



PROCEDURES FOR PERMITTING AN OIL OR COMMERCIAL GAS WELL IN MISSOURI

Requirements as of 1/1/2008

Missouri Department of Natural Resources
Division of Geology and Land Survey
Geological Survey Program
<http://www.dnr.mo.gov/geology/geosrv/ogc/>

Thank you for your interest in utilizing Missouri's oil and gas resources. This informational has been prepared as a guide to facilitate the permitting of an oil or commercial gas well. Please remember the Rules and Regulations of the State Oil and Gas Council (Council) are the ultimate authority in regards to permitting oil and gas wells. These regulations may be viewed on the internet at the following address: <http://www.dnr.mo.gov/geology/geosrv/oilrules.htm>. Specific questions can be answered by calling the Geological Survey Program (GSP) at 573-368-2143 or by writing to:

Missouri Department of Natural Resources
Division of Geology and Land Survey
Geological Survey Program
P.O. Box 250
Rolla, MO 65402-0250.

This document describes the forms that are required to be submitted prior to actual drilling and production of a commercial oil or gas well. Forms related to the well bonding (OGC-2, 2A, or 2B), permit application (OGC-3), and intent to abandon (OGC-6) are required to be submitted in duplