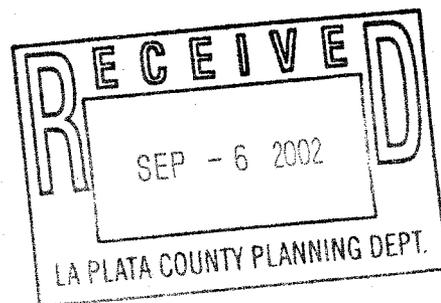


WEASELSKIN CORPORATION

12995 U.S. HWY. 550  
DURANGO, COLORADO 81301  
476  
(303) 247-9410



Bureau of Land Management  
Farmington Field Office  
1235 La Plata Hwy, Ste 1  
Farmington, NM 87401-8754

Atten: RMP Project Manager

August 29, 2002

Re: RMP & EIS on the

La Plata County Oil & Gas Impact Report

Weaselskin Corporation, a family owned Subchapter S corporation would like to take this opportunity to comment on the referenced Impact Report. We have received both the excellent report by Christi Zeller, Executive Director of the La Plata County Energy Council, and the extensive report by Wano Urbonas, San Juan Basin Health Director.

Our Corporation and family farm run a hay/grain and horse breeding operation in Sec. 18,19,20 of T34N;R9W, La Plata County. We also have participated with Amoco (BP American Production), the Southern Ute Tribe and other gas operators in La Plata County and Northern New Mexico as royalty, overriding royalty and working interest owners. Thus we are very up to date on the quality of performance by the Oil & Gas Operators in La Plata County. We have also participated with BP-Amoco and Red Cedar Gathering (SUIT) in eight Coal Bed Methane wells with +/- 4 miles of associated pipelines and a 10" gas delivery pipeline across our property. The combined operation took almost all of the year 2001 to organize, drill and complete the infill wells and lay the pipelines. Both BP and the SUIT did an outstanding job with the extensive help of our farm manager (our son) and Robert Ryan of Flint Energy of Farmington.

Several points are particularly important to the La Plata County Impact Report.

1) Full disclosure of the mineral estate upon transfer of land. This is now required by all realtors but apparently is not always forthcoming. All potential buyers should contact neighbors and request a review of the mineral title from the realtor or subdivider/seller. Operators of nearby wells might supply Title Opinions to the Realtor. Also the Colorado Oil & Gas Conservation Commission can supply current, as well as older maps, showing all well locations.

2) Numerous older wells (drilled 20-30 years ago) were very poorly drilled and abandoned. These wells can seriously effect all near surface sands and aquifers and should be immediately identified. The responsibility for proper remediation unfortunately may have to fall on the COGCC. The current process of drilling, cementing surface pipe plus testing nearby water wells precludes this happening today.

3) We feel that La Plata County is attempting to takeover the duties and authority of the Colorado Oil & Gas Conservation Committee. The County government must realize that the Mineral Estate can not be subjected to the desires of the Surface Estate as long as the health and safety of the surface owner is protected.

4) The number of non-negotiated locations is very limited when compared to the number of wells drilled. The San Juan Citizens Alliance will always distort figures in their defense. Also, the SJCA has failed to point out that a producing well on a piece of real estate can increase the value of the property considerably if even a small mineral interest can be purchased with the property (the realtor should always investigate this possibility for the buyer). Also, often the original lease provides for free natural gas to the principal residence on the lease.

5) All landowners and businesses in the County would see a very significant increase in their property taxes without the ad valorem taxes paid to the County by the mineral owners and leasees on natural gas production.

6) Weaselskin Corporation would like to support the comments by the La Plata County Energy Council to Adam Keller of the La Plata County Planning Department. We are very concerned about the amount of public funds that has been spent on this question when the really significant need is for the Planning Department to address subdivision requirements in light of the wildfire disasters. Subdivision regulations should be rewritten to provide better fire protection - no shingle roofs, no wooden siding, etc. Water is now as valuable as natural gas!

Sincerely,

*William R. Thurston, President*  
William R. Thurston, President  
Weaselskin Corporation

CC: LA PLATA COUNTY PLANNING DEPT

1060 E. 2ND AV.

DURANGO, CO 81301

ATTEN: ADAM KELLER

**From:** curt swanson <skibum@frontier.net>  
**To:** <kelleram@co.laplata.co.us>  
**Date:** 8/15/02 3:25AM  
**Subject:** La Plat County Impact Report

Adam:

Here are some of my inputs on the LaPlata County Impact Report. I was very impressed with the depth of the analysis of the report. These inputs are from the perspective of a resident in a rural subdivision with a gas well adjacent to my property.

#### STUDY OF MEASURING IMPACT OF COALBED METHANE WELLS ON PROPERTY VALUES

1. As thorough as this study is I believe it does not have sufficient data available to validate loss of property values in residential subdivisions. As I understand it there are very few wells installed in subdivisions having lots of 10 acres or less where numerous residents are affected by a single well.
2. I believe that in residential subdivisions the affect that gas wells have on property values is in large part a function of how that well was mitigated for noise and visual impacts.
3. If gas companies are not held to a set of standards within the county it is difficult for real estate agents to give prospective buyers much help on determining the impact gas wells might have on property values.

#### EXECUTIVE SUMMARY

Land use page E-1:

Of the 4 options identified for minimizing land use conflicts from CBM development I recommend the third option. That is "the county develop and implement more detailed performance standards oil and gas development permits to include additional mitigation measures to minimize visual and noise impacts to adjacent properties." I think it is important to somewhat customize each mitigation depending on where the gas well is located in relationship to residents of the area.

Socioeconomics page E-2:

In the last paragraph regarding impacts to property values. Again a major step to minimizing the impact of CBM wells to property values is to require electric driven equipment and low profile pumping units.

Traffic and Transportation page E-3:

I agree with the suggestion that a good way to mitigate transportation impacts from CBM development is to specify a portion of the tax revenue generated by CBM production be applied to road maintenance.

Visual Resources page E-4:

There is a lot of discussion of well siting but no mention of using low profile pumping units. It is very difficult to hide a 35 foot high pump jack unless it is located in a pine forest. I suggest that the type of pumping unit be considered in the visual impact options.

Noise page E-4:

A key option for noise mitigation is electric driven equipment. It is much

quieter than gas driven equipment. Performance standards should include the maximum noise above ambient at any home within 1/2 mile of a gas well. Because noise is easy to control my recommendation is a maximum of 1db above ambient during the night. The COGCC 50db maximum is totally unacceptable in residential areas.

### Section 6.3: Options for Minimizing Impacts from Anticipated CBM Development

#### 6.3.2.3 Prioritize County Issues

Move item B-1 Noise Reduction and item B-2 Visual Impact up to item A-1 and A-2. These should be given top priority.

#### 6.3.3 Land Development Controls

6.3.4.3 and 6.3.4.4 are super ideas and are key to success.

#### 6.3.5 Options for Affected Resources

##### 6.3.5.1 Land Use: I AGREE WITH ALL OPTIONS IDENTIFIED IN THIS SECTION.

##### 6.3.5.2 Socioeconomics:

I agree with:

Providing tax incentives to encourage new industry

Increase fees for overweight vehicles

Disclosure of potential CBM development at time of property transfers.

I don't agree with:

Increased mill levy for property taxes for oil and gas facilities unless the increase is targeted specifically for well mitigation.

Providing tax relief for properties devalued by proximity to a well. This just gives the industry an out for not doing a good job of mitigating the effects of the well. Mitigation should minimize the affect of the well on property values.

##### 6.3.5.3 Traffic and Transportation

I agree with all options and particularly support the last two items:

1. To provide specifications and performance standards for well siting, type and appearance of facilities, landscaping and buffering, weed control, signage, and other standards to minimize the visual impacts of oil and gas facilities. depending on distance from residences and viewpoints.

2. To define and implement well siting performance standards.

##### 6.3.5.4 Visual Resources

I agree with all options but would include encouraging use of low profile pumping units when well is in a subdivision, close to residential areas or visible from a residence.

##### 6.3.5.5 Noise

Rather than try to define distance setbacks for noise purposes I think there should be absolutely no noise impact to any resident from a CBM well.

Noise is easy to control either thru baffling or electricity. In the case of some of the wells in our area a given well can be louder from a distance of 1000 feet than from 100 feet.

##### 6.3.5.6 Health and Safety

I agree with all options stated.

Basically what we residents are looking for is wells that we can't see, can't hear and that don't affect our water supply. This is not an unreasonable request and we know it can be done and is being done by some gas companies.

Curt Swanson  
249 Bellflower Road  
Bayfield, CO 81122

August 30, 2002

**FINNEY LAND CO.**

OIL & GAS CONSULTING

P.O. BOX 2471

DURANGO, CO 81302

PHONE: (970) 259-5691 • FAX (970) 259-4279

Mr. Adam Keller  
1060 E 2<sup>nd</sup> Avenue  
Durango, CO 81301

RE: Comments on the Draft La Plata County Oil and Gas Impact Report

Dear Adam:

This letter is to support the letter provided to you by the La Plata County Energy Council dated August 30, 2002. Finney Land Co. is a member of The La Plata Energy Council and we agree with the comments to the June 2002 Draft of the La Plata County Impact Report (CIR) submitted by the Energy Council.

†The Draft CIR suggests that La Plata County could regulate aspects of CBM development (setbacks, visual, noise, safety) that are statutorily reserved for state regulation. The state's responsibility for regulating these aspects of has recently been reaffirmed by the courts.

Because of the recent Court of Appeals ruling, *Town of Frederick v. North American Resources Company*, "the local imposition of technical conditions on well drilling where no such conditions are imposed under state regulations, as well as imposition of safety regulation or land restoration requirements contrary to those required by state law, gives rise to operational conflicts and requires that the local regulations yield to the state interests. Bowen/Edwards, supra, 803 P.2d at 1060, such is the case with the setback, noise abatement, and visual impact provisions invalidated by the trial court here. Thus, the ordinance sections that the trial court invalidated are preempted on the basis of operational conflict."

Our overriding opinion is that La Plata County's attempts to regulate in these areas would be invalid. We are particularly concerned that such a large portion of this \$350,000 Impact Report (funded by a \$175,000 Department of Local Affairs Energy Impact Grant, \$121,000 in La Plata County matching funds and \$54,000 in kind services provided by the county) suggests options for regulating CBM development that are clearly not within the county's jurisdiction under Colorado law.

Moreover, current La Plata County land use regulations should be carefully reviewed for operational conflicts so that local regulations regarding oil and gas activities yield to the state interest, including the areas of setback, visual impacts and any reference to noise, which are preempted from local regulation. We believe that the portions of the Draft La Plata County Impact Report, which include recommendations and options regarding setbacks, noise and visual impacts, should not be used for comprehensive planning purposes, nor for the development of future oil and gas regulations. Out of respect to the county taxpayers, it seems appropriate to limit areas of county regulation to those that are acceptable under state statutes and the recent Colorado Court of Appeals decision.

Post-it® Fax Note	7671	Date	9/3/02	# of pages	3
To	Adam Keller	From	Mike Finney		
Co./Dept.	I was out	Co.	of town		
Phone #	on Friday	Phone #			
Fax #		Fax #			

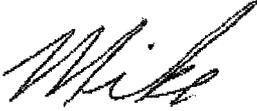
(You can copy one or more of these for a personal message if you like)

1. The Draft CIR does not address the adequacy (or inadequacy) of existing regulations for avoiding or mitigating potential impacts. *Many of the potential impacts identified in Section 5 of the report would be adequately avoided or mitigated through compliance with existing regulations. If the county or its contractor believes existing regulations are not adequate to address specific impacts or impacts in certain locations, those circumstances should be identified and discussed. But the linkage between potential impacts, existing regulations and the need for additional regulation is not established in the draft.*
2. Many of the options for minimizing CBM development *conflicts or impacts* contained in Table 6-6 are not supported by the analyses in Section 5 of the Draft CIR. For example, one option to offset the eventual decline in CBM revenues is to "increase the mill levy for property taxes for oil and gas facilities." However, the Section 5.2 analysis concludes that "The most significant impact to revenues associated with CBM development is increased property tax revenues." and "In addition to net revenues gained over the 30-year period, the reduced portion from oil and gas revenues that result from the conclusion of the project may be offset by other sources." The final CIR should ensure that impact minimizing and mitigation options are supported by the assessment.
3. The Draft CIR identifies a wide range of potential impacts of CBM development, but it does not dedicate a corresponding effort to identifying the benefits of CBM development to La Plata County residents. This is particularly true for the contributions of the CBM industry to the La Plata County tax base; clearly, the CBM industry contributes far more in tax revenues than it receives in public services. Similarly, the measures that the CIR uses to portray the contribution of CBM to the La Plata County economy tend to minimize the important role that the industry plays. A balanced impact report should provide a realistic assessment of the contributions of the CBM industry to the La Plata County economy and tax base.
4. CBM industry impact monitoring and mitigation activities receive little attention in the Draft CIR. Examples of monitoring and mitigation programs include water well monitoring initiatives and operator repair or payments for access roads damaged by drilling and construction traffic. These efforts should be described and considered when determining the adequacy of existing mechanisms for avoiding and mitigating impacts of anticipated CBM development.
5. The role of landowners in the well and facility siting process similarly receives little attention in the Draft CIR. Operators enter into surface use agreements with landowners. In general, those agreements dictate how CBM development occurs on private surface. Moreover the damage payments that landowners receive is based in part on the value of land removed from other uses and offsets any effect on property values.

We specifically support the Energy Council comments in Attachments A and B provided to you. ~~Because of our major address concerns in the CIR, we would like you to participate if you do not plan to finish this CIR we need to know that, also.~~

Thank you for considering our comments. We have worked constructively with local elected officials and county departments on oil and gas matters and we look forward to continuing a cooperative effort to modify oil and gas regulations and this Draft CIR. We are an important contributor to the local economy, striving to develop cleaner energy and assist in achieving our nation's goal of greater energy independence. (INSERT YOUR COMPANY MESSAGE IN PLACE OF THIS IF YOU LIKE)

Sincerely,



Michael J. Finney  
President

To: Adam Keller  
La Plata County (LPC)  
Planning Department  
970.382.6263  
kelleram@co.laplata.co.us

From: Susan Franzheim  
Founder/Facilitator of the:  
Coalition Of Gas-drilling Solutions  
(COGS/La Plata County)  
970.946.4644  
gasdrillingsolutions@hotmail.com

Friday - August 30<sup>th</sup> - 2002  
Re: County Impact Report (CIR)

COGS VISION  
Producing WIN-WIN solutions.  
COGS MISSION

Community members with knowledge & authority to impact problems,  
identifying reliable information & workable solutions.

Please Note:

a/The References found in section 7 are a scant few of who I assert the consultants (Cs) needed to speak with -

b/You may remember - I had a telephone conference date with Dehn Solomon/Greystone only to be told that his supervisor said it was not appropriate for them to speak directly with me -

c/i.e. I made it clear that I had many index cards from the Town-Meeting @ the Strater (4/01) with issues & solutions written by LPC citizens -

d/In dissecting the CIR when pages with photographs were removed there was no reference or page # to assist in replacing them in sequence -

e/Missing for ease in discussing with others: a reference # for each page's paragraph

f/It is completely unacceptable for a report of this size & scope & COST - to not be FOOTNOTED in order to track the data sources as the reader goes along.

1/**"The economy of (LPC) is well diversified." : E-2**

...This is not the prevailing opinion in LPC of those in positions of governing.

2/**"Access to existing CBM well sites in the study area is from county & Forest Service roads..." : E-2**

...No access from BLM and/or private roads?

3/Cs options are sprinkled throughout the huge document such that easy access is virtually impossible.

i.e. **"One option for mitigating transportation impacts from CBM development..." : E-3**

4/Cs needed to have all options offered italicized/highlighted, etc. throughout

5/**"(mitigation) could minimize the number of receptors..." : E-4**

...Receptors = what???

6/**"To implement these mitigation measures...(included could be) a checklist with a quantitative ranking system..." : E-4**

...Did Cs create a sample one???

7/**"Although the potential impacts for increased CBM development in the CIR study area are not currently well understood, INCREASED PUBLIC SAFETY RISKS ARE ANTICIPATED TO AOCUR IN PROPORTION TO THE NUMBER OF INCREASED CBM-RELATED FACILITIES."**

**E-5/HEALTH and SAFETY**

...THIS THE CRUX OF THE MATTER & NEEDED TO BE STATED AT THE BEGINNING AS WELL AS THROUGHOUT THE CIR.

8/**"THERE WOULD BE POTENTIALLY INCREASED RISK OF METHANE SEEPAGE IN SOILS AND WATER WELLS, FIRES, AND ACCIDENTS..."**

**"RESIDENTIAL PROPERTIES NEAR THE ANTICIPATED CBM FACILITIES WOULD BE MOST SENSITIVE TO THESE RISKS." : E-5**

...What does the Cs offer re: informing citizens located in 'harm's way' ???

9/**"...the county could require geo-referenced spatial data for as-built locations of wells, access road locations, flowlines, (etc.) to facilitate emergency response..." : E-5**

...LPC Director of the Office of Emergency Management, Butch Knowlton - informed me in March 2002 - that the compliance of oil & gas operators in LPC re: emergency procedures is insufficient -

...This is one of the substantive topics I intended to discuss with the Cs.

...I cannot locate in the reference section that the Emergency Mgmt. director was consulted!

10/**"The CIR addressed...existing conditions in relation to the maximum impacts of potential CBM development..." : 2-1**

...My reading of the CIR left me with the lack of focus on the MAXIMUM - or 'worst case scenario' evaluations -

11/**"Note: Average length of an access road, requiring an easement, is estimated to be between 0.25 - 0.33 miles in length and 25 feet wide permanent right of way per well." : Table 3-1**

...I could not locate where the CS recommends least impactful average measurements.

12/"**The area has experienced oil & gas development and there is a perception that this activity may be incompatible with perceptions of the quality of (the environment/landscape).**" : 3-49

...In my extensive dealings with folks all-around-the-circle in LPC re: gas-drilling even many of those with minerals royalty interests have more than perceptions that are critical.

...The large majority of LPC citizens who engage in discussions of gas-drilling are way beyond the perception stage of all this -

..."MAY BE INCOMPATIBLE" is such a gross understatement - that at this early juncture in the CIR - the Cs lost credibility with this statement.

13/... Table 3-44 has its key as part of the table instead of outside.

...There is more than one distinction for "S" - thus I cannot interpret the table the way it is configured.

14/"**Over a 7-year period, BLM, FS, COGCC, SUIT, (LPC), and industry have worked together through...(GORT)...**" : 3-88

...Wasn't GORT an outgrowth of the 2000 Infill Application Approval?

15/"**COGCC rules establish fire prevention and protection operating procedures...(that) materials...not in use...that may constitute a fire hazard be removed...**" : 3-90

...Where has the Cs listed what those materials are so citizens/others can exercise oversight?

16/"**Booster stations...may be built...(and) locations and frequency are unknown...**" : 4-1

...Where is it noted which of the LPC operators were consulted in order to obtain this information and/or projections for planning purposes?

17/"**Final reclamation of wells would occur within 2 or 3 years after the end of production.**" :4-3

...Cs does not give any reasons I could locate for why final reclamation is not within months.

18/"**...difference between (long & short-term) disturbance is typically a result of interim reclamation.**" : 4-3

...I could not locate where Cs evaluates frequency & quality of LPC interim reclamation in practice.

19/"**What legal-practical basis is there for surface interests to have more influence in the APD process and on facilities siting?**" : 5-1

...I failed to locate any recommendations from CS relative to this inquiry.

20/"**Decommissioning/reclamation would occur over a 5-year period over the entire study.**" : 5-2

...I could not locate any justification from Cs of what I consider this excessive period of time.

21/"**Both (short & long-term) indirect impacts would occur to the land uses on (adjacent) properties...**" : 5-2

...As adjacent impacts are such MAJOR concerns to a HUGE # of LPC citizens - I could not locate where the Cs gave this subject the distinction & prominence it deserves.

...This calls for evaluations & recommendations that I could not locate.

22/"**These "windows" are 20 to 30 acres in size...**" : 5-3

...I am completely unaware of any measurement other than 23 acres per the COGCC.

...Where does the 20 to 30 come from?

...Where does the Cs distinguish that the measurement is SUB-SURFACE?

COGS/franzheim - LPC/keller...8.30.02 - page 4

23/...Re: notations for short-term & long-term disturbance - I am unaware of any place in the CIR where the total impacts are distinguished & totaled - i.e. 1.4 short-term...1.2 acres for access roads...0.4 acres interim reclaimed, etc.  
...The fragmented discussions of Cs render a comprehensive understanding problematic.  
...Where has Cs made recommendation for short/long-term disturbance vs. listing what has been de facto in LPC?

**24/"Indirect impacts to nearby properties during construction and operation of anticipated CBM facilities may affect future growth for portions of the study area for the life of the project." : 5-10**

...WHY WAS THIS ASSERTION SEEMINGLY BURIED IN THE CIR?  
...WHAT DOES THIS ASSERTION COVER?  
...WHO IS PROBABLY IN HARM'S WAY?  
...WHAT ARE ECONOMIC RAMIFICATIONS?

**25/"...the greatest amount of both (short & long-term) acreage disturbed...would occur on agricultural lands..." : 5-10**

...Where are the details to explain this assertion?

**26/"A setback of...is required...unless verified written consent is obtained from the affected surface property owner to waive this standard {Sec. 90-122 (b) (1)}." :6-3**

...I have read COGCC reports & have attended COGCC hearings where setback variances were expressly disallowed - NOTWITHSTANDING - all surface-related parties in agreement.  
...Where is the over-riding authority on this?

**27/"Where minor and major facilities reduce or destroy existing vegetation, the applicant, in consultation with the National Resource Conservation Service (NRCS), must develop a revegetation plan..." : 6-4**

...For one of my conferences in LPC - I commissioned both the Colorado State University Extension Agent & LPC Weed Manager to write papers on what is best for the land.  
...Did Cs consult with either of these two men?  
...They advised me that they do not have the resources to consult on what's best for the land for virtually any of the gas-drilling proposals in LPC.  
...How does the Cs envision practical application of this "MUST" develop a revegetation plan?

**28/"Open-ended discharge valves on all storage tanks, pipelines and other containers must be secured..." : 6-5**

...Who did Cs find in LPC has oversight of this type "HEALTH and SAFETY" procedure?  
...Who did CS find in LPC actually practices oversight?

**29/"(for wells on private lands) the operator must reach an agreement with the private surface owner on the requirements to protect the surface resources or for damages in lieu of protection." : COGCC Permit 6-5**

...This is incorrect.  
...The COGCC requires operators to act in good faith with surface owners - to arrive at a surface use agreement (SUA).  
...Operators who are unable to - can post bond & drill around the absence of a SUA.  
...This inaccuracy goes a long way to DANGEROUSLY impact surface owner EXPECTATIONS that will not be met.

...This is dangerous as it adds immensely to the probability that surface owners reading this statement will hold out for concessions thinking they can delay the drilling process.

30/...One of the items I had to give to the Cs who wouldn't interact directly with me is entitled: WELL-Development FLOW-Chart" - obtained by me from an Amoco lawyer @ the June 2000 Infill Hearings.

...Where has the Cs shown all in one place (in the CIR) what statutes/laws/rules have the overriding authority to govern each step from decision to drill to final reclamation-plugging & abandoning?

31/...Where in the CIR is there a focus on pipeline safety recommendations?

32/...Where in the CIR are there recommendations for surface owners relative to pipeline locations?

33/...Where in the CIR are there recommendations for how LPC could interact in positive synergistic manners with REAL ESTATE persons who continue to be a MAJOR part of the problems vis-a`-vis surface owners or owners-to-be EXPECTATIONS?

34/...Where has the Cs used litmus tests for each & every option/recommendation against the back-drop of the overriding regulatory agencies with their rules in existence at this time?

35/"**Provide mechanisms for participation of nearby landowners in facility siting...**" : 6-21

...Where does the Cs in a cohesive manner - make SPECIFIC applicable recommendations for accomplishing the above?

...What the world does not need is more CONCEPTUAL stuff -

...We need thoughtful well-researched consensus-seeking information & guidance -

...What is exceptionally useful are EXAMPLES of what WORKS from other areas in the USA.

36/...Where has the Cs evaluated any benefits from changing the regulations that prohibit siting well-pads and other drilling-related facilities on property-lines in some cases?

37/...Where has the Cs made recommendations to LPC to enlist the support of area media (print mostly) to regularly publish/broadcast basic gas-drilling information like APDs.

38/...Where has the Cs recommended that LPC in their capacity to approve drilling permits - distinguish among the component parts of the process - in order to NOT COMPEL actions/compliance that are still in the unknown stage as to possibility/probability?

...What evaluation did the Cs make of the 2000-2002 Huber/Bellflower conflicts/legal actions?

...How did some LPC actions in the Huber permit sow the seeds for the legal action that ensued?

39/...Where does the Cs take each permitting step & show in one chart in a cohesive manner the various entities that have jurisdiction over each step?

...Where are these data showing de facto what LPC cannot regulate?

40/...Table 6-4 is missing cohesive data & does not give the CIR reader insight into the Cs recommendations based on what is de facto procedure.

**41/"COGCC Rulemaking Requiring a Surface Use Program in (LPC) for CBM Wells : 6-37  
...presented to COGCC in an informal coordination meeting."**

COGS/franzheim - LPC/keller...8.30.02 - page 6

...Did the Cs obtain from the COGCC any indication that the commission would engage in this sort of activity?

-

Colorado Oil & Gas Conservation Commission  
Staff Comments on the  
La Plata County Impact Report (Draft 2 June 2002)

1. In the first paragraph in Section 1.3, the report states that as many as 250 additional wells may be drilled in La Plata County. Since 2000, there have been 328 drilling permits issued in La Plata County. How many of these 250 wells have already been drilled? If a large majority of these wells have already been drilled, should the focus of the CIR be modified?
2. Suggest that the two areas defined on pages 1-1&2 be constantly referred to as the NSJB CBM Project Area and the CIR Study Area. This should be clarified on Figs. 1-1 and 1-2. Fig. 1-3 is very clear and the area nomenclature should be continued throughout the report.
3. On page 3-9, under Surface Rights vs. Mineral Rights, operators shall provide financial assurance to the Commission, prior to commencing any operations with heavy equipment, to protect surface owners who are not parties to a lease, surface use or other relevant agreement with the operator from unreasonable crop loss or land damage caused by such operations (COGCC Rule 703).
4. On page 3-11, under statewide drilling rules, the setbacks apply only to wells producing from the same formation. This allows multiple wells completed in different formations to be located on the same pad. The setbacks are from the 320-acre drilling and spacing unit, not the lease. The setbacks from the spacing unit boundaries form the drilling window.
5. On page 3-11, the production tanks and associated on-site production equipment setback is 350'. If requested by the LGD, production tanks shall be 500' from an educational facility, assembly building, hospital, nursing home, board and care facility, jail or designated outside activity area.
6. In Section 3.1.4.1, the paragraph begins by saying the "study area". Is this the NSJB CBM Project Area or the CIR Study Area. If this is the CIR Study Area, it does not appear from Fig. 3-5 that minerals are predominately owned by the federal government. Again, the "study area" term is confusing about its meaning.
7. In Section 3.6.2.2, in the first sentence of the last paragraph, suggest adding "water" in front of wells to make it clear that the discussion is on water wells in the area.
8. In Section 5.2.5, since approximately 30% of the property taxes are generated by the assessed value of gas production, shouldn't a correlation between revenue and production, and revenue and assessed value be investigated?
9. On page 5-18, the 5<sup>th</sup> bullet point, the units aren't correct and the gas production assumption appears too high. The abbreviation for million cubic feet is mmcf. The abbreviation for thousand cubic feet is mcf.  
The gas production assumption of 750,000 mcf for 30 years is too high. This assumption would yield a cumulative production value of 22.5 BCF. A more appropriate cumulative production value would be from 2.0 – 6.0 BCF.
10. Since oil and gas revenues make up a significant portion of the total property taxes of La Plata County, it would seem warranted to more fully evaluate the economic impact of the 194 new wells and a more rigorous estimation of those property revenues should be attempted. The estimate would include estimated gas prices, production profiles and time delays to put the wells on production. COGCC staff would be available to assist the county in developing this estimate. This estimate would be especially helpful in the discussion on page 5-25 and in Section 6.3.5.2.
11. At the top of page 5-71 the setback distance should be 350' unless requested by the local governmental designee.
12. At the top of page 6-8, the correct COGCC Order Number is 112-156.
13. In Section 6.2 gas-related activities regulations are discussed. The first paragraph states the that "various regulatory methods used by counties in Colorado with a moderate to high

concentration of oil and gas development” were evaluated. Of the 2056 drilling permits issued by the COGCC during 2001, 146 (7.1%) were in La Plata County, 25 (1.2%) in Adams County, 2 (0.1%) in Arapahoe County, 8 (0.4%) in Archuleta County, 0 in Boulder County, 352 (17.1%) in Garfield County, 27 (1.3%) in Mesa County, and 529 (25.7%) in Weld County. From the drilling permits issued in 2001, there is no significant oil and gas development in Adams County, Arapahoe County, Archuleta County, Boulder County, or Mesa County. Due to the lack of oil and gas activity in these counties, it is unclear how a review of their oil and gas regulations would be beneficial.

There are three additional counties in Colorado where 100 or more drilling permits were issued in 2001. These counties are Las Animas (400 permits – 19.5%), Rio Blanco (176 permits – 8.6%), and Yuma (206 permits – 10.0%). A review of these counties’ oil and gas regulations would be a better comparison for La Plata County’s rules.

14. On page 6-13, in the last paragraph of Section 6.2, the report states that Weld County is the only county in Colorado that has established setbacks for residential and commercial areas from existing or producing oil and gas facilities. This is not true. The City of Greeley is the only local government that has established setbacks for residential and commercial areas from existing or producing oil and gas facilities.
15. On page 6-20, by increasing the setbacks to 1000’ or ¼ mile, wells may not be able to be drilled and a disadvantage of this would be the restriction of the mineral owner rights and possible litigation.
16. On page 6-22, why define the methane seepage as a geologic hazard to 2 miles? This seems quite excessive and a more realistic discussion starting point should be ¼ mile south of the Fruitland outcrop.
17. On page 6-28, in the discussion on minimum setbacks for new development from existing oil and gas facilities, shouldn’t that be included on the county building permits?
18. On page 6-28, in the discussion on increasing the minimum setbacks from new wells, has there been an estimate for the number of wells that could not be drilled because of the new setback restriction? A new increased setback may also restrict the mineral owners’ rights.
19. On page 6-32, in Section 6.3.2.1, there is some confusion on how the LGD can participate in the COGCC permit process. COGCC Rule 306.a.(3) states “Local governments which have appointed a local governmental designee and have indicated to the Director a desire for onsite consultation shall be given an opportunity to engage in such consultation concerning the location of roads, production facilities and well sites prior to the commencing of operations with heavy equipment.”  
COGCC Rule 303.d. requires the Director to supply the LGD with a formal notification of a pending drilling permit. The LGD then has 7 days to comment on the drilling permit and the Director shall take no action on the drilling permit until after the 7 days have expired. The LGD may request an additional 10 days (total 17 days) to provide comments on the proposed drilling permit. The COGCC does not wait until the county regulatory process has been completed to take action on the proposed drilling permit.
20. On page 6-33, under the heading of COGCC Rulemaking Requiring NOS in La Plata County for CBM wells, the COGCC staff would not support this rulemaking. Currently, the COGCC has a goal of processing drilling permits in 30 days. This is the longest approval time of any state oil and gas regulatory body that we are aware of. To lengthen the process another 60 days would not be consistent with our regulatory charge.
21. In Section 6.3.2.4, the distances seem excessive and arbitrary. Some more discussion on the concerns and goals of these additional setbacks seems appropriate.
22. At the bottom of page 6-37, there is discussion of COGCC Rulemaking. As discussed in No. 19 above, the COGCC staff does not support the NOS concept and would not support this rulemaking.

23. In Section 6.3.4.4, COGCC staff would not support this option. On July 8, 1997, a cooperative agreement was executed between the La Plata County Board of Commissioners and the Colorado Oil & Gas Conservation Commission. The purpose of this agreement was to address oil and gas regulatory concerns specific to La Plata County on an interim basis and at the end of one year to seek long term solutions, additional rulemaking, or legislation.  
La Plata County elected not to continue the cooperative agreement at the end of the one-year period despite a request to continue the agreement from the Director of the COGCC. In the opinion of the COGCC staff, this option has already been tried and has failed.
24. In Section 6.3.5.1, reference is made to the San Juan Basin. Could the term CIR Study Area be used here for simplicity?
25. In the last bullet point on page 6-52, fences around gas powered equipment should not be manufactured from combustible material.
26. In the noise discussion on page 6-55, the county cannot regulate noise associated with oil and gas regulations (CRS 30-15-401m(11)(B)).
27. In the same section, the COGCC contracted a noise engineer to develop a noise study for La Plata County. This study was completed in 11/98 as part of the La Plata County Cooperative Agreement. Should this be included as a reference in the CIR?
28. In Section 6, could education or additional information be used to minimize impacts of CBM development. Some ideas may include informational brochures, videos, or informational seminars. The County and the COGCC have some existing brochures that may be helpful.