

Northern Colorado BUSINESS REPORT

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Water storage, oil drilling don't mix

By Steve Porter

GALETON - Building a 45,000-acre-foot water storage facility proposed for a few miles north of this tiny Weld County town will likely become a more complicated endeavor. An oil-and-gas-drilling revival has resulted in more than 30 operating and proposed wells moving into the immediate area of where the reservoir would be.

Galeton Reservoir is the smaller of two reservoirs under the Northern Integrated Supply Project proposed by Northern Water in Berthoud. The much larger Glade Reservoir - at 170,000 acre-feet - has been more controversial because local environmentalists have actively opposed its construction.

Together, Glade and Galeton would annually supply 40,000 acre-feet of water to 15 cities, towns and water companies that have pledged to buy the water and fund the estimated \$490 million NISP project.

There were no concerns about oil and gas activity in the proposed Galeton Reservoir area when the NISP project was first submitted to the U.S. Army Corps of Engineers in 2004. But in recent years, the area - part of the booming Niobrara Formation oil and gas field that stretches through Weld County into southern Wyoming - has sprouted nearly a dozen drilling rigs with several more planned.

And that caught the attention of Save the Poudre, a local group that aims to stop the construction of Glade Reservoir and generally opposes NISP.

"We contacted the Corps (of Engineers) in January and asked them what their plan was for analyzing the oil-and-gas issue in and near the Galeton site, and they got back about a month later and said they hadn't looked at that in the initial (Environmental Impact Study) but said they'd take a look at it in the supplemental draft of the EIS," said Gary Wockner, Save the Poudre executive director.

Completion of the supplemental draft EIS by the Corps of Engineers is expected later this year.

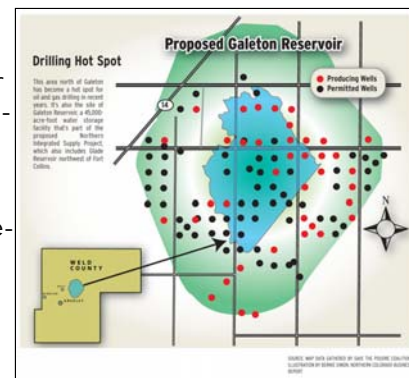
"The supplemental EIS has to analyze all the environmental impacts of the project, and our goal is to make sure that it's included in the supplemental EIS," Wockner said.

No impact?

Northern Water is promoting the NISP project as a way to help meet Northern Colorado's future water needs. Brian Werner, Northern spokesman, said the drilling that's occurred in the proposed Galeton Reservoir area is a new wrinkle for the NISP project, which has been in planning stages since the 1990s.

"They weren't drilling when we started the project, but if there's something we've learned how to be in this process it's to be flexible," Werner said. "We're highly confident there will be no impact on the project."

But Werner does concede that the presence of the drilling rigs on the Galeton site makes creating



a water storage facility there more problematic.

"How long will it take for those wells to play out - eight, 10 years? They all play out eventually," he said. "We don't know if we'll build Glade first or Galeton. If the wells are there, it might force the decision to do Glade first."

Werner said those construction decisions will be left to the NISP participants. "It'll be the participants who make the decision once we have the (construction) permit in hand," he said.

Meanwhile, Werner said Northern will be talking to oil and gas companies in the Galeton area to gauge their plans.

The company with the most wells in the Galeton area and plans to drill several more is Houston-based Noble Energy, which has been doing intensive drilling in the Niobrara Formation and is building a 65,000-square-foot regional office on a 23-acre site in west Greeley.

Between 250 and 300 workers are expected to be based out of the Greeley office.

Jon Ekstrom, a spokesman for Noble Energy, said he's not sure what will happen if NISP gets the go-ahead to begin construction of a dam and other infrastructure for Galeton Reservoir.

"A lot of it depends on the pace of the permitting of the Galeton Reservoir," he said. "We will proceed as we have been doing until we're approached with something else."

Ekstrom said the mineral leases taken out on land in the Galeton Reservoir remain in effect as long as they are producing, meaning Noble could not be forced to leave the area until it is ready to go.

Ekstrom said the company has had success in the Galeton area and has no plans to leave soon.

"We've been pleased with our results in the area, and we believe it will continue to be one of many good areas for us in the future," he said.

Another concern of Save the Poudre is the hydraulic fracturing drilling technique used in the vicinity of the proposed reservoir site. Diesel fuel or fluids containing diesel fuel are used in the "fracking" of underground rock layers to get at oil and gas deposits.

Save the Poudre asked the Corps of Engineers to look into possible drinking water contamination that might result from fracking activities under the Galeton site.

But Ekstrom said fracking takes place "thousands of feet" below the water level and has not proven to be a source of water pollution.

"Water is certainly a sensitive issue and we're very sensitive to it," he said. "There's been no cases of fracking linked to the contamination of drinking water. We live and work in the area, too, and we want to do everything we can to protect the water."