

1/4/05 DRAFT

**Colorado Oil and Gas Conservation Commission Policy For Onsite Inspections
On Lands Where The Surface Owner Did Not Negotiate and Execute a Lease
Or Is Not A Party To A Surface Use Agreement
(To Be Ultimately Considered As A Commission Rule)**

Initiation of An Onsite Inspection

The Director will conduct an onsite inspection in advance of issuing an approved Application for Permit-to-Drill, Form 2 ("APD") at the request of the surface owner of the lands on which the well is proposed, when:

1. The surface owner did not negotiate and execute a lease or is not a party to a surface use or other relevant agreement for the proposed well;
2. The surface owner contends that the impacts of the proposed well may not be adequately addressed by the rules and regulations of the COGCC; and
3. The request for the onsite inspection is made by the surface owner within ten (10) business days of the good faith consultation provided for under COGCC Rule 306.

Purpose of Onsite Inspection

The purpose of the onsite inspection shall be to determine whether technical or operational conditions of approval should be attached to the APD in order to:

1. Avoid potential unreasonable crop loss or land damage;
2. Address potential health, safety and welfare or significant adverse environmental impacts within COGCC jurisdiction regarding the proposed surface location that may not be adequately addressed by COGCC rules or orders, or
3. Otherwise ensure compliance with the COGCC's rules relating to advance notice and good faith consultation with respect to timing of operations and location of facilities.

The onsite inspection shall not address matters of surface owner compensation, property value diminution, future use of the property or any private party contractual issues between the operator and the surface owner.

Notice to Surface Owner of Onsite Inspection Policy

The advance notice of drilling operations that is provided to the surface owner by the operator as required under COGCC Rule 305 shall include a copy of this COGCC Onsite Inspection Policy.

Conducting An Onsite Inspection

The surface owner shall have elected to participate in good faith consultation as provided for under COGCC Rule 306., and such consultation shall occur prior to the surface owner requesting an onsite inspection under this policy. The operator shall indicate the date on which the Rule 306. consultation occurred on the APD when it is submitted. The operator may also indicate on the APD that the surface owner negotiated and executed the lease, if applicable.

If the COGCC Rule 306. good faith consultation between the operator and the surface owner does not resolve operational issues related to the proposed well, the surface owner may request the COGCC to conduct an onsite inspection. The request shall be made within ten (10) business days after the consultation provided for under COGCC Rule 306. The request shall be in writing on the attached "Onsite Inspection Request Form" to the COGCC Permit Supervisor either via facsimile or regular mail. If the request is made via regular mail, it shall be received within ten (10) business days of the COGCC Rule 306 consultation date provided on the APD. The surface owner shall include in the request the following information:

1. Two (2) dates on which the surface owner is available to meet on location, such dates to be within thirty (30) days of requesting such onsite inspection;
2. The surface owner's preference for having the Local Governmental Designee invited to participate in the onsite inspection; and
3. A brief description of the unresolved issues related to the proposed well.

A request from a surface owner for an onsite inspection that is made prior to the submittal of an APD by an operator will be accepted by the COGCC.

The COGCC staff shall withhold all APD's for ten (10) business days to ensure that all surface owners who did not negotiate and execute a lease or are not a party to a surface use or other relevant agreement for the proposed well have adequate opportunity to request an onsite inspection. APD's that shall not be withheld under this policy include those which indicate at least one of the following:

1. That the surface owner negotiated and executed the lease;
2. That a surface use agreement has been executed; or
3. That the COGCC Rule 306. consultation has been waived by the surface owner.

When the Director conducts an onsite inspection as described herein, the Director shall invite the representatives of the surface owner, and the operator to attend. If the surface owner has requested that the local governmental designee ("LGD") be invited, the Director shall also invite the LGD to the onsite inspection. The Director shall attempt to select an acceptable time for the representatives to attend the onsite

inspection, which shall be, to the extent practicable, on one of the two (2) dates that the surface owner requested in his/her response to the Director. If requested by the operator, the Director may delay the onsite inspection to allow for negotiation between the operator and surface owner or other parties.

