

BEFORE THE OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

IN THE MATTER OF CHANGES TO THE ) CAUSE NO. 1R  
RULES AND REGULATIONS OF THE OIL )  
AND GAS CONSERVATION COMMISSION ) DOCKET NO. 0803-RM-01  
OF THE STATE OF COLORADO )

NOTICE OF RULE-MAKING HEARING

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

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

**328. MEASUREMENT OF OIL**

THE VOLUME OF ALL OIL PRODUCED FROM A LEASE OR A PRODUCTION UNIT SHALL BE MEASURED AND RECORDED PRIOR TO REMOVAL FROM THE LEASE OR PRODUCTION UNIT. 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 ( $\frac{1}{4}$ ) inch of one hundred percent (100%) capacity tables, subject to the following corrections: IN ITEMS A, B, AND C BELOW. THIS RULE SHALL BE USED CONSISTENTLY WITH STANDARDS ESTABLISHED BY THE AMERICAN SOCIETY FOR TESTING AND MATERIALS (ASTM), THE AMERICAN PETROLEUM INSTITUTE (API), THE AMERICAN GAS ASSOCIATION (AGA), THE GAS PROCESSORS ASSOCIATION (GPA), OR OTHER APPLICABLE STANDARDS-SETTING ORGANIZATIONS, AND PURSUANT TO CONTRACTUAL RIGHTS OR OBLIGATIONS.

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 sixty degrees fahrenheit (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 sixty degrees fahrenheit

(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.

**D. TANK GAUGING.** MEASUREMENT BY TANK GAUGING SHALL BE COMPLETED IN ACCORDANCE WITH CURRENT INDUSTRY STANDARDS, INCLUDING, BUT NOT LIMITED TO, THE API CH. 3 GAUGING OF TANKS AND THE API CH. 18.1, MEASURE PROCEDURES FOR CRUDE OIL GATHERED FROM SMALL TANKS BY TRUCK.

**E. METERING STATION.** MEASUREMENT SHALL BE COMPLETED IN ACCORDANCE WITH CURRENT INDUSTRY STANDARDS, INCLUDING, BUT NOT LIMITED TO THE API CH. 4 PROVING SYSTEMS, API CH. 5 METERING, API CH. 7 TEMPERATURE DETERMINATION, API CH. 8 SAMPLING, AND THE API CH. 12, CALCULATION OF QUANTITIES.

**F. LACT METERS.** MEASUREMENT UTILIZING LACT UNITS SHALL BE IN ACCORDANCE WITH CURRENT INDUSTRY SPECIFICATIONS OR STANDARDS, INCLUDING, BUT NOT LIMITED TO, THE API SPEC. 11N.

**G. SALES RECONCILIATION.** THE VOLUME OF OIL MEASURED AND RECORDED PRIOR TO LEAVING THE LEASE OR PRODUCTION UNIT BOUNDARY AND CORRECTED FOR TEMPERATURE, IMPURITIES, AND OTHER SPECIFICATIONS AS SHOWN ABOVE SHALL BE CONSIDERED THE FINAL SALES VOLUME UNLESS A SPECIFIC AGREEMENT WITH THE MINERAL OWNER OR MINERAL OWNERS ALLOWS ALLOCATION OF OIL VOLUMES BY SOME OTHER METHOD. ANY MEASUREMENT METHODS USED FOR SALES RECONCILIATION BACK TO THE WELLHEAD METER SHALL BE DONE IN ACCORDANCE WITH CURRENT INDUSTRY STANDARDS, INCLUDING, BUT NOT LIMITED TO, THE API CH. 20.1, ALLOCATION MEASUREMENT.

### **329. MEASUREMENT OF GAS**

THE VOLUME OF ALL GAS PRODUCED FROM A LEASE OR A PRODUCTION UNIT SHALL BE MEASURED AND RECORDED PRIOR TO REMOVAL FROM THE LEASE OR PRODUCTION UNIT. 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 fourteen point seventy-three (14.73) psia, regardless of atmospheric pressure at the point of measurement, and the standard temperature base shall be sixty degrees fahrenheit (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. THIS RULE SHALL BE USED CONSISTENTLY WITH STANDARDS ESTABLISHED BY THE AMERICAN SOCIETY FOR TESTING AND MATERIALS (ASTM), THE AMERICAN PETROLEUM INSTITUTE (API), THE AMERICAN GAS ASSOCIATION (AGA), THE GAS PROCESSORS ASSOCIATION (GPA), OR OTHER APPLICABLE STANDARDS-SETTING ORGANIZATIONS, AND PURSUANT TO CONTRACTUAL RIGHTS OR OBLIGATIONS.

**A. METERING STATION.** INSTALLATION AND OPERATION OF GAS MEASUREMENT STATIONS SHALL BE IN ACCORDANCE WITH CURRENT INDUSTRY STANDARDS, INCLUDING, BUT NOT LIMITED TO, THE API CH. 14.3, ORIFICE MEASUREMENT; API CH. 21.1, ELECTRONIC MEASUREMENT (GAS); AGA REPORT #7, TURBINE MEASUREMENT; AGA REPORT #9, ULTRASONIC MEASUREMENT; AND AGA REPORT #11, CORIOLIS MEASUREMENT.

**B. METERING EQUIPMENT.** THE DEVICES USED TO MEASURE THE DIFFERENTIAL, LINE PRESSURE, AND TEMPERATURE SHALL HAVE ACCEPTED ACCURACY RATINGS ESTABLISHED IN CURRENT INDUSTRY STANDARDS, INCLUDING, BUT NOT LIMITED TO THE API CH. 22, TESTING PROTOCOL STANDARDS.

**C. METER CALIBRATION.** METERS SHALL BE CALIBRATED ANNUALLY UNLESS MORE FREQUENT CALIBRATION IS REQUIRED BY CONTRACTUAL OBLIGATIONS OR BY THE DIRECTOR. CALIBRATION REPORTS SHALL BE CREATED, MAINTAINED, AND MADE AVAILABLE AS OPERATION RECORDS PURSUANT TO RULE 205.

**D. GAS QUALITY.** THE HEATING VALUE OF PRODUCED NATURAL GAS SHALL BE REPRESENTATIVE OF THE FLOWING GAS STREAM AS DETERMINED BY CHROMATOGRAPHIC ANALYSIS SAMPLED PRIOR TO VOLUME MEASUREMENT AT THE LEASE OR UNIT BOUNDARY AND REPORTED APPROPRIATELY ON FORM 7. GAS SAMPLING, GAS CHROMATOGRAPHY, AND THE RESULTING ANALYSIS DATA SHALL BE IN ACCORDANCE WITH CURRENT INDUSTRY STANDARDS, INCLUDING, BUT NOT LIMITED TO, THE API CH. 14.1, GAS SAMPLING; GPA 2166, GAS SAMPLING; GPA 2261, GAS ANALYSIS; GPA 2286, EXTENDED ANALYSIS; GPA 2145, GAS PHYSICAL PROPERTIES; AND GPA 2172, GAS HEATING VALUE.

**E. SALES RECONCILIATION.** THE VOLUME OF NATURAL GAS MEASURED AND RECORDED BY THE FINAL SALES METER AT THE LEASE OR UNIT BOUNDARY AND CORRECTED FOR TEMPERATURE, PRESSURE, AND OTHER

SPECIFICATIONS AS SHOWN ABOVE SHALL BE CONSIDERED THE FINAL SALES VOLUME UNLESS A WRITTEN AGREEMENT WITH THE MINERAL OWNER OR MINERAL OWNERS SPECIFICALLY ALLOWS ALLOCATION OF GAS VOLUMES BY SOME OTHER METHOD. ANY MEASUREMENT METHODS USED FOR SALES RECONCILIATION BACK TO THE WELLHEAD METER SHALL BE DONE IN ACCORDANCE WITH CURRENT INDUSTRY STANDARDS, INCLUDING, BUT NOT LIMITED TO, THE API CH. 20.1.

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

Date: Monday, March 31, 2008  
Tuesday, April 1, 2008

Time: 9:00 a.m.

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

Copies of the current Rules and Regulations are available at the office of the Oil and Gas Conservation Commission, 1120 Lincoln Street, Suite 801, Denver, Colorado 80203, for \$10.00 or by mail upon the receipt of a check or money order for \$15.00, at the same address. The Rules and Regulations are also available on the Commission Internet homepage at <http://www.oil-gas.state.co.us>.

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

Written comments on the proposed rule change to be considered are requested to be submitted by March 17, 2008 for more complete consideration by the Commission. Opportunity for testimony from any interested party will be provided at the hearing, however the time in which to present testimony may be limited and parties sharing similar viewpoints are requested to appoint a spokesperson to present their testimony at the hearing.

IN THE NAME OF THE STATE OF COLORADO

OIL AND GAS CONSERVATION COMMISSION

OF THE STATE OF COLORADO

By \_\_\_\_\_  
Patricia C. Beaver, Secretary

Dated at Suite 801  
1120 Lincoln Street  
Denver, Colorado, 80203  
February 29, 2008

Submit comments to:  
Colorado Oil and Gas Conservation Commission  
Attn: P. C. Beaver, Docket No. 0803-RM-01  
1120 Lincoln Street, Suite 801  
Denver, CO 80203

## **Exhibit A**

### **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**

**March 5, 2008**

#### **Basis**

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(4), 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 will be 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. The rules shall be consistent with standards established by the American Society for Testing and Materials, the American Petroleum Institute, the Gas Processors Association, or other applicable standards-setting organizations, and shall not affect contractual rights or obligations.”

The new rules will be added to the 300 series of COGCC rules, 2 CCR 404-1, which deal with drilling, development, producing, and abandonment. There are two rules that are proposed to meet the legislative mandate: Rule 328., Measurement of Oil and Rule 329., Measurement of Gas.

#### **Purpose**

The purpose of these rules is to comply with § 34-60-106(11)(b)(II), C.R.S. The General Assembly decided that it is in Colorado’s best interest to ensure that oil and gas is measured in a consistent manner, ensuring that royalty owners have a consistent system in place for calculating the amount due to them.

These rules clarify the location where volume measurements and heating value measurements are taken, how often gas meters are calibrated, the technical standards for meter calibration, time periods for the retention of calibration records, and when sales allocation methods may be used. These technical requirements were recommended to standardize the location and methods of gas and oil measurement which are not currently addressed in COGCC rules.

The decision to include language in the rules that says the rules are to be used consistently with contractual rights and obligations is because § 34-60-106(11)(b)(II), C.R.S., states that the rules “shall not affect contractual rights or obligations.” The language in the rules is not intended to imply that the COGCC will interpret private contracts. Rather, it is intended to clarify that the new rules are only to be used as a default and can be trumped by private contracts.

## **Background**

The COGCC initiated a stakeholder process in late 2007 for the development of language pertaining to the new rules required by HB 07-1180. Draft language of the new rules were developed, shared, discussed, reviewed, and edited as part of the stakeholder process.

COLORADO OIL AND GAS CONSERVATION COMMISSION  
ADOPTED: