

To: Members of the Joint Select Committee on Jobs and Economic Growth

From: David Neslin, Acting Director, COGCC

RE: Questions for the Department of Natural Resources

Sen. Schwartz, Rep. Rice, members of the committee.

In response to questions raised during our presentation at the Jan. 16 committee hearing we are providing the following information:

- 1) Groundwater contamination from pits
 - a) Testimony of Charles Johnson, OGCC
(Johnson%20Testimony-041808%20FINAL)
 - b) Aspen Times article on poisoning of Ned Prather
(ASPEN TIMES-PRATHER-063008)
 - c) Denver Post articles on Garden Gulch Spills
(Post-GardenGulch-032508, Post-GardenGulch-033108)

- 2) A list of species covered by the wildlife rules.
 - a) Attachment (Comparison of Wildlife Areas-011609)

- 3) Citations to rules limiting the review & oversight of CDPHE and CDOW in permitting decisions
 - a) Appended: page 2

- 4) Articles containing quotations cited in the presentation from industry representatives indicating that Colorado's oil and gas rules were not driving their decisions to reduce investment in operations here.
 - a) Attachments (Post-Chevron-112108, TTI-Pioneer-121908, GCT-Rules-122708, GJDS-Delta-122208)

- 5) Information concerning the completion of the permit process.
Appended: page 7

This information is intended to be illustrative and not comprehensive. There was additional information requested by members of this committee that we are still working to compile and will provide that once completed. Your patience is much appreciated.

Respectfully,

David Neslin

Acting Director, COGCC

- A. I participated in stakeholder meetings, review of the draft regulations, and provided comments and suggestions on the draft rules for the consideration of COGCC staff. Many of my comments were included in these draft rules.

1. Draft Rule 904

Q. WHAT IS THE PROBLEM THAT THE PROPOSED RULE IS INTENDED TO ADDRESS?

- A. The current COGCC rules are not protective of public health and the environment with respect to pit and other surface impoundment construction requirements. Specifically, the current COGCC rules use outdated standards for the design and construction of E&P waste pits. This rule currently includes provisions defining which waste management pits should be lined, and how the pits will be lined. Most notable are provisions allowing for relatively thin single liners. These liners are subject to punctures, tears and failures during either construction or operation. Furthermore, current COGCC Rule 908 (see discussion below), which specifically relates to Centralized E&P waste management pits, does not provide any liner requirements, and thus defaults back to the Rule 904 requirements.

Research on clay-only liner impoundments by the state of Utah indicates that every E&P waste facility constructed with only a clay liner system that also had a groundwater monitoring program capable of adequate monitoring had a documented release of E&P waste fluids into the environment. Information from New Mexico regulators (personal communication, Charles Johnson 2008) indicates that single liner and clay only liner systems are not effective at preventing production waste from leaking through the liner system. Experience with liner systems in solid and hazardous waste facilities demonstrates that thicker liner systems perform better than thinner systems and redundant systems are even better. In fact, CDPHE's hazardous waste regulations require multi-liner systems.

Q. HOW WOULD THE PROPOSED RULE HELP SOLVE OR ADDRESS THE PROBLEM?

- A. The proposed rule is intended to reduce or eliminate the release of oil and gas production wastes from centralized E&P waste management facilities that would result in unacceptable impacts to human health and the environment. The updated criteria contained in these proposed rules are already being used by, or even exceeded by, recently constructed commercial E&P waste management facilities to minimize potential releases that could impact soil, surface water and groundwater and thereby limit their liability. In addition, both industry and other states (e.g. Utah and New Mexico) realize that more robust design and construction standards are needed to protect human health and the environment from releases from E&P waste management facilities.

The approach in the proposed rule is more consistent with the liner requirements identified in other regulatory programs (e.g. Utah and New Mexico) which have found that redundancy is a key element to ensuring the success of the system. All of the recent liner systems offered by commercial operators to CDPHE for review and approval that will handle waste streams similar to E&P wastes include dual liner systems or an equal level of protection. The proposed rule also utilizes proven engineering design practices coupled with thicker lower-conductivity liner elements to provide a less permeable, fluid compatible liner system. This results in a redundant liner system that is much less likely to allow releases of wastes into the environment. The proposed systems are significantly more protective of human health and the environment.

Q. HOW WOULD THIS PROPOSED RULE RESULT IN GREATER PROTECTIONS FOR PUBLIC HEALTH, SAFETY, AND WELFARE, INCLUDING THE ENVIRONMENT AND WILDLIFE RESOURCES?

A. See answers to #1 and #2 above.

Q. HOW WILL THIS PROPOSED RULE AFFECT INDUSTRY'S ABILITY TO DEVELOP THE RESOURCE EFFICIENTLY?

A. The proposed changes to 904(b)(4) should have minimal impact on industry's ability to develop the resource effectively. Initially, the increased design requirements for centralized E&P waste management facility design and construction may increase the cost to construct these facilities. However, the long-term liability reduction afforded by the more robust construction should more than offset the initially higher costs. Typically, the cost of groundwater contamination investigations and remediation programs, which can commonly exceed six-figure amounts, far outweigh the increased cost of more protective waste management unit design and construction efforts. There are a number of accepted high quality resources from the United States Environmental Protection Agency (EPA) and other organizations that provide ample guidance related to the design and construction of these types of facilities (EPA/600/R-93/182 & EPA/625/K-94/001) In addition, agency-specific guidance could be developed by COGCC so that "typical designs" could be readily reviewed and approved. Construction of these impoundments utilizes readily available construction materials and techniques. In addition, industry itself is pushing advances in liner designs to use thicker lower permeability materials in redundant liner systems because these construction and operating practices minimize impacts to the environment and their corporate liabilities. This is typified by the RN Industries facility located in Rangely, Colorado; the Great Divide facility near Craig, Colorado and the Piceance facility located near Meeker, Colorado.

Q. WILL THIS RULE EFFECTIVELY BALANCE DEVELOPMENT OF OIL AND GAS RESOURCES WITH PROTECTION OF PUBLIC HEALTH, SAFETY, AND WELFARE, INCLUDING PROTECTION OF THE ENVIRONMENT AND WILDLIFE RESOURCES?

A. Yes. Constructing and operating oil and gas facilities in accordance with the proposed rules helps to ensure long term liability management by reducing or eliminating releases, offering better protection of human health and the environment. Rule 908(g) establishes preliminary and final closure plan requirements for the centralized E&P waste management facilities. Construction of these facilities in accordance with the proposed requirements can minimize the potential release of fluids into the environment. These proposed rules have the added benefit of facilitating compliance with the Basic Standards for Ground Water (5 CCR 1002-41, Section 41.6(B)) and soil remediation criteria identified in Table 910-1. The ultimate outcome is minimizing closure and potential post-closure costs and obligations to the facility operators.

For added perspective, The COGCC is an implementing agency of the aforementioned Basic Standards for Ground Water, pursuant to 5 CCR 1002-41 (Regulation NO. 41). As such, the COGCC is obligated to protect groundwater and thus adopt measures for doing so. The proposed rule is a reasonable and effective method of reducing potential impacts to human health and the environment including groundwater. The time and resources utilized in constructing the facilities in accordance with the proposed regulations are commensurate with regulations governing the

management of these liquids in other regulatory programs and in alignment with current industry practice at commercial facilities.

Q. HOW DOES THE PROPOSED RULE RELATE TO OTHER STATE OR FEDERAL REQUIREMENTS?

- A. The proposed changes to the pit construction criteria make COGCC's construction criteria commensurate with those used by CDPHE. This sets a consistent set of standards for this type of facility across Colorado.

2. Draft Rule 908

Q. WHAT IS THE PROBLEM THAT THE PROPOSED RULE IS INTENDED TO ADDRESS?

- A. The current Rule 908 lacks adequate requirements for Centralized E & P waste management facility design and construction, which can result in facilities being designed and constructed in locations where potential releases could have unacceptable impacts on human health and the environment. The basis for this statement is the same as that discussed in the testimony for Draft Rule 904. In addition, the existing rule does not include provisions that are protective of human health and the environment for a preliminary or final closure plan, thereby potentially exposing the state to undocumented closure and post-closure care costs and liabilities, in the event an operator abandons a site. Furthermore, the existing rules do not include preliminary and final closure plan requirements commensurate with the soil remediation values established in Table 910-1. Combined, these deficiencies represent insufficient measures for protecting public health and the environment.

Q. HOW WOULD THE PROPOSED RULE HELP SOLVE OR ADDRESS THE PROBLEM?

- A. The proposed changes to this rule include more robust provisions for facility design, construction, financial assurance and preliminary and final closure plan requirements. These provisions fill a gap in the previous regulations by establishing criteria that are commensurate with regulations in other regulatory programs.

Improved design and construction criteria will afford better protection to human health and the environment, particularly in less than optimal locations. The financial assurance, and preliminary and final closure plan components of the rule provide realistic protection for decommissioning the site should the expense fall to the state. Broadly speaking, this is an improved cradle to grave approach for the facility.

The new provisions also improve protection of human health and the environment, which as stated above, is lacking in the existing rules by establishing criteria that:

- a) Identify more appropriate locations for these facilities that support efforts to minimize the soil, groundwater and surface water impacts should there be a release from the impoundments.
- b) Provide more appropriate financial coverage to address facility obligations related to closure and remediation if a facility is abandoned. This will relieve a burden from Colorado taxpayers

to cover these costs if the operator were to have insufficient funds to support the required activities.

- c) Provide appropriate preliminary and final closure plan requirement to ensure that the groundwater and soil are not impacted by facility operations, or are remediated as necessary, thereby protecting human health and the environment via compliance with the Basic Standards for Ground Water and Table 910-1.

These proposed rules will also minimize or eliminate potential releases from pits and other surface impoundments used in the oil and gas operations. Minimizing or eliminating releases is the first step in protecting human health and the environment. Appropriate financial assurance and coupled with preliminary and final closure plans helps to ensure that, even if there was a release from the facility, remediation of soils to Table 910-1 standards and groundwater to the Basic Standards for Ground Water will either be performed by the operator or sufficient funds will be available for a third party contractor to conduct the activities.

Q. HOW WOULD THIS PROPOSED RULE RESULT IN GREATER PROTECTIONS FOR PUBLIC HEALTH, SAFETY, AND WELFARE, INCLUDING THE ENVIRONMENT AND WILDLIFE RESOURCES?

- A. See answer #1 and #2 above.

Q. HOW WILL THIS PROPOSED RULE AFFECT INDUSTRY'S ABILITY TO DEVELOP THE RESOURCE EFFICIENTLY?

- A. The proposed rules will cause industry to incur some additional costs and time associated with data collection prior to construction of the centralized E&P waste management facility and some additional costs required by the increased design and construction requirements contained in the new rules. However, the commercial side of the industry have demonstrated an ability to allocate an appropriate amount of time and resources to construct these facilities in a highly competitive market. Therefore, proper planning should adequately compensate for the increase time and effort, as should the decreased remediation liabilities from leaks. There should be no significant affect on industry when developing the resource.

Q. WILL THIS RULE EFFECTIVELY BALANCE DEVELOPMENT OF OIL AND GAS RESOURCES WITH PROTECTION OF PUBLIC HEALTH, SAFETY, AND WELFARE, INCLUDING PROTECTION OF THE ENVIRONMENT AND WILDLIFE RESOURCES?

- A. Yes, the proposed rules provide a balance of developing the oil and gas resources of Colorado while protecting the human health and environmental resources of Colorado. The changes in rule 908 are specifically tailored to the protection of human health and the environment without overly burdening the industry. The commercial E&P waste management industry has proven to be a very profitable business, even without the resource revenues. The commercial industry collects the same type of information and builds the facilities to the same design and construction requirements specified in this rule as a matter of practice in other regulatory programs, such as the solid waste program. These proposed rules also provide for the siting, construction, operations and closure of these facilities in close alignment with current industry practice.

Q. HOW DOES THE PROPOSED RULE RELATE TO OTHER STATE OR FEDERAL REQUIREMENTS?

- A. The proposed changes to the rule make COGCC's siting/design/engineering, financial assurance, preliminary and final closure plan requirements very similar to the regulatory requirements for commercial E&P waste management facilities regulated by CDPHE. This establishes more consistent requirements for both agencies to use at facilities with similar operational expectations and risks.

**NAMES AND QUALIFICATIONS OF ADDITIONAL WITNESSES
AVAILABLE FOR QUESTIONS**

Gary Baughman, P.E serves as Division Director in the Hazardous Materials and Waste Management Division at the Colorado Department of Public Health and Environment. He was previously the Program Manager for the Compliance Program for 6 ½ years. The Hazardous Materials and Waste Management Division consists of a Solid and Hazardous Waste Program, a Radioactive Materials Program, and a Remediation Program. These programs conduct work related to hazardous waste, solid waste, radiation, and voluntary clean-up, inspection, permitting, investigation, and remediation activities. Gary has worked in the Hazardous Materials and Waste Management Division for 23 years. Gary graduated from the Colorado School of Mines with a BS in Metallurgical Engineering.

Joe Schieffelin (see Testimony of Joe Schieffelin for additional information)

ASPEN TIMES

Monday, June 30, 2008

Gas companies cited for waste discharge northwest of Parachute

Drinking water supply may have been contaminated

Phillip Yates

Glenwood Springs correspondent

Aspen, CO Colorado

PARACHUTE, Colo. — The Colorado Oil and Gas Conservation Commission is investigating four natural gas companies for a waste discharge northwest of Parachute that allegedly contaminated a spring that feeds one cabin's drinking water, state records show.

The alleged contamination sent Ned Prather, an area guide and outfitter, to the hospital with throat problems after he drank water from his cabin's faucet, according to a state Notice of Alleged Violation filed against each company.

Prather filed a complaint with the commission on June 3, about three days after ingesting water from his contaminated spring. Prather has declined to comment about the matter with the Glenwood Springs Post Independent.

The citations against the companies said that water samples from a spring, faucet and pond at Prather's cabin - taken a day after he filed his complaint - showed traces of benzene that exceeded the state's Water Quality Control Commission water standards. Benzene is a known carcinogen.

Samples were also collected at three other cabins and from fluids at a pit associated with a nearby well. The results of those samples were not detailed in the violation notice.

Nonsuch Natural Gas, Marathon Oil Co., Williams Production RMT and Petroleum Development Corp. have all been issued a violation notice in connection with the release.

The commission, in its complaints against the four companies, also cited them for allegedly not telling the state about the discharge, state records show. Spills or releases of any size that impact or threaten to impact state waters, residences, occupied structures, livestock or public roads has to be verbally reported to the director of the commission "as soon as practicable after discovery," according to the state's current rules for the oil and gas industry.

