

RECORD OF PROCEEDINGS

October 26-27, 2009

The Oil and Gas Conservation Commission (“COGCC”) met on October 26 and October 27, 2009, in the Southwest Meeting Room of the Southwest Weld County Services Complex, 4209 County Road 24½, Longmont, Colorado, for a hearing in Cause Nos. 1, 112, 139, 407, 449, and 454.

Those present were:

Joshua Epel	Chair
Michael Dowling	Vice-Chair
Richard Alward	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 2:05 p.m. on October 26, 2009. Former Chair Harris Sherman was unable to attend the hearing. Chair Epel stated that former Chair Sherman had recently been confirmed as Under Secretary for Natural Resources and Environment of the U.S. Department of Agriculture, and would be unable to continue as Chair of the Commission. A motion was made by Commissioner Martin nominating Vice-Chair Epel as Chair of the Commission and Commissioner Dowling as Vice-Chair of the Commission, seconded by Commissioner Houpt, and approved unanimously. A motion was made by Commissioner Cutright to approve the September 2009 minutes, seconded by Commissioner Craig, and unanimously approved.

Report from the Executive Director. No report was made.

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 October 25, 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. The last report to the Commission with data from September 22, 2009 had the total Form 2As received at 253 and the approved at 103, this reflects an increase of 124 received and 63 permits approved in the time period since the last 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Year	Month	Received	Approved Or Accepted	Withdrawn	In-Process	Percent In-Process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	1	38	36%
2009	9	76	11	-	65	86%
2009	10	102	-	-	102	100%
Total		377	166	5	206	55%

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The 2009 drilling permit totals for the top seven counties as of October 25th are:

County	2009 (% of Total)	2008	2007	2006	2005	2004
Garfield	1,512 (38%)	2,888	2,550	1,844	1,508	796
Weld	1,083 (27%)	2,340	1,527	1,418	901	832
Mesa	337 (8%)	501	293	265	136	54
Rio Blanco	312 (8%)	477	321	360	161	154
La Plata	268 (7%)	328	251	235	117	102
Yuma	98 (2%)	545	541	798	782	237
Las Animas	59 (1%)	303	362	500	413	332
State Total	4,018	8,027	6,368	5,904	4,364	2,917

In June 2009, the COGCC staff created a new spud report tracking system at the request of the Commission. The system is updated by the field inspector receiving a called-in spud notice, as required on the approved drilling permit. Following is a table showing the reported spud notices as of September 17, 2009.

Year	Month	Spud Reports
2009	7	120
2009	8	118
2009	9	152
2009	10	94

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 September 17, 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.

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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	4,002	2,512 (63%)	1,490 (37%)	1,082 (27%)	408 (10%)	404 (10%)	2 (<1%)	2 (<1%)

The table below is a breakdown of the Form 2, Application for Permit to Drill, (APD) forms received for the calendar year 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 September 22, 2009 had the total permits received at 3,148 and the approved at 2,551, this reflects an increase of 376 received and 212 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	509	6	4	1%	81	132	377
2009	2	411	399	5	7	2%	59	229	170
2009	3	1,475	1,344	17	114	8%	83	368	976
2009	4	40	36	2	2	5%	89	15	21
2009	5	54	40	5	9	17%	68	19	21
2009	6	219	204	1	14	6%	76	34	170
2009	7	122	104	1	17	14%	52	40	64
2009	8	156	74	4	78	50%	46	53	21
2009	9	230	42	1	187	81%	26	41	1
2009	10	298	11	1	286	96%	18	11	-
Totals		3,524	2,763	43	718	20%		942	1,821

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 December 3, 2009, at the Garfield County Fairgrounds in Rifle.

Southwest Colorado: Ongoing investigation, reclamation and mitigation of residual methane in the vicinity of the Bryce 1-X Well area, near Bondad, Colorado continues. The next well sampling event is planned for early 2010. No additional soil gas sampling is scheduled unless conditions, such as methane concentrations in all of the water wells, change.

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.

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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."

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. Further optimization of the South Fork Texas Creek ("SFTC") system is ongoing. The turbine is currently set at an operational rate of 14KW with no apparent negative impact to the vacuum/pressure or gas quality in the system. Approximately 6KW are utilized to run the system and 8KW are currently being placed back into the electrical grid. Gas continues to be collected and vented at the Pine River Ranches ("PRR") location. The COGCC Commissioners, Director, and staff toured the SFTC site and met with Greg Munro, CEO of La Plata Electric Association ("LPEA") on September 24, 2009. LPEA enthusiastically supports the project. Data collection and assessment will continue for a period of one year.

As has been discussed in previous staff reports, the proposed 4M monitoring wells in La Plata County, along with those already installed in Archuleta County, are an extension of the 3M monitoring well network. They will be used to monitor water levels and formation pressures only and will not be used to extract any mineral resource and, as such, they will not impact any mineral rights nor will they deplete any mineral resource. Site preparation activities began September 21, 2009. The first borehole at The BP Highlands location was spudded and surface casing was set on October 1, 2009.

Update on 4M Monitoring Wells 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, topsoil replacement, and reseeding have been completed. Comments from the adjacent landowner at Wagon Gulch and from USFS were very complimentary of the project and the final reclamation work. Pressure data from one of the wells at Wagon Gulch indicates a potential leak in the wellhead. Applied Hydrology Associates will investigate and attempt to repair this leak during their next site visit. SMA has provided the COGCC staff a draft report for the monitoring well installation and reclamation conducted in 2008 and 2009. COGCC staff have reviewed the report and provided comments to SMA for incorporation into the Final Report. A copy of the final 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 August 2009 monitoring report is available on the COGCC website.

San Juan Basin Coalbed Methane Water Quality Analysis. 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. AMEC-Geomatrix was awarded the contract on August 28, 2009, and a project kick-off meeting was held on September 10, 2009. A draft report should be available for staff review by the end of 2009.

Steve Lindblom and Karen Spray have been participating in the Northern San Juan Basin

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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: No report made for this period.

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 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. 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 August 24, 2009, to September 23, 2009, PEI screened 84 domestic water wells for the presence of methane with hand-held methane detectors for changes in percent volume of methane, %LEL, and %O₂; 60 wells showed no methane, three of the monitored wells showed little change from the previous month's monitoring, eight wells showed increases in methane concentration, and 13 wells showed decreases in methane concentration.

PEI is attempting to identify into which geologic formations the monitored water wells are drilled by reviewing water well construction reports and geologic maps. Twelve of the domestic wells with detectable venting methane appear to be completed in the coal-bearing Raton or Vermejo Formations, ten appear to be completed in the Poison Canyon Formation, and the formation in which the other two are completed has not been determined. Seven of the ten methane-venting Poison Canyon domestic wells are either within or in close proximity to the MIMMP remediation system.

A helicopter borne methane survey was conducted in early September 2009. Ground verification of results is underway. The results of the combined aerial and ground surveys will be provided to the COGCC as a separate report in the near future.

Water samples were collected from three coalbed methane (CBM) wells (Rohr 09-04, Rohr 09-10 and Rohr -4-10). PEI pumped the three wells for approximately 72 hours prior to sample collection as agreed to by COGCC and PEI staff. Data from the analyses will be used to better understand the chemistry of water from the Vermejo and Trinidad Formations which may be used in Phase II operations.

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 Environmental Protection Agency (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.

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Organization: A new department, the Field Inspection Unit, is now fully staffed as of October 1, 2009, with the first four people below. Mike Leonard is the third supervisor, who was profiled in the September Staff Report. All report to Manager Margaret Ash.

Ed Binkley has been selected to be the Engineering Field Inspection Supervisor for northeastern Colorado. Ed has been with the COGCC since 1988. While at the COGCC, Ed has reviewed drilling permits, inspected oil and gas facilities, and has plugged orphaned wells and reclaimed surface using Environmental Response Funds. Ed has an extensive background in the oil and gas industry including working as drilling specialist/engineer with Cities Services and conducting research on drilling fluid products for NL Industries-Baroid. Ed supervises a team of three Engineering Field Inspectors.

