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Weld County on verge of another oil boom

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Weld County is posturing for a new oil boom and a new pipeline recently put into operation is a big part of the reason for the boom.

The White Cliffs Pipeline and the Platteville Truck Unloading Facility provide more efficiency in transporting crude oil and condensate from the Wattenberg field of the Denver-Julesburg Basin. That pipeline, officials said, will drastically reduce truck traffic, resulting in a savings of diesel fuel and produce a significant reduction of emissions from those trucks.

And it will allow more wells to be drilled in Weld, which relates to an increased assessed valuation and less of a burden on property taxes that are used to finance county services.

The number of those wells will be bolstered with a recent discovery in the Niobrara Formation along the Colorado-Wyoming border in northern Weld. That could result in at least 200 new wells in that area, said Weld Commissioner Dave Long of New Raymer.

The Wattenberg field stretches north from Denver to north of Greeley, covering parts of Adams, Weld, Broomfield, Boulder and Larimer counties. When it first became operational in 1970, it was mainly a natural gas field, but David Howell, general manager of services for Anadarko Petroleum, said that field began producing oil and condensate, as well as natural gas in the early 1990s. Condensate, he said, is a liquid that comes from oil that is almost like gasoline and does not need near as much refinement as crude oil.

Wells in the Wattenberg range in depth from 3,000-7,800 feet deep, depending on the formations where natural gas and oil can be found, Howell said. He added that changing technology allows existing wells and newer ones to produce more oil or gas and in a more efficient manner.

"About five or six years ago we realized we were going to reach capacity at the refinery in Commerce City and that's when we started looking at options," Howell said.

The result was the White Cliffs Pipeline and truck facility, which became operational last summer after more than three years of planning, designing, permitting and obtaining right-of-ways before construction could start. Instead of taking oil to the refinery in northeast Denver, the oil and condensate can now be shipped via a 525-mile pipeline from east of Platteville to Cushing, Okla. Cushing is considered the Mecca of oil marketing in the United States.

Once the product reaches Cushing, it can be stored, and sold, Howell said.

"If we didn't have someplace to take the oil, then we were looking at shutting down a lot of wells,

because natural gas and oil all come up at the same time," Howell said.

To date, the Colorado Oil and Gas Conservation Commission has issued 305 permits for new wells in Weld this year, second only to the 423 issued for Garfield County on the Western Slope.

Weld Commissioner Barbara Kirkmeyer said 50 percent of the county's assessed valuation in 2010 will come from oil and gas exploration. That, she added, is equal to \$48.2 million in property tax revenue. But, she said, a slowdown of oil and gas activity the past couple of years has put a crimp on that valuation, and led, in part, to the county cutting its current operating budget.

So while the new pipeline is vital to the county in terms of revenue and the jobs the industry provides, revenues from increased oil and gas exploration aren't immediately realized.

"It will be three years before we see the effects of drilling activity this year," Commissioner Doug Rademacher said.

But, both said, new wells planned by Anadarko and Noble Energy this year wouldn't have been possible with the addition of the pipeline.

And there are new players in the mix, as well.

Synergy Resources Corp. of Platteville/Denver, an oil and gas exploration and production company, has said it has entered into an agreement with Ensign United States Drilling Inc to drill 35 wells in the Wattenberg field of the Denver-Julesburg, some of which have already been started. And Slawson Exploration Co. Inc., which is a leading company is exploiting horizontal drilling in existing oil and gas fields, said it has entered into "an aggressive" leasing program in Weld and Larimer counties. Slawson is a privately held oil and gas exploration company based in Wichita, Kan.

Synergy said the new wells will be drilled to depths of 7,600-8,500 feet, which will be sufficient to test the Niobrara, Codell and J Sand formations. Synergy will be the operator for all wells drilled.

All that is good news, said Mark Bradley with Realtec Commercial Real Estate, who said activity has started "to pick up" from energy-related companies, particularly in the light of the new discovery in northern Weld.

He said while it's not yet known what the long-range production of that field might be, that may cause a shift in where companies put new facilities.

"Right now, Platteville has been the center of activity where most of the companies are located, but I wonder if that won't shift to the north once that new area gets going," Bradley said.

Larry Burkhardt is president and CEO of Upstate Colorado Economic Development in Greeley. He said contacts from industry-related businesses are up slightly from what he has seen in the past few years.

"We've had a few calls, mostly from supply-related businesses. But I wouldn't call them terribly significant at this point," he said.

The majority owner of the new pipeline, believed to be the first built in the state for at least 10 years,

is SemGroup LP of Tulsa, Okla. Anadarko and Noble Energy own 1 percent of the line, but assisted SemGroup in financing the \$250 million project by guaranteeing a daily volume of product.

Currently, Anadarko is shipping 15,000-16,000 barrels of product daily to the Oklahoma facility. A barrel is 42 gallons. The total capacity of the line is 30,000 barrels a day.

Joe Aucoin, facility engineer with Anadarko, said prior to the pipeline and truck facility, trucks would take oil and condensate from the various wells — Anadarko alone has some 5,000 — in the Wattenberg formation to the refinery in Commerce City. Usually, he said, that meant two loads per truck per day, but with the centralized location near Platteville, those same trucks — about 50 — can make five or six trips per day.

One truck can haul 190 barrels of product, or about 8,000 gallons, he said.

Aucoin said it's estimated 7.5 million miles will be reduced on those trucks in 2010 due to the facility. Before the pipeline, trucks either had to drive to Commerce City or all the way to Oklahoma. That's the equivalent of about 1.5 million gallons of diesel fuel, which results in astronomical amounts of emissions into the atmosphere being eliminated.

"We plan to drill another 450 wells in the Wattenberg this year but without the pipeline we couldn't have done that," Howell said.