

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-04
OF THE STATE OF COLORADO	)	

NOTICE OF RULE-MAKING 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 and Rules of Practice and Procedure ("Rules," 2 CCR 404-1) to extend the term of drilling permits that are issued pursuant to Applications for Permit-to-Drill ("APDs," Form 2s) from one year to two years.

Specifically, Rule 303.j.(1) currently provides for APDs to become null and void if drilling operations are not commenced within one year after the date of approval. Under the proposed amendments, approvals of APDs submitted after November 10, 2009 would become null and void if drilling operations are not commenced within two years after the date of approval. APDs submitted on or before November 10, 2009 would not be affected by the proposed amendments and, thus, would still become null and void if drilling operations were not commenced within one year after the date of approval. The current provision prohibiting the Director from approving extensions to APDs would not be changed.

The Oil and Gas Conservation Commission proposes the Amended Rule 303.j. would read in its entirety as follows (strike-through = deletion; all capitals = new language):

**303. REQUIREMENTS FOR FORM 2, APPLICATION FOR PERMIT-TO-DRILL, DEEPEN, RE-ENTER, OR RECOMPLETE, AND OPERATE; FORM 2A, OIL AND GAS LOCATION ASSESSMENT.**

**j. Permit expiration.**

(1) **For Applications for Permit-to-Drill, Form 2.** APPROVAL OF A FOR WELL PERMITTED PURSUANT TO AN APPLICATION SUBMITTED AFTER NOVEMBER 10, 2009, SHALL BECOME NULL AND VOID IF DRILLING OPERATIONS ON THE PERMITTED WELL ARE NOT COMMENCED WITHIN TWO (2) YEARS AFTER THE DATE OF APPROVAL. APPROVAL OF A WELL PERMITTED PURSUANT TO AN APPLICATION SUBMITTED ON OR BEFORE NOVEMBER 10, 2009 SHALL BECOME NULL AND VOID IF DRILLING OPERATIONS ARE NOT COMMENCED ON THE PERMITTED WELL WITHIN ONE (1) YEAR AFTER THE DATE OF APPROVAL. ~~If drilling operations are not~~

~~commenced on the permitted well within one (1) year after the date of approval, then the approval shall become null and void.~~ The Director shall not approve extensions to applications for Permit-to-Drill, Form 2.

(2) **For Oil and Gas Location Assessments, Form 2A.** If construction operations are not commenced on an approved oil and gas location within three (3) years after the date of approval, then the approval shall become null and void. The Director shall not approve extensions to Oil and Gas Location Assessments, Form 2A.

NOTICE IS HEREBY GIVEN, that the Oil and Gas Conservation Commission of the State of Colorado has scheduled the above-entitled and described 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

The Commission has statutory authority to conduct rule-making on the matters described herein pursuant to C.R.S. § 34-60-105 (to make and enforce rules and regulations, to initiate proceedings, and to do whatever may be reasonably necessary to carry out the provisions of the Oil and Gas Conservation Act) and pursuant to C.R.S. §34-60-106(1)(f) (to prescribe rules for the drilling of wells).

The Commission may take actions, including without limitation, modifying or amending the existing rules described or proposed herein and making conforming modifications to other rules, which it determines are reasonably necessary.

Copies of the current Rules are available on the Commission Internet homepage at <http://www.cogcc.state.co.us>. The reasons and authority for the proposed amendments are set forth in the Proposed Statement of Basis, Specific Statutory Authority, and Purpose (Exhibit A).

Any written comments on the proposed rule changes 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.

Pursuant to said hearing of 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.

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  
October 30, 2009

Submit written comments to:  
Colorado Oil and Gas Conservation  
Commission  
Attn: Robert A. Willis,  
Docket No. 0911-RM-04  
1120 Lincoln Street, Suite 801  
Denver, CO 80203

## **Exhibit A**

### **Proposed Statement of Basis, Specific Statutory Authority, and Purpose**

#### **Amendment to Rule 303 of the Colorado Oil and Gas Conservation Commission, 2 CCR 404-1**

This statement sets forth the basis, specific statutory authority, and purpose for amendment of Rule 303 of the Rules and Regulations and Rules of Practice and Procedure (Rules) of the Colorado Oil and Gas Conservation Commission (COGCC or Commission). Rule 303 concerns the requirements for Form 2, Application for Permit-to-Drill, Deepen, Re-Enter, or Recomplete and Operate (APD), and Form 2A, Oil and Gas Location Assessment.