Shaun Kellerby has been selected to be the Engineering Field Inspection Supervisor for northwestern Colorado. Shaun has been with the COGCC as an Engineering Field Inspector since December 2007. He has been involved in oil and gas operations for a number of years, including supervising hydraulic fracturing operations. Shaun supervises a team of three Engineering Field Inspectors.

Gary Helgeland has been selected to be the Reclamation Specialist for northeastern Colorado. Gary has been with the COGCC as an Engineering Field Inspector in northwestern Colorado since 2008. Gary has an M.S. in Environmental Planning and Management, a B.S. in Petroleum Technology and Petroleum Safety and has worked extensively on environmental issues related to oil and gas operations.

Soraya Baroumand has been hired as the Reclamation Inspector for northwestern Colorado. Soraya's background includes working as a well-site geologist throughout the Piceance Basin, working with the Division of Water Resources as a district water commissioner, evaluating well construction and reservoir impoundments, mapping diversion structures, and assisting engineers in dam stability assessments. She also has three years of experience conducting Phase I and Phase II Environmental Site Assessments.

Alex Fisher has accepted the position of Environmental Supervisor for western Colorado. Alex has been with the COGCC as a Permitting/Compliance Technician and Engineering/Environmental Technician since January 2006. Alex has an M.S. in Hydrogeology from the University of Nebraska-Lincoln and a B.S. in Geology from Idaho State University with over 20 years of experience in environmental consulting, project management and construction management. His experience with the intricacies of permitting and dealing with huge volumes of paperwork and data will be extremely useful as the environmental group works to improve and streamline its workload processes. Alex assumed his new responsibilities on October 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.

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.

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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.

Form 2A Reviews. COGCC has received 66 Oil and Gas Location Assessment Form 2As since the adoption of the new COGCC Rules on April 1, 2009. Of these, 51 are for locations in Weld County, 7 in Garfield County, 2 each in Broomfield, Gunnison and La Plata Counties, and one each in Lincoln and Mesa Counties. In advance of adding Oil and Gas Location Assessment Specialists to the COGCC, COGCC Permitting and Environmental staff are reviewing the Form 2As.

COGIS Projects, Updates and Changes Electronic Form Submission: As of July 1, 2009, operators have been electronically filing the “Applications for Permits-to-Drill” and the new “Oil and Gas Location Assessment” forms. The system allows the operator to submit the form and all of the required attachments in a PDF file format to the COGCC system. 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 Applications for Oil & Gas Location Assessment (OGLA) forms (Forms 2A) through the eForm system. 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.

As of October 15, 2009, 52 operators have signed up to use eForms to file their Form 2 (APD) and Form 2A (OGLA). Since September 2, 2009, operators have submitted 208, or 51%, of all APDs through the eForm system, and 70, or 54%, of the Form 2As through the eForm system.

Director Neslin stated that stakeholder meetings on the issue of the methodology to be used for sales reconciliation and payment of proceeds on sale of gas and oil have been completed and the Staff has noticed an amendment to the Rules for a rulemaking hearing on the November hearing.

Director Neslin gave a statement regarding stakeholder meetings and Staff recommendation to amend the Rules to extend APD, Form 2, terms from one year to two years. He believes that the issue could be considered by the Commission during a rulemaking hearing on the November hearing. Any adjustment to the permitting term would be prospective and apply to any new permits issued under the Rules.

A preliminary docket for the November 2009 hearing was provided.

Director Neslin discussed pit liner disposal and reclamation of pits. Several meetings between Staff and a variety of interest groups (representations from the industry, local governments, community groups, and surface owners) have occurred wherein several complicated issues were raised. Staff recommends that current rules not be amended or adjusted at this time, due to the fact that groups have not reached a consensus as to how to dispose of pit liners and reclaim the affected areas. The current rule requires that all pit liners be removed and disposed consistent with solid waste requirements. The preexisting rule required that all pit liners be removed and be disposed of as solid waste if the pit was on irrigated cropland, however, if the pit was not on irrigated cropland, liners

