along with the eForm system, a page is available where the operators can review all known bugs within the system and report any new ones they discover.

The public can now make comments on all submitted OGLA forms ("Form 2A") through the eForm system. This is accomplished by going to the COGCC website (<http://www.colorado.gov/cogcc>) and clicking on the menu option, "Permits", (or <http://cogcc.state.co.us/COGIS/DrillingPermits.asp>). On the COGIS-Permits page, two new search options have been added, "All Pending Location Assessments for" and "All Approved Location Assessments for." When the results are displayed for forms in process, the public can click on the document number, which logs the user onto the new eForm application. Once the page is displayed with the selected document, the user can select the Comment button to make a comment on that particular form. The public can use this same method to make comments on APDs ("Form 2").

Since October 1, 2009, operators have submitted 292 or 52% of all APDs through the eForm system and 105 or 53% of the Form 2As through eForm. Since the start of electronic submission at the beginning of July, 53% of all permits (Form 2 or Form 2A) have been submitted through eForm.

The second release of the application has been released with improvements to the dashboard that include the well name and number along with location information for that document.

Director Neslin stated that a remediation plan (Form 27) has been executed for the benefit of the Corsentino lands near Trinidad designed to reclaim those agricultural fields by the end of 2010. PEI is to provide replacement feed to the Corsentinos.

Investigation and mitigation continue into the Prather springs located in Garfield County. Commissioner Houpt raised concerns regarding the timeliness of the resolution of these matters. Debbie Baldwin, COGCC Environmental Manager, gave her response to the concerns surrounding the complicated nature of this investigation. Commissioners Alward and Martin stated that rules are in place to address violations of the Oil and Gas Conservation Act related to oil and gas activities.

Table 910-1: Director Neslin made a presentation on the interpretation of Table 910-1 as to unintended consequences. COGCC Staff provided draft questions/answers to the Commission regarding how Staff will interpret concerns surrounding Table 910-1. Debbie Baldwin, COGCC

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Environmental Manager, discussed the need this document to assist Staff and stakeholders in interpreting Table 910-1. Director Neslin stated that Staffs plans to ultimately amend Table 910-1 to reflect best practices standards, however, Staff desires to utilize the present table in reclamation of well sites. Jep Seman, attorney for Colorado Petroleum Association (“CPA”), and Ken Wonstolen, attorney for Colorado Oil and Gas Association (“COGA”), indicated that they would like to reserve comment on the document pending consultation with their clients, however, both appreciate the efforts made by Staff in addressing the concerns found in the document.

Commissioner Houpt expressed concerns over West Divide Creek seep data and the series of complaints lodged by Lisa Bracken. Debbie Baldwin, COGCC Environmental Manager, stated that it is the finding of COGCC Staff that Ms. Bracken’s complaints as they impact her property are unfounded, and that the prior impact giving rise to Ms. Bracken’s initial complaint has been mitigated. Monitoring reports continue to be reported on the COGCC website on a quarterly basis.

Variances: (1) A variance under Rule 502.b. was granted on October 22, 2009, from COGCC Rule 907.d.(3).B.ii, which requires incorporation of water-based bentonitic drilling fluids into soils within 10 days of application. This variance was granted to Wiepking-Fullerton for a location in Lincoln County for a well located in the NE¼ of the SW¼ of Section 19, Township 10 South, Range 55 West, 6th P.M. The bentonitic material will be incorporated within 6 months in accordance with the surface owner schedule.

(2) ExxonMobil Oil Corporation (“ExxonMobil”) submitted Sundry Notices requesting a variance to the production casing compressive strength requirements of Rule 317.i., for the planned North Piceance Unit 197-5A1 Well, which is located in the NW¼ of the SE¼ of Section 5, Township 1 South, Range 97 West, 6th P.M., for the planned North Piceance Unit 197-12A1 well located in the NW¼ of the SE¼ of Section 12, Township 1 South, Range 97 West, 6th P.M., and for the planned Expanded Liberty Unit 395-21A1 Well located in the SW¼ of the NW¼ of Section 21, Township 3 South, Range 95 West, 6th P.M. 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 three hundred (300) psi after twenty-four (24) hours and eight hundred (800) psi after seventy-two (72) hours measured at ninety-five degrees fahrenheit (95°F) and at eight hundred (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 October 26, 2009, COGCC staff approved ExxonMobil’s Rule 317.i variance request for the North Piceance Unit 197-5A1 Well, and on November 3, 2009, COGCC staff approved ExxonMobil’s Rule 317.i variance requests for the North Piceance Unit 197-12A1 Well and for the Expanded Liberty Unit 395-21A1 Well. ExxonMobil has submitted similar requests to the BLM.

(3) A variance under Rule 502.b. was granted on November 20, 2009, with the approval of the APD the Texas American Resources Company North Colorado CNW-13, 11-13 and 22-13 Wells, located in the NE¼ of the NW¼ of Section 13, Township 1 South, Range 68 West in Adams County. The well locations are an exception to Rule 603.a.1. statewide setbacks, 603c., high density area rules for building units, and 603b., high density area rules for other facilities.

A preliminary docket for the January 2010 hearing was provided.

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Comments from the Commissioners. Commissioner Houpt expressed concerns over West Divide Creek seep data and the series of complaints lodged by Lisa Bracken. Debbie Baldwin, COGCC Environmental Manager, stated that it is the finding of COGCC Staff that Ms. Bracken's complaints as they impact her property are unfounded, and that the prior impact giving rise to Ms. Bracken's initial complaint has been mitigated. Monitoring reports continue to be reported on the COGCC website on a quarterly basis.

Chair Epel stated that the Commission will be convening for a retreat during February and that the agenda for the retreat is evolving. Chair Epel and Vice-Chair Dowling urged any stakeholder to bring forward suggested topics for discussion during the course of the retreat.

Comments from the Audience. Ken Wonstolen, oil and gas attorney, made a statement regarding produced water from oil and gas wells within the State of Colorado and the pending rulemaking to regulate that produced water through the State Engineer's Office. Further, Mr. Wonstolen stated that this rulemaking could have far-reaching impact on the oil and gas industry.

Commissioner Compton asked Mr. Wonstolen where he would like the Commission to go with regards to this rulemaking. Commissioner Martin gave a statement regarding the rulemaking process at the State Engineer's Office.

Consent Agenda. Commissioner Martin moved to approve the following matters listed under the Consent Agenda, seconded by Commissioner Dowling, and approved unanimously. The following matters were approved:

Cause No. 139, Docket No. 0908-SP-18, Garfield County, request for an order to: (1) continue to allow the equivalent of one well per 10 acres for Section 15, Township 7 South, Range 94 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation, and (2) allow the equivalent of one well per 10 acres for said Section 15, for the production of gas and associated hydrocarbons from the Iles Formation.

Cause Nos. 232, 407, and 499, Docket No. 0910-EX-06, Weld County, request for an order allowing an exception to the permitted location for the Lorenz L #30-4D Well located at 359 feet FNL and 862 feet FWL in the NW¼ NW¼ of Section 30, Township 30 North, Range 69 West, 6th P.M., for the production of gas and associated hydrocarbons from the Codell and Niobrara Formations.

Commissioner Compton moved to approve the following matter listed under the Consent Agenda, seconded by Commissioner Martin, and approved unanimously. The following matter was approved:

Cause No. 1, Docket No. 0911-GA-11, Weld County, request for Commission hearing for a variance under Rule 502.b. for a one year extension to commence drilling operations for the Zeiler #23-7U Well, the Zeiler #24-7U Well, and the Zeiler #13-7U Well, for the production of gas and associated hydrocarbons from the Sussex, Shannon, Codell, Niobrara, "J" Sand Formations, and the Zeiler #14-7U Well, for the production of gas and associated hydrocarbons from the Niobrara, Codell, and "J" Sand Formations.

Commissioner Martin moved to approve the following matter listed under the Consent Agenda, seconded by Commissioner Dowling, and approved unanimously. The following matter was approved:

Cause No. 527, Docket No. 0911-UP-28, Weld County, request for an order to pool all nonconsenting interests in the established 320-acre drilling and spacing unit for the W½ of Section 34, Township 5 North, Range 67 West, P.M., for the production of gas and associated hydrocarbons from the "J" Sand Formation.

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The following matters have been continued to either the January 2010 hearing or a subsequent hearing:

Cause No. 527, Docket No. 0911-AW-05, Rio Blanco 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 any lease line adjacent to the application lands for certain lands in Townships 2 and 3 South, Range 97 West, 6th P.M., Townships 1 through 4 South, Range 98 West, 6th P.M., and Townships 2 and 3 South, Range 99 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork and Iles Formations. The matter was continued to give additional time for COGCC Staff to consult with DOW and CDPHE as is provided for the Rule 306.

Cause No. 528, Docket No. 0911-AW-06, Rio Blanco County, for an order to amend Order No. 528-1 to vacate the requirement that the Iles and Sego Formation wells must be drilled in conjunction with Williams Fork wells for Section 3, Township 3 South, Range 97 West 6th P.M., and allow Iles and Sego Formation wells to be drilled downhole no closer than 100 feet from the outside boundary of the application lands, for the production of gas and associated hydrocarbons from the Mesaverde Group.

Cause Nos. 232, 407 and 499, Docket No. 0910-GA-06, Weld County, request for Commission hearing, under Rule 318A(e)(6)B., on APD filed by Noble Energy, Inc., for the Nelson-USX WW #09-24D Well which establishes a wellbore spacing unit for certain lands in Section 9, Township 1 North, Range 66 West, 6th P.M., for the production of gas and associated hydrocarbons from the Codell, Niobrara, and "J" Sand Formations. Protest filed by Merit Energy Company.

Cause No. 510, Docket No. 0910-GA-07, Garfield County, request for Commission hearing, under Rule 325, on application by Noble Energy, Inc. to complete Parachute Ranch Federal #35-31C Well as a water disposal well in the Iles Formation. Protest filed by Puckett Land Company.

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.

Executive Session. Assistant AG Lepore made a statement as to what was discussed by the Commission during Executive Session relating solely to the *Carnahan v. COGCC*, *Grand Valley Citizens Alliance v. COGCC*, and *COGA v. COGCC* lawsuits.

Cause No. 1, Docket No. 0910-GA-09, Wattenberg Field, Adams, Broomfield and Weld Counties. David Dillon, COGCC Engineering Manager, gave a presentation consistent with Staff's previous request to establish a bradenhead testing area for lands from Townships 1 South through 4 North and Ranges 64 West through 68 West, 6th P.M., inclusive, for all wells in said area having exposed Laramie-Fox Hills Aquifer below the surface casing depth.

Ed Graham, Production Manager for K.P. Kaufman Company, Inc., came forward and indicated his general agreement with the Staff's proposal.

Commissioner Martin moved to approve the following matter, seconded by Vice-Chair Dowling, and approved unanimously. The following matter was approved:

Cause No. 1, Docket No. 0910-GA-09, Wattenberg Field, Adams, Broomfield and Weld Counties, request to establish a bradenhead testing area for lands from Townships 1 South through

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4 North and Ranges 64 West through 68 West, 6th P.M., inclusive, having exposed Laramie-Fox Hills Aquifer below the surface casing depth.

Klabzuba Oil & Gas, Inc. Request to Approve Financial Assurance Obligation and MIT Plan for Shut-In Wells, Adena Field, Morgan County. Stuart Ellsworth, COGCC Engineering Supervisor for eastern Colorado, gave a follow-up presentation on the request of Klabzuba Oil & Gas ("Klabzuba") to: (1) Approve an agreement with the Director, as provided for by Rule 707., regarding financial assurance for "excess inactive wells", and (2) Approve an agreement with the Director, under Rule 326.b., regarding plan to plug and abandon, perform a mechanical integrity test, or return to production, a list of 158 shut-in wells.

Vice-Chair Dowling moved approval of this matter, seconded by Commissioner Houpt, and approved unanimously. Vice-Chair Dowling indicated that he would not be giving the disposition of this matter precedential effect as to similar matters brought to the Commission's attention. Commissioner Craig indicated she would be looking forward to the field update next year to assess the wisdom of granting this request and the value added to the State of Colorado. The following matter was approved:

Klabzuba Oil & Gas, Inc., Adena Field, Morgan County, request to: (1) Approve an agreement with the Director, as provided for by Rule 707., regarding financial assurance for "excess inactive wells", and (2) Approve an agreement with the Director, under Rule 326.b., regarding plan to plug and abandon, perform a mechanical integrity test, or return to production, a list of 158 shut-in wells.

Cause No. 1R, Docket No. 0911-RM-03, Statewide, Rulemaking. David Dillon, COGCC Engineering Manager, made a presentation on the Staff's request to amend Rules 328. and 329. to include provisions containing methodology to resolve the payment of proceeds or sales reconciliation from oil and/or gas production from a well.

Mary Ellen Denomy, President of the Rocky Mountain Chapter of the National Association of Royalty Owners, made a statement in support of the Commission approving this amendment to the Rules.

Vice-Chair Dowling moved approval of this matter, seconded by Commissioner Martin, and approved by a majority of the Commission (7-2), with Commissioners Houpt and Compton voting against. The following matter was approved:

Cause No. 1R, Docket No. 0911-RM-03, Statewide, request to amend Rules 328. and 329. to include provisions containing methodology to resolve the payment of proceeds or sales reconciliation from oil and/or gas production from a well.

Cause Nos. 232 and 407, Docket No. 0907-UP-15, Wattenberg Field, Weld County, Adjudicatory Hearing. INB Land & Cattle, LLC, by its representative, Robert L. McPeck, made a presentation in support of its application requesting an order to establish two 160-acre drilling and spacing units consisting of the SW $\frac{1}{4}$ and NW $\frac{1}{4}$ of Section 10, 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.

Anadarko Petroleum Corporation ("Anadarko"), by its attorney, Erin McAlpin, made a presentation in support of granting its Motion for Summary Judgment to deny the application.

Following deliberation, Vice-Chair Dowling moved approval of the recommendation of the Hearing Officer, which recommended the Commission grant Anadarko's Motion for Summary Judgment denying the application, seconded by Acting Commissioner Calonge, and approved unanimously. The following matter was approved:

RECORD OF PROCEEDINGS

Cause Nos. 232 and 407, Docket No. 0907-UP-15, Wattenberg Field, Weld County, denies the request for an order to establish two 160-acre drilling and spacing units consisting of the SW¼ and NW¼ of Section 10, Township 2 North, Range 66 West, 6th P.M., and to pool all nonconsenting interests in said units.

Cause No. 1R, Docket No. 0911-RM-04, Statewide, Rulemaking. Director Neslin made a presentation on the Staff's request to amend Rule 303.j.(1) to extend the term of drilling permits that are issued pursuant to Applications for Permit-to-Drill ("APDs," Form 2s) from one year to two years. He stated that, by amending said Rule, the number of refiled APDs, Form 2s, would be reduced and would be consistent with the permit term providing by the BLM. Staff recommended that this amendment be effective for all permits filed under the Final Amended Rules (on or after July 1, 2009 for federal land, and on or after April 1, 2009 for other lands.)

Jep Seman, attorney for CPA, made a statement in support of the Commission approving this amendment to the Rules.

Ken Wonstolen, attorney for COGA, made a statement in support of the Commission approving this amendment to the Rules.

Michael Freeman, attorney for Earthjustice, made a statement in support of the Commission approving this amendment to the Rules.

Vice-Chair Dowling moved approval of this matter, seconded by Commissioner Compton, and approved by a majority of the Commission (8-1), with Commissioner Alward voting against. The following matter was approved:

Cause No. 1R, Docket No. 0911-RM-04, Statewide, request amend Rule 303.j.(1) to extend the term of drilling permits that are issued pursuant to APDs, Form 2s, from one year to two years.

Acting Commissioner Calonge moved that the associated Statement of Basis and Purpose be conformed to reflect changes made on the record to the amended Rule 303.j.(1), seconded by Commissioner Martin, and approved unanimously.

The hearing adjourned at approximately 5:25 p.m. on November 30, 2009.

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The Secretary was therefore authorized to issue the following orders:

Order No. 1-144, Wattenberg Field, Adams, Broomfield and Weld Counties: Approves the request to establish a bradenhead testing area for lands from Townships 1 South through 4 North and Ranges 64 West through 68 West, 6th P.M., inclusive, for all wells in said area having exposed Laramie-Fox Hills Aquifer below the surface casing depth.

Order No. 1-145, Adena Field, Morgan County: Approves the request of Klabzuba Oil & Gas ("Klabzuba") to: (1) Approve an agreement with the Director, as provided for by Rule 707., regarding financial assurance for "excess inactive wells", and (2) Approve an agreement with the Director, under Rule 326.b., regarding plan to plug and abandon, perform a mechanical integrity test, or return to production, a list of 158 shut-in wells.

Order No. 1-146, Wattenberg Field, Weld County: Approves the request for a variance under Rule 502.b. for a one year extension to commence drilling operations for the Zeiler #23-7U Well, the Zeiler #24-7U Well, the Zeiler #13-7U Well, and the Zeiler #14-7U Well.

RECORD OF PROCEEDINGS

Order No. 1R-110, Statewide: Approves the request to amend Rules 328. and 329. to include provisions containing methodology to resolve the payment of proceeds or sales reconciliation from oil and/or gas production from a well.

Order No. 1R-111, Statewide: Approves the request to amend Rule 303.j.(1) to extend the term of drilling permits that are issued pursuant to APDs, Form 2s, from one year to two years.

Order No. 139-106, Rulison Field, Garfield County: Approves the request for an order to: (1) continue to allow the equivalent of one well per 10 acres for Section 15, Township 7 South, Range 94 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation, and (2) allow the equivalent of one well per 10 acres for said Section 15, for the production of gas and associated hydrocarbons from the Iles Formation.

Order No. 232-252, Wattenberg Field, Weld County: Approves the request for an order to pool all nonconsenting interests in the established 320-acre drilling and spacing unit for the W $\frac{1}{2}$ of Section 34, Township 5 North, Range 67 West, 6th P.M.

Order Nos. 232-253 and 407-341, Wattenberg Field, Weld County: Denies the request for an order to establish two 160-acre drilling and spacing units consisting of the SW $\frac{1}{4}$ and NW $\frac{1}{4}$ of Section 10, Township 2 North, Range 66 West, 6th P.M., and to pool all nonconsenting interests in said units.

Order Nos. 232-251, 407-340, and 499-80, Wattenberg Field, Weld County: Approves the request for an order allowing an exception to the permitted location for the Lorenz L #30-4D Well located at 359 feet FNL and 862 feet FWL in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 30, Township 30 North, Range 69 West, 6th P.M.

Robert A. Willis, Acting Secretary

Approved:

Joshua Epel, Chair