The Commission amended Rule 303.j.(1) to extend the duration of permits issued in response to APDs submitted after November 10, 2009. Prior to amendment, this Rule provided that if drilling operations are not commenced on the permitted well within one year after the date of approval, then the approval shall become null and void. As amended, this Rule provides that approvals for wells permitted pursuant to an APD submitted after November 10, 2009 will become null and void if drilling operations are not commenced within two years after the date of approval. All other approvals, that is, approvals for wells permitted pursuant to an APD submitted on or before November 10, 2009, will become null and void if drilling operations are not commenced on the permitted well within one year after the date of approval. The prior Rule provision prohibiting the Director from approving extensions to APDs, Form 2, remains unchanged.

The rulemaking hearing for consideration of this amendment to Rule 303.j.(1) was held on November 30, 2009 (testimony and deliberations). This amendment becomes effective twenty days after it published in the *Colorado Register*.

#### **Statutory Authority**

The authority for the proposed amendment is provided by §34-60-102, §34-60-103, §34-60-104, §34-60-105, §34-60-106, and §34-60-108, C.R.S. (2009)

#### **Basis and Purpose**

The Commission amended Rule 303.j.(1) to provide that approvals for wells permitted pursuant to an APD submitted after November 10, 2009 will become null and void if drilling operations are not commenced within two years after the date of approval. The Commission adopted this amendment to help operators by assisting them in scheduling their work and complying with other regulatory requirements and to reduce the number of refiled permits that are submitted.

This amendment responds to the increasing number of wells that operators are drilling

## Exhibit A

from a single pad, particularly in western Colorado. While these multi-well pads can reduce surface impacts and promote efficient resource development, they also present additional challenges for operators in terms of obtaining regulatory approvals, scheduling drilling rigs and work crews, and commencing drilling operations within existing permitting time constraints. This amendment should also reduce the number of refiled permits that are annually submitted to the Commission. There is a federal precedent for such an extension. The U.S. Department of Interior, Bureau of Land Management, extended the term of its drilling permits from one to two years in 2007.

In previously adopting certain rule amendments on December 11, 2008, the Commission had chosen to retain a one-year term for drilling permits. It explained that it did so “to ensure that the special conditions remain current where drilling operations are not commenced within a year. In addition, the [Oil and Gas Conservation] Act promotes the development of oil and gas resources, and the Commission wants to deter operators from sitting on their rights and not developing the minerals as authorized.” COGCC Amended Rules (Effective May 1, 2009 on federal lands, April 1, 2009 on all other lands), Statement of Basis, Specific Statutory Authority, and Purpose at 26. Upon further consideration, the Commission has determined that although these objectives remain important, they no longer warrant retention of the one-year permit term. As amended on December 11, 2008, the permitting process now requires the submittal of additional information and provides additional opportunities for interagency consultation and public comment. This additional information and input should reduce the need for staff to reassess special conditions where drilling operations are not commenced within a year and thereby support a longer term for permits issued under the current rules. In addition, the timing of mineral development appears to be much more dependent upon market conditions than permit duration. Given the numerous factors affecting development decisions, the Commission does not believe that extending the permit term to two years will materially delay the development of mineral resources under current and foreseeable conditions.

While rule amendments have generally been prospective, the Commission elected to make this amendment apply to APDs received after the date the proposed rule was published in the *Colorado Register*. The Commission did so to create a smooth transition process and to avoid creating a disincentive for operators to submit APDs during the Commission’s consideration of this change. Such a disincentive would not only disrupt operators’ regular schedule for obtaining permits, but it could also result in permitting delays due to a large number of APDs being submitted after the final rule becomes effective.

Accordingly, the Commission amended Rule 303.j.(1) as described above.