



Welborn Sullivan Meck & Tooley, P.C.

1.62
Attorneys at Law

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October 30, 1996

Mr. Richard Greibling
Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, CO 80203

John F. Welborn
Stephen J. Sullivan
John F. Meck
Keith D. Tooley
Kendor P. Jones
Molly Sommerville
Karen Ostrander-Krug
Marla E. Valdez
Brian S. Tooley
Scott L. Sells

Re: Northwest Industrial Subdivision, II and
Natural Resource Recovery, Inc. (collectively "Loesby")

Of Counsel
Robert F. Welborn

Special Counsel
Hugh V. Schaefer

Dear Rich:

Transmitted with this letter are the soil analyses results Loesby told you about in the meeting with you on October 25 1996. This additional information further supports Loesby's position that stored gas is contaminating the surface in the area tested. Loesby is proceeding to test the gas contained in the soil, as discussed at the Friday meeting with you.

At the Friday meeting, Loesby presented a notebook with the evidence he has that PSCO has exceeded allowable pressures at the Leyden Storage facility thereby causing gas to leak into the surrounding formations. Well No. 31, drilled outside the storage facility boundaries in 1993, showed storage gas was leaking. PSCO presented their pressure transient analyses from Well No. 31. These pressure transient analyses also show the hydrostatic pressure in the zone tested (173 psia), which is in communication with the storage facility. Also included in the notebook is information concerning Well No. 1 and its integrity problems as well as the Subsidence Hazard map on file with the Jefferson County Planning Commission. In response, you indicated your decision not to require the production of additional pressure information by PSCO.

Because of these decisions by you as Director of the COGCC, Loesby has decided not to pursue this matter further in this forum, and Loesby hereby withdraws its letter of complaint.

Loesby's investigation will be ongoing, and if you desire to see the results of the gas analysis study, please make your request in writing and we will make those available to you.

Thank you for your attention to this matter.

Sincerely yours,

WELBORN SULLIVAN MECK & TOOLEY, P.C.

John F. Welborn
Karen Ostrander-Krug

KOK/sh
Attachment
cc: Richard Loesby

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John F. Welborn
Karen Ostrander-Krug

KOK/sh
Attachment
cc: Richard Loesby

MEMORANDUM

1.62

TO: COGCC Commissioners

FROM: Rich Griebing *Rich*

DATE: November 14, 1996

RE: **Complaint Alleged by Richard Loesby (Applicant) Regarding Natural Gas Leaking from Public Service Company of Colorado's (Respondent) Leyden Gas Storage Field - Order No. 1-62 Entered November 4, 1996, Following the October 15, 1996 Hearing - Investigation under Rule No. 522**

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Introduction

As per the attached Order No. 1-62, you directed me to investigate the referenced complaint. I held a meeting in our offices commencing at 1:30 p.m. October 25, 1996.

Attendance were:

- COGCC - Rich Griebing (Director)
Loren Avis (Environmental Protection Specialist)
- Applicant - Richard Loesby
Karen Ostrander-Krug (Attorney representing Applicant)
Steven A. Tedesco (Geochemical Consultant to Applicant)
- Respondent - Bill Uding (Public Service Co. Lead Reservoir Engineer)
Herbert C. Phillips (Attorney representing Respondent)
Dave O. Cox (Petroleum Engineering Consultant to Respondent)
Tom Heseman (Environmental Engineering Consultant to Respondent)

The purpose of the October 25, 1996 meeting was for the Applicant to present soil gas data and isotope analysis data regarding surface natural gas seepage on the Loesby property, which had been referenced by the Applicant's attorney, Ms. Ostrander-Krug, at the October 15, 1996 hearing, and for the Respondent to present pressure transient data referenced by me at the same hearing. This memo should be incorporated into the hearing file for the referenced matter.

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Results of October 25, 1996 meeting

Respondent's Pressure Transient Data - The Respondent's consultant, Mr. Cox, presented pressure transient data from the No. 31 Well interval of 662'. The No. 31 Well is the closest observation well to the Loesby property and is located to the south of the property. In my assessment, the data indicated a very small accumulation of natural gas was present at a depth of approximately 662', but the data was not capable of being utilized to quantify the areal limits of that small accumulation of natural gas to determine if it extends under the Loesby property. By examining the well logs and other data from the No. 32 observation well which is located to the north of the Loesby property, in a generally updip direction, it can be determined that natural gas is not present there. There is not data between the No. 31 and No. 32 Wells.

Applicant's Failure to Present Natural Gas Seepage and Isotope Analysis Data - My recollection of the October 15, 1996 hearing was that the Applicant's attorney, Ms. Ostrander-Krug represented that the Applicant had soil gas data indicating natural gas was seeping at the surface and that (in response to a question from Commissioner Matheson) isotope analysis had been performed which linked the seeping soil gas to the storage gas. It was of great concern to me that no such soil gas or isotope analysis data was presented at the October 25, 1996 meeting. Possible explanations could include that the Applicant's attorney misunderstood Commissioner Matheson's question, or that the Applicant misrepresented the nature of this data.

Applicant's Geochemical Data - The Applicant's consultant, Mr. Tedesco, presented the results of iodine anomaly analysis that had been performed on soil samples collected by Mr. Loesby from his property. Mr. Tedesco also indicated that his firm was collecting additional soil samples from the Loesby property and would be forwarding the results of iodine anomaly analysis to us. I received that information under a cover letter dated October 30, 1996, from Mr. John F. Welborn, another of Mr. Loesby's attorneys. The referenced cover letter (see attached copy) also served to notice me that Mr. Loesby was withdrawing his complaint. Having reviewed this information, my assessment is that the iodine soil sample data is not capable of determining the presence of storage gas under the Loesby property, nor of differentiating possible storage gas accumulations from deeper natural gas accumulations which have been encountered by nearby wells, nor of quantifying the areal limits of natural gas encountered in the No. 31 Well to determine if it extended under the Loesby property.

Applicant's Refusal to Allow the Drilling of an Observation Well - During the October 25, 1996 meeting I indicated to Mr. Loesby that none of the existing data in my assessment would conclusively indicate the presence of storage gas under the Loesby property. I suggested that the drilling of an observation well on the Loesby property to the equivalent depth of the 662' zone in the No. 31 Well would be a conclusive method of determining if storage gas were present under the Loesby property. I asked Mr. Loesby if he would agree to the drilling of such a well. Mr. Loesby refused.

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Applicant's Attorney's Allegation that Public Service Company was Operating the Leyden Gas Storage Field at a Pressure in Excess of Levels Provided in Testimony at the 1960 Commission Hearing - Ms. Ostrander-Krug alleged that Public Service Company was operating the Leyden Gas Storage Field at a higher pressure than testimony at the 1960 Commission hearing would have indicated. I pointed out that testimony from the hearing record indicated a pressure operating range of 16 to 20 atmospheres (roughly 235 to 295 psi). Public Service indicated that the storage field is operated at an annual pound day average of under 180 psi and that maximum operating pressures never exceeded the lower half of the pressure range indicated in the testimony (16 to 20 atmospheres).

Applicant's Attorney's Request for Lost and Unaccounted For Gas Data - At the Applicant's Attorney's request, I required Public Service Company to provide lost and unaccounted for gas data. Public Service Company complied, and I forwarded that data to Ms. Ostrander-Krug. My assessment of the lost and unaccounted for gas data is that volumes appear to be generally within the range of meter measurement error and that the volumes appear surprisingly low considering the nature of this storage field.

Conclusions and Recommendations

Based on the review of extensive data in our files, leaking storage gas is not being encountered shallower than the 662' lower Laramie Formation sand lens. No leaking storage gas has been encountered in groundwater that is being utilized. Leaking storage gas has not been encountered at the surface or in any situation that could cause a health or safety issue. Mr. Loesby does have permits from the Division of Water Resources which would allow him to drill water wells, but these permits are restricted to shallow depths well above the 662' lower Laramie zone. Leaking storage gas has not affected Mr. Loesby's ability to drill the water wells for which he holds legal permits.

Since Mr. Loesby has refused to allow the drilling of an observation well on his property and has withdrawn his complaint, further investigation of the Applicant's specific issues is not recommended. It is my understanding that Public Service Company of Colorado is conducting a thorough hydrogeologic investigation of the entire Leyden Gas Storage Field and adjacent areas in order to aid in optimal management of the hydrologic seal of the storage field and in preparation of filing a future COGCC hearing application to extend the original 1960 buffer zone. It is also my understanding that Public Service Company will file such a hearing application prior to September 1, 1997 and present interim progress reports to the Commission by March 31, 1997 and June 30, 1997. I recommend that Public Service continue on this course of action.

cc: Mr. Richard Loesby
Ms. Karen Ostrander-Krug
Mr. Bill Uding
Mr. Herbert C. Phillips
Mr. George Moravek, WQCD



NOV 18 1996

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November 15, 1996

Mr. Richard Griebing, Director
Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, CO 80203

Re: Northwest Industrial Subdivision II and Natural Resource Recovery, Inc.
(Collectively "Loesby")

Dear Rich:

We have received your memorandum dated November 14, 1996 to the COGCC Commissioners. It is Loesby's position that the memorandum contains material inaccuracies and unsubstantiated conclusions. Because Loesby has elected not to proceed with this matter before the COGCC, we make no further response at this time.

Sincerely yours,

WELBORN SULLIVAN MECK & TOOLEY, P.C.

John F. Welborn

JFW/sh

cc: Mr. Richard Loesby
COGCC Commissioners