Proposed new rules, which have been embroiled in controversy since they were released in late March, would require companies to file documentation of the spill and to report it to the director "immediately after discovery."

The violation notices show that the commission investigation is targeting four wells in the area of Prather's cabin northwest of Parachute. Two wells were or are under Marathon and Petroleum Development Corp. control, while the other two are operated separately by Williams and Nonsuch Natural Gas Inc.

Actions the companies must take

A field inspector returned to Prather's cabin on June 19 to collect additional water samples, and the agency is continuing to investigate the source of the contamination, said Deb Frazier, a spokeswoman for the Colorado Department of Natural Resources, which oversees the Oil and Gas Commission.

The four companies are also collecting water samples for analysis, Frazier said.

The commission has also requested all relevant information about the discharge from the four operators and is requiring them to conduct a site investigation and remediation work plan, and to collect additional water samples for chemical analysis.

The companies must also provide Prather and his family with a source of drinking water, domestic water for other household use and water for his livestock, Frazier said. They are required also to fence off the impacted spring and pond to prevent access by livestock and wildlife.

The commission also has hired a toxicologist to contact Prather and interview him, and review the analytic data collected by the agency and the four operators. The toxicologist is expected to prepare a report about the potential health impact from having ingested the water, Frazier said.

The companies' responses

Susan Alvillar, a spokeswoman for Williams, said the source of the contamination has not yet been identified, but that the company is working very cooperatively with the commission and Prather to put in remedial fixes in place "immediately." She said the company put a large tank of water on Prather's property so he and his family can have access to fresh water.

"We are taking the lead in the investigation simply because of the importance of getting to the bottom of what has occurred up there," Alvillar said. "We are very diligently working on it."

However, Alvillar added that is a bit of surprise that there were four companies named in connection with incident, and that it is a "little unusual to proceed in that manner." She added that Williams inspected the well that was cited in the violation notice thoroughly and that everything "was in order up there."

"The well is situated such that we believe if there was any issue with it, we would be able to see that right off the bat," Alvillar said.

Lee Warren, a spokeswoman for Marathon, stressed that notices are just allegations of violations.

"There are a number of companies that received those," Warren said. "It really is concerning and an unfortunate situation with the landowner involved in this. Safety is one of our core values. As a concerned neighbor and responsible operator, we immediately began to investigate the cause and try to do the right thing."

Warren noted that the company does not have any producing wells currently in the affected area.

The wells cited in the Marathon's violation notices were drilled by Petroleum Development Corp., and are now under Marathon control. However, they have not been brought online, she said.

"We are really trying to get to the bottom of the source and resolving the concerns as quickly as possible," Warren said.

Attempts to contact Petroleum Development Corp. weren't immediately successful late Friday, and a number for Nonsuch Natural Gas wasn't immediately available.

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DENVER AND THE WEST

Soil tower, spills loom over water

Overflow from drilling near Parachute has left behind a "waterfall" of frozen gunk and a huge erosion deposit.

By Nancy Lofholm

The Denver Post

POSTED: 03/26/2008 01:00:00 AM MDT
UPDATED: 03/26/2008 12:12:15 PM MDT



The blackened monolith is what's left of a huge soil-erosion deposit. (Mountain West Strategies | Pete Kolbenschlag)

Mar 25:

Thawing oil spill sends "something" downstream

Garden Gulch, a remote ravine north of the town of Parachute, has been the site of four spills and leaks from oil and gas drilling in the past five months.

New information pegs it as also being the site of a huge soil-erosion deposit that fell during the building of an oil-field pipeline above.

As was the case in two of the spills, the Colorado Oil and Gas Conservation Commission wasn't notified, as required by law, about the erosion problem.

Commission inspectors discovered the huge tower of soil-blackened mud and ice on their own. The unidentified pipeline builder has been issued a violation notice.

The landowner, Chevron Corp., was also in the dark. A company spokeswoman said Chevron didn't know

about the deposit until



Frozen waste from oil-and-gas-well spills is starting to melt and is seeping downstream near Parachute. Berry Petroleum was issued a citation for the mess, but its consultant says it's not a spill but a "discharge." Marathon Oil Co. also leaked the waste. (Western Colorado Congress | Special to Post)

a picture ran in The Denver Post on Monday.

Photographers for environmental organizations mistakenly identified the formation in that photo as the remainder of the four spills from wells that created a million-gallon frozen "waterfall" into the gulch. That gulch is home to Parachute Creek, the source of irrigation and livestock water for downstream landowners and the entire town of Parachute.

Western Colorado Congress and Pete Kolbenschlag with Mountain West Strategies apologized for the misidentification, but said the blackened formation is one more reason the state needs stronger protections from oil and gas accidents in sensitive areas.

"We are threatening havoc in our watersheds," Kolbenschlag said.

The saga of the Garden Gulch spills and deposits does hold an element of confusion.

The first leak occurred in November, but the operator, Berry Petroleum, didn't notify the commission until Jan. 2. Three other leaks from Berry and Marathon Oil Co. cascaded into the canyon between then and late February.

The commission didn't notify the public of the potential threat to the water source. Fluids used in drilling and stored in pits are kept secret under federal rules, but many contain petroleum byproducts, acids and lubricants.

Landowners and Parachute officials learned about the problem in local newspaper articles earlier this month.

The commission still doesn't know what is in the spills, and that has rankled those who water their livestock from the creek and a town set to fill its irrigation reservoir in the next several weeks.

Commission staff tested the bottom of the blackened monolith and determined it is composed mostly of ice and soil, said Deb Frazier, a spokeswoman for the Colorado Department of Natural Resources.

The frozen waterfall is yet to be tested. Frazier said commission inspectors are watching the ice and are prepared at the first sign of melting to take samples in the stream.

"We hope the state can use this as an example of incidents that are happening far too often," said Matt Sura with Western Colorado Congress. "We need to get some regulations in place so this doesn't happen again."

Friday, January 23, 2009

13 COMMENTS
DENVER AND THE WEST

Thawing oil spill sends "something" downstream

By Nancy Lofholm
The Denver Post

POSTED: 03/25/2008 01:00:00 AM MDT
UPDATED: 03/25/2008 01:57:32 PM MDT



Rancher Sid Lindauer spreads hay for his horses Monday. He is concerned that water in a creek that irrigates his fields and waters his animals is contaminated by oil-and-gas-well spills 10 miles upstream. (William Woody, Special to The Denver Post)

RELATED

Mar 26:

Soil tower, spills loom over water

PARACHUTE — Ruth Lindauer sets her lips in a tight line as she gazes at the milky gray water burbling down the cottonwood-lined creek behind her home.

She and her rancher husband, Sid, don't know what's in that water — what the spring runoff is carrying down the creek from a giant, filthy monolith of frozen oil-and-gas-well spills melting in a gulch 10 miles upstream.

The blackened ice formed from November through February when four oil-and-gas-well pits leaked 1 million gallons of something into Parachute Creek, the source for the Lindauers' irrigation water as well as the irrigation water for the town of Parachute.

"Something" is the word people around here use because they don't know yet what's in the spills



Frozen waste from oil-and-gas-well spills is starting to melt and is seeping downstream near Parachute. Berry Petroleum was issued a citation for the mess, but its consultant says it's not a spill but a "discharge." Marathon Oil Co. also leaked the waste. (Western Colorado Congress | Special to Post)

that froze as they poured into Garden Gulch. They didn't even know there were spills until two weeks ago, when it was reported in a local newspaper.

Now that the frozen waterfall of gunk has melted into an estimated 100-foot-tall ice spire in a remote, rugged gulch and warmer temperatures are speeding up the melt, the wait for answers is starting to make some folks nervous.

"I really don't know what we'd do," Ruth Lindauer said, if she were to find out the water that irrigates their hay fields, waters their cattle and horses and sprinkles the backyard where their grandchildren play is contaminated. "I just hope and pray it will not go to that."

The Lindauers' concerns may be more widespread in Colorado this spring as a melting heavy snowpack threatens to create more breaches in oil-field pits.

Deb Frazier, spokeswoman for the Colorado Department of Natural Resources, said the Colorado Oil and Gas Conservation Commission has been warning energy companies to be careful of overflow resulting from flooding in watersheds.

"The industry is aware of the potential, and the vast majority of the industry is responsive," Frazier said.

The companies that already had spills, and in two cases did not report them to oil-and-gas oversight officials for months, have said their pits contained mostly water.

But those who live here, where the roads crawl with giant drilling trucks and there's a well over every rise, know those pits usually contain fluids used or released in the drilling process. Those fluids can include lubricants, acids and petroleum byproducts. Exactly what is in the fluids is a mystery. Federal regulations allow companies to keep the ingredients secret.

The commission issued a press release about the spills March 6 after being notified about the first two Jan. 2. That release said the spills appeared to have been the result of failures in the liners of the pits and that one of the spills contained 30,000 barrels of drilling mud.

The commission issued a violation notice to Berry Petroleum, the company that did not report two of its three spills immediately as required by law. The other company that had leaked the drilling mud, Marathon Oil Co., was not cited.

Marathon did not respond to a request for comment. Berry, a company that has been issued nine notices of

alleged violations by the commission in the past two years, hired a consultant to deal specifically with the issue of the spills. He said it is not correct to call them spills, saying they are "discharges."

Berry issued a statement Monday stating that testing shows no drilling additives show up in the discharge a couple hundred yards from the pit.

Individuals and entities potentially affected by the spills said they have not had any communications from the two companies.

"We hadn't been notified of the issues, I guess you could say, up our creek," said Parachute administrator Robert Knight, who is scheduled to meet with commission representatives Thursday.

"We share their concerns. We're trying to get the best handle we can on it," Frazier said.

"Like any investigation, it is going at what seems to be a slow pace. It is tricky because the area is so inaccessible."

Tricia Beaver, spokeswoman for the commission, said she believes Marathon or Berry had to hire an ice climber to chip out a sample of the ice. She said testing of that sample hasn't been completed.

The Colorado Division of Wildlife, which is also under the purview of natural resources, is attempting to do its own tests.





Division spokesman Randy Hampton said his agency has been waiting for permission from the landowner, Chevron Corp., to take samples in the creek below "the frozen mess" and determine if there is a threat to trout. He said if the spill is highly contaminated and makes its way to the Colorado River, it could also affect endangered species there.

The Grand Valley Citizens Alliance and the Western Colorado Congress are looking beyond any possible immediate danger and asking questions about how the problem was dealt with.

Legislation passed last year requires the commission to coordinate with the Colorado Department of Health and Environment as well as the wildlife division when responding to large spills.

Liz Chandler, a Rifle veterinarian and president of the Citizens Alliance, said new state rules being finalized for the oil-and-gas industry are expected to do more to prevent spills into watersheds and to ensure affected parties are notified.

Nancy Lofholm: 970-256-1957 or nlofholm@denverpost.com

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Evolution of species & habitats covered by COGCC rules

SENSITIVE WILDLIFE HABITAT

Draft Rules (March 31, 2008): Habitat areas for 19 species	Final Rules (December 17, 2008): Habitat areas for 13 species
Mule deer critical winter range	Mule deer critical winter range
Elk winter concentration areas	Elk winter concentration areas
Pronghorn antelope winter concentration areas	Pronghorn antelope winter concentration areas
Bighorn sheep winter range	Bighorn sheep winter range
Elk production areas	Elk production areas
Columbian sharp-tailed grouse production areas	Columbian sharp-tailed grouse production areas
Plains sharp-tailed grouse production areas	Plains sharp-tailed grouse production areas
Greater sage-grouse production areas	Greater sage-grouse production areas
Gunnison sage grouse production areas	Gunnison sage grouse production areas
Lesser prairie chicken production areas	Lesser prairie chicken production areas
Mountain plover nest sites	-
Swift fox den sites	-
Black-tailed prairie dog colonies	-
White-tailed prairie dog colonies	-
Gunnison's prairie dog colonies	-
Black-footed ferret release areas	Black-footed ferret release areas
Bald eagle nest sites, winter night roost sites	Bald eagle nest sites, winter night roost sites
Burrowing owl nest sites	-
Golden eagle nest sites	Golden eagle nest sites

RESTRICTED SURFACE OCCUPANCY AREAS

Draft Rules (March 31, 2008): Habitat areas for 20 species and ALL of Colorado's riparian areas	Final Rules (December 17, 2008): Habitat areas for 10 species and about 2% of state's riparian areas
Rocky mountain bighorn sheep production areas	Rocky mountain bighorn sheep production areas
Desert bighorn sheep production areas	Desert bighorn sheep production areas
0.6 miles of greater sage-grouse lek	0.6 miles of greater sage-grouse lek
0.6 miles of Gunnison sage-grouse lek	0.6 miles of Gunnison sage-grouse lek
0.6 miles of lesser prairie chicken lek	0.6 miles of lesser prairie chicken lek
0.4 miles of Columbian sharp-tailed grouse lek	0.4 miles of Columbian sharp-tailed grouse lek
0.4 miles of plains sharp-tailed grouse lek	0.4 miles of plains sharp-tailed grouse lek
Lynx breeding habitat above 9500' and 25% slope	-
1/4 mile of active bald eagle nest site	1/4 mile of active bald eagle nest site
1/2 mile of Ferruginous hawk nest site	-
1/4 mile of Golden eagle nest site	1/4 mile of Golden eagle nest site
Mexican Spotted Owl Protected Activity Center	-
1/2 mile of Northern Goshawk nest sites	-
1/4 mile of Osprey nest sites	1/4 mile of Osprey nest sites
1/2 mile of Peregrine Falcon nest sites	-
1/2 mile of Prairie Falcon nest sites	-
1/4 mile of Townsend's Big-Eared Bat roost site	-
1/4 mile of Fringed Myotis roost sites	-
1/4 mile of Mexican Free-Tailed Bat roost sites	-
1/2 mile of Boreal Toad breeding sites	-
300' of high-water mark of lake, wetland, or stream	300' of Cutthroat Trout streams or Gold Medal fisheries

TOTAL: protected habitat areas for 39 species and ALL of Colorado's riparian areas

TOTAL: protected habitat areas for 23 species and about 2% of Colorado's riparian areas

¹ This is based on Commissioner Dowling's statement about Cutthroat Trout streams and Gold Medal fisheries at the hearing (Sept. 22 at Transcript p. 113).

Question 3) Citations to rules limiting the review & oversight of CDPHE and CDOW in permitting decisions

STATEMENT OF BASIS AND PURPOSE

Rule 306. CONSULTATION

(pp 29)

Basis: The statutory bases for this rule are sections 34-60-106(1)(f), 34-60-106(11)(a)(II) and 34-60-128(2)(d), C.R.S.

Purpose: Rule 306. reflects the Commission's response to the General Assembly's directive that the CDOW and CDPHE have a consultative role in certain aspects of COGCC decision-making and the Commission's belief that such consultation will lead to better informed decisions. The Commission heard extensive testimony regarding the nature of, participants in, and timeframe for such consultation and arrived at what it believes is a balanced, effective and fair approach to implementing the consultation directive. The cornerstone of the Commission's policy approach toward consultation has two key elements: (1) to allow CDOW to consult on oil and gas development in sensitive wildlife habitat (which is primarily located in western Colorado) in order to minimize adverse impacts to Colorado's wildlife resources; and (2) to allow CDPHE to consult in more limited circumstances to ensure that public health, safety, welfare and the environment are protected. The Commission's policy approach also recognizes the key role the operator and surface owner have in oil and gas development decisions, while emphasizing the need for timely and efficient decision-making and the importance of developing oil and gas resources.

As amended, Rule 306.a. describes the consultation process between the operator and the surface owner or the surface owner's agent. This provision restates and clarifies language from the existing rule, which was previously set forth in the introductory paragraph and subsections 306.a.(1) and (2). Amended Rule 306.b. describes the consultation process with local governments, and it restates and clarifies existing Rule 306.a.(3). Amended Rules 306.e. and 306.f. address final reclamation consultation and consultation with tenants, and they restate and clarify existing Rules 306.c. and 306.d. Amended Rule 306.c. adds a new consultation process with the CDOW. Such consultation will occur where: (1) consultation is specifically required by the 1200 Series Rules (i.e., where the location would occur in sensitive wildlife habitat); (2) the operator seeks a variance from a requirement under the 1200 Series Rules (e.g., where a variance is sought from the restricted surface occupancy area limitations); (3) the CDOW requests consultation because the location would occur in known occurrence or habitat of a federally threatened or endangered species); or (4) the operator seeks to increase well density to more than one well per 40 acres or the Commission develops a basin-wide order involving wildlife.

Amended Rule 306.d. adds a similar new consultation process with the CDPHE. The circumstances where consultation with the CDPHE occurs are more limited because the CDPHE already administers numerous rules and regulations for protecting public health, safety, welfare, and the environment. Therefore, consultation with the CDPHE will occur only where: (1) the local government designee requests participation by the CDPHE because of health, safety, welfare, or environmental concerns; (2) the operator seeks a variance from a one of certain rules intended to protect public health, safety, welfare, or the environment (e.g., rules pertaining to public water system protection, underground disposal of water, setback requirements in high density areas, coalbed methane wells, odors and dust, E&P waste management, and stormwater management); or (3) the operator seeks to increase well density to more than one well per 40 acres or the Commission develops a basin-wide order involving public health, safety, welfare, or the

environment.

In amending Rules 306.c. and 306.d, the Commission intended to ensure that the permitting process remains timely and efficient. Therefore, the amendments establish a 40-day time period for consultation by the CDOW and CDPHE. This 40-day period will begin concurrent with the start of the public comment period, and if consultation does not occur within such 40-day period then the consultation requirement is waived. Therefore, consultation with the CDOW and CDPHE will occur simultaneously with the public comment period and the COGCC staff's review of the Form 2 and Form 2A, and it should therefore not significantly extend the decision-making period. The Commission also encourages and expects that for particular applications the CDOW and CDPHE may complete their consultations in less than 40 days.

In amending Rules 306.c. and 306.d., the Commission also recognized the importance of predictability for operators. To this end, the amendments set forth standards that the CDOW and CDPHE will use in making recommendations regarding conditions of approval and variance requests. The amendments also provide standards that the Director will use in considering such recommendations. The Commission intends that the Director will give due consideration to the recommendations of CDOW and CDPHE, but that the Director will remain responsible for deciding whether to approve permits or variances and whether to impose special conditions on such approvals.

These amendments reflect substantial input from the staff, parties, and public on these issues. After considering all of the testimony, comment, and other evidence, the Commission determined as a matter of policy that these amendments strike an appropriate balance between protecting public health, safety, and welfare, including the environment and wildlife resources, and ensuring that the approval process remains timely, efficient, and predictable. It also believes that the amendments will improve COGCC decision making by providing the Director with expert input from the CDOW and CDPHE regarding those applications that raise the most significant issues regarding public health, the environment, and wildlife resources.

Rule 503. ALL OTHER PROCEEDINGS COMMENCED BY FILING AN APPLICATION

pp 37-38

Basis: The statutory bases for these amendments are sections 34-60-104(2)(a)(1) and 34-60-106(11)(a)(II), C.R.S.

Purpose: Amended Rule 503.b. expands the universe of parties who can request a hearing before the COGCC on the approval of an APD, and also allows the same parties to request a hearing before the Commission on the approval of a Form 2A. Prior to the amendments, Rule 503.b. only allowed the relevant local government to request a hearing on the approval of an APD, and Rule 303.k. only allowed the operator to request a hearing if the Director either withheld or suspended approval of such an Application. Because Oil and Gas Location Assessments were not approved, no one could request a hearing on them. As amended, Rule 503.b. allows a hearing to be requested on either the approval of an APD or Form 2A, as applicable. In addition to the relevant local government and the operator, the surface owner of the affected land, the CDPHE, and the CDOW may also apply for such a hearing. The surface owner's right to a hearing will be limited to alleged noncompliance with the Commission rules or statute, or potential adverse impacts to public health, safety, and welfare, including the environment and wildlife resources, that are within the Commission's jurisdiction to remedy. The CDPHE's right to a hearing will be limited to issues regarding protection of health, safety, and welfare of the general public and the environment. The CDOW's right to a hearing will be limited to issues involving minimizing adverse impacts to wildlife resources. The operator's right to apply for a hearing will no longer be limited to the

withholding or suspension of approval of an Application, but will also encompass matters such as the Director's imposition of special conditions, consultation disagreements under Rule 306., and delay in making decisions under Rule 303.e.

These changes reflect a policy decision by the Commission that balances a variety of competing considerations. These considerations include providing access to the COGCC for those individuals and entities that are most significantly affected by the Director's action; such access is important because it may be more efficient, faster, and less costly than a judicial challenge. These considerations also include ensuring that the regulatory process remains timely and efficient as mandated by HBs 07-1298 and 07-1341, that the issues raised in a hearing do not exceed the COGCC's authority, and that the COGCC is not overwhelmed by hearing applications given the thousands of approvals that are issued annually. In balancing these considerations, amended Rule 503.b. allows surface owners to request hearings, but only where they allege noncompliance with Commission rules or statute or potential adverse impacts to public health, safety and welfare, including the environment and wildlife resources, that are within the Commission's jurisdiction to remedy. Surface owners may not request hearings merely to oppose oil and gas development or to raise issues involving reasonable accommodation or contract interpretation.

Amended Rule 503.b. will also allow the CDPHE and CDOW to request hearings, but only where the issues involve health, safety, and welfare of the general public and the environment, or minimizing adverse impact to wildlife resources, as applicable. These issues, too, are cognizable by the COGCC under the Act. This will not delegate any decision making authority to the CDPHE or CDOW. Rather, it will merely provide them with access to the Commission where they disagree with the Director's resolution of health, safety, welfare, or wildlife issues. Such access will be equivalent to that granted to local governments and surface owners and more limited than that granted to operators. The Commission urges and expects the CDPHE and CDOW to exercise this procedural right judiciously and to request a hearing only where significant health, safety, welfare, or resource protection issues or policies are at stake.

FINAL AMENDED RULES

306. CONSULTATION.

c. Consultation with the Colorado Division of Wildlife.

(3) Results of consultation under Rule 306.c.

A. As a result of consultation called for in this subsection, the Colorado Division of Wildlife may make written recommendations to the Commission on conditions of approval necessary to minimize adverse impacts to wildlife resources. Where applicable, the Colorado Division of Wildlife may also make written recommendations on whether a variance request should be granted, under what conditions, and the reasons for any such recommendations.

B. **Agreed-upon conditions of approval.** Where the operator, the Director, the Colorado Division of Wildlife, and the surface owner agree to conditions of approval for oil and gas locations as a result of consultation, these conditions of approval shall be incorporated into approvals of an Oil and Gas Location Assessment, Form 2A, or Application for Permit-to-Drill, Form 2, where applicable.

C. **Permit-specific conditions.** Where the consultation called for in this subsection results in permit-specific conditions of approval to minimize adverse impacts to wildlife resources, the Director shall attach such permit-specific conditions only with the consent of the affected surface owner.

D. Standards for consultation and initial decision. Following consultation and subject to subsection C above and Rule 1202.c, the Director shall decide whether to attach conditions of approval to a Form 2A or Form 2, where applicable. In making this decision, the Director shall apply the criteria of Rule 1202.

E. Notification of decision to consulting agency. Where consultation occurs under Rule 306.c, the Director shall provide to the Colorado Division of Wildlife the conditions of approval for the Application for Permit-to-Drill, Form 2, or Oil and Gas Location Assessment, Form 2A, on the same day that he or she announces a decision to approve the application.

d. Consultation with the Colorado Department of Public Health and Environment.

(3) Results of consultation under Rule 306.d.

A. As a result of consultation called for in this subsection, the Colorado Department of Public Health and Environment may make written recommendations to the Commission on conditions of approval necessary to protect public health, safety, and welfare or the environment. Such recommendations may include, but are not limited to, monitoring requirements or best management practices. Where applicable, the Colorado Department of Public Health and Environment may also make written recommendations on whether a variance request should be granted, under what conditions, and the reasons for any such recommendations.

B. Agreed-upon conditions of approval. Where the operator, the Director, the Colorado Department of Public Health and Environment, and the surface owner agree to conditions of approval for oil and gas locations as a result of consultation, these conditions of approval shall be incorporated into approvals of an Oil and Gas Location Assessment, Form 2A, or Applications for Permit-to-Drill, Form 2, where applicable.

C. Standards for consultation and Director decision. Following consultation, the Director shall decide whether to attach conditions of approval recommended by the Colorado Department of Public Health and Environment to a Form 2A or Form 2, where applicable. This decision shall minimize significant adverse impacts to public health, safety, and welfare, including the environment, consistent with other statutory obligations.

D. Notification of decision to consulting agency. Where consultation occurs under Rule 306.d, the Director shall provide to the Colorado Department of Public Health and Environment the conditions of approval for the Application for Permit to-Drill, Form 2, or Oil and Gas Location Assessment, Form 2A, on the same day that he or she announces a decision to approve the application.

503. ALL OTHER PROCEEDINGS COMMENCED BY FILING AN APPLICATION

b. Applications to the Commission may be filed by the following applicants:

(7) For purposes of seeking a hearing on approval of an Application for Permit-to-Drill, Form 2, or an Oil and Gas Location Assessment, Form 2A, under Rule 305.d.(2), any of the following may be the applicant:

D. The Colorado Department of Public Health and Environment, solely to raise issues relating to protection of health, safety, and welfare of the general public and the environment in the conduct of oil and gas operations; and

E. The Colorado Division of Wildlife, solely to raise issues relating to minimizing adverse impacts to wildlife resources.

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1 COMMENT
BUSINESS

Chevron backs off W. Slope growth

The energy giant's plans to double drilling north of DeBeque are put on hold.

By The Associated Press

POSTED: 11/21/2008 12:30:00 AM MST

GRAND JUNCTION — Falling natural-gas prices have Chevron Corp. backing off plans to boost drilling and investment in northwest Colorado.

The company had planned to double its drilling north of DeBeque and increase its investment by 50 percent. Instead, Chevron will continue its current spending for the next three years.

"We're just taking a little bit slower, more paced approach to the program," Chevron spokeswoman Kristi Pollard said Wednesday.

Industry officials have said the number of drilling rigs operating in northwest Colorado's Piceance Basin could decrease by 35 percent to 40 percent over the next few months. They cite gas prices, the credit crunch and new oil and gas rules being considered in Colorado.

Williams Production, one of the area's major producers, has said it will run 20 drilling rigs in the basin next year, down from 26 this year.

Berry Petroleum spokesman Todd Crabtree said Thursday that the company is cutting its rig count in the Piceance from four this year to one in 2009.

There has been no slowdown in the number of drilling permits in Colorado. The state had issued 6,739 permits through Nov. 6, compared with 6,368 permits for all of last year.

Chevron's decision to go slower means it won't expand its local workforce to 80 from 63 or increase its contractors to 500 from the current 300.

Pollard said "it would be false" to pin the decision to slow down on the new regulations being considered.

"We do take that into consideration, but there were a lot of other factors at play as well," she said.

The industry has objected to several of the proposed oil and gas rules that would give more weight to environmental, wildlife and health issues. The Colorado Oil and Gas Conservation Commission is expected to take a final vote on the rules in December.

Companies have also lamented the limited pipeline capacity in the Rockies. More pipelines have been built or expanded to ship the gas to other markets, but companies have said more capacity is needed.

Chevron has long-range plans of drilling 2,000 wells on 40,000 acres north of DeBeque over 15 to 20 years and investing about \$7.3 billion over about 50 years.

The Trinidad
Times Independent

Dec. 19

Trinidad Times-Independent

Pioneer executive explains oil, gas slowdown

Ancillary businesses may see hard times as result

By Randy Woock

Tom Sheffield, Vice President, Rocky Mountain Assets Team Pioneer Natural Resources (PNR), made a three-stop tour in Trinidad - appearing before the city council, the Las Animas County Board of Commissioners and the chamber of commerce - to attempt to explain to officials and residents why PNR was putting into effect a drastic slowdown of its operations in Las Animas County.

Sheffield attempted to assure audiences at the meetings that PNR intended to remain invested to some degree in the Raton Basin area, despite the planned downturns in activity. "I know there's been a lot of concerns about Pioneer and our commitment to the community, what we're doing, what we're not doing," he said to Trinidad's city council.

PNR had announced during its third quarter report to investors in early November that it would be curtailing a number of its planned drilling activities for 2009, most relevantly putting on hold its 2009 drilling plans for the Raton Basin, its second largest field of operations. Operational rigs in the Raton Basin are planned to decrease from three in the third quarter of 2008 to zero by the first quarter of 2009.

At the three meetings this week, Sheffield explained the **slowdown as due to decreased consumption levels of oil and gas caused by the current declining state of the economy. The matter was said to be compounded by an attendant drop in oil and gas prices caused by a supply large enough to outstrip the reduced demand and not allow for the high prices seen during the past several years. Added to that was the continual increase in gas production over the past few years.**

"You really increase the drilling rig count, probably from 2005-2006...and then gas took a while to finally start catching up with it, it started climbing, created a gas bubble (at the) same time our economy went in the pooper," Sheffield said at Tuesday's council meeting. "So we don't have any choice but to live with the gas bubble right now."

Sheffield had told investors during PNR's third quarter report in November that the company would reduce its operational rig count 60 percent till service costs reduced 20 percent to 30 percent and returned to 2006 levels and oil and gas elevated to \$80 per barrel and \$8 per Million cubic foot (Mcf). PNR's slowdown is mirrored by energy producers across the world, where reductions in energy outputs have been attempted, currently in vain, to offset reduced demand and excess supplies. The Organization of Petroleum Exporting Companies recently announced plans to cut production by 2.2 million barrels per day.

According to an Agence France-Presse report from early Thursday, oil had fallen to \$37.71 per barrel on the New York Mercantile Exchange.

Sheffield also mentioned during the local meetings the economic hardships caused by increased production expenditures and erosions of returns not matched by any increase in gas prices. The company's value had dropped in recent months from \$11.8 billion to \$4.5 billion, with an attendant stock price decrease from \$83 to \$17 per share.

"Before the crash a few months ago we were an \$11 billion company, now we're a \$4 or \$5 billion company," he said at Tuesday's council meeting. "(Rates of return) spiked up as well when the cost of oil went up...price of oil has dropped, our rates of return have dropped...after taxes we're lucky to be making money right now."

Sheffield added that all oil and gas companies were experiencing similar problems, some more than others. "There's a lot of companies out there that will become targets (of acquisition and mergers)," he said, noting that PNR was one of the first companies to begin a slowdown of their drilling activities.

"We felt like we made a decision earlier to essentially shut down things worldwide," Sheffield said. "We were shutting down rigs in Tunisia, we were shutting down rigs in south Texas, west Texas, here, everywhere, because we wanted to preserve capital."

Despite the setbacks, Sheffield assured the meetings' attendees that PNR's charitable activities in the region, such as the Gas Assistance Program (GAP) in which PNR helped elderly area residents with gas utility payments, would not be rolled back.

"All the money that we pump into Raton, in Trinidad, in this area for GAP and all the other things that we donate to are not going to change," he said. "We set that out as a sacred part of what our commitment to the community is."

He added that PNR spent \$70 million to \$90 million per year to maintain its presence in the area.

Sheffield also issued repeated assurances that PNR, one of the largest employers in Las Animas County, was not laying off any of its estimated 510-515 employees.

"We're not going anywhere; we're not laying off anyone...It is so difficult to build up the infrastructure that we have in place that we don't want to lose it, knowing that we'll need it in a few months to a year to get everything done we need to do," he said. "If it starts dismantling itself and we allow that to happen, then it just creates more chaos-for not just the community, for us and getting back to work...the training, the money we put in for safety education, all that kind of stuff, we have to protect that investment so that's why we want to keep it together as much as we can."

The level of reassurance offered by such statements was questioned by City Manager Jim Soltis. He asked Sheffield about the fate of the subcontractors affected by PNR's slowdown.

"You said Pioneer was not laying off, does that same thing apply to your subcontractors?" Soltis asked. "And if you are holding off drilling, what does that do to the spending power that you did have with regard to our local vendors?"

Sheffield conceded that a lot of local vendors had depended on Pioneer's activities in the county. "A lot of them took the business risk to ramp their businesses up to try to maximize their ability to try to make money and stuff off of what we're doing," he said. "We can't keep doing what we're doing because we'd be foolishly spending money, and yes, I think some of them are going to be having a hard time."

A number of local contractors have already had to curtail their operations and staff as a result of PNR's slowdown, with layoffs having started in October. The final impact of the slowdown on the area's employment levels and economy has yet to be determined.

At Tuesday's city council meeting, Sheffield had continued to state, "The caveat with us not laying off people is that we're not going to keep plucking from the community and fill positions if people quit and decided that, 'well, I've had enough from the oil and gas industry,' and go off somewhere else."

Offsetting that, however, was a pledge by Sheffield to have PNR's management reevaluate its relationship with local vendors in possible hopes of making use of them more often.

Sheffield also acknowledged the assistance given by the local community to such oil and gas producers as PNR during the fight against aspects of the Colorado Oil and Gas Conservation Commissions' (COGCC) proposed regulatory changes to state oil and gas laws. The regulations, adopted Nov. 11 after a process beginning in late 2007, include for example rules designed to require companies to share records of chemicals used in drilling processes with the state and emergency responders, prohibit drilling within close distance of public drinking water sources along with rules to prevent water pollution around oil and gas operators during storms and snow run-off seasons.

Asked by commissioner Ken Torres about the effect of the new rules on PNR, Sheffield said, "We would not be where we are without this community; I think this community gutted up and helped not only itself, but it helped all the companies around here."

A motivator utilized in organizing that assistance provided by local communities -including mobilizing mass opposition to the rule changes and organizing bus trips for county residents to attend public forums in other parts of the state to speak against the proposed regulations - were threats from PNR officials and other parties that increased regulations would have a negative effect on oil and gas companies and therefore on the communities dependent on the economic activity generated by those companies.

Sheffield's predecessor at PNR's Rocky Mountain Assets Team, Jay Still, had told an audience at March 26 dinner hosted by the Trinidad-Las Animas County Chamber of Commerce while the passage of tightened regulations would not lead the company to utterly abandon the area as some had claimed, it would lead to a decline in the company's investment in the area. "Will we continue investing, will there be \$300 million invested in the community this year or next year? No way," Stills had said.

A March 13 letter to Chamber of Commerce members, signed by Still with the PNR letterhead, it was claimed that with tightened regulations, "(It) would be impossible for Pioneer to continue our present level of investment, employment and economic activity in Trinidad and Las Animas County...All this adds up to lower employment, a declining tax base."

PNR and fellow energy company XTO Energy announced their respective mass slowdowns in local operations about a month before the COGCC's adoption of the new regulations.

Sheffield told the commissioners Tuesday that, "The rules they're coming out with, 90 to 95 percent we agree with," though he suggested that additional studies were needed on the topic, and that the new rules would probably cost PNR, "a little bit more money," and require it to hire additional people.

Though he did add that PNR had ongoing litigation with the COGCC and that, **"What we're going through right now because of the economy, not because of COGCC,** would be a good representation of what would have happened if the original rules were put in place because it would not be economic to continue to develop stuff here as it has been in the past."

Sheffield informed the Trinidad's city council Tuesday that economic recessions such as the one ongoing since December 2007 and currently affecting the viability of oil and gas activity in Las Animas County, typically lasted 24 to 36 months. Drilling activities, he said, could hopefully be resumed anywhere from a few months time till sometime in 2010.

Sheffield also told the city council that PNR would attempt to continue providing updates on a quarterly basis to the community.

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Dec 27

Area stakeholders mostly OK with updated oil, gas regs

Michelle Burkhart
Times Staff Writer

It appears the Colorado Oil and Gas Conservation Commission's (COGCC) long public process to amend the state's oil and gas regulations resulted in a balance that appeased a diverse set of

Gunnison area stakeholders — at least for the most part.

After receiving thousands of public comments and holding a year-and-a-half worth of meetings, the COGCC unanimously approved the regulations in December. Lawmakers

See COGCC on page A7

COGCC

continued from page A1

still need to approve the package this coming legislative session. Assuming they do, the updates will start to be phased in, beginning in April.

Some state legislators have been outspoken in saying the amendments will adversely impact state revenue and jobs in Colorado.

Local stakeholders, however, don't believe the sky is falling.

"In general, we're very supportive of the intent of the regulations — and that's to have some sort of balance and try to consider the environment in the area in which you are drilling," said Brad Robinson, president of Gunnison Energy Corporation, a company which has both drilled and permitted (yet to be drilled) gas wells in the northwest corner of Gunnison County.

"We already comply with most of the new, more stringent rules, so it doesn't really have that big of an impact on us," he said.

The rule-making — meant to provide greater protections for the state's water, wildlife and communities in the midst of a drilling boom — stemmed from a pair of house bills (1341 and 1298) adopted in 2007.

Lawton Grinter with High Country Citizens' Alliance (HCCA) said the organization applauds the COGCC's effort at "trying to achieve a fair balance."

Robbie Guinn of SG Interests (SGI) — a company which drilled 14 wells, has proposed to build 55 more and is construct-

ing the Bull Mountain Natural Gas Pipeline in Gunnison County — said the new regulations will likely cost SGI more to do business, but that they won't deter the Texas-based company.

"We still intend to develop oil and gas properties ... in Gunnison County, and we will comply with whatever the legislature approves," he said.

The final amendment package reflects a substantial number of modifications (see inset) to the regulations. But the COGCC deferred action on some of the most contentious issues — such as setbacks from homes and reclamation standards for wildlife.

HCCA hopes the required setbacks from homes will change with the scheduled discussions, Grinter said.

"Oil and gas companies can still drill up to 150 feet of a Gunnison County residence, or any Colorado residence for that matter," he said. "Wyoming and New Mexico require a 500 foot setback from a house."

Robinson said he only has two notable concerns with the updates, including the length of time it could take to get a permit.

"The rock bottom minimum is 65 days, and I think if you are in a sensitive area, it can go up from there," he said. "Other states are a lot shorter than that."

He also said the "increased administrative burden" could be "tough on a smaller company" like his.

Mike Chiropoulos with Western Resource Advocates said the regulations, as passed by the COGCC, allow for up to a 90-day annual restriction to

Key new and modified oil and gas rules:

- Establish protection zones around streams that serve public drinking water supplies
- Require companies to keep track of and disclose chemicals they use in drilling operations
- Reduce odors where oil and gas development is occurring near homes and schools in northwestern Colorado
- Manage erosion and reduce water pollution around drilling operations during storms and snow run-off seasons
- Allow the state health department and state wildlife agency to consult and offer recommendations on oil and gas development to protect public health, the environment and wildlife
- Provide notices to nearby landowners and public comment periods for development proposals.

protect species during "tough" times of the year, such as during calving seasons.

This is an "enormous compromise" compared to the original proposal, which could have allowed for up to a six-month annual closure for species, he said.

Guinn said that seasonal restrictions would be burdensome to drilling companies.

(Michelle Burkhart can be contacted at 970.641.1414 or michelle@gunnisonstimes.com)

Dec. 23

Grand Junction Sentinel

Falling natural-gas prices to reduce firm's Western Slope investments

By DENNIS WEBB

Delta Petroleum on Monday cited falling natural gas prices in announcing it will invest \$85 million, and possibly less, in capital spending next year, down significantly from its initial plans.

About 70 percent of that money will be invested in western Colorado's Piceance Basin, the Denver-based company said. Delta is drilling near Colbran in Mesa County.

The company previously has said it is cutting its drilling rig count from four to two in that area, where it previously had planned to expand to eight rigs.

Company-wide, Delta previously had planned \$150 million to \$175 million in capital spending next year.

In recent months, numerous energy companies have been announcing cutbacks in Piceance Basin drilling operations or have canceled plans to expand them.

Many have blamed falling energy prices, the crisis in the nation's lending market and stricter oil and gas development rules in Colorado as factors in their decisions.

Delta regulatory compliance manager Brian Macke previously has said the costs of the new rules concern his company. However, **Delta's chairman and chief executive officer, Roger Parker, said in a news release Monday that the exclusive reason for the cutback in its spending plans was the "continued deterioration of commodity prices."**

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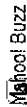
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Falling natural-gas prices to reduce firm's Western Slope investments

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By DENNIS WEBB
The Daily Sentinel

Monday, December 22, 2008

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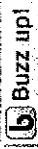
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Honda CR-V 2.0L I4 16V MPFI DOHC Special Purpose Vehicle... (more)

GMC Jimmy 4.3L V6 12V ... (more)

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(more)

Prepared to Our Blue Ribbon Standard (more)

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(more)

GMC Sierra ... (more)

Ford Escort 2.0L I4 16V DOHC... (more)

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Question 7:

Where does the permitting process end?

Statement of Basis and Purpose

d. Rule 303.e. - Processing Time for Approvals

As amended, Rule 303.e. sets forth the timelines by which applicants can expect a decision on a Form 2 or, where approval is required under Rule 303.d.(4), a Form 2A. It requires the Director to make such a decision within 30 days if the proposed location is covered by a CDP and no variance is requested. It also provides that whether or not the location is covered by a CDP the applicant may request an expedited hearing before the Commission if the Director has not made a decision within 75 days. This expedited hearing, however, will not occur before proper notice is given under the Act. See C.R.S. § 34-60-108.

The shorter processing period for Form 2s and Form 2As covered by a CDP is intended to create an incentive for the development of such plans and thereby promote landscape level planning. The Commission believes that expedited processing of such Forms is feasible because the CDP should identify actions and conditions to minimize adverse impacts to the environment and wildlife resources. The ability to request an expedited hearing if a decision on a Form 2 or Form 2A is not made within 75 days is intended to ensure that the approval process remains timely and efficient as directed by the General Assembly and to address industry concerns that applications will routinely require many months to process. It is also intended to make the timing of Commission decisions more predictable for industry, which will assist in industry's business planning.

The Commission understands that the current permitting process has recently averaged more than 60 days to complete. It believes that this average can and should be reduced consistent with COGCC staffing levels and the number of applications that are filed. Although the Commission has provided for a hearing if the process extends beyond 75 days, the Commission intends that a 75 day process would be the exception and not the rule. The Commission encourages the staff to work to reduce the current application backlog as additional staff are added in 2009.

Final Amended Rules

303. REQUIREMENTS FOR FORM 2, APPLICATION FOR PERMIT-TO-DRILL, DEEPEN, RE-ENTER, OR RECOMPLETE, AND OPERATE; FORM 2A, OIL AND GAS LOCATION ASSESSMENT.

e. Processing time for approvals under this section.

(1) In accordance with Rule 216.f.(3), where a proposed oil and gas location is covered by an approved Comprehensive Drilling Plan and no variance is sought from such Plan or these rules not addressed in the Comprehensive Drilling Plan, the Director shall give priority to and approve or deny an Application for Permit-to-Drill, Form 2, or, where applicable, Oil and Gas Location Assessment, Form 2A, within thirty (30) days of a determination that such application is complete pursuant to Rule 303.h, unless significant new information is brought to the attention of the Director.

(2) If the Director has not issued a decision on an Application for Permit-to-Drill, Form 2, or, where approval is required, an Oil and Gas Location Assessment, Form 2A, within seventy-five (75) days of a determination that such application is complete, the operator may request a hearing before the Commission on the permit application. Such a hearing shall be expedited but will be held only after both the 20 days' notice and the newspaper notice are given as required by Section 34-60-108, C.R.S. However, the hearing can be held after the newspaper notice if all of the entities listed under Rule 503.b waive the 20-day notice requirement.