

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE 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. 0911-RM-03
OF THE STATE OF COLORADO)	

NOTICE OF RULEMAKING HEARING

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

The Oil and Gas Conservation Commission will consider the promulgation of amendments to its Rules and Regulations as described below:

328. MEASUREMENT OF OIL

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g. Sales Reconciliation. In order to facilitate the resolution of questions regarding the payment of proceeds or sales reconciliation from a well, a payee may submit a Form 34 to the payor requesting additional information concerning the payee’s interest in the well, price of the oil sold, taxes applied to the sale of oil, differences in well production and well sales, and other information as described in § 34-60-118.5, C.R.S. The payor shall return the completed form to the payee within sixty (60) days of receipt. Submittal of this form to the payor shall fulfill the requirement for “written request” described in § 34-60-118.5(2.5), C.R.S., and is a prerequisite to filing a complaint with the Commission. The payor shall use its best efforts to consult in good faith with the payee to resolve disputes regarding payment of proceeds or sales reconciliation.

A Form 34 requesting information concerning payment of proceeds may be submitted by the payee at any time. A Form 34 requesting information concerning sales volume reconciliation shall be submitted by the payee within one year of receipt of payment or the notification of a revised payment. The Commission may act to prohibit or terminate any abuse of the reconciliation process, such as the submittal by a payee of multiple repeated requests for sales volume reconciliation regarding the same well. Such action by the Commission may include, but is not limited to, relieving the payor from its obligation to answer the request and limiting or prohibiting the payee’s submittal of additional requests.

329. MEASUREMENT OF GAS

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e. Sales Reconciliation. In order to facilitate the resolution of questions regarding the payment of proceeds or sales reconciliation from a well, a payee may submit a Form 34 to the payor requesting additional information concerning the payee’s interest in the well, price of the gas sold, taxes applied to the sale of gas, differences in well production and well sales, and other information as described in § 34-60-118.5, C.R.S. The payor shall return the completed form to the payee within sixty (60) days of receipt. Submittal of this form to the payer shall fulfill the requirement for “written request” described in § 34-60-118.5(2.5), C.R.S., and is a prerequisite to filing a complaint with the Commission. The payer shall use its best efforts to consult in good faith with the payee to resolve disputes regarding payment of proceeds or sales reconciliation.

A Form 34 requesting information concerning payment of proceeds may be submitted by the payee at any time. A Form 34 requesting information concerning sales volume reconciliation shall be submitted by the payee within one year of receipt of payment or the notification of a revised payment. The Commission may act to prohibit or terminate any abuse of the reconciliation process, such as the submittal by a payee of multiple repeated requests for sales volume reconciliation regarding the same well. Such action by the Commission may include, but is not limited to, relieving the payor from its obligation to answer the request and limiting or prohibiting the payee’s submittal of additional requests.

NOTICE IS HEREBY GIVEN, that the Oil and Gas Conservation Commission of the State of Colorado, pursuant to the above, has scheduled the above-entitled matter for hearing on:

Date: Monday, November 30, 2009
Tuesday, December 1, 2009

Time: 9:00 a.m.

Place: Suite 801, The Chancery Building
1120 Lincoln Street
Denver, Colorado 80203

Copies of the current Rules and Regulations are available on the Commission Internet homepage at <http://www.cogcc.state.co.us>.

Pursuant to said hearing, in the above-entitled matter at the time and place aforesaid, or at any adjourned meeting, the Commission will enter its order adopting such rules as in its judgment the facts may justify.

Any written comments on the proposed rule change to be considered are requested to be submitted by November 16, 2009 for more complete consideration by the Commission. Opportunity for testimony from any interested party will be provided at the hearing, however, the time in which to present testimony may be limited and parties sharing similar viewpoints are requested to appoint a spokesperson to present their testimony at the hearing.

IN THE NAME OF THE STATE OF COLORADO

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By _____
Robert A. Willis, Acting Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, CO 80203
September 30, 2009

Submit written comments to:
Colorado Oil and Gas Conservation Commission
Attn: Robert A. Willis, Docket No. 0911-RM-03
1120 Lincoln Street, Suite 801
Denver, CO 80203

Statement of Basis, Specific Statutory Authority, and Purpose

New Rules of the Colorado Oil and Gas Conservation Commission, 2 CCR 404-1, Concerning accurate wellhead oil and gas measurement pursuant to HB 07-1180

September 30, 2009

Basis and Statutory Authority

These additions to 2 CCR 404-1, Rule 328. Measurement of Gas and Rule 329. Measurement of Oil, are made pursuant to the authority granted to the Colorado Oil and Gas Conservation Commission ("COGCC") in § 34-60-106(11)(b)(II), C.R.S., of the Oil and Gas Conservation Act. The COGCC's adoption of these rules is taken pursuant to procedures and requirements set forth in § 24-4-103, C.R.S., and § 34-60-106 and § 34-60-108, C.R.S.

The purpose of these additions to 2 CCR 404-1 is to comply with a mandate from the General Assembly to promulgate new rules concerning accurate wellhead oil and gas measurement. Pursuant to HB 07-1180, codified at § 34-60-106(11)(b)(II) C.R.S., these rules are promulgated "to ensure the accuracy of oil and gas production reporting by establishing standards for wellhead oil and gas measurement and reporting. At a minimum, the rules shall address engineering standards, heating value, specific gravity, pressure, temperature, meter certification and calibration, and methodology for sales reconciliation to wellhead meters."

On April 1, 2008, effective on May 30, 2008, the COGCC adopted revisions to Rule 328. Measurement of Oil and Rule 329. Measurement of Gas, which address the engineering standards aspects of HB 07-1180. The present rule revisions address the methodology for sales reconciliation required by HB 07-1180.

The addition of subpart 328.g. and subpart 329.e. meet the legislative mandate to ensure the accuracy of oil and gas production reporting by setting forth a process for sales reconciliation to wellhead meters.

Purpose

The purpose of these rules is to comply with § 34-60-106(11)(b)(II), C.R.S. The General Assembly determined that it is in Colorado's best interest to ensure that oil and gas is measured in a consistent manner and that royalty owners have a consistent system in place for calculating the amount due to them. These rules provide a procedure for facilitating the resolution of questions regarding the payment of proceeds or sales reconciliation from a well. These revisions provide a standard form, Form 34, which payees can use to obtain information from payors regarding sales volume reconciliation.

Background

The COGCC initiated a stakeholder process on sales reconciliation in May, 2009, after adopting new rules for engineering standards as required by HB 07-1180. Draft language of the new rules was developed as part of the stakeholder process.

COLORADO OIL AND GAS CONSERVATION COMMISSION
ADOPTED: