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DEPARTMENT OF NATURAL RESOURCES
OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

RULES AND REGULATIONS,
RULES OF PRACTICE AND PROCEDURE,
and
OIL AND GAS CONSERVATION ACT
(As Amended)

REVISED AS OF JULY 1992

**RULES AND REGULATIONS
RULES OF PRACTICE AND PROCEDURE
AND
OIL AND GAS CONSERVATION ACT
(As Amended)**

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INTRODUCTION

The Rules and Regulations and the Rules of Practice and Procedure of the Oil and Gas Conservation Commission of the State of Colorado hereinafter set forth are made pursuant to and by virtue of the Oil and Gas Conservation Act, as amended, and by virtue of the Water Quality Control Act, as amended, and the authority delegated thereunder to the Oil and Gas Conservation Commission.

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RULES AND REGULATIONS

DEFINITIONS

- 101. COMMISSION shall mean the Oil and Gas Conservation Commission of the State of Colorado.
- 102. DIRECTOR shall mean Director of the Oil and Gas Conservation Commission of the State of Colorado.
- 103. AUTHORIZED DEPUTY shall mean a representative of the Director as authorized by the Commission.
- 104. BARREL shall mean 42 (U.S.) gallons at 60° F. at atmospheric pressure.
- 105. CUBIC FOOT of gas shall mean the volume of gas contained in one cubic foot of space at a standard pressure base and a standard temperature base. The standard pressure base shall be 14.73 psia, and the standard temperature base shall be 60° Fahrenheit.
- 106. DAY shall mean a period of twenty-four (24) consecutive hours.
- 107. LOG or WELL LOG shall mean a systematic detailed record of formations encountered in the drilling of a well.
- 108. ACT shall mean the Oil and Gas Conservation Act of the State of Colorado.
- 109. The words POOL, PERSON, OWNER, PRODUCER, OIL, GAS, WASTE, CORRELATIVE RIGHTS and COMMON SOURCE OF SUPPLY are defined by the Act, and said definitions are hereby adopted in these Rules and Regulations. The word "operator" is used in these rules and regulations and accompanying forms interchangeably with the same meaning as the term "owner" except in Rules 301, 326, 401 and 534 where the word "operator" is used to identify the persons designated by the owner or owners to perform the functions covered by those rules.
- 110. OIL WELL shall mean a well, the principal production of which at the mouth of the well is oil, as defined by the Act.
- 111. GAS WELL shall mean a well, the principal production of which at the mouth of the well is gas, as defined by the Act.
- 112. WELL, when used alone in these Rules and Regulations, shall refer to an oil or gas well, or to a hole drilled for the purpose of producing oil or gas, or a well into which fluids are injected pursuant to authorization granted under these Rules and Regulations. WILDCAT (Exploratory) WELL means any well drilled beyond the known producing limits of a pool. STRATIGRAPHIC WELL means a well drilled for stratigraphic information only. If a test for fluid productivity is made in such well, the well must be reclassified as a well drilled for oil or gas and is subject to all the rules and regulations of a well drilled for oil or gas. Wells drilled in a delineated field to known productive horizons cannot be classified as "stratigraphic". Neither the term "well" nor

"stratigraphic well" shall include seismic holes drilled for the purpose of obtaining geophysical information only. **GAS STORAGE WELL** means any well drilled for the injection, withdrawal, production, observation, and/or monitoring of natural gas stored in underground formations. The fact that any such well is used incidentally for the production of native gas or the enhanced recovery of native hydrocarbons shall not affect its status as a gas storage well.

113. **DESIGNATED AGENT**, when used herein shall mean the designated representative of any producer, operator, transporter, refiner, gasoline or other extraction plant operator, or initial purchaser.

114. **INTERESTED PARTIES:**

a) For the purpose of pooling orders or unitization orders, the term "Interested Parties" shall mean those persons who own any interest in the tracts to be pooled or unitized.

b) In cases of a complaint made by the Commission or any party that any provisions of the Act, or any rule, regulation or order of the Commission is being violated, the party or parties complained against shall be deemed the Interested Party or Parties.

c) For purposes of spacing applications, any infill drilling or other applications for modifications of existing spacing, or any application for the designation of any tract of land as a high density area, the term Interested Parties shall mean the following:

(1) Any owner as that term is defined in the Act, and

(2) The local government within whose boundaries the activity is occurring or is proposed to occur, and

(3) For the purpose of participating in the hearing only, any other person who offers to present evidence which the Commission deems to be relevant to the issues raised by the spacing application. A determination by the Commission concerning participation as an Interested Party under this subparagraph (2) shall not be construed as a determination on standing to seek judicial review of any order arising from such proceeding under Section 34-60-111 of the Act or C.R.S. 24-4-106.

d) For purposes of exceptions to existing spacing orders, the term Interested Parties shall mean those parties who meet the qualifications of Rule 114.c and any owner, as defined in the Act, in a contiguous or cornering tract which is subject to the existing spacing pattern.

e) For purposes of exceptions to the rule governing location of wells, the term Interested Parties shall mean the following:

(1) The owner of the contiguous or cornering tract toward which the well location is proposed to be moved, or the leased mineral interest owner of the contiguous or cornering tract toward which the well location is proposed to be moved, if the applicant holds the lease on the contiguous or cornering tract; and

(2) Any local government within whose boundaries the proposed activity is occurring or proposed to occur.

115. **PRODUCED AND MARKETED.** These words, as used in the Act, shall mean, when oil shall have left the lease tank battery or when natural gas shall have passed the metering point and entered into the stream of commerce as its first step toward the ultimate consumer.
116. **FIELD** shall mean the general area which is underlaid or appears to be underlaid by at least one pool; and "field" shall include the underground reservoir or reservoirs containing oil or gas or both. The words "field" and "pool" mean the same thing when only one underground reservoir is involved; however, "field", unlike "pool", may relate to two or more pools.
117. **SPECIAL FIELD RULES** shall mean those rules promulgated for and which are limited in their application to individual pools or fields within the State of Colorado.
118. **COMPLETION.** An oil well shall be considered completed when the first new oil is produced through wellhead equipment into lease tanks from the ultimate producing interval after the production string has been run. A gas well shall be considered completed when the well is capable of producing gas through wellhead equipment from the ultimate producing zone after the production string has been run. A dry hole shall be considered completed when all provisions of plugging are complied with as set out in these rules. Any well not previously defined as an oil or gas well, shall be considered completed ninety (90) days after reaching total depth. If approved by the Director, a well that requires extensive testing shall be considered completed when the drilling rig is released or six months after reaching total depth, whichever is later.
119. **POLLUTION** means such contamination or other alteration of the physical, chemical, or biological properties of any waters of the State including change in temperature, taste, color, turbidity or odor of the waters or such discharge of any liquid, gaseous, solid, radioactive, or other substance into any waters of the State as will or is likely to create a nuisance or render such waters harmful, detrimental or injurious to public health, safety or welfare, or to domestic, commercial, industrial, agricultural, recreational or other beneficial uses, or to livestock, wild animals, birds, fish or other aquatic life.

120. **WATERS OF THE STATE** means all waters within the jurisdiction of this State including all streams, lakes, ponds, impounding reservoirs, marshes, watercourses, waterways, wells, springs, irrigation systems, drainage systems, and all other bodies or accumulations of water, surface and underground, natural or artificial, public or private, situated wholly or partly within or bordering upon the State, excepting waters in sewerage systems; treatment works of disposal systems; waters in potable water distribution systems; and waters withdrawn for use until such time as all uses and final treatment have been completed.
121. **TREATMENT FACILITIES** means any plant, equipment or other works used for the purpose of treating, separating or stabilizing any substance produced from a well.
122. **SURFACE DISPOSAL SYSTEM** means a facility or system for disposing of wastes, including water, on the surface of the ground. This includes on-site, central and commercial disposal facilities.
123. **SUBSURFACE DISPOSAL FACILITY** means a facility or system for disposing of water or other oil field wastes into a subsurface reservoir or reservoirs.
124. **ON-SITE DISPOSAL FACILITY** shall mean a retaining pit or surface facility which is used for the storage and/or disposal of water or other oil field waste, produced from one or more oil or gas wells at the same lease location from which it is produced.
125. **CENTRAL DISPOSAL FACILITY** shall mean a retaining pit or surface facility which is used for the storage and/or disposal of water or other oil field waste produced from wells from several leases or batteries in a field or fields, and operated by one or more oil and gas operators in conjunction with a field operator's agreement, approved by the Commission, for the sole purpose of disposing of said produced waters or waste from that field.
126. **COMMERCIAL DISPOSAL FACILITY** shall mean any other retaining pit or surface facility which is used for storage and/or disposal of water or other oil field waste produced in connection with oil and gas operations, and, which is not an on-site or central facility.
127. **HIGH DENSITY AREA** shall mean any tract of land designated as such by the Commission after application, notice, and hearing.
128. **LOCAL GOVERNMENTAL DESIGNEE** means the office designated to receive, on behalf of the local government copies of all documents required to be filed with the local governmental designee pursuant to these rules.
129. **LOCAL GOVERNMENT** means a county, home rule or statutory city, town, territorial charter city or city and county, or any special district established pursuant to the Special District Act, Sections 32-1-101 to 32-1-1505, C.R.S.

130. ALL OTHER WORDS used herein shall be given their usual customary and accepted meaning, and all words of a technical nature, or peculiar to the oil and gas industry, shall be given that meaning which is generally accepted in said oil and gas industry.

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GENERAL RULES

201. EFFECTIVE SCOPE OF RULES AND REGULATIONS

All rules and regulations of a general nature herein promulgated to prevent waste and to conserve oil and gas in the State of Colorado shall be effective throughout the State of Colorado and be in force in all pools and fields except as may be amended, modified, altered or enlarged generally or in specific individual pools or fields by orders heretofore or hereafter issued by the Commission, and except where special field rules apply, in which case the special field rules shall govern to the extent of any conflict.

202. OFFICE AND DUTIES OF DIRECTOR

The office of Director of the Commission is hereby created. It shall be the duty of the Director to aid the Commission in the administration of the Act, as may be required of him from time to time and to act as hearing officer when so directed by the Commission.

203. OFFICE AND DUTIES OF SECRETARY

The office of Secretary to the Commission is hereby created. The duties of the Secretary shall be as determined from time to time by the Commission.

204. GENERAL FUNCTIONS OF DIRECTOR

The Director and his authorized deputies shall also have the right at all reasonable times to go upon and inspect any oil and/or gas properties, disposal facilities, or transporters facilities and wells for the purpose of making any investigation or tests to ascertain whether the provisions of the Act or these rules or any special field rules are being complied with, and shall report any violation thereof to the Commission.

205. ACCESS TO RECORDS

All producers, operators, transporters, refiners, gasoline or other extraction plant operators and initial purchasers of oil and gas within this State, shall make and keep appropriate books and records covering their operations in the State from which they may be able to make and substantiate the reports required by the Commission. Such books, records and copies of said reports required by the Commission shall be kept on file and available for inspection by the Commission for a period of at least five years. The Director and his authorized deputies shall have access to all well records wherever located. All owners, drilling contractors, drillers, service companies, or other persons engaged in drilling or servicing wells, shall permit the Director, or authorized deputy, at his or their risk, in the absence of negligence on the part of the owner, to come upon any lease, property or well operated or controlled by them, and to inspect the record and operation of such wells and to have access at all times to any and all records of wells; provided, that information

so obtained shall be kept confidential and shall be reported only to the Commission or its authorized agents.

206. REPORTS

All producers, operators, transporters, refiners, gasoline and other extraction plant operators and initial purchasers of oil and gas within the State shall from time to time file accurate and complete reports containing such information and covering such periods as the Commission shall require.

207. TESTS AND SURVEYS

When deemed necessary or advisable, the Commission is authorized to require that tests or surveys be made to determine the presence of waste or occurrence of pollution. The Commission, in calling for reports under Rule 206 and tests or surveys to be made as provided in this Rule, shall designate the time allowed the operator for compliance, which provisions as to time shall prevail over any other time provisions in these rules.

208. CORRECTIVE ACTION

The Commission shall require correction, in a manner to be prescribed or approved by it, of any condition which is causing or is likely to cause waste or pollution; and require the proper plugging and abandonment of any well or wells no longer used or useful in accordance with such reasonable plan as may be prescribed by it.

209. PROTECTION OF COAL SEAMS AND WATERBEARING FORMATIONS

In the conduct of oil and gas operations each owner shall exercise due care in the protection of coal seams and waterbearing formations as required by the applicable statutes of the State of Colorado.

Special precautions shall be taken in drilling and abandoning wells to guard against any loss of artesian water from the stratum in which it occurs and the contamination of fresh water by objectionable water, oil, or gas. Before any oil or gas well is completed as a producer, all oil, gas and water strata above and below the producing horizon shall be sealed or separated in order to prevent the intermingling of their contents.

210. SIGNS AND MARKERS

The operator shall mark each and every well in a conspicuous place, from the time of initial drilling until final abandonment, as follows:

a. DRILLING OPERATIONS

Directional signs, no less than three (3) and no more than six (6) square feet in size, shall be provided during any operation involving the use of a drilling or workover rig, by the operator or drilling contractor. Such signs shall be at locations sufficient to advise emergency crews where drilling is

taking place; at a minimum, such locations shall include (i) the first point of intersection of a public road and the rig access road and (ii) thereafter at each intersection of the rig access route, except where the route to the rig is clearly obvious to uninformed third parties. Signs not necessary to meet other obligations under these rules shall be removed as soon as practicable after the operation is complete.

b. PERMANENT DESIGNATIONS

For all wells completed after May 30, 1992, within sixty (60) days after completion of the well, permanent signs no less than three (3) and no more than six (6) square feet in size, shall be posted at the boundary(s) of the producing site where access exists, setting forth (i) the operator's name, name of lease and number of the well; (ii) legal description of the well location and location with reference to the public road used for access; (iii) a current phone number, including area code, where the operator may be reached at all times; and (iv) fire and emergency medical numbers or 911 where available. Any well completed on or before May 30, 1992 shall comply with the foregoing no later than May 30, 1993. Tank batteries, if not located in close proximity within the producing site, shall be signed in a similar manner. The operator shall take all reasonably necessary means and precautions to preserve and maintain these markings.

c. CENTRAL DISPOSAL FACILITY DESIGNATIONS

A sign shall be posted in a conspicuous place identifying the operator, facility name, location, and phone number where the operator may be reached at all times unless emergency numbers have been furnished to the County Commission or their designee.

211. NAMING OF FIELDS

All oil and gas fields discovered in the State subsequent to the adoption of these rules and regulations shall be named by the Director or at his direction.

212. SAFETY

For safety regulations regarding industry personnel, contact the U.S. Department of Labor, Occupational Safety and Health Administration, Regional Administrator, Colorado Region VIII, 1961 Stout Street, Suite 1576, Denver, Colorado 80201, telephone (303) 844-3061. For State Safety regulations regarding public safety see Rules 601-606.9.

213. FORMS UPON REQUEST

Forms required by the Commission will be furnished upon request. (Please see Procedures and Forms Guidelines)

214. LOCAL GOVERNMENTAL DESIGNEE

Each local government which designates an office for the

purposes set forth in Rule 128 shall provide the Commission written notice of such designation, including the name, address and telephone number, facsimile number, local emergency dispatch and other emergency numbers of the local governmental designee. It shall be the responsibility of such local governmental designee:

a. To notify the Director of those documents and forms if any which that local government desires to receive under these rules;

b. To ensure that all correspondence and communication between the said local government and the Commission occurs only through said local governmental designee, and

c. To ensure that all documents provided to the local governmental designee by the Commission or the Director are distributed to the appropriate persons and offices.

**DRILLING, DEVELOPMENT, PRODUCING AND
ABANDONMENT**

301. RECORDS, REPORTS, NOTICES-GENERAL

Any written notice of intention to do work or to change plans previously approved must be filed with the Director, and must reach the Director and receive his approval before the work is begun, or such approval may be given orally and, if so given, shall thereafter be confirmed to the Director in writing.

In case of emergency, or any situation where operations might be unduly delayed, any notice or information required by these rules and regulations to be given to the Director may be given orally or by wire, and if approval is obtained the transaction shall be promptly confirmed in writing to the Director, as a matter of record.

Immediate notice shall be given to the Director when public health or safety is in jeopardy. Notice shall also be given to the Director of any other significant downhole problem or mechanical failure in any well within ten (10) days.

The owner shall keep on the leased premises, or at his headquarters in the field, or otherwise conveniently available to the Director, accurate and complete records of the drilling, redrilling, deepening, repairing, plugging or abandoning of all wells, and of all other well operations, and of all alterations to casing. These records shall show all the formations penetrated, the content and quality of oil, gas or water in each formation tested, and the grade, weight and size, and landed depth of casing used in drilling each well on the leased premises, and any other information obtained in the course of well operation. Such records on each well shall be maintained by any subsequent owner.

Whenever a person has been designated as an operator by an owner or owners of the lease or well, such an operator may submit the reports as herein required by the Commission.

302. OGCC Form 1. DESIGNATION OF AGENT

Prior to the commencement of its operations, all producers, operators, transporters, refiners, gasoline or other extraction plant operators, and initial purchasers who are conducting operations subject to this Act in the State of Colorado, shall, for purposes of the Act, file a "Designation of Agent" with the Director in the manner and Form approved by the Commission. Any producer, operator, transporter, refiner, gasoline or other extraction plant operator, and initial purchaser conducting operations subject to the Act who has not previously filed a "Designation of Agent" shall do so. All changes of address of the Agent, and any termination of the Agent's authority, shall be immediately reported in writing and, in the latter case, the designation of a new Agent or Agents shall be

immediately made.

303. OGCC Form 2. APPLICATION FOR PERMIT TO DRILL,
DEEPEN, OR RE-ENTER AND OPERATE

a. Before any person shall commence operations for the drilling or re-entry of any well, such person shall file with the Director an application on Form 2 for a permit to drill, along with a filing and service fee of Seventy-five Dollars (\$75), and must secure the Director's approval before proceeding with such operation. Wells drilled for stratigraphic information only shall be exempt from paying the filing and service fee. The re-entry of a well in a unitized, storage, or secondary recovery operation is exempt from the provisions of this rule and notice of intent to re-enter a well shall be filed on an OGCC Form 4, Sundry Notice.

b. Before any person shall commence operations for the deepening of a well to any source of supply other than the existing producing horizon or for the re-entry of a well, such person shall file an application on Form 2 and secure approval of the Director.

c. Attached to and part of Form 2 as filed shall be a current 8 1/2" by 11" scaled drawing of the entire section containing the proposed well location with the following minimum information:

(1) Dimensions on adjacent exterior section lines sufficient to completely describe the quarter section containing the proposed well. If dimensions are not field measured, state source of where obtained.

(2) For irregular, partial or truncated sections, dimensions will be furnished to completely describe the entire section containing the proposed well

(3) The field-measured distances from the nearer north/south and nearer east/west section lines must be measured at 90 degrees from said section lines to the well location and referenced on the plat.

(4) A map legend

(5) A north arrow

(6) A scale expressed as an equivalent (e.g. - 1" = 5000')

(7) A bar scale

(8) The ground elevation

(9) The basis of the elevation (how it was calculated)

or its source)

- (10) The basis of bearing or interior angles used
- (11) Complete description of monuments and/or collateral evidence found; all aliquot corners used must be described
- (12) The legal land description by section, township, range, principal meridian, baseline and county.
- (13) Operator name
- (14) Well name and well number
- (15) Date of completion of scaled drawing
- (16) All visible improvements within two (200) hundred feet of a wellhead [or, in a high density area within four (400) hundred feet] must be physically tied in and plotted on the well location plat or on an addendum, with a horizontal distance and approximate bearing from the well location. Visible improvements shall include all buildings, publicly maintained roads, major above-ground utility lines, railroads, pipelines, mines, oil wells, gas wells, injection wells, water wells, visible plugged wells, sewers with manholes, standing bodies of water, and natural channels including permanent canals and ditches through which water flows. If there are no visible improvements within two (200) hundred feet [or in a high density area within four (400) hundred feet], it shall be so noted on the Form 2.
- (17) Surface use must be described within the two (200) hundred foot radius of a wellhead [or in a high density area within the four (400) hundred foot radius of a wellhead].

In addition to the scaled drawing, the applicant shall attach to the Form 2 an 8 1/2" by 11" vicinity or U.S.G.S. topographic map of at least a three (3) mile radius around the proposed well which clearly shows access from one or more public roads, a map showing surface and mineral lease ownership within two (200) hundred feet of a wellhead [or in a high density area within four (400) hundred feet of a wellhead]. Where applicant is not the lessee, mineral ownership must be described for the entire drilling and spacing unit.

d. Form 2 shall be filed with the Director in triplicate for wells on all patented, state and federal lands. A single, informational (not official notice) copy of Form 2 and all

attachments shall be delivered by the applicant to the appropriate local governmental designee(s) of the county or municipal corporation within whose boundaries the activity is occurring or is proposed to occur at or before the time of filing with the Director. It shall be the responsibility of the Director to provide the local governmental designee with formal notification of the filing of Form 2. Any comments from the local governmental designee concerning Form 2 as filed, shall be provided to the Director and to the operator in writing within seven (7) days after the date on which Form 2 was sent to the local governmental designee(s) by the Director. The Director shall take no action with respect to the Form 2 prior to the expiration of the seven (7) day period, except under the circumstances provided for in Rule 303 h. (1) and (2).

e. In the event that the operator desires to revise any Form 2 as filed it shall do so by filing a new Form 2 in accordance with these rules. The Director shall have the discretion to waive the additional filing fee which results from non-substantive changes.

f. Unless operations are commenced within one hundred twenty (120) days after the date of approval, the permit will become null and void; however, for good cause shown, the Director may grant an extension not to exceed an additional one hundred twenty (120) days, if requested prior to the date of expiration.

g. The Director shall withhold the issuance of a permit and the granting of approval of any Form 2 for any well or proposed well that is located in an area for which an application has been filed, or which the Commission has sought by its own motion, to establish drilling units or to designate any tract of land as a high density area, in which case the hearing thereon shall be held at the next meeting of the Commission at which the matter can be legally heard.

h. The Director may issue a permit notwithstanding subparagraph g in the event that an operator files a sworn statement and demonstrates therein to the Director's satisfaction that on the date said application for drilling units was filed that:

(1) the operator had the right or obligation under the terms of an existing contract to drill said well; and

(2) the owner or operator has a leasehold estate or a right to acquire a leasehold estate under said contract which will be terminated unless the operator is permitted to commence the drilling of said well before the matter in subparagraph g can be fully heard and determined by the Commission.

i. The Director shall transmit to the appropriate

local governmental designee written notice of his action with respect to the Form 2; such notice to be sent by facsimile, if possible, and if not, then by first class U.S. mail.

j. The operator or drilling contractor shall give notice which identifies the drillsite and proposed access road to the surface tenant, surface owner and to the local governmental designee for the county or municipal corporation within whose boundaries the activity is occurring or proposed to occur, not more than six (6) weeks nor less than seven (7) days before commencing earthwork for drilling operations.

304. OGCC Form 3. BONDING REQUIREMENTS

a. Except where a bond in satisfactory Form has been filed by the owner in accordance with Federal or Indian lease requirements, and evidence has been furnished to the Director that such bond has been filed with, and approved by the appropriate agency, the Commission, prior to commencement of operations, shall require from the owner a good and sufficient bond, or other security approved by the Director in the sum of not less than \$5,000, payable to the State of Colorado, conditioned that the well upon abandonment shall be plugged in accordance with the rules and regulations of the Commission, all pits filled and all surface debris removed. Said bond shall remain in force and effect until the plugging of said well is approved by the Director, a new bond is filed by a successor in interest, or the bond is released by the Director. The successor operator of the well shall replace the previous operator's security within thirty (30) days after taking over operations. It is provided, however, that any owner in lieu of such bond, may file with the Director a good and sufficient blanket bond in the principal sum of not less than \$30,000, covering all wells drilled or to be drilled in the State of Colorado by the principal in said bond or be a participant in another type of blanket security, and upon acceptance and approval by the Director of such blanket bond or other blanket security, said bond or security shall be considered as compliance with the foregoing provisions requiring an individual well bond and,

b. Prior to entering the site with heavy equipment, the operator shall negotiate with the surface owner for the payment of any damages which may be caused by the drilling operation. In the absence of such agreement, except where a bond in satisfactory Form has been filed by the owner in accordance with State, Federal or Indian lease requirements, and evidence has been furnished to the Director that such bond had been filed with and approved by the appropriate agency, the Commission, prior to commencement of operations, in instances in which the owner of the surface is not a party to the oil and gas lease, or a party to a surface damage agreement, shall require from the lessee a good and sufficient bond payable to the State of Colorado, conditioned

that:

- (1) Upon completion of drilling operations, such surface owner shall be paid for unreasonable crop losses or land damage resulting from use of the premises by the lessee.
- (2) Upon abandonment of the well, the surface of the land shall be restored as nearly as practicable to its condition at the beginning of the lease, or in accordance with a written agreement of the owner of the surface of such land.
- (3) Such bond or other security approved by the Director shall be in the sum of not less than \$2,000 for a well drilled on land that is not irrigated and not less than \$5,000 for a well drilled on irrigated land, or a blanket bond in the principal sum of not less than \$25,000 covering all wells drilling or to be drilled in the State of Colorado by the principal in said bond, and upon acceptance and approval by the Director of such blanket bond, said bond shall be considered as compliance with the foregoing provisions requiring an individual bond. However, if it is determined by the Director that an individual bond of \$2,000 is insufficient to cover the cost of restoration, a bond in a larger amount may be required.

Either of said bonds shall remain in force and effect until a release signed by such surface owner is submitted to the Director, a new bond is filed by a successor in interest, or the bond is released by the Director.

In lieu of either of such bonds required above, the lessee may submit, prior to commencement of operations, a signed release by the surface owner.

c. All operators of central disposal facilities as defined in Rule 124, unless otherwise exempted by Rule 325, shall file with the Commission a good and sufficient bond in the amount of \$50,000, payable to the State of Colorado, conditioned that the facility upon abandonment shall be reclaimed and all materials deposited therein shall be removed.

305. OGCC Form 4. SUNDRY NOTICES AND REPORTS ON WELLS

Notice must be given to the Director, and approval obtained in advance of the time the owner or operator expects to recomplete a well, abandon a well, or change plans.

Unless a Completion Report, OGCC Form 5, is submitted on a well within sixty (60) days after production casing has been run, notice shall be given to the Director on an OGCC Form 4, Sundry Notice, indicating size and depth of casing run and cement details.

Within thirty (30) days after recompletion, plugging back, abandonment, acidizing, shooting, formation fracturing, squeezing operations, setting a liner, perforating or other similar operations not specifically covered herein is completed, a report on the operation shall be filed with the Commission on Form 4, in duplicate for wells on Patented and Federal lands, and in triplicate for wells on State lands. Such report shall present a detailed account of the work done and the manner in which such work was performed; the daily production of oil, gas and water, both prior to and after the operation; the size and type of perforations; the quantity and type of materials used in the operation, and any other pertinent information or operations which affect the original status of the well.

The abandonment details shall include an account of the manner in which the abandonment or plugging work was carried out, including the nature and quantities of materials used in plugging and the location and extent (by depths) of the plugs of different materials; records of the amount, size and location (by depths) of casing and junk left in the well; and a detailed statement of the volume and weight of mud fluid used. In the absence of visual observation of plugging by a member of the OGCC staff, the operator shall submit a cement verification report verified by the person or contractor actually setting the plugs. Such report shall conform with the operator's report and both must show plugging at least as extensively as approved by the Director.

306. OGCC Form 5. WELL COMPLETION OR RECOMPLETION REPORT AND LOG

Within thirty (30) days after the completion or recompletion of any well, the owner or operator shall transmit to the Director the Well Completion or Recompletion Report and Log, Form 5, and copies of all mechanical logs run. One (1) copy shall be submitted for all wells drilled.

Completion reports and mechanical logs of exploratory or wildcat wells marked "confidential" by the Director, upon written request of the operator, shall be kept confidential for six (6) months after the date of completion, unless the operator gives written permission to release such logs at an earlier date.

307. OGCC Form 7. OPERATOR'S MONTHLY PRODUCTION REPORT

Each producer or operator of an oil or gas well shall file with the Commission, within forty-five (45) days after the month in which production occurs, a report on Form 7, containing all information required by said form.

308. OGCC Form 8. MILL LEVY

On or before September 1, 1984, all producers producing oil or gas, as of July 1, 1984, shall advise the Commission whether they or the purchaser will be responsible for reporting and remitting the levy under the provisions of paragraph (2)(a) Section 34-60-122, C.R.S. 1973, as amended. All producers of oil or gas commencing after July 1, 1984 shall report when submitting OGCC Form 10, Certificate of Clearance, whether they or the purchaser will be responsible for reporting and remitting the levy.

On or before March 1, June 1, September 1 and December 1 of each year, every producer or purchaser, whichever disburses funds directly to each and every person owning a working interest, a royalty interest, an overriding royalty interest, a production payment and other similar interests from the sale of oil or natural gas subject to the charge imposed by Section 34-60-122 C.R.S., 1973, as amended, shall file a return with the Commission showing by lease the volume of oil, gas or condensate produced or purchased during the preceding calendar quarter, including the total consideration due or received at the point of delivery.

The person submitting the return shall also submit a list showing the name, address, and percentage interest of each owner of interest in the lease; except, that no such list need be submitted if the ownership interests have not changed since the last return was submitted.

The levy shall be an amount fixed by order of the Commission which may, from time to time, be reduced or increased to meet the expenses chargeable against the oil and gas conservation fund. The present charge imposed, as of May 1, 1986 is one mill (\$.0011) per dollar value.

309. OGCC Form 9. GAS-OIL RATIO AND WATER PRODUCTION REPORT

Within thirty (30) days following the completion or recompletion of each well producing oil and gas, and thereafter as the Commission may require, the operator of such well shall make a gas-oil ratio and water production test of such well and the result of such tests shall be reported to the Commission on Form 9 (unless previously submitted on Form 5) within twenty (20) days after the test is made. Certain wells may be excepted from this rule by the Director upon written request.

310. OGCC Form 10. CERTIFICATE OF CLEARANCE AND/OR CHANGE OF OPERATOR

a. Each producer or operator of any oil or gas well completed after April 30, 1956, shall file with the Commission, within thirty (30) days after initial sale of oil or gas a "Certificate of Clearance and/or Change of Operator", Form 10, in quadruplicate for each well producing oil or gas or both oil and gas. A Certificate of Clearance shall be filed for any well from

which oil, gas or other hydrocarbon is being produced.

b. Whenever there shall occur a change in the producer or operator filing the certificate under 310 (a) hereof, or whenever there shall occur a change of transporter from any well within the State, a new Form 10 shall be executed and filed within fifteen (15) days in accordance with the instructions appearing on such form. In the case of temporary use of oil for well treating or stimulating purposes, no new form need be executed and in the case of other temporary change in transporter involving less than the production of one month, the producer or operator may, in lieu of filing a new certificate, notify the Commission and the transporter then authorized by certificate on file with the Commission by letter of the estimated amount to be moved by the temporary transporter, and the name of such temporary transporter and a copy of such notice shall also be furnished such temporary transporter.

c. In no instance shall the temporary transporter move any greater quantity than the estimated amount shown in said notice.

d. The certificate, when properly executed and approved by the Commission, shall constitute authorization to the pipeline or other transporter to transport the authorized volume from the well named therein; provided that this section shall not prevent the production or transportation in order to prevent waste, pending execution and approval of said certificate. Permission for the transportation of such production shall be granted in writing to the producer and transporter.

e. The certificate shall remain in force and effect until:

- (1) The producer or operator filing the certificate is changed; or
- (2) The transporter is changed; or
- (3) The certificate is canceled by the Commission.

f. A copy of each Form 10 to be filed hereunder shall be sent by the Director to those local governmental designees who so request.

311. OGCC Form 11. MONTHLY REPORT OF GASOLINE OR OTHER EXTRACTION PLANTS

All operators of gasoline or other extraction plants shall make monthly reports to the Commission on Form 11. Such forms shall contain all information required thereon and shall be filed with the Commission on or before the twenty-fifth (25th) day of each month covering the preceding month.

312. OGCC Form 12. TRANSPORTERS MONTHLY REPORT

All transporters of crude oil off the lease shall make monthly reports to the Commission on Form 12. Such forms shall contain all information required thereon and shall be filed with the Commission on or before the twenty-fifth (25th) day of each month covering the preceding month.

313. OGCC Form 13. RESERVOIR PRESSURE TEST REPORT

The Commission may, at its discretion, require subsurface pressure measurements. Whenever such measurements are made, results shall be reported on Form 13, within twenty (20) days after completion of tests, or submitted on any company form approved by the Director containing the same information.

314A. OGCC Form 14A. MONTHLY REPORT OF FLUIDS INJECTED

Except for fluids involved with fracturing, acidizing or other similar treatment elsewhere required to be reported on Form 4, all operators engaged in the injection of fluids into any formation shall file monthly with the Commission a detailed account of such operation on Form 14A, or any company form containing the same information previously approved by the Director. Types of chemicals used to treat injection water, as well as the date of initial fluid injection for new injection wells, are to be reported on said form under "Remarks." The type and amount of fluids received from transporters shall be included on the report. Operators of gas storage projects shall, by March 1 of each year, report to the Director the amount of gas injected and withdrawn for the previous year and the amount of gas remaining in the reservoir as of December 31st of that year.

314B. OGCC Form 14B. MECHANICAL INTEGRITY TEST

Results of mechanical integrity tests of injection wells must be submitted within thirty (30) days after the test and shall be complete and accurate.

315. OGCC FORM 15. APPLICATIONS FOR PERMITS TO STORE AND DISPOSE OF WATER PRODUCED IN OIL AND GAS OPERATIONS AND OTHER OIL FIELD WASTES IN EARTHEN PITS.

Any person intending to construct a pit, receptacle or other surface facility for the storage and disposal of water produced in oil and gas operations or other oil field waste, on the lease or at the field location where such water was produced or waste generated, who is an oil or gas operator producing such water or waste, shall first make application for and receive a permit from the Commission to construct such pit, receptacle or other facility unless such facility receives less than five (5) barrels of fluid per day. If such application is for a facility involving more than one operator, a copy of the field operator's agreement shall accompany the application. Notice of pits exempted under Rule 325 may be submitted on Form 15; however, approval shall not be required.

Application for such permit shall be filed with the Director and contain all information as required in Rule 325.

316. OGCC Form 16. REPORTS OF TRANSPORTATION OF WATER PRODUCED IN OIL AND GAS OPERATIONS OR OTHER OIL FIELD WASTE OFF OF THE LEASE WHERE PRODUCED OR GENERATED.

All oil and gas operators, or transporters handling water produced with oil and gas operations or other oil field waste, including mud, which is transported off of the lease where produced or generated shall make monthly reports to the Commission on Form 16. Such form shall contain all of the information required thereon and shall be filed with the Commission on or before the twenty-fifth (25th) day of each month covering the preceding month. Information required may be submitted on Form 7 by an oil and gas operator with the name of the transporter and central or commercial disposal facility indicated under remarks.

317. GENERAL DRILLING RULES

Unless altered, modified or changed, for a particular pool or pools, upon hearing before the Commission the following shall apply to the drilling of all wells.

a. When drilling a wildcat well or in any field where high pressures are likely to exist, the owner shall take all necessary precautions for keeping the well under control at all times, and shall provide at the time the well is started, proper high pressure fittings and equipment; under such conditions the conductor string of casing must be cemented throughout its length, unless another procedure is authorized or prescribed by the Director, and all strings of casing must be securely anchored.

b. In all proven areas, the use of blow-out prevention equipment shall be in accordance with the established practice in the area.

c. In unproven areas, all drilling wells (wildcat wells) shall be equipped with a master-gate or its equivalent, an adequate blow-out preventer, together with choke and kill line or lines of the proper size and working pressure. The entire control equipment shall be maintained in good working condition at all times.

d. Unless authorized by the provisions of Rule 321, all wells shall be so drilled that the horizontal distance between the bottom of the hole and the location at the top of the hole shall be at all times a practical minimum.

e. The operator or drilling contractor shall give notice to the surface tenant not more than six (6) weeks nor less than five (5) days before commencing earthwork for drilling operations.

Before commencing to drill, proper and adequate slush pits

shall be constructed for the reception and confinement of mud and cuttings and to facilitate the drilling operation. Special precautions shall be taken to prevent contamination or pollution of state waters.

f. Casing program adopted for each well must be so planned as to protect any potential oil or gas bearing horizons penetrated during drilling from infiltration of injurious waters from other sources, and to prevent the migration of oil or gas from one horizon to another.

g. In areas where pressure and formations are unknown, sufficient surface casing shall be run to reach a depth below all known or reasonably estimated utilizable domestic fresh water levels and to prevent blowouts or uncontrolled flows and shall be of sufficient size to permit the use of an intermediate string or strings of casings. Surface casing shall be set in or through an impervious formation and shall be cemented by pump and plug or displacement or other approved method with sufficient cement to fill the annulus to the top of the hole, all in accordance with reasonable requirements of the Director. (See also Section i.).

h. In wells drilled in areas where subsurface conditions have been established by drilling experience, surface casing, size at the owner's option, shall be set and cemented to the surface by the pump and plug or displacement or other approved method at a depth sufficient to protect all fresh water and to insure against blowouts or uncontrolled flows. (See also Section i.).

i. In areas where fresh water aquifers are of such depth as to make it impractical or uneconomical to set the full amount of surface casing necessary to comply fully with the requirement to cover or isolate all fresh water strata as required in (g) and (h), the owner may, at it's option, comply with this requirement by stage cementing the production string so as to accomplish the required result. If unanticipated fresh water aquifers are encountered after setting the surface pipe they shall be protected or isolated by stage cementing the production string with a solid cement plug extending from 50 feet below each fresh water aquifer to 50 feet above said fresh water aquifer or by other methods approved by the Director in each case.

If no production string is set and there are fresh water aquifers below the surface pipe then a solid cement plug shall be extended from 50 feet below the bottom of each fresh water aquifer to 50 feet above said fresh water aquifer or in such a manner as to confine the fluids in the formation in which they were encountered and shall be placed when plugging or abandoning the well; any other rules to the contrary notwithstanding.

j. If, and when a production string is run, such production string shall be cemented by the pump and plug method

with sufficient cement to shut off and exclude all alien waters from oil and/or gas bearing stratum penetrated. Cement must be placed a minimum of 200 feet above the top of the anticipated production stratum. The string shall be properly tested by the pressure method before plugs are drilled or the stratum perforated.

k. All cemented casing strings shall stand under pressure until the cement under good oil field practices should have reached a compressive strength of 500 pounds per square inch, provided, however, that no tests shall be commenced until the cement has been in place for at least eight (8) hours. The term "under pressure" as used herein will be complied with if one float valve is used or if pressure is otherwise held.

l. In the event drilling operations are suspended before production string is run, the Commission shall be notified immediately and the owner shall take adequate and proper precautions to assure that no alien water enters oil or gas strata, nor potential fresh water aquifers during such suspension period or periods.

If alien water is found to be entering the production stratum or strata during completion testing or after the well has been put on production, the condition shall be promptly remedied.

m. Natural gas which may be encountered in a substantial quantity in any section of a cable tool drilled hole above the ultimate objective shall be shut off with reasonable diligence either by mudding or by casing, or other approved method, and confined to its original source. Any gas escaping from the well during drilling operations shall be, so far as practicable, conducted to a safe distance from the well site and burned. The operator shall notify the local emergency dispatch as provided by the local governmental designee of any such flaring. Such notice shall be given prior to the flaring if the flaring can be reasonably anticipated, and in all other cases as soon as possible but in no event more than two (2) hours after the flaring occurs.

n. If a well is deepened for the purpose of producing oil and gas from a lower stratum, such deepening to and completion in the lower stratum shall be conducted in such a manner as to protect all upper productive strata.

o. Whenever applicable, and after proper notice and hearing, the Commission intends to issue field-wide or area-wide orders covering the general drilling rules, or without a hearing under authority granted to the Director.

p. If the well is abandoned, the surface must be reclaimed, all pits filled and all debris removed.

q. Final site reclamation and restoration shall take place as soon as conditions reasonably permit, following the completion of drilling and completion operations, or reentry operations, and all the materials and equipment associated with the drilling, reentry or completion operations including but not limited to concrete, sack bentonite and other drilling mud additives, sand, plastic, pipe, cable, and other waste materials shall be removed. The burning or burial of such material on the premises is subject to the Colorado Air Quality Control Act, Section 25-7-101, C.R.S., The State Hazardous Waste Laws, Article 15 of Title 25, C.R.S., and the State Solid Waste Laws, Article 20 of Title 30, C.R.S. or regulations promulgated pursuant to said statutes. In addition, material may be burned or buried on the premises only with the prior written consent of the surface owner, and with prior written notice to the surface tenant.

r. Interim site maintenance and soil stabilization of drilling locations shall take place during operations as conditions permit. Drilling locations shall be restored to their original conditions or to the size necessary for a normal producing location insofar as is practicable as soon as site conditions reasonably permit following the completion of drilling and completion operations or reentry operations but in no event later than six (6) months after said completion, unless the Director extends the six (6) month period because of conditions outside the control of the operator. Upon any such extension, the Director shall notify the affected surface owner and surface tenant thereof. The operator shall notify the surface owner and surface tenant, not less than seven (7) days before any final site reclamation and restoration is to take place and when it is to occur. The party primarily responsible for such reclamation shall be the operator, unless the surface owner, by written notification to the Director, assumes such primary responsibility, in which case, this rule shall be enforceable against such surface owner. The party responsible for such reclamation shall consult with the local district of the state soil conservation service, the surface owner and the surface tenant with respect to the proposed reclamation operations including any special aspects thereof.

s. Upon written protest by the surface owner, surface tenant or local governmental designee regarding any of the above rules, the Commission shall take such action as it may deem appropriate and may take emergency action in response to a written protest by a surface owner or surface tenant, in order to assure compliance with Rules 317.q. And 317.r., under circumstances where delay until a regularly scheduled hearing of the protest by the Commission could result in the loss of the surface owner's or surface tenant's ability to use the surface for agricultural purposes in a given growing season.

318. LOCATION OF WELLS

All wells drilled for oil or gas to a common source of

supply in excess of 2,500 feet in depth shall be located not less than 600 feet from any lease line, and shall be located not less than 1,200 feet from any other producible or drilling oil or gas well when drilling to the same common source of supply, unless authorized by order of the Commission upon hearing; provided and except that in drilling to a known common source of supply that is less than a depth of 2,500 feet below the surface, the well shall be located not less than 200 feet from any lease line, and not less than 300 feet from any other producible oil or gas well, or drilling well, in said source of supply, unless authorized by order of the Commission; provided, however, that the completed depth of the discovery well shall be recognized as the depth of the pool for spacing purposes; provided further that the Commission may grant an exception to the requirements of this rule because of topographical conditions, archeological conditions or irregular sections; provided further, that the Director may grant exceptions to this rule where the owners proposing to drill a well, file with the Commission a waiver or consent signed by the lease owner toward whom the well location is proposed to be moved, agreeing that said well may be located at the point at which the owner proposes to drill the well and where correlative rights are protected; provided that if the owner of the proposed well is also the owner of the lease on the property toward which the well is proposed to be moved, a waiver shall be obtained from the mineral interest owner of the lands covered by the offset lease. If a waiver cannot be obtained or the parties cannot reach an agreement, the operator may apply to the Director for relief from this requirement. This rule shall not apply to authorized secondary recovery projects; provided further that this rule shall apply to fracture or crevice production found in shale, except from fields previously exempt from this rule; provided further that in a unit operation, approved by Federal or State authorities, the rules herein set forth shall not apply except that no well in excess of 2,500 feet in depth shall be located less than 600 feet from the exterior or interior (if there be one) boundary of the unit area and no well less than 2,500 feet in depth below the surface shall be located less than 200 feet from the exterior or interior (if there be one) boundary of the unit area unless otherwise authorized by the order of the Commission after proper notice to owners outside the unit area.

No well drilled for oil or gas shall be located within 200 feet of a shaft or entrance to a coal mine not definitely abandoned or sealed, nor shall such well be located within 100 feet of any mine shaft house, mine boiler house, mine engine house, or mine fan; and the location of any proposed well must insure that when drilled it will be at least fifteen (15) feet from any mine haulage or airway.

319. ABANDONMENT

The requirements for abandoning a well shall be as follows:

a. Plugging.

(1) A dry or abandoned well, seismic, core, or other exploratory hole, must be plugged in such a manner that oil, gas, water, or other substance shall be confined to the reservoir in which it originally occurred. Any plug shall be a minimum of fifty (50) feet long and shall be placed across or above and below each zone to be protected. The material used in plugging, whether mud-laden fluid, cement, mechanical plug, or some other suitable material, must be placed in the well in a manner to permanently prevent migration of oil, gas, water, or other substance from the formation or horizon in which it originally occurred.

(2) The operator shall have the option as to the method of placing cement in the hole by (1) dump bailer, (2) pumping through tubing or drill pipe, (3) pump and plug, or (4) other method approved by the Director.

(3) No substance of any nature or description other than normally used in plugging operations shall be placed in any well at any time during plugging operations.

(4) In order to protect the fresh water strata, no surface casing shall be pulled from any well unless authorized by the Director.

(5) All abandoned wells shall have a plug or seal placed at the surface of the ground or the bottom of the cellar in the hole in such manner as not to interfere with soil cultivation or other surface use. The top of the pipe must be sealed with a cement plug and a screw cap, or steel plate welded in place or by other approved method, or in the alternative be marked with a permanent monument which shall consist of a piece of pipe not less than four (4) inches in diameter and not less than ten (10) feet in length, of which four (4) feet shall be above the general ground level, the remainder to be embedded in cement or to be welded to the surface casing.

(6) The operator must obtain approval of plugging method prior to plugging, and shall notify the office of the Commission of the estimated time and date the plugging operation of any well is to commence, and identify the depth and thickness of all known or potential aquifers.

(7) WELLS USED FOR FRESH WATER. When the well, seismic, core, or other exploratory hole to be plugged may safely be used as a fresh water well, and such utilization is desired by the landowner, the well need not be filled above the required sealing plug set below fresh water;

provided that written authority for such use is secured from the landowner and, in such written authority, the landowner assumes the responsibility to plug the well upon its abandonment as a water well in accordance with these rules. Such written authority and assumption of responsibility shall be filed with the Commission, provided further that the landowner furnish a copy of the permit for a water well approved by the Division of Water Resources.

(8) Upon abandonment, all pits, mouse and rat holes and cellars shall be backfilled, debris and surface equipment removed and the location graded as soon as weather and pit conditions will permit; however, all such reclamation work shall be completed within six (6) months of plugging a well. The Director may grant an extension to this time if unusual circumstances are encountered but every reasonable effort shall be made to complete reclamation before the next local growing season.

b. Shut-in and Temporary Abandonment

(1) A well may be shut-in or temporarily abandoned when completed, upon approval of the Director for a period not to exceed six months provided the hole is cased or left in such a manner as to prevent migration of oil, gas, water or other substance from the formation or horizon in which it originally occurred. All shut-in or temporarily abandoned wells shall be closed to the atmosphere with a swedge and valve or packer, or other approved method. The well sign shall remain in place. If an operator requests shut-in or temporary abandonment status in excess of six (6) months he shall state the reason for requesting such extension and state plans for future operation. A Sundry Notice, OGCC Form 4, or other form approved by the Director, shall be submitted every six (6) months stating the status of the well and plans for future operation. The Director shall submit copies of any Form 4 to the local governmental designees who so requests.

(2) The manner in which the well is to be maintained should be reported to the Commission, and bonding requirements, as provided for in Rule 304, kept in force until such time as the well is permanently abandoned.

(3) A well which has ceased production or injection or is incapable of production or injection shall be abandoned within six (6) months thereafter unless the time is extended by the Director upon application by the owner. The application shall indicate why the well is shut-in and future plans for utilization. In the event

the well is covered by a blanket bond, the Director may require an individual plugging bond on the shut-in or temporarily abandoned well. Gas storage wells are to be considered active at all times unless physically plugged.

(4) In addition to the requirements of Rule 327, an injection well that is shut-in or temporarily abandoned shall have a mechanical integrity test performed within two years after the shut-in date in order to be retained in shut-in or temporarily abandoned status.

(5) If an injection well which has been shut-in or temporarily abandoned is determined not to have mechanical integrity as a result of any test required by the Commission rules and regulations, it must, within six (6) months following such a test, be either repaired and pass a mechanical integrity test or be plugged and abandoned.

320. LIABILITY

The owner and operator of any well drilled for oil or gas production or injection purposes, or any seismic, core, or other exploratory holes, whether cased or uncased, shall be liable and responsible for the plugging thereof in accordance with the rules and regulations of the Commission regardless of whether the cost of such plugging and abandonment exceeds the amount of security as set forth in Rule 304.

321. DIRECTIONAL DRILLING

Before beginning controlled directional drilling, other than whipstocking due to hole conditions, when the intent is to direct the bottom of the hole away from the vertical, notice of intention to do so shall be filed with the Director and approval obtained. Such notice shall state clearly the depth, exact surface location of the well bore, proposed direction of deviation, and proposed horizontal distance between the bottom of the hole and surface location. If approval is obtained, the owner shall file with the Commission, within thirty (30) days after the end of drilling, an accurate and complete copy of the survey made.

322. MULTIPLE ZONE COMPLETIONS OR COMMINGLING IN ONE WELL BORE

The multiple zone completion of a well for the production of oil or gas, or either of them, from more than one pool from one well without segregation of such production, may be approved by the Director upon application therefore, except as herein provided. The application shall be accompanied by an exhibit showing the location of all wells on adjacent premises and all offset wells on adjacent lands, and shall set forth all material facts involved and the manner and method of completion proposed, including a diagrammatic sketch of the mechanical installation for multiple zone completion. Notice of the application shall be given by the applicant by registered or certified mail, or by delivering a copy of the application to each producer within

one-half (1/2) mile of the well in which the multiple zone completion is to be attempted, or in which the production is to be commingled.

In the event no producer within one-half (1/2) mile of the well, or the Commission itself, files written objection or complaint to the application within fifteen (15) days of the date of application, then the application shall be approved; but, if any producer within one-half (1/2) mile of said well, or the Commission itself, files written objection within fifteen (15) days of the date of application, then a hearing shall be held as soon as practicable.

323. OPEN PIT STORAGE OF OIL OR HYDROCARBON SUBSTANCES

Storage of oil or any other produced liquid hydrocarbon substance in earthen pits or reservoirs is considered to constitute waste, except in emergencies where such substances cannot be otherwise contained. In such cases, these substances must be reclaimed and such storage eliminated as soon as practicable after the emergency is controlled, unless special permission to delay or continue is obtained from the Director.

324A. POLLUTION

a. The owner shall take such precautions as are necessary to prevent polluting the waters of the state, surface or subsurface, by oil, gas, salt or brackish water or other oil field wastes. No discharge shall be made from any disposal system or otherwise into the waters of the state which shall be below the water quality standard fixed by the Water Quality Control Commission for such discharge.

b. No owner, in the conduct of any oil or gas operation shall perform any act or practice which shall constitute a violation of any comprehensive plan adopted by the Water Quality Control Commission for the prevention, control and abatement of pollution of the waters of the state. (See Rule 504 for the procedure to be followed in the event of an alleged violation of this rule.)

c. No owner, in the conduct of any oil or gas operation, shall perform any act or practice which shall constitute a violation of any comprehensive plan adopted by the Air Quality Control Commission for the prevention, control and abatement of pollution of the air of the state.

d. No injection shall be authorized pursuant to Rule 326 or Rule 401 unless the person applying for authorization to conduct the injection activities demonstrates that those activities will not result in the presence in an underground source of drinking water of any physical, chemical, biological or radiological substance or matter which may cause a violation of any primary drinking water regulation in effect as of July 12,

1982 and found at 40 C.F.R. Part 142, as amended, or may otherwise adversely affect the health of persons. An underground source of drinking water is an aquifer or its portion:

- (1) (a) which supplies any public water system; or
- (b) which contains a sufficient quantity of ground water to supply a public water system; and

- (i) currently supplies drinking water for human consumption; or

- (ii) contains fewer than 10,000 milligrams per liter total dissolved solids; and

- (2) which is not an exempted aquifer.

e. No person shall accept water produced from oil and gas operations, or other oil field waste for disposal in a commercial disposal facility, without first obtaining a Certificate of Designation from the county in which such facility is located, in accord with the regulations pertaining to solid waste disposal sites and facilities as promulgated by the Colorado Department of Health.

324B. EXEMPT AQUIFERS

a. An aquifer or a portion thereof may be designated by the Director or the Commission as an exempted aquifer, in connection with the filing of an application pursuant to Rule 326 or Rule 401 if it meets the following criteria:

- (1) it does not currently serve as a source of drinking water; and

- (2) it cannot now and will not in the future serve as a source of drinking water because:

- (a) it is mineral, hydrocarbon or geothermal energy producing, or can be demonstrated by a person filing an application pursuant to Rule 326 or Rule 401 to contain minerals or hydrocarbons that considering their quantity and location are expected to be commercially producible;

- (b) it is situated at a depth or location which makes recovery of water for drinking water purposes economically or technologically impractical;

(c) it is so contaminated that it would be economically or technologically impractical to render the water fit for human consumption; or

(3) the total dissolved solids content of the ground water is more than 3,000 and less than 10,000 milligrams per liter and it is not reasonably expected to supply a public water system.

b. Prior to designating an aquifer or a portion thereof as an exempted aquifer, the Director shall publish a notice of proposed designation in a newspaper of general circulation serving the area where the aquifer is located. The notice shall identify such aquifer or portion thereof which the Director proposes to designate as exempted, and shall state that any person who would be aggrieved or adversely affected by the designation may request the Commission to hold a hearing thereon.

If, within thirty (30) days after publication of the aforementioned notice, the Commission does not receive a hearing request which indicates that there is a significant degree of public interest in a hearing on the designation of an aquifer or a portion thereof, said aquifer or portion shall be considered exempted thirty (30) days after publication of the notice.

If, within thirty (30) days after publication of the notice, the Commission receives a hearing request which indicates there is a significant degree of public interest in a hearing on the designation of an aquifer or a portion thereof as exempted, the Commission shall hold such a hearing in accord with the provisions of C.R.S. 1973, 34-60-108, as amended, and shall make a final determination regarding designation.

325. DISPOSAL OF WATER PRODUCED WITH OIL AND GAS OPERATIONS OR OTHER OIL FIELD WASTE (INCLUDES RETAINING PITS)

No water produced from an oil or gas well or other oil field waste other than that disposed of in a commercial facility shall be disposed of in any manner other than as set forth on this rule or by subsurface injection as provided for in Rule 326 and Rule 401; however, the Director may approve other methods of disposal of other materials which will not cause pollution as defined in Rule 119.

Retaining pits for the storage and disposal of produced water shall have adequate storage capacity and be kept free of oil or other liquid hydrocarbon substances and may be required to be enclosed with appropriate fencing or netting if it is determined by the Director to be necessary to prevent waterfowl access or access by other state or federally protected wildlife, to the extent reasonably possible. Surface accumulations of oil or liquid hydrocarbon substances found in a retaining pit must be removed within ten (10) days of discovery thereof if required by

the Director.

If the Director finds that the waters to be contained in any retaining pit is of such a quality as to cause pollution, as defined in Rule 119, if they were to reach any waters of the State, the pit shall be constructed, maintained and operated so as to prevent any surface discharge that directly or indirectly may reach the waters of the State, unless a discharge permit has been obtained from the Water Quality Control Division, and shall be constructed so as to prevent pollution as determined by the Director where the underlying soil conditions are such as to permit such seepage to reach subsurface domestic water supplies.

If the Director shall determine that domestic water supplies immediately underlie significant geographical areas and are not separated from the surface by a confining layer, he shall identify such areas, and shall propose to the Commission that they adopt a rule to require all retaining pits including those pits otherwise exempted in this rule, located in those areas be lined and properly constructed so as to prevent pollution. Such information shall be made available to interested parties upon action of the Commission.

Whenever applicable, the Commission, on its own motion, or on application of an operator in a field, may issue field-wide rules covering retaining pit construction and operation. In the interest of saving both time and expense for the operators and the Commission, wherever possible or applicable the first operator in a field or area to file an application will seek the cooperation of other interested operators and present a field-wide or area-wide plan.

The following provisions shall apply to the construction and use of all retaining pits or surface disposal facilities constructed and operated by one or more of the oil and gas operators on the property or in the field in which facilities are to be utilized for the storage and/or disposal of produced water and oil field wastes. These requirements shall not apply to facilities for temporary storage and disposal of substances produced in the initial completion and testing or workover of wells drilled for oil and/or gas for a period of time not in excess of ninety (90) days or producing facilities where the volume of water to be disposed of does not exceed five (5) barrels per day on a monthly basis, or commercial facilities, and/or blowdown pits used only for clearing lines. An operator shall submit an application as otherwise required in these regulations in the event that such facility begins to produce in excess of five (5) barrels per day on a monthly basis. The period of time for temporary storage and disposal may be extended by the Director for testing and completion purposes provided such operation does not result in pollution.

The following additional information must be included with all applications submitted in accord with Rule 315:

1. A legal description of the location of the proposed pit or facilities to the nearest ten (10)-acres.

2. Schematic sketch or plan showing the complete battery for storage or metering and producing system used in connection with the proposed retaining pit, including the land and location of final separation facilities required in Rule 328, for an on-site pit; or, the unloading, separating, storage and evaporation facilities for a central disposal facility.

3. A map showing the location of all natural streams, lakes or ponds, all man-made ditches, wells and irrigation systems within one-half (1/2) mile of the proposed facility. The area mapped should be of sufficient size and detail to determine the surface drainage system. Use of a U.S.G.S. or similar topographic map upon which to depict the information requested is usually acceptable and desirable for this requirement; however, the scale shall be no smaller than 1:24000. A list of wells including location, depth and yield can be obtained at the Colorado Division of Water Resources.

4. A general description of the nature of the soil on which the pit is to be constructed and of the strata between the bottom of the pit and the top of the nearest domestic water supply below the pit, if one exists, whether such source is actually currently being used or not. Percolation tests may be required by the Director in some cases.

5. A statement of the amount and source of water or waste to be received daily by the facility, both initially and at full capacity, together with an estimate of the evaporation rate for the area compensated for by annual rainfall. Calculations used in design of the various structures shall be submitted.

6. A chemical analysis of the water to be stored and of the domestic water supply next below the pit or facilities if not separated by a natural impermeable barrier. This requirement may be waived where similar analyses have been previously submitted to the Commission for water produced from the same formation or domestic water supply, provided such analyses are within a radius of five miles. The chemical analysis of water shall include all of the information specified on API Form 45-1, API Water Analysis Report Form, and shall be made by a qualified laboratory. Note: The Director's office has



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analyses of many of the State's waters produced from oil and gas operations, as well as domestic water supplies, which are available).

7. The operator of any facility, whether on-site or central field facility which at full capacity, will receive in excess of one hundred (100) barrels of fluid per day, and with a total dissolved solids content of five thousand (5,000) milligrams per liter, or greater, shall furnish in addition to the above the following information:

(a) In the event the underlying soil is permeable, the type of material to be used in lining and constructing the pit and the method of construction. The material used in lining pits, when such lining is required, must be impervious, weather-resistant, and resistant to deterioration when contacted by hydrocarbons, aqueous acids, alkalies, fungi or other substances likely to be contained in the produced water or waste.

(b) The method to be employed for the detection of leaks and plans for corrective action should a leak occur in the liner. The method may be an underlying gravel-filled sump and lateral system, or other suitable devices for the detection of leaks, and shall include monitoring wells, or provide such other suitable devices for the detection of leaks.

(c) Notify the Commission forty-eight (48) hours prior to placing any fluids into the pit so that the Director or the Director's representative may have the opportunity to inspect the leak detection system prior to installation of the liner, and to inspect the liner and cover material after installation

(d) The method for periodic disposal of precipitated solids.

(e) A copy of the application with all additional information required shall be forwarded by the applicant to the county in which the facility is to be located. The County Commissioners may submit to the Commission within thirty (30) days after receipt of such material, their comments with respect to the application. If the comments include a requirement that a Certificate of Designation is required rather than being waived, the comments shall include the

specific reasons for such requirement. If a Certificate of Designation is to be required, the Commission shall not issue a permit until such Certificate of Designation has been issued or until the expiration of ninety (90) days from the date of receipt of application by the county, whichever comes first. Comments on applications for which a Certificate of Designation is not required shall be reviewed by the Commission within thirty (30) days of receipt.

A variance from the provisions of (a) thru (d) may be granted if the applicant can provide sufficient information which shows that a facility will not cause pollution without meeting such requirements.

8. Any other pertinent information showing that anticipated operation of the proposed facility will not violate the provisions of the Colorado Water Quality Control Act, C.R.S. 1973, sections 25-8-101, et. seq.

9. Any operator of a facility proposing to discharge fluids into waters of the State, shall first obtain from the Water Quality Control Division a discharge permit for such operation.

Operators of central disposal facilities in operation March 19, 1984, may continue with such operation, but must apply to the Director for a permit before May 1, 1984. Such application shall conform with all the requirements of the application for new facilities as set out above, and such facilities shall conform to all standards for new facilities and must be brought into compliance with the standards for new facilities no later than July 1, 1984; except that operation not in compliance with such standards may continue until, but not beyond September 1, 1984, unless extended by the Director for good cause, so long as such non-compliance does not cause or contribute to pollution of any state waters.

All transporters of produced water or other field wastes shall register with the Commission listing their name, address and phone number, the capacity and type of equipment used, the PUC number, if one has been issued, and the general area in which they intend to operate.

No person shall close an approved central disposal facility without notifying the Director, in writing, at least sixty (60) days in advance of the closure date. The closure shall be in a manner determined by the Director to prevent pollution or nuisance conditions beyond the site boundary.

If, after review of the information and plan of operations

submitted in accord with this section, the Director determines that the operations of such pit or facility will not cause pollution as defined in Rule 119, he may issue the permit; however, on request by any interested party, the Commission shall hold hearings on a permit application.

The Director may require such modification or changes in the owner's plans as he deems necessary to insure compliance with the requirements of the regulations including, but not limited to, adding requirements for lining or waterproofing of treatment and retaining pits, chemical or other water treatment, installation of monitoring wells or systems, and provisions for reporting and any other reasonable requirements that will assure or promote the accomplishment of the overall objectives of the regulations.

The Commission may establish forms as are needed for the reporting as required above, and modify such forms from time to time, as experience dictates.

326. UNDERGROUND DISPOSAL OF WATER

a. No person shall commence operations for the underground disposal of water, or any other fluids, into a Class II well, or any well regulated by the Commission, nor shall any person commence construction of such a well, without having first obtained written authorization for such operations from the Director. Class II well means, "Class II well" as defined by 47 Fed. Reg. 4997 (February 3, 1982) [to be codified in 40 C.F.R. section 144.6 b.], and does not include subsequent amendments to that definition. Persons wishing to obtain authorization to conduct underground disposal activities shall file an application for authorization with the Director. If the disposal well is to be drilled, this application shall be submitted concurrently with the application for permit to drill. The application shall include the following information:

(1) The name, description and depth of the formation into which water is to be injected, and all underground sources of drinking water which may be affected by the proposed operation. A water analysis of the injection formation (if the total dissolved solids of the injection formation is determined to be less than ten thousand (10,000) milligrams per liter, the aquifer must be exempted in accordance with Rule 324B.). The fracture pressure or fracture gradient of the injection formation.

(2) A base plat covering the area within 1/4 mile of the proposed disposal well showing location of the proposed disposal well or wells and the location of all oil and gas wells, domestic and irrigation wells of public record and the identification of all oil and gas wells currently producing from the proposed injection zone within one-half (1/2) mile of the disposal zone. The

addresses and holdings of all surface and mineral owners as defined in C.R.S. 34-60-103 (7), within one-quarter (1/4) mile of the proposed disposal well or wells, or all owners of record in the field if a field-wide system is proposed. These owners shall be specifically outlined and identified on the base plat. A list of all domestic and irrigation wells of public record, within one-quarter (1/4) mile of the proposed disposal well or wells, including their location and depth. (This information may be obtained at the Colorado Division of Water Resources.) Remedial action shall be required for any well within one-quarter (1/4) mile of the proposed disposal well or wells in which the injection zone is not adequately confined. The applicant shall include information regarding the need for remedial action on any well(s) penetrating the injection zone within one-quarter (1/4) mile of the proposed disposal well or wells, which the applicant may or may not operate and a plan for the performance of any such remedial work. A copy of all plans and specifications for the system and its appurtenances.

(3) A resistivity log, run from the bottom of the surface casing to total depth of the disposal well or wells or any well within one (1) mile together with a log from that well that can be correlated with the injection well. If the disposal well is to be drilled, a description of the typical stratigraphic level of the disposal formation in the disposal well or wells, and any other available logging or testing data, on the disposal well or wells.

(4) A full description of the casing in the disposal well or wells. This shall include any information available on any remedial cement work performed to any casing string. This shall also include a schematic drawing showing all casing strings with cement volumes and tops, existing or as proposed, plug back total depth, depth of any existing open or squeezed perforations, setting depths of any bridge plugs existing or proposed, planned perforations in the injection zone, tubing and packer size and setting depth. A diagram of the surface facility showing all pipelines and tanks associated with the system. A listing of all leases connected directly by pipelines to the system.

(5) A listing of all sources of water, by lease and well, to be injected. Information for each lease shall include, OGCC lease number, Operator, location, producing formation, water analysis, and any proposed treatment.

(6) Any proposed stimulation program.

(7) The estimated minimum and maximum amount of water to be injected daily with anticipated injection pressures and known or calculated fracturing pressure of the disposal formation. Maximum injection pressure will be set by the Director upon approval.

(8) The names and addresses of those persons notified by the applicant, as required by paragraph e. of this rule.

b. Prior to application approval, the proposed disposal well must satisfactorily pass a mechanical integrity test in accord with Rule 327.

c. Application may be made to include the use of more than one (1) disposal well on the same lease, or on more than one lease. Wherever feasible and applicable, the application should contemplate a coordinated plan for the entire field.

d. The designated operator of a unitized or cooperative project shall execute the application.

e. Notice of the application shall be given by the applicant by registered or certified mail or by personal delivery, to each surface owner and owner as defined in C.R.S. 34-60-103 (7), within one-quarter (1/4) mile of the proposed well or wells and to owners and operators of oil and gas wells producing from the proposed injection zone within 1/2 mile of the disposal well or to owners of cornering and contiguous units where injection will occur into the producing zones, whichever is the greater distance. A copy of such notice shall be included with the disposal application filed with the Commission, and the applicant shall certify that notice by registered or certified mail or by personal delivery, to each of the surface owner and owners, has been accomplished. The notice shall describe the proposed operation and shall state that any person who would be adversely affected or aggrieved by the authorization of the underground disposal operation may file, within fifteen (15) days of notification, a written request for a public hearing before the Commission. The notice shall also state that additional information on the operation for which authorization has been applied may be obtained at the Commission office.

f. Any person who would be adversely affected or aggrieved by the authorization of an underground disposal operation may request a public hearing on the proposed authorization by filing with the Commission a written request for such a hearing within fifteen (15) days after the notice of application has been mailed or delivered in compliance with paragraph (e). The Commission shall hold such a hearing if it

finds, based upon such request(s), a significant degree of public interest in a hearing. Such hearings shall be conducted in accord with the requirements of C.R.S. 1973, 34-60-108, as amended.

327. MECHANICAL INTEGRITY TESTING

For the purpose of this rule, a mechanical integrity test of an injection well is a test designed to determine if: there is a significant leak in the casing, tubing, or packer of the well, and there is significant fluid movement into an underground source of drinking water through vertical channels adjacent to the well bore.

a. A mechanical integrity test shall include one of the following tests to determine whether significant leaks are present in the casing, tubing, or packer;

(1) a pressure test with liquid or gas at a pressure of not less than 300 p.s.i. or the minimum injection pressure, whichever is greater, and not more than the maximum injection pressure; or

(2) the monitoring and reporting to the Director, on a monthly basis for sixty (60) consecutive months, of the average casing-tubing annulus pressure, following an initial pressure test; or

(3) in lieu of (1) and (2) any test or combinations of tests considered effective by the Director.

b. A mechanical integrity test shall include one of the following tests to determine whether there are significant fluid movements in vertical channels adjacent to the well bore:

(1) cementing records which shall only be valid for injection wells in existence prior to July 1, 1986;

(2) tracer surveys;

(3) cement bond log or other acceptable cement evaluation log;

(4) temperature surveys; or

(5) in lieu of (1)-(4), any other test or combination of tests considered effective by the Director.

c. For purposes of this rule, a "new well" is a well into which fluids may be injected pursuant to authorization granted on or after July 12, 1982. An "existing well" is a well into which

fluids may be injected pursuant to authorization granted prior to July 12, 1982.

d. No person shall inject fluids into a new well unless a mechanical integrity test on the well has been performed and supporting documents including OGCC Form 14B submitted and approved by the Director. Verbal approval may be granted for continuous injection following the test.

e. No person shall inject fluids into an existing well on or after July 12, 1987 unless prior to that date a mechanical integrity test has been performed on the well and supporting documents including OGCC Form 14B, are submitted and approved by the Director. Verbal approval may be granted for continuous injection following the test.

f. Following the performance of the initial mechanical integrity test required by paragraphs (d) and (e), additional mechanical integrity tests shall be performed on each well, as long as it is used for the injection of fluids, at the rate of not less than one test every five (5) years. The first five (5) year period shall commence on the date the initial mechanical integrity test is performed.

g. Not less than ten (10) days prior to the performance of any mechanical integrity test required by this rule, any person required to perform the test shall notify the Director, in writing, of the scheduled date on which the test will be performed.

h. Gas Storage wells are exempt from the provisions of this rule.

328. TREATMENT FACILITIES

All effluent from any well shall be treated to separate, to the extent reasonably possible, any oil or gas from any other liquids or impurities and, unless such separation is complete, the discharge therefrom as well as any storage tank bottoms drawn off, or the discharge of water from any other source containing any oil, must pass through a final separation tank, pits or baffling system so designed as to keep oil or other hydrocarbon substances from reaching any retaining pit or the waters of the State. If such final separation system shall constitute a portion of any retaining pit, it shall be encompassed in a baffling system so designed as to keep the oil or other hydrocarbon substances from reaching the balance of the retaining pit. Unless covered, these separation tanks, system, pits or portion of any retaining pit used for such final separation shall be of minimum size consistent with the proper functioning for the volumes involved. Water discharge from this final separation facility to any retaining pit must come from the bottom of the final separation facility by siphon or otherwise, and water depth above the inlet of the water

discharge siphon or outlet line shall always be sufficient to prevent oil and hydrocarbon liquids from entering the discharge line. Unnecessarily large accumulations of oil or liquid hydrocarbons on the surface of these separation facilities shall be considered as waste. Any earthen excavation used for conducting such treatment or final separation shall comply with all rules and regulations governing the construction of retaining pits and shall require a permit as is provided for under Rule 325. Produced gas from an oil well (commonly known as casinghead gas) capable of producing gas in excess of 50 MCF per day, shall be flared or vented only upon approval of the Director unless such gas is produced during testing of the well or is used on the lease. Gas flared or used on the lease must be estimated, based on a gas-oil ratio test or other test and reported on Operator's Monthly Production Report (OGCC Form 7) as provided for in Rule 308.

329. OPEN FLOWS, CONTROL OF "WILD" WELLS AND SPILLS

The owner shall take all reasonable precautions in addition to fully complying with Rule 317 to prevent any oil, gas or water well from blowing uncontrolled or "wild" and shall take immediate steps and exercise due diligence to bring under control any such wild well, burning oil or gas well, or spill and shall report such occurrence to the Director immediately if public health or safety is jeopardized. Within fifteen (15) days after all occurrences the operator shall submit a report giving all details.

330. MEASUREMENT OF OIL

The volume of production of oil shall be computed in terms of barrels of clean oil on the basis of properly calibrated meter measurements or tank measurements of oil-level differences, made and recorded to the nearest one-quarter ($1/4$) inch of 100% capacity tables, subject to the following corrections:

a. Correction for Impurities. The percentage of impurities (water, sand and other foreign substances not constituting a natural component part of the oil) shall be determined to the satisfaction of the Director, and the observed gross volume of oil shall be corrected to exclude the entire volume of such impurities.

b. Temperature Correction. The observed volume of oil corrected for impurities shall be further corrected to the standard volume of 60°F. in accordance with A.S.T.M. D-1250 Table 7, or any revisions thereof and any supplements thereto or any close approximation thereof approved by the Director.

c. Gravity Determination. The gravity of oil at 60° F. shall be determined in accordance with A.S.T.M. D-1250 Table 5, or any revisions thereof and any supplements thereto or any close approximation thereof approved by the Director.

331. MEASUREMENT OF GAS

Production of gas of all kinds shall be measured by meter unless otherwise agreed to by the Director. For computing volume of gas to be reported to the Commission, the standard pressure base shall be 14.73 psia, regardless of atmospheric pressure at the point of measurement, and the standard temperature base shall be 60°F. All volumes of gas to be reported to the Commission shall be adjusted by computation to these standards, regardless of pressures and temperatures at which the gas was actually measured, unless otherwise authorized by the Director.

332. VACUUM PUMPS ON WELLS

The installation of vacuum pumps or other devices for the purpose of imposing a vacuum at the wellhead or on any oil or gas bearing reservoir may be approved by the Director upon application therefore, except as herein provided. The application shall be accompanied by an exhibit showing the location of all wells on adjacent premises and all offset wells on adjacent lands, and shall set forth all material facts involved and the manner and method of installation proposed. Notice of the application shall be given by the applicant by registered or certified mail, or by delivering a copy of the application to each producer within one-half (1/2) mile of the installation.

In the event no producer within one-half (1/2) mile of the installation or the Commission itself files written objection or complaint to the application within fifteen (15) days of the date of application, then the application shall be approved, but if any producer within one-half (1/2) mile of said installation or the Commission itself files written objection within fifteen (15) days of the date of application, then a hearing shall be held as soon as practicable.

333. USE OF GAS FOR ARTIFICIAL GAS LIFTING

Gas may be used for artificial gas lifting of oil where all such gas returned to the surface with the oil is used without waste. Where the returned gas is not to be so used, the use of gas for artificial gas lifting of oil is prohibited unless otherwise specifically ordered and authorized by the Commission upon hearing.

334. VARIANCES

Variances to the above rules and regulations may be granted by the Director upon written request and a showing by the applicant that the requested variance will not violate the basic intent of the regulation. No variance to the rules and regulations applicable to the Underground Injection Control Program will be granted by the Director without concurrence of the U.S. Environmental Protection Agency, Region VIII, Waste Water Management Division Director.

335. SEISMIC OPERATIONS

a. Exploration not requiring the drilling of shotholes:

A notice of intent to conduct seismic exploration shall be submitted to the Commission at least seven (7) days prior to commencement of the data recording operations. Any change of plans or line locations may be implemented without Commission approval provided that after such change is performed, the Commission shall receive written notice of the change within five (5) days.

The above said notice must include: method of exploration, a map, the scale at least one-half (1/2) inch to the mile showing sections, townships and ranges, showing the proposed seismic lines, the name and permanent address of the client, the name and permanent address of the seismic contractor. The name, address and telephone number of the seismic contractor's local contact shall be made available as soon as determined.

A notification of completion shall be submitted to the Commission within sixty (60) days after the completion of the project.

b. Exploration requiring the drilling of shot holes:

(1) Notice of intent to conduct seismic shot hole operations.

A Notice of intent to commence drilling of shot holes shall be submitted to the Commission at least seven (7) days prior to beginning drilling operations. However, in changes in plans, notice may be given orally, provided that within five (5) days after giving verbal notice, the operator shall file written notice as provided above.

(2) The seismic notice must include the following information:

(a) Outline of the project including: project dates, a topographic map, the scale at least one-half (1/2) inch to the mile showing sections, townships and ranges showing location of lines, the number of shot holes, approximate depth of holes and approximate size of proposed explosive charges.

(b) The name and permanent address of the client company responsible for the operation.

(c) The name and permanent address of the seismic contractor as well as the name, address and telephone number of the seismic contractor's local contact. If the local contact information is not available at the time when the notice of intent is given, it shall be made available as

soon as determined.

(d) A description of the hole plugging procedures to be used.

(e) A description of the identifying mark to be used on hole plugs.

(f) Any request to deviate from the general plugging and operations procedure which is outlined in this rule.

(g) The seismic notice shall be in effect for six (6) months from the date of submission. An extension of time may be granted upon request submitted before the expiration date.

(3) Drilling and Plugging

Unless the operator can prove to the satisfaction of the Commission that another method will provide adequate protection to groundwater quality and movement and long term land stability, the following guidelines will be used in the plugging of shot holes.

(a) Seismic shot hole operations will not be conducted without legal permission of the owner of the surface on which the shot is to take place.

(b) When non-artesian water is encountered while drilling seismic shot holes, said holes are to be filled from the bottom up with a high grade coarse ground bentonite to ten feet above the static water level on the surface of the ground. After approval by the Director, any other suitable plugging material may be substituted for the above.

(c) The hole will be filled to a depth of approximately three (3) feet below ground level. A non-metallic perma-plug will be set at a depth of three feet, and the remaining hole will be filled and tamped to the surface with cuttings and native soil. The above mentioned perma-plug will be imprinted with the identification number or mark described in the notice of intent. A sufficient mound shall be left over the hole to allow for settling.

(d) When subsurface water is not encountered in a seismic shot hole, plugging may be accomplished by returning the cuttings to the hole, tamping the returned cuttings to ensure the

hole is not bridged, filling the hole to a depth of three (3) feet, and setting a perma-plug topped with more cuttings and soil. A sufficient mound shall be left over the hole for settling.

(e) In the event the preplug did not hold, seismic holes shall be properly plugged and abandoned as soon as practical after the shot has been fired. However, a fired hole shall not be left unplugged for more than thirty (30) days without approval of the Commission. In no event shall shot holes be left open, but shall be covered with a tin hat or other similar cover until they are properly plugged. The hats shall be imprinted with seismic contractor's name or identification number or mark.

(f) Any slurry, drilling fluids, or cuttings which are deposited on the surface around the seismic hole will be raked or otherwise spread out to at least within one (1) inch of the surface, such that the growth of the natural grasses or foliage will not be impaired.

(g) If artesian flow (water rising above the depth at which encountered) is encountered in the drilling of any seismic hole, cement or high grade coarse ground sodium bentonite shall be used to seal off the water flow with the selected material placed from the bottom of the hole to the surface at least fifty (50) feet above the top of the water bearing material, thereby preventing cross-flow between aquifers, erosion, and/or contamination of fresh water supplies. Said holes shall be plugged immediately, weather permitting.

Approval may be granted to an operator to plug an artesian aquifer in another manner if it is proved to the Director that the alternate method will provide protection to groundwater supplies and long term land stability.

(h) All flagging, stakes, cables, cement, mud sacks or other materials associated with seismic operations shall be removed from the drill site and disposed of in an acceptable manner.

(4) Completion Report

A final report shall be submitted to the Commission within sixty (60) days after completion of the project. The

report shall include the following elements:

(a) Certification by the party responsible for plugging the hole that all shot holes are plugged as prescribed by the Commission.

(b) Maps (not less than 1/2" = 1 mile) showing the location of shot points. A copy of the maps sent to the client company as completion maps will be accepted as a suitable alternative.

(c) The specification of the plugging material, a description of plugging procedures and the existence of any water encountered in drilling the shot holes.

c. Bonding Requirements

The company submitting the notice of intent to conduct seismic exploration, or the company responsible for plugging shot holes shall file a bond prior to the commencement of operations in the amount of \$5,000 for each specific operation involving one through five lines not to exceed one hundred (100) shot holes, or in the alternative, file a blanket bond in the amount of \$25,000 for all such lines in the State on a form acceptable to the Commission. The bond shall remain in effect until a request is made by the company to release the bond for the following reasons: 1) the line or lines have been properly plugged and abandoned and/or, 2) the company no longer desires to operate in the State, and the request is approved by the Director.

d. Confidentiality

All information supplied to the Commission in the notice of intent and the completion report shall be kept confidential from public disclosure for a period of five (5) years from the date of submission.

e. Responsible Agency

The Colorado Oil and Gas Conservation Commission shall be contacted regarding any issues involving seismic activities in the State of Colorado.

336. PUBLIC HIGHWAYS AND ROADS

All persons subject to the act and these rules and regulations while using public highways or roads shall be subject to the State Vehicles and Traffic Laws pursuant to Title 42, C.R.S. and the State Highway and Roads Laws, Title 43, C.R.S., pertaining to the use of public highways or roads within the state.

**UNIT OPERATIONS, ENHANCED RECOVERY PROJECTS,
AND STORAGE OF LIQUID HYDROCARBONS**

401. AUTHORIZATION

a. No person shall perform any enhanced recovery operations, cycling or recycling operations including the extraction and separation of liquid hydrocarbons from natural gas in connection therewith, or operations for the storage of gaseous or liquid hydrocarbons, nor shall any person carry on any other method of unit or cooperative development or operation of a field or a part of either, without having first obtained written authorization from the Commission to perform the aforementioned activities or operations. No person shall commence construction of a well for use in either enhanced recovery operations or for storage of gaseous or liquid hydrocarbons without having first obtained written authorization from the Commission to do so. These provisions shall not apply to existing gas storage projects or to projects that have received approval of the Federal Energy Regulatory Commission; provided however, that a copy of such application and approval shall be submitted to the Commission and made a part of their records.

b. Persons wishing to obtain such authorization shall file an application for authorization with the Commission. The application may be filed by any one or more of the parties involved, or by the operator of the project for which authorization is sought. The application shall include the following:

(1) A plat showing the area involved, together with the well or wells, including drilling wells, dry and abandoned wells located thereon, all properly designated. If the plan of operation involves injection of fluids for enhanced recovery operations, or storage of liquid hydrocarbons, such plat shall show the names of owners of record within one-quarter (1/4) mile of the injection well or wells indicating whether they are surface owners, mineral interest owners, or working interest owners. The application shall also include information regarding the need for remedial action on wells penetrating the injection zone within one-quarter (1/4) mile of each injection well and a plan for the performance of any such remedial work.

(2) A full description of the particular operation for which authorization is required.

(3) Copies of the unit or co-operative agreement and operating agreement, unless these agreements have already been provided to the Commission.

(4) Where injection of fluids for enhanced

recovery operations or storage of liquid hydrocarbons is proposed, the application shall also contain:

(a) the name, description, thickness and depth of the following formations: those from which wells are producing or having produced; those which will receive any fluids to be injected; those capable of limiting the movement of any fluids to be injected;

(b) the name and the depth to the bottom of all underground sources of drinking water which may be affected by the proposed activity or operation;

(c) a resistivity log, run from the bottom of the surface casing to total depth of the injection well or wells, or a resistivity log of any well within one (1) mile together with a log from that well that can be correlated with a similar log of the injection well. If the injection well is to be drilled, a description of the typical stratigraphic level of the injection formation and any other available logging or testing data;

(d) a description of the casing of the injection well or wells or the proposed casing program, including a schematic drawing of the surface and subsurface construction details of the system and a full description of cement jobs already in place or proposed;

(e) a statement specifying the type of fluid to be injected, chemical analysis of the fluid to be injected, the source of the fluid, the estimated amounts to be injected daily, the anticipated injection pressures, water analysis of receiving formation, any available data on the compatibility of the fluid with the receiving formations and known or calculated fracture gradient (maximum authorized surface injection pressure will be set by the Director);

(f) a description of any proposed stimulation program;

(g) the name and address of the operator or operators of the project and those persons notified by the applicant.

(5) This Rules does not apply to gas storage

projects in existence on August 18, 1986.

402. NOTICE AND DATE OF HEARING

Upon the filing of any application, the Commission shall issue notice thereof, as provided by the Act and these regulations. Said application shall be set for public hearing at such time as the Commission may fix.

403. ADDITIONAL NOTICE

If injection of fluids is proposed by said application, in addition to the notice required by the Act, a copy of such application shall be given in person or by first class mail to each owner of record of the reservoir involved within one-quarter (1/4) mile of the proposed intake well or wells. Such delivery, whether in person or by mail, shall take place on or before the date the application is filed. An affidavit shall be attached to the application showing the parties to whom the notice has been given and their addresses.

404. CASING AND CEMENTING OF INJECTION WELLS

Wells used for injection of fluids into the producing formation shall be cased with safe and adequate casing or tubing so as to prevent leakage, and shall be so set or cemented that damage will not be caused to oil, gas or fresh water resources. (Each injection well must satisfactorily pass a mechanical integrity test in accord with Rule 327 prior to injection.)

405. NOTICE OF COMMENCEMENT AND DISCONTINUANCE OF INJECTION OPERATIONS

The following provisions shall apply to all injection projects whether or not they are approved by the Commission:

a. Immediately upon the commencement of injection operations, the operator shall notify the Commission of the injection date.

b. Within ten (10) days after the discontinuance of injection operations the operator shall notify the Commission of the date of such discontinuance and the reasons therefore.

c. Before any intake well shall be plugged, notice shall be given to the Commission by the owner of said well, and the same procedure shall be followed in the plugging of such well as is provided for the plugging of oil and gas wells.

RULES OF PRACTICE AND PROCEDURE

501. APPLICABILITY OF RULES OF PRACTICE AND PROCEDURE

These rules shall be known and designated as "Rules of Practice and Procedure before the Oil and Gas Conservation Commission of the State of Colorado," in all proceedings relating to the conservation of oil and gas in the State of Colorado, and to the administration of the Act.

502. COMMISSION MAY INSTITUTE PROCEEDING TO PREVENT VIOLATION

The Commission may, on its own motion, institute a proceeding to prevent violation of the Act, or of any order, rule, or regulation of the Commission, by notice of hearing or issuance of an emergency order to show cause directed to any person or persons charged with violating the same.

503. COMMISSION MAY INITIATE PROCEEDING RELATING TO CONSERVATION OF OIL AND GAS

The Commission may also, on its own motion, initiate proceedings upon any question relating to conservation of oil and gas in the State of Colorado, or to the administration of the Act, by notice of hearing or issuance of an emergency order instituting such proceedings.

504. PROCEDURE TO BE FOLLOWED IN THE EVENT OF AN ALLEGED VIOLATION

If the Director alleges a violation of the rule involving pollution, or in the event the Commission receives notice alleging that an owner is causing pollution, it shall notify the owner of such charge. Within thirty (30) days after receipt of such charge the owner may elect to file a plan to prevent future pollution as hereinafter provided or if no election is made within the thirty (30) day period, the Commission shall promptly set the matter for hearing. At such hearing the complainant shall be required to present the facts in support of its allegations and the owner shall be given the opportunity to contest the allegations. If the Commission finds after hearing that the owner is causing pollution or performing an act or permitting a condition to exist which may cause pollution, the owner shall be required to submit a plan for elimination of the pollution or possible pollution within a time period to be set by the Commission.

In the event that any owner after notice of an alleged pollution violation as above provided shall elect to submit a plan to prevent any further pollution, he shall file such plan with the Director, with a copy to the complainant within thirty (30) days after notice or within such extended period as the Director may permit. The Commission shall either approve such plan or set it down for hearing on its own motion or upon written request of the complainant received by the Commission within twenty (20) days of the date from which the plan is received by the Director.

In the event of the failure of any owner to comply with any Commission order relating to pollution, the Commission may take such action as it deems proper under the Oil and Gas Conservation Act or may request the Water Quality Control Commission to issue a cease and desist order under the Water Quality Control Act.

505. ALL OTHER PROCEEDINGS COMMENCED BY FILING PETITION

All other proceedings, except those initiated by the Commission on its own motion, shall be commenced by filing with the Commission the original and eight (8) copies of a typewritten or printed application setting forth in reasonable detail the relief requested and the legal and factual grounds for such relief. The original of such application shall be executed by a person with authority to do so on behalf of the applicant and the contents thereof shall be verified by such person. Each such application shall be accompanied by a docket fee of Seventy-Five dollars (\$75).

506. DOCKET NUMBER OF PROCEEDINGS

When a proceeding is instituted, as herein described above in Rules 502, 503, 504 or 505, the Secretary of the Commission shall assign it a number and enter on a separate page of a docket provided for such purpose, the proceedings with the date of its filing, or the date of the entry of the Commission order instituting such proceeding. All pleadings offered, subsequent to the institution of a proceeding, shall be offered by filing the original and eight (8) copies and shall bear the docket number assigned to said proceedings and be noted with the date of filing upon the docket page of said proceeding, or a continuation thereof.

507. FILING DEADLINE

If the applicant seeks a hearing before the Commission concerning the matters set forth in the application, such matters shall be heard at the next regularly scheduled meeting of the Commission to be held on or after six (6) weeks from the date on which the application is filed unless one or more of the parties to the proceeding requests a hearing at a subsequent meeting of the Commission and such request is granted by the Commission. Such time between the date of filing of the application and the hearing thereon may be shortened by the Secretary at his discretion, provided that timely notice of not less than ten (10) days of the hearing is given, if lease expiration or extenuating circumstances require a shorter time. The foregoing shall not be construed to limit the time within which an application for an emergency order may be heard.

508. FILING OF PROTEST

Any Interested Party desiring to protest the granting of the relief sought in the application who desires to present or rebut evidence or examine or cross-examine witnesses at the

hearing shall, at least three (3) working days prior to the date of the hearing, file a written protest with the Commission, with a copy to the applicant, which protest shall briefly and in reasonable detail state the basis for the protest and shall be accompanied by a forty-five dollar (\$45) docket fee. Any Interested Party who desires to support the granting of the relief sought in the application and who desires to present or rebut evidence or examine or cross-examine witnesses shall, at least three (3) working days prior to the date of hearing, file a written pleading in support of the application, along with a forty-five dollar (\$45) docket fee. Only an Interested Party who files a written protest or pleading and who pays such a fee shall be allowed to present or rebut evidence or examine or cross-examine witnesses at the hearing. Any Interested Person may, at the discretion of the Commission, file a written statement or make an oral statement, under oath, at the hearing which will be subject to cross examination.

509. REPRESENTATION AT HEARINGS

a. A natural person may appear on his own behalf and represent himself at hearings before the Commission and persons allowed to make oral or written statements may do so without counsel.

b. Except as provided in a. above, representation at hearings before the Commission shall be by attorneys licensed to practice law in the State of Colorado, and provided further that any attorney duly admitted to practice law in a court of record of any state or territory of the United States or in the District of Columbia, but not admitted to practice in Colorado, who appears at a hearing before the Commission may, upon motion, be admitted for the purpose of that hearing only, if he has associated for purposes of that hearing with any attorney who (a) is admitted to practice law in Colorado; (b) is a resident or maintains a law office within Colorado; and (c) is personally appearing with him in the matter and in all proceedings connected with it. The resident attorney shall continue in the case unless other resident counsel is submitted. Any notice, pleading, or other paper may be served upon the resident attorney with the same effect as if personally served on the non-resident attorney within this State. Resident counsel shall be present before the Commission unless otherwise ordered by the Commission.

c. Paragraph (b) above shall not apply to matters which the Director is empowered by Rule or Statute to approve or disapprove without a hearing before the Commission.

510. SECRETARY MAY REQUIRE FILING OF ADDITIONAL COPIES OF PLEADINGS

The Secretary may, at any time, require the party filing, or offering for filing, a pleading to furnish such additional copies of the same as may be deemed necessary.

511. DEFINITION OF "APPLICANT"

The party or parties instituting the proceeding or persons subsequently joining therein shall be referred to in such proceeding as the Applicant.

512. DEFINITION OF "RESPONDENT"

A party against whom a proceeding is instituted or who protests the granting of the relief sought in the application as provided in these rules shall be referred to in the proceeding as the Respondent.

513. DEFINITION OF "INTERVENER"

Any other party allowed to present or rebut evidence or examine or cross-examine witnesses shall be known in the proceeding as Intervenor.

514. REQUIREMENT OF PUBLIC HEARING BEFORE ISSUANCE OF ANY ORDER EXCEPT AN EMERGENCY ORDER

Before any rule, regulation, or order, or amendment thereof shall be made by the Commission, there shall be held a public hearing upon at least ten (10) days notice at such time and place as may be prescribed by the Commission and any interested person shall be entitled to be heard, except that when an emergency requiring immediate action is found by the Commission to exist, the Commission may issue an emergency order without notice of hearing, which shall be effective upon promulgation, but shall remain effective for no more than fifteen (15) days.

515. NOTICE OF HEARING

When a proceeding has been instituted, either by the Commission on its own motion, or by a party, the Commission shall cause notice of the hearing before the Commission to be given, either by mailing a copy thereof, postage prepaid, to the last known mailing address of the person to be given notice or by personal service. In addition, the Commission shall cause one publication of such notice, at least ten (10) days prior to the hearing, in a newspaper of general circulation in the city and county of Denver, and in a newspaper of general circulation in the County where the land is affected, or some part thereof, is situated. Said notice shall be issued in the name of the State of Colorado, shall be signed by the Commission, or the Secretary of the Commission, shall specify the style and number of the proceeding, the time and place at which the hearing will be held, shall state the time within which protests to the granting of a petition shall be filed, if a petition has been filed, and shall briefly state the purpose of the proceeding.

In all cases, notice of the hearing to be held on the application shall be served on each Interested Person, as defined in Rule 114, either by mail as provided in Rule 515 or in the same manner as is provided in the Rules of Civil Procedure for the service of process in civil actions in the District Courts in this state.

The Commission may, in its discretion, and when so requested, undertake any such service by mail.

516. PERSONAL SERVICE AND PROOF OF SERVICE

Should the Commission elect to give notice by personal service, as provided in Rule 515 above, such service may be made by any officer appointed to serve summons, or by any agent of the Commission, in the same manner as is provided in the Rules of Civil Procedure for the service of process in civil actions in the District Courts in this State. Proof of Service by such agent shall be by his affidavit and Proof of Service by any officer shall be in the form required by law with respect to service of summons in civil action.

517. INTERESTED PARTY OR PARTIES

The term "Interested Party or Parties" for matters coming before the Commission is defined in Rule 114.

518. SECRETARY TO NOTIFY ALL PARTIES INTERESTED IN PROCEEDINGS

When any proceeding has been instituted by a party or by the Commission on its own motion, in addition to the service or publication of the notice of hearing as required by the Act, the Secretary shall mail each Respondent or Intervenor, and all persons who have requested notification of such proceedings, as provided in Rule 519, a written notice of the hearing to be held thereon.

519. PERSONS DESIRING NOTIFICATION OF PROCEEDINGS SHALL FILE WITH COMMISSION

Any person who believes that he may be a party in any proceeding before the Commission may file with the Commission a request for notices, and thereafter for a period as determined by the Commission, not to exceed three (3) years, such person shall be entitled to receive notice by mail of the filing of all petitions upon which a hearing may be held. The filing of a request for notices by a person shall be deemed to be a consent by that person to service of notice by mail at the address shown on the request filed by him in those proceedings in which notice by mail may be given. A request for notices filed under provisions of this rule may be withdrawn or a new request filed at any time by the person filing the same. However, such filing does not in and of itself establish such person as an Interested Party as defined in these Rules.

520. WHO MAY FILE APPLICATIONS

Applications to the Commission may be filed only by an Interested Party as the term Interested Party is defined in Rule 114 for purposes of the particular relief sought, and each such application shall include a list of all Interested Parties as appropriate for purposes of such application. The Commission may, on its own motion, set a hearing to consider spacing an area or designating any tract of land as a high density area.

521. ON FILING OF APPLICATIONS, COMMISSION SET DATE OF HEARING AND CAUSE NOTICE TO BE GIVEN

On the filing of a petition concerning any matter within the jurisdiction of the Commission, it shall promptly fix a date for a hearing thereon and shall cause notice of the filing of the petition and of the date for the hearing thereon to be given. Upon a showing that all interested parties have consented in writing to the granting of a petition without a hearing, the Commission may enter an order granting the petition forthwith and without a hearing. In all other cases, the hearing shall be held at the time and place specified in the notice, and all persons who have filed a timely protest shall be given full opportunity to be heard. If no protest to the granting of the petition has been made, the Commission may enter an order based upon the facts stated in the verified petition, without the necessity of taking testimony or making of a record.

522. COPY OF PROTEST SERVED ON PETITIONER

Any person who files a protest with the Commission pursuant to the provisions of Rule 519 shall, at the same time, serve a copy thereof on the person filing the petition. Such service shall be made by mailing a copy of the protest, postage prepaid, to the petitioner.

523. HEARINGS BEFORE THE COMMISSION

Hearings before the Commission shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent record of the Commission. Any person testifying in response to a subpoena issued by the Commission, and any person testifying in support of an application or a petition, or a complaint, or a motion, or in opposition thereto, shall be required to do so under oath or affirmation.

524. COMMISSION MEMBERS REQUIRED FOR HEARINGS AND/OR DECISIONS

Three (3) members of the Commission constitute a quorum for the transaction of business. Testimony may be taken and oath or affirmation administered by any member of the Commission, but all decisions shall be made by the Commission.

525. PRESENTATION OF EVIDENCE

Full opportunity shall be afforded all interested parties who comply with Rules 505 and 508 at a hearing to present evidence and to cross-examine witnesses, in accordance with Rule 509. In general, the rules of evidence applicable before a trial court without a jury shall be applicable, providing that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by competent legal evidence.

526. SUBPOENAS

The Commission may, through the Secretary, issue subpoenas requiring attendance of witnesses and the production of books,

papers, and other instruments to the same extent and in the same manner and in accordance with the procedure provided in the Colorado Rules of Civil Procedure which authorizes issuances of subpoenas by Clerks of the District Courts.

527. DEPOSITIONS

Depositions may be taken by parties to a proceeding and used before the Commission in the same manner and under the same conditions prescribed in the Colorado Rules of Civil Procedure relating to the taking and using of depositions in the Courts of this State.

528. APPLICABILITY OF COLORADO RULES OF CIVIL PROCEDURE

The Commission adopts the rules of practice and procedure contained in the Colorado Rules of Civil Procedure insofar as the same may be applicable and not inconsistent with the rules herein set forth.

529. EFFECTIVE DATE OF COMMISSION ORDER

Orders of the Commission shall be effective as to a party on the date the written order is mailed or served or on such later date as is stated in the written order or, where the parties to the hearing before the Commission agree to be bound by an oral order of the Commission, at the close of the hearing. Parties may act upon such orders of the Commission without delay.

All written orders of the Commission shall be served on each party by personal service or by mailing by First-Class mail to the last address furnished the Commission by each party. Where parties have agreed to be bound by an oral order of the Commission a written copy of such oral order shall be mailed by First-Class mail to the last address furnished the Commission by each party.

530. RULES SHALL BE LIBERALLY CONSTRUED

These rules shall be liberally construed to secure just, speedy, and inexpensive determination of all issues presented to the Commission.

531. TIME OF HEARINGS

Regular monthly hearings will be held before the Commission on such days as may be set by the Commission. Where circumstances permit, the Commission, after sounding the docket, first calls up and disposes of all non-contested matters and motions for continuance.

532. ESTABLISHING SPACING RULES

Any order of the Commission establishing spacing rules for a reservoir shall define drilling units of approximately uniform size and shape; shall specify the orientation of each such drilling unit or shall specify the procedure for determination of such orientation by the Director; shall permit only one well to be drilled and produced from each such drilling unit, unless, infill

wells are determined to be geologically and economically justified; and shall specify the location of the permitted well or wells within each such drilling unit.

533. NON-CONSENTING OWNER IN POOLING

With respect to applications for involuntary pooling filed pursuant to 34-60-116, C.R.S. the phrase "Nonconsenting owner who refuses to agree to bear his proportionate share of the costs and risks of drilling and operating the well" as used in subsection (7) thereof shall have the following meaning:

a. Such nonconsenting owner shall in all cases be an Interested Party.

b. Such nonconsenting owner shall be an Interested Party who is an Owner in the area to be pooled and who, after at least thirty (30) days written notice of the following (unless a shorter or longer time is ordered in the discretion of the Commission), does not elect in writing to consent to participate in the cost of the well concerning which the pooling order is sought:

- (1) the location and objective depth of the well.
- (2) the estimated drilling and completion cost of the well.
- (3) the estimated spud date for the well or range of time within which spudding is to occur.

534. REASONABLE OFFER TO UNLEASED MINERAL OWNER

Evidence that a reasonable offer to lease has been tendered to any unleased non-consenting mineral owner in any involuntary pooling application to the Commission shall be presented at the hearing before the Commission. This evidence shall include but not be limited to the lease terms listed below for the drilling and spacing unit in the application and for all cornering and contiguous units that are under the lease: (1) date of lease and primary term or offer with acreage in lease; (2) annual rental per acre; (3) bonus payment of evidence of its non-availability; (4) mineral interest royalty.

SAFETY REGULATIONS

601. INTRODUCTION

The rules and regulations in this section are promulgated to protect the health, safety and welfare of the general public during the drilling, completion and operation of oil and gas wells and producing facilities. They do not apply to parties or requirements regulated under the Federal Occupational Safety and Health Act of 1970 (See Rule 212).

602. GENERAL

The training and action of employees, as well as proper location and operation of equipment is an important part of any safety program. While this section is general in nature, it is considered a basic part of the foundation of any safety program.

a. Employees shall be familiarized with these rules and regulations as provided herein as they relate to their function in their respective jobs. Each new employee should have his job outlined, explained and demonstrated.

b. Unsafe and potentially dangerous conditions as defined by these rules, should be reported immediately by employees to the supervisor in charge and if the condition cannot be remedied as soon as practical, the company representative shall contact the Commission, as well as appropriate local authorities.

Where unsafe or potentially dangerous conditions exist, the owner or operator shall respond as directed by an agency with demonstrated authority to do so (such as sheriff, fire district director, etc.).

c. Vehicles of persons not involved in drilling, production, servicing, or seismic operations shall be located a minimum distance of one hundred (100) feet from the wellbore, or a distance equal to the height of the derrick or mast, whichever is greater. Equivalent safety measures shall be taken where terrain, location or other conditions do not permit this minimum distance requirements.

d. Existing wells are exempt from the provisions of these regulations as they relate to the location of the well.

e. Existing producing facilities shall be exempt from the provisions of these regulations with respect to minimum distance requirements and setbacks unless they are found by the Director to be unsafe.

f. The Director shall have the authority to grant variances to these regulations after consultation and concurrence of local authorities. In the absence of concurrence, the Director shall bring the matter before the Commission at public hearing.

g. Self-contained sanitary facilities shall be provided during drilling operations and at any other similarly staffed oil and gas production facility.

h. Upon application, notice and hearing, the Commission may modify any setback requirements provided for in Rules 603 and 604. Notice of such application shall be given to the affected operator, the local governmental designee and to the owner of the affected surface structure.

603. DRILLING AND WELL SERVICING OPERATIONS.

a. In all areas of the state except those provided for in subparagraph b below, the following shall apply:

(1) Wellbore shall be located a distance of one hundred fifty (150) feet or one and one-half times the height of the derrick, whichever is greater, from any occupied building, public road, major above ground utility line or railroad.

(2) Wellbore shall be a minimum distance of one hundred fifty (150) feet from a surface property line. If it is not feasible for the operator to meet this minimum distance requirement, a waiver from the offset surface owner shall be obtained. Such waiver shall be written and filed in the county clerk and recorder's office and with the Director. If it is not feasible for the operator to meet this spacing requirement and the parties can not reach an agreement, the operator shall apply to the Director for relief from this requirement.

b. Any interested person may apply to the Commission to have any tract of land designated as a high density area.

(1) A wellhead location shall be not less than three hundred fifty (350) feet from any occupied building or building permitted for construction.

(2) Production tanks and/or associated on-site production equipment shall be located not less than three hundred fifty (350) feet from any building or building permitted for construction.

(3) All pumps, pits, wellheads and production facilities shall be adequately fenced to restrict access by unauthorized persons.

(4) Where possible, operators shall provide for the development of multiple reservoirs by drilling on existing pads or by multiple completions or commingling in existing wellbores (see Rule 322). If any operator asserts it is not possible to comply with, or requests relief from, this requirement, the matter shall be set for hearing by the Commission and relief granted as appropriate.

(5) Exceptions to the location requirements set out in 1 and 2 above may be granted by the Director if Rule 318 has been complied with and if a copy of waivers from each person owning an occupied building or building permitted for construction within three hundred fifty (350) feet of the proposed location is submitted as part of the Form 2, and the proposed location complies with all other safety requirements of the rules and regulations. An election by any person to construct a building less than three hundred fifty (350) feet from an existing well or production facility, constitutes an election to waive the three hundred fifty (350) foot setback rule.

(6) The setback restrictions contained in Rule 603 b. shall not apply to wells existing as of May 30, 1992, the effective date of the rules and regulations, unless so ordered by the Commission after application, notice and hearing.

(7) All other setbacks or safety requirements set out in the rules and regulations of the Colorado Oil and Gas Conservation Commission shall apply but in the event of a conflict, the more specific requirement shall control.

c. When drilling or well servicing operations are in progress on a well where there is any indication the well will flow hydrocarbons, either through prior records or present conditions, there shall be on the rig floor a safety valve with connections suitable for use with each size and type of tool joint or coupling being used on the job.

d. Rig substructure, derrick, or mast shall be designed and operated to prevent accumulation of static charge.

e. Prior to initiating well servicing operations, the well shall be checked for pressure and steps taken to remove pressure or operate safely under pressure before commencing operations.

f. Well control equipment and other safety requirements are:

(1) When there is any indication that a well will flow, either through prior records, present well conditions, or the planned well work, blowout prevention equipment shall be installed in accordance with Rule 317 or any special orders of the Commission.

(2) Blowout prevention equipment when required by Rule 317 shall be in accordance with API RP 53: Recommended Practices for Blowout Prevention Equipment Systems, or amendments thereto.

(3) While in service, blowout prevention equipment

shall be inspected daily and a preventer operating test shall be performed on each round trip, but not more than once every 24-hour period. Notation of operating tests shall be made on the daily report.

(4) All pipe fittings, valves and unions placed on or connected with blowout prevention equipment, well casing, casinghead, drill pipe, or tubing shall have a working pressure rating suitable for the maximum anticipated surface pressure and shall be in good working condition as per generally accepted industry standards.

(5) Blowout preventers shall contain pipe rams to enable closure on the pipe being used. The choke line(s) and kill line(s) shall be anchored, tied or otherwise secured to prevent whipping resulting from pressure surges.

(6) Pressure testing of each component of the blowout prevention equipment, if such equipment is required, shall be conducted prior to drilling out any string of casing except conductor pipe. Drilling operations shall not proceed until blowout prevention equipment is found, upon test, to be serviceable.

(7) If the blind rams are closed for any purpose except operational testing, the valves on the choke lines or relief lines below the blind rams should be opened prior to opening the rams to bleed off any pressure.

(8) All rig employees shall have adequate understanding of and be able to operate the blowout preventer equipment system. New employees shall be trained in the operations of blowout preventer system as soon as practicable to do so.

(9) Drilling contractors shall place a sign or marker at the point of intersection of the public road and rig access road.

(10) The number of the public road to be used in accessing the rig along with all necessary emergency numbers shall be posted in a conspicuous place on the drilling rig.

g. All locations, including wells and surface production facilities, shall be kept free of equipment, vehicles and supplies not necessary for use on that lease, weeds, rubbish, and other waste material. The burning or burial of such material on the premises is subject to the Colorado Air Quality Control Act, Section 25-7-101, C.R.S., the State Hazardous Waste Laws, Article 15 of Title 25, C.R.S., and the State Solid Waste Laws, Article 20

of Title 30, C.R.S. In addition, material may be burned or buried on the premises only with the prior written consent of the surface owner, and with prior written notice to the surface tenant.

h. All equipment at drilling and production sites in geological hazard and floodplain areas shall be anchored to the extent necessary to resist flotation, collapse, lateral movement or subsidence.

604. PRODUCTION FACILITIES.

a. Crude Oil Tanks

(1) Atmospheric tanks used for crude oil storage shall be built in accordance with the following standards as applicable:

(a) Underwriters Laboratories, Inc., No. UL-142, "Standard for Steel above ground Tanks for Flammable and Combustible Liquids"

(b) American Petroleum Institute Standard No. 650, "Welded Steel Tanks for Oil Storage"

(c) American Petroleum Institute Standard No. 12B, "Bolted Tanks for Storage of Production Liquids"

(d) American Petroleum Institute Standard No. 12D, "Field Welded Tanks for Storage of Production Liquids" or

(e) American Petroleum Institute Standard No. 12F, "Shop Welded Tanks for Storage of Production Liquids".

(2) Tanks shall be located at least 2 diameters or 350 feet, whichever is smaller, from the boundary of the property on which it is built. Where the property line is a public way the tanks shall be 2/3 of the diameter from the nearest side of the public way or easement.

(a) Tanks less than 3,000 barrels capacity shall be located at least 3 feet apart.

(b) Tanks 3,000 or more barrels capacity shall be located at least 1/6 the sum of the diameters apart. When the diameter of one tank is less than 1/2 the diameter of the adjacent tank, the tanks shall be located at least 1/2 the diameter of the smaller tank apart.

(3) Tanks shall be a minimum of 200 feet from residences,

normally occupied buildings, or well defined normally occupied outside areas.

(4) Berms shall be constructed around tanks, in the absence of remote impounding both methods shall enclose an area with sufficient volume to contain the entire contents of the largest tank in the enclosure. Berms shall be inspected at regular intervals and maintained in good condition. When a berm is provided around tanks no potential ignition sources shall be installed inside that area.

(5) Tanks shall be a minimum of 75 feet from a fired vessel or heater-treater.

(6) Tanks shall be a minimum of 50 feet from a separator, well test unit or other non-fired equipment.

(7) Tanks shall be a minimum of 75 feet from a compressor with a rating of 200 horsepower, or more.

(8) Tanks shall be a minimum of 75 feet from a wellhead.

(9) Gauge hatches on atmospheric tanks used for crude oil storage shall be closed at all times when not in use.

(10) Vent lines from individual tanks shall be joined and ultimate discharge shall be directed away from the loading racks and fired vessels in accord with API RP 12R-1.

b. Fired Vessel, Heater-Treater

(1) Fired vessels (FV) including heater-treaters (HT) shall be minimum of 50 feet from separators or well test units.

(2) FV-HT shall be a minimum of 50 feet from a lease automatic custody transfer unit (LACT).

(3) FV-HT shall be a minimum of 40 feet from a pump.

(4) FV-HT shall be a minimum of 75 feet from a well.

(5) FV-HT shall be a minimum of 200 feet from residences occupied buildings, or well defined normally occupied outside areas.

(6) Vents on pressure safety devices shall terminate in a manner so as not to endanger the public or adjoining facilities. They shall be designed so as to be clear and free of debris and water at all times.

c. Special Equipment

Under unusual circumstances special equipment may be required to protect public safety. The Director shall determine if such equipment should be employed to protect public safety and if so, require the operator to employ same. If the operator or the affected party does not concur with the action taken, the Director shall bring the matter before the Commission at public hearing.

(1) All wells located within 150 feet of a residence(s), normally occupied buildings, or well defined normally occupied outside area(s), shall be equipped with an automatic control valve that will shut the well in when a sudden change of pressure, either a rise or drop, occurs. Automatic control valves shall be designed so they fail safe.

(2) Pressure control valves required in (a) shall be activated by a secondary gas source supply, and shall be inspected at least every three (3) months to assure they are in good working order and the secondary gas supply has volume and pressure sufficient to activate the control valve.

(3) All pumps, pits, and producing facilities shall be adequately fenced to prevent access by unauthorized persons when the producing site or equipment is easily accessible to the public and poses a physical or health hazard.

(4) Sign(s) shall be posted at the boundary of the producing site where access exists, identifying the operator, lease name, location, and listing a phone number, including area code, where the operator may be reached at all times unless emergency numbers have been furnished to the county commission or it's designee.

d. Mechanical Conditions

All valves, pipes and fittings shall be securely fastened, inspected at regular intervals and maintained in good mechanical condition.

605. SEISMIC OPERATIONS

a. All explosives will be legally and safely stored and accounted for in magazines when not in use in accord with the Alcohol, Tobacco and Firearms Division of the Federal Department of the Treasury.

b. Blasting shall be kept a safe distance from an occupied building, well or spring, unless by special written

permission of the surface owner or lessee, according to the following minimum distances:

Up to 2 lbs. charge	200 feet
2 to 5 lbs. charge	300 feet
5 to 10 lbs. charge	600 feet
10 to 20 lbs. charge	1000 feet
over 21 lbs. charge	1320 feet

c. Unstable soils within road right-of-ways shall be avoided when in a saturated condition.

d. All shot holes shall be preplugged or anchored to prevent public access if not immediately shot.

606A. FIRE PREVENTION AND PROTECTION.

a. Gasoline-fueled engines shall be shut down during fueling operations if the fuel tank is an integral part of the engine.

b. Handling, connecting and transfer operations involving liquefied petroleum gas (LPG) shall conform to the requirements of the State Oil Inspector.

c. Flammable liquids storage areas within any building or shed shall:

(1) be adequately vented to the outside air;

(2) have two (2) unobstructed exits leading from the building in different directions if the building is in excess of 500 square feet.

(3) be maintained with due regard to fire potential with respect to housekeeping and materials storage;

(4) be identified as a hazard and appropriate warning signs posted;

d. Flammable liquids shall not be stored within fifty (50) feet of the wellbore, except for the fuel in the tanks of operating equipment or supply for injection pumps. Where terrain and location configuration do not permit maintaining this distance, equivalent safety measures should be taken.

e. Liquefied petroleum gas (LPG) tanks larger than 250 gallons and used for heating purposes, shall be placed as far as practical from and parallel to the adjacent side of the rig or wellbore as terrain and location configuration permit. Installation shall be consistent with provisions of NFPA 58, "Standards for the Storage and Handling of Liquid

Petroleum Gases".

f. Smoking shall be prohibited at or in the vicinity of operations which constitute a fire hazard and such locations shall be conspicuously posted with a sign, "No Smoking or Open Flame".

Matches and all smoking equipment may not be carried into "no smoking" areas.

g. No source of ignition shall be permitted in an area where smoking has been prohibited unless it is first determined to be safe to do so by the supervisor in charge or his designated representative.

h. Open fires, transformers, or other sources of ignition shall be permitted only in designated areas located at a safe distance from the wellhead or flammable liquid storage areas.

i. Only approved heaters for Class I Division 2 areas, as designated by API RB 500B, shall be permitted on or near the rig floor. The safety features of these heaters shall not be altered.

j. Combustible materials such as oily rags and waste shall be stored in covered metal containers.

k. Material used for cleaning shall have a flash point of not less than 100° F. For limited special purposes, a lower flash point cleaner may be used when it is specifically required and should be handled with extreme care.

l. Firefighting equipment shall not be tampered with and shall not be removed for other than fire protection and firefighting purposes and services. A firefighting water system may be used for wash down and other utility purposes so long as its firefighting capability is not compromised. After use, water systems must be properly drained or properly protected from freezing.

m. An adequate amount of fire extinguishers and other firefighting equipment shall be suitably located, readily accessible, and plainly labeled as to their type and method of operation.

n. Fire protection equipment shall be periodically inspected and maintained in good operating condition at all times.

o. Firefighting equipment shall be readily available

near all welding operations. When welding, cutting or other hot work is performed in locations where other than a minor fire might develop, a person shall be designated as a fire watch. The area surrounding the work shall be inspected at least one (1) hour after the hot work is completed.

p. Portable fire extinguishers shall be tagged showing the date of last inspection, maintenance or recharge. Inspection and maintenance procedures shall comply with the latest edition of the National Fire Protection Association's publication NFPA 10.

q. Personnel shall be familiarized with the location of fire control equipment such as drilling fluid guns, water hoses and fire extinguishers and trained in the use of such equipment. They shall also be familiar with the procedure for requesting emergency assistance as terrain and location configuration permit. Installation shall be consistent with provisions of NFPA 58, "Standards for the Storage and Handling of Liquefied Petroleum Gases".

606B. AIR AND GAS DRILLING

a. Drilling compressors (air or gas) shall be located at least one hundred twenty five (125) feet from the wellbore and in a direction away from the air or gas discharge line.

b. The air or gas discharge line shall be laid in as nearly as a straight line as possible from the wellbore and be a minimum of one hundred fifty (150) feet in length. The line shall be securely anchored.

c. A pilot flame shall be maintained at the end of the air or gas discharge line at all times when air, gas, mist drilling, or well testing is in progress.

d. All combustible material shall be kept at least one hundred (100) feet away from the air and gas discharge line and burn pit.

e. The air line from the compressors to the standpipe shall be of adequate strength to withstand at least the maximum discharge pressure of the compressors used, and shall be checked daily for any evidence of damage or weakness.

f. Smoking shall not be allowed within seventy-five (75) feet of the air and gas discharge line and burn pit.

g. All operations associated with the drilling, completion or production of a well shall be subject to the Colorado Air Quality Control Act, Section 25-7-101, C.R.S.

ENVIRONMENTAL RESPONSE FUND

701. INTRODUCTION

The rules and regulations in this section pertain to the establishment of the Environmental Response Fund as authorized by House Bill 90-1232 and 34-60-124 C.R.S., 1973 as amended.

702. GENERAL

There is established within the Oil and Gas Conservation Commission an Environmental Response Fund to be used to mitigate adverse environmental impacts resulting from the drilling, operation, or production of oil and gas from wells which have been abandoned or plugged and abandoned.

703. SURCHARGE

The surcharge for the Environmental Response Fund shall be fixed at two-tenths of one mill on the dollar commencing July 1, 1990, with the surcharge applied to the market value at the well of all oil and natural gas produced, saved, and sold or transported from the field where produced in this state.

AESTHETIC AND NOISE CONTROL REGULATIONS

801. INTRODUCTION

The rules and regulations in this section are promulgated to control aesthetics and noise impacts during the drilling, completion and operation of oil and gas wells and production facilities. Any Colorado county, home rule or statutory city, town, territorial charter city or city and county may, by application to the Commission, seek a determination that the rules and regulations in this section, or any individual rule or regulation, shall not apply to oil and gas activities occurring within the boundaries, or any part thereof, of any Colorado county, home rule or statutory city, town, territorial charter city or city and county, such determination to be based upon a showing by any Colorado county, home rule or statutory city, town, territorial charter city or city and county that, because of conditions existing therein, the enforcement of these rules and regulations is not necessary within the boundaries of any Colorado county, home rule or statutory city, town, territorial charter city or city and county for the protection of public health, safety and welfare.

802. GENERAL

a. In order to minimize the amount and type of future reclamation, restoration and other disturbances to existing drainage patterns, drilling sites shall be constructed, production sites shall be located and constructed, and access roads shall be located and constructed so as to avoid unnecessary removal of trees, alteration of other natural features, and removal of excessive amounts of surface materials.

b. Existing roads shall be used to the greatest extent practicable in order to minimize the land areas devoted to the oil and gas drilling or production site. Where feasible and practicable, roads shall be routed to compliment other land usage.

c. In locating roads and production sites and facilities, the operator shall consult with the local governmental designee or the county or municipal corporation within whose boundaries the activity is occurring or proposed to occur, surface owner and surface tenant.

803. NOISE ABATEMENT

a. Any equipment used in the drilling, completion or production of a well shall comply with Section 25-12-103, C.R.S. (Maximum Permissible Noise Levels). Any operation involving the use of a drilling rig, workover rig, or fracing, is subject to the Maximum Permissible Noise Levels in Section 25-12-103(5), C.R.S. All other operations shall

comply with the maximum permissible noise levels established by statute if any for the particular land use existing in the zone in which the operation occurs. The Commission in its discretion may grant relief from these noise level requirements upon a showing of undue hardship.

b. Exhaust from all engines, motors, coolers and other mechanized equipment shall be vented in a direction away from all occupied buildings to the extent practicable.

c. In high density areas all facilities within four (400) hundred feet of occupied buildings with engines or motors which are not electrically operated shall be equipped with quiet design mufflers or equivalent. All mufflers shall be properly installed and maintained in proper working order.

804. LIGHTING

To the extent practicable, site lighting shall be directed downward and internally so as to avoid glare on public roads and occupied buildings within seven (700) hundred feet.

805. VISUAL IMPACT MITIGATION

Production facilities constructed or substantially repainted after May 30, 1992 which are observable from any public highway shall be painted with uniform, non-contrasting, non-reflective color tones, (similar to the Munsell Soil Color Coding System) and with colors matched to but slightly darker than the surrounding landscape.