

Statement of Basis, Specific Statutory Authority, and Purpose

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

September 30, 2009

Basis and Statutory Authority

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

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

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

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

Purpose

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

Background

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

COLORADO OIL AND GAS CONSERVATION COMMISSION
ADOPTED: