

**BEFORE THE OIL AND GAS CONSERVATION COMMISSION
STATE OF COLORADO**

IN THE MATTER OF CHANGES TO THE)	CAUSE NO. 1R
RULES AND REGULATIONS OF THE OIL)	
AND GAS CONSERVATION COMMISSION)	DOCKET NO. 0803-RM-02
OF THE STATE OF COLORADO)	
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POSTHEARING STATEMENT OF LAS ANIMAS COUNTY FARM BUREAU, LAS ANIMAS COUNTY CATTLEMAN’S ASSOCIATION, LAS ANIMAS COUNTY LANDOWNER’S GROUP AND TRINIDAD AND LAS ANIMAS COUNTY CHAMBER OF COMMERCE

The Las Animas Group (LAG), consisting of the Las Animas Landowner’s Group, Trinidad and Las Animas County Chamber of Commerce, Las Animas County Farm Bureau and the Las Animas County Cattlemen’s Association, appreciate the opportunity to have input into the COGCC Rulemaking process.

Introduction:

During the last several months, the LAG have worked with Pioneer Natural Resources (Pioneer) and been in discussions with the Las Animas County Commissioners and the City of Trinidad, to determine if improvements were needed in the rules and/or how we could best achieve improvements in addressing environmental issues where needed, yet preserve and enhance the city, county, business and individual interests of those involved in oil and gas development in the Raton Basin.

We believe we have arrived at the above proposed balance through the formation and agreement on the Las Animas Consensus Proposal Rules (Consensus Proposal) which we endorse whole heartedly.

To the best of our knowledge, this is the only basin or group of parties who have worked as closely together along with input and feedback from the COGCC – in an effort to meet the COGCC requirements and our own individual and community needs.

Through the Consensus Proposal, we have managed to achieve four key goals.

1. Assist the COGCC in meeting the requirements of the legislation
2. Preserve the Beneficial relationship between ranch owners and industry
3. Address private property rights and control of surface use, and
4. Mitigate cumulative economic impacts of regulations

First and foremost, we believe that the modifications and adjustments in the Consensus Proposal meet the requirements of HB 07-1298 and HB 07-1341 ultimately enhancing the environment

and further preserving the ecosystem of the Raton Basin – addressing the issues that the COGCC was directed to address and must take into account including protecting the health and welfare of the people and community.

We also believe that the Consensus Proposal preserves the mutually beneficial relationship between ranch owners and industry while minimizing impacts on private property rights and control of surface use.

Last, through our Consensus Proposal, we believe that our economy, operators and landowners will continue to reap the economic benefits of the energy development for many years to come. By considering the economic impacts of the original COGCC proposed rules and then working together to modify and craft alternative language per the request of the COGCC, we have mitigated much of the original negative economic impact that would have occurred under the original rules--- thus allowing our economy to thrive.

Preserving Mutually Beneficial Relationships:

Given the testimony, feedback and comments from the LAG members and Pioneer, preserving access to unlined pits for CBM-produced water is an important element to the Consensus Proposal. LAG members want the water to be readily accessible for cattle and wildlife on a year-round basis. With the modifications made to the draft rules, water quality still meets federal requirements and is of a suitable quality for cattle and wildlife.

For LAG members with cattle, having access to CBM produced water across their ranch improves the distribution of cattle and wildlife foraging – preventing over pasturing or overgrazing which previously occurred where water was only available in one or two spots on the ranch. Forage is replenished more quickly and more of the ranch is utilized for grazing. The extra water has been documented to increase cattle weight gains; as well, ranchers are afforded the opportunity to have a much larger number of cattle. In years before CBM development in the Raton Basin, ranchers were forced to haul water, significantly increasing the costs and reducing the profits for raising cattle. With water available in unlined pits year-round across the ranch herds have increased in size along with weights and ultimately profits.

Other CBM-produced water uses also benefit the Raton Basin. For example, road watering for dust control and availability of water for fire suppression – such uses should be allowed and encouraged uses for CBM-produced water.

We understand that preserving unlined pits as an option for CBM produced water helps operators in our area minimize their costs, freeing up more dollars for further exploration and development in our area.

Consensus Proposal Language:

The Consensus Proposal would provide for detailed water quality testing that would allow certain production pits to be unlined. It also grandfathers-in existing unlined pits for coalbed methane wells that contain no oil or condensate that have already been permitted. It is our understanding that the exclusion from the centralized waste facility regulations for pits

containing water with no oil or condensate is helpful to Pioneer's management of water disposal pits and landowner's ability to benefit from the produced water.

CBM Regulations – Rule 608:

The LAG were disappointed when little attention was given early-on to rulemaking on a basin by basin approach – given that we feel each basin, community, landowner group and ecosystem are different. However, we worked through our group to propose our own basin-specific alternative language.

This philosophy applies per rule 608. Las Animas County has a long history of coal mining and understands coalbed methane. Hardly a landowner with a water well doesn't understand that there is some methane in the gas of his or her water well – and how to work around such issues – such as venting unwanted methane. Many landowners, now with development for nearly a decade, also understand how best to work with operators to maximize benefit to all involved.

Because of Las Animas County's history with coal and coalbed methane, there is a strong preference allowing basin-specific rulemaking with all stakeholders including the local landowners and governments. Las Animas County prefers a local approach to establish field-specific regulations with local landowners, companies and governments participating in the development of basin-specific field orders (as was done in La Plata County to measure seeps and wells). In this way, we may integrate the uniqueness of the Raton Basin geology and community.

Control of Surface Use:

DOW/CDPHE Access:

In Draft Rule 306 a (3)C, the onsite inspection with the Director requires the Director to invite the Division of Wildlife (DOW) and the Colorado Department of Public Health and Environment (CDPHE).

As was made clear during testimony from several of our witnesses, this invitation should be exclusively at the discretion of the surface owner. This honors private property rights and gives landowners the right to choose to participate in the extensive and sometimes invasive activities requested of the DOW and/or CDPHE.

It also recognizes that the landowner has made a surface use agreement with the operator and prevents the DOW and CDPHE from undermining the surface owner's authority in any negotiations with the energy company.

Thus, the Consensus Proposal requires surface owner consent to DOW and/or CDPHE involvement in the onsite meeting.

Standing of DOW with respect to providing conditions of approval for APDs:

DOW's ability to appeal any APD decisions gives the DOW indirect control of surface use decisions through its regulations of the energy company. DOW's input should be limited to

providing advice to the Commission as the party responsible for balancing competing interests. DOW should not have the ability to object to APD's that are satisfactory to the landowner and operator.

Grandfathering of Existing Surface Use Agreements:

Many of the landowners who have negotiated surface use agreements have done so through significant investment of time, energy and sometimes dollars for an attorney to assist. These surface use agreements were crafted under the now existing rules and regulations of the COGCC.

These surface use agreements should be grandfathered-in – allowing all pre-existing development, activities, and facilities to remain intact. In the ideal world, we would like all previous rules and regulations to apply to past as well as future drilling on our property.

Cumulative Impact of the Regulations:

The Las Animas and Trinidad Chamber of Commerce, provided testimony about the value of the energy industry as an economic engine in the Raton Basin through the tax base, employment, industry and charitable contributions. The Chamber's budget has grown nearly fourfold with nearly double the number of businesses. The community has seen the development of a world-class golf course, multiple new hotels, special college programs, a skateboard park and more – all the result of CBM development.

The LAG specifically asked the COGCC, in its economic evaluation, to do its economic impact analysis basin-by-basin, in a real concerted effort to determine the economic consequences of its original proposed rules per basin. This was not done – rather, a cursory look at a number of questions was asked statewide, with answers that involved no number-crunching or true economic evaluation.

The LAG has gone back through the history of Trinidad and would tell the COGCC that we are much better off today than we were before CBM development – and infinitely so. We feel that the Consensus Proposal reaches the needed compromise between the COGCC and its directives under HB 07-1298 and HB 07-1341 and the LAG and its diverse interests as well as the energy companies needs and wants.

When reviewing and working toward acceptance of the Consensus Proposal, the LAG request that due consideration be given to the cumulative economic impact of the regulations and the effect such increased costs may have on the additional exploration and drilling in the future years in Las Animas County, Colorado – with the bottom-line being that every uptick or downtick in exploration and development is almost immediately felt in a small, yet growing community like our own. And that means every individual within the community starts to feel the ramifications of such actions – positive upticks generally being positive to the individual and community and negative downticks being negative to the individual and the community.

(Signature Page Immediately Follows)

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TRINIDAD & LAS ANIMAS COUNTY

CHAMBER OF COMMERCE

CERTIFICATE OF SERVICE

I hereby certify that one (1) original and fifteen (15) true and correct copies of the attached **POSTHEARING STATEMENT OF LAS ANIMAS COUNTY FARM BUREAU, LAS ANIMAS COUNTY CATTLEMAN'S ASSOCIATION, LAS ANIMAS COUNTY LANDOWNER'S GROUP AND TRINIDAD AND LAS ANIMAS COUNTY CHAMBER OF COMMERCE** were served by courier delivery on the 30th day of July, 2008, and filed with the Colorado Oil and Gas Conservation Commission, as follows:

Patricia Beaver, Hearing Manager
Docket No. 0803-RM-02
Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203

and further certify that two (2) true and correct copies of said petition were served by courier delivery on the 30th day of July, 2008, to the Department of Law, as follows:

Kelly Rees
Colorado Department of Law
1525 Sherman Street, 7th Floor
Denver, Colorado 80203

and also further certify that one (1) true and correct copy of said petition was served by courier delivery on the 30th day of July, 2008, to the State of Colorado, as follows:

Joshua Epel, Assistant General Counsel
DCP Midstream
370 Seventeenth Street, Suite 2500
Denver, Colorado 80202

and lastly certify that true and correct electronic or paper copies of said petition were delivered to:

Patricia Beaver at tricia.beaver@state.co.us
Marc Fine at marc.fine@state.co.us.
Kelly Rees at kelly.rees@state.co.us
All Parties on the COGCC Service List for Docket No. 0803-RM-02.

/s Linda Bondar _____