Permit Conditions Resulting From An Onsite Inspection

Following the onsite inspection, the Director may apply appropriate site specific drilling permit conditions, if necessary, to avoid potential unreasonable crop loss or land damage, or to prevent or mitigate health, safety and welfare concerns, including potential significant adverse environmental impacts. Any such conditions of approval shall be consistent with applicable Commission spacing orders and well location rules, and shall take into account cost-effectiveness, technical feasibility, protection of correlative rights and prevention of waste. Further, any such conditions of approval shall not require an operator to use an exception location, to utilize directional drilling techniques, or otherwise compromise its reasonable geologic and petroleum engineering considerations.

Examples of the types of impacts and conditions that might be applied if determined necessary by the Director at the onsite inspection include (this list is not prescriptive or all inclusive):

1. **visual or aesthetic impacts** - moving the proposed surface well site location or access road to take advantage of natural features for screening; installing low profile artificial lift methods; constructing artificial features for screening
2. **surface impacts** - moving or reducing the size, shape, or orientation of the surface well site location or access road to avoid disturbance of natural features or to enhance the success of future reclamation activities; controlling noxious weeds and undesirable species in disturbed areas, utilizing an existing surface well site location or access road to avoid the impacts of new construction; utilizing a closed drilling fluid system instead of reserve pits to avoid impacts to sensitive areas
3. **noise impacts** - installing electric motors where practicable; locating or orienting motors or compressors to reduce noise; installing sound barriers to achieve compliance with COGCC rules
4. **dust impacts** - watering roads as necessary to control dust during drilling and completion operations
5. **ground water impacts** - collecting and analyzing water and gas samples from existing water wells or springs; installing monitoring wells, collecting samples, and reporting water, gas and pressure data
6. **safety impacts** - soil gas sampling and analysis; residential crawl space gas sampling and analysis; installing security fencing around wellheads and production equipment

7. **wildlife impacts** - limiting drilling and completion operations during certain seasonal time periods when specific site conditions warrant

If the operator objects to any of the conditions of approval applied under this policy, the Director shall stay the issuance of the drilling permit and properly notice and set the matter for the next regularly scheduled Commission hearing at which time the Commission may determine conditions of drilling permit approval.

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Colorado Oil and Gas Conservation Commission (COGCC)
Onsite Inspection Request Form

As the surface owner(s) where a proposed well is being drilled, I/We are requesting that the COGCC conduct an onsite inspection. I/We did not negotiate and execute a lease nor did I/We execute a surface use or other relevant agreement for the proposed well. I/We understand that good faith consultation with the operator as required under COGCC Rule 306. is required to have occurred prior to making this request to the COGCC to conduct an onsite inspection, and that this onsite inspection request must be received by the COGCC within ten (10) business days of the Rule 306. consultation.

Surface Owner Contact Information:

Name: _____
Address: _____
Telephone No. _____
Cell Phone No. _____

Well Operator and Location Information:

Operator: _____
Well Name: _____
Location: _____
County: _____

Quarter/Quarter	Section	Township	Range

Date Rule 306 consultation occurred: _____
Date

Proposed two (2) dates for the COGCC onsite consultation (must be within thirty (30) days of the request)

1st date _____ 2nd date _____

I would prefer to have a representative of the appropriate Local Government (COGCC Local Governmental Designee) invited to attend the onsite inspection? ___yes___no

Briefly describe the unresolved issues related to the proposed well (**The onsite inspection shall not address matters of surface owner compensation, property value diminution, future use of the property or any private party contractual issues between the operator and the surface owner.**):

Please mail or fax this request for an onsite inspection to:

Colorado Oil and Gas Conservation Commission
Attn: Permit Supervisor
1120 Lincoln Street Suite 801
Denver, CO 80203
FAX (303) 894-2109