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could be left in place with the surface owner's consent and provided that the site be reclaimed to the appropriate standards. Industry has requested that the preexisting rule be put back in place. Surface owners, community groups and local government (particularly on the Western Slope) have resisted any such reversion. Staff feels that if this matter were pursued at this time, in light of significant legal and policy issues which are present, it would pose a major distraction in the implementation of the amended rules to include shortening permitting time and catching up on enforcement matters. Staff is also concerned with the precedential effect that treating pit liners as E&P waste might have on other aspects of the COGCC regulatory program. In the interim and prior to this matter being brought for formal consideration by the Commission, there are other options available to operators to include, disposing of pit liners at solid waste sites under CDPHE's regulatory authority, disposing of liners on fee lands, and disposing of liners on fee lands belonging to a third party with local government and CDPHE approval. Some operators are looking at recycling options for liners. Staff feels it is most appropriate to support the amended rules pertaining to pit liner disposal and site reclamation, and to continue to work with operators and local government to ensure that there are reasonable options available to pit disposal.

Commissioner Cutright indicated that he was disappointed that it is recommended that the revision of the pin liner disposal rule is being tabled. He stated that, on the Western Slope, this has become highly problematic for operators under the amended rules.

Commissioner Houpt stated that she felt local government has recognized that pit liners being buried on site is concerning and that local government, under its land use authority, may attempt to somehow add additional regulation to address those concerns.

Commissioner Martin stated that he felt that Staff, in collaboration with CDPHE Staff, is presently making the most appropriate recommendation to address this issue. He indicated that Garfield County is expanding its waste disposal site to accommodate pit liners and other companies have come forward to handle disposal of liners on their lands if they comply with standards imposed by CDPHE. Further, he indicated that many operators are locating sites to store pit liners until Garfield County expands its disposal facility for the liners.

Commissioner Compton requested that the Commission consider the issue of pit liner disposal in a manner that is consistent across the board and as to all parties concerned (operators, land owners and third parties.)

Commissioner Dowling requested clarity by posing the following question: Can an operator, who also owns the minerals, leave a pit liner in place following reclamation? Director Neslin responded that this becomes an issue regarding the characterization of the pit liner as solid waste which requires disposal under the CDPHE Solid Waste rules. Those Solid Waste rules allow someone's own waste to be buried on its own property, and allows for the receipt and disposal of third party waste by a landowner who receives certificate of designation from local government on approval by CDPHE.

Commissioner Dowling requests that Staff present a memorandum on this issue to edify the Commission as to what options are available to address pit liner disposal.

Chair Epel favored allowing the pit liner disposal rule to play out in practice for a period of time, prior to the Commission considering this matter through rulemaking.

Commissioner Cutright requested information as to what the "Request for Information – Piceance Basin Operators" COGCC website was for. Margaret Ash, COGCC Field Inspection Manager, came forward and explained that the document was devised to move operators to provide data to the COGCC describing surface disruptions to assist in implementing interim reclamation plans for those sites.

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Variances. On September 29, 2009, the Director granted a variance to COGCC Rule 805.b.(2).B, which requires the installation of control devices for volatile organic compounds on certain produced water tanks. This variance was granted to Chevron USA for a produced water tank associated with its Collection Station No. 47 (COGCC location/facility ID 413288) located in the SE¼ SW¼ of Section 35, Township 2 North, Range 102 West in Rio Blanco County. Chevron consulted with the Colorado Department of Public Health and Environment (“CDPHE”) about this variance request and has agreed to comply with CDPHE recommendations, which have been incorporated as conditions of approval to the variance.

Comments from the Commissioners. Commissioner Alward stated that he had recently attended a workshop on best practices standards in Rifle cosponsored by the CU Law Center and COGCC. That same meeting was attended by Director Neslin and 170 others who were interested.

Commissioner Compton expressed concerns over the vacancy on the Commission.

Commissioner Cutright thanks representatives from Kerr-McGee and Anadarko Petroleum Corporation who participated in the field tour for the benefit of the Commission and COGCC Staff. Chair Epel also thanked representatives from local government who attended a Commission lunch prior to the hearing. raised concerns over the number of orphan wells in Colorado and asked what steps COGCC Staff takes in dealing with those wells. David Dillon, COGCC Engineering Manager, responded that Staff maintains an orphan well list, which is constantly being updated from a variety of sources, and that emergency response funds can be, and have been, used to plug orphan wells when appropriate.

Comments from the Audience. The Commission received no public comments during this portion of the Agenda.

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

Cause No. 454, Docket No. 0910-EX-05, Moffat County, request for an order to allow an exception to Rule 318a. to the permitted well location of the F Wilson No. 34 Well located at 365 feet FNL and 2576 feet FEL in the NW¼ SE¼ of Section 15, Township 12 North, Range 100 West, 6th P.M., for the production of gas and associated hydrocarbons from the of the Fort Union, Lewis Shale and Lance Formations.

Cause No. 112, Docket No. 0910-UP-26, La Plata County, request for an order to pool all nonconsenting interests in the established 320-acre drilling and spacing unit for the E½ of Section 14U, Township 34 North, Range 9 West, N.M.P.M. (SUL), for the development and operation of the Fruitland coal seams.

Cause No. 407, Docket No. 0910-UP-27, Weld County, request for an order to establish a 160-acre wellbore spacing unit consisting of the SW¼ NE¼, SE¼ NW¼, NE¼ SW¼, and NW¼ SE¼ of Section 29, Township 5 North, Range 66 West, 6th P.M., and pool all nonconsenting interests for said unit, for the development and operation of the Codell and Niobrara Formations.

Cause No. 139, Docket No. 0910-SP-24, Garfield County, request for an order to establish an approximate 40-acre drilling and spacing unit consisting of the SE¼ SE¼ of Section 3, Township 8 South, Range 96 West, 6th P.M., and allow the equivalent of one well per 10 acres for said unit, for the production of gas and associated hydrocarbons from the of the Williams Fork and Iles Formations.

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The following matters have been continued to either the November-December 2009 hearing or a subsequent hearing:

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.

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. 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 SW¼ of Section 10 and the NW¼ 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.

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 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. There are approximately 10,000 wells present in the test area, of which some 2,400 wells will be subject to the bradenhead tests operated by 58 operators.

Director Neslin requested that the matter be tabled until the November Commission hearing to allow additional time for Staff to provide personal service to affected operators prior to the Commission deliberating on establishing the bradenhead testing area.

Les Strieb, Production Manager for EnCana Oil & Gas (USA) Inc., came forward to indicate his company's support of the Staff's proposal.

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Chair Epel directed Staff to engage K.P. Kaufman Company, Inc. over those concerns raised in their written comments prior to the next hearing.

Klabzuba Oil & Gas 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 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, for the Adena Field located in Morgan County.

Mike Collom, Engineering Manager for Klabzuba, responded to concerns raised by the Commissioners regarding development of the Adena Field and the financial position of Klabzuba.

Commissioner Alward moved that the Commission continue this matter to allow Staff to meet to Klabzuba to address the operator’s financial position and make a supplemental report, seconded by Commissioner Dowling, and approved by a majority of the Commissioners with Commissioner Cutright voting against the motion.

The hearing adjourned at approximately 5:10 p.m. on October 26, 2009, subject to recall at or around 9:00 a.m. on October 27, 2009.

Chair Epel recalled the Commission hearing at 9:07 a.m. on October 27, 2009.

Assistant AG Lepore made a statement as to what was discussed by the Commission during Executive Session relating solely to the *Carnahan v. COGCC* lawsuit, which occurred just prior to the Commission going back on the record.

Cause No. 449, Docket No. 0908-EX-04, Arapahoe Field, Cheyenne County, Adjudicatory Hearing. Weipking-Fullerton Energy, LLC (“WFE”), by and through its attorney, Howard Boigon, made its case regarding its 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 W½ 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.

Zane Kuenzler, consulting petroleum engineer for WFE, gave technical testimony in support of the WFE application.

Don McKenna, consulting geologist for WFE, testified in support of the WFE application by providing a geologic overview of the proposal.

Theodore Pagano, consulting reservoir engineer for WFE, testified as to the recoverable reserves and gave his economic analysis as to the proposal.

Citation Oil & Gas Corporation (“Citation”), by and through its attorney, Scott Campbell, made its case countering WFE’s request for the exception location and removal of the associated production restrictions.

Brandon Skeen, Landman for Citation, provided testimony regarding mineral ownership and unit agreement governing the Arapahoe Unit found within the Arapahoe Field.

Jeff Welborn, former Chair of the Commission between 1987 and 1992, testified in support of Citation’s protest and in support of not lifting the production restrictions found in the Arapahoe Field.

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Susan James, Manager of Geology for Citation, gave testimony as to her impression as to the geologic characteristics found in the Arapahoe Field.

Aaron Davis, Reservoir Engineer for Citation, testified as to the reservoir characteristics of the Morrow "A" and "B" Formations underlying the Arapahoe Field.

Commissioner Deliberations. Chair Epel summarized that WFE has right to produce some gas – however, the amount is what is at issue.

Commissioner Martin stated that WFE should be entitled to develop their property interests – 640,000 MCF reserves at an mutually agreeable rate.

Vice-Chair Dowling stated that parties should meet and find a resolution. He identified possible settlement options, to include: re-entering/completed the well and producing at some rate until ultimate recovery, the possibility of this well being incorporated into the unit, and compensation to WFE in lieu of spending the capital to complete the well.

Commissioner Cutright suggested that denying the application is appropriate.

Commissioner Houpt stated that both parties should have access to their resources, and urged the Commission to continue this matter to allow parties to work towards resolving the issue. She added that if parties fail to settle this matter, the Commission should then be called upon to enter an order on the application.

Chair Epel stated that any settlement/resolution should be sensitive to the prevention of waste of both gas and oil of both parties.

Commissioner Martin moved that Staff prepare alternative orders which incorporate those options set forth by Vice-Chair Dowling for consideration by the Commission at the next hearing with the parties ordered to mediate the matter in the interim, seconded by Vice-Chair Dowling, and unanimously approved.

Vice-Chair Dowling voiced his concerns with the discrepancy on recoverable reserves attributed to the wellbore by the parties, and asked parties to work towards agreeing on the amounts of recoverable reserves.

Commissioner Cutright stated that he felt that WFE should be bound by those orders running with the lands, including production restrictions. He indicated that economics may dictate that oil may be more favorable than gas as Citation produces its resource.

Commissioner Houpt stated that it is important not to give primacy to oil over gas when deciding this issue.

The hearing adjourned at approximately 2:25 p.m. on October 27, 2009.

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The Secretary was therefore authorized to issue the following orders:

Order No. 112-220, Ignacio-Blanco Field, La Plata County: Approves the request for an order to pool all nonconsenting interests in the established 320-acre drilling and spacing unit for the E½ of Section 14U, Township 34 North, Range 9 West, N.M.P.M. (SUL), for the development and operation of the Fruitland coal seams.

Order No. 139-105, Rulison Field, Garfield County: Approves the request for an order to establish an approximate 40-acre drilling and spacing unit consisting of the SE¼ SE¼ of Section

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3, Township 8 South, Range 96 West, 6th P.M., and allow the equivalent of one well per 10 acres for said unit, for the production of gas and associated hydrocarbons from the of the Williams Fork and lles Formations.

Order No. 407-339, Wattenberg Field, Weld County: Approves the request for an order to establish a 160-acre wellbore spacing unit consisting of the SW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, and NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 29, Township 5 North, Range 66 West, 6th P.M., and pool all nonconsenting interests for said unit, for the development and operation of the Codell and Niobrara Formations.

Order No. 454-2, Hiawatha Field, Moffet County: Approves the request for an order to allow an exception to Rule 318a. to the permitted well location of the F Wilson No. 34 Well located at 365 feet FNL and 2576 feet FEL in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 15, Township 12 North, Range 100 West, 6th P.M., for the production of gas and associated hydrocarbons from the of the Fort Union, Lewis Shale and Lance Formations.

Approved:

Robert A. Willis, Acting Secretary

Joshua Epel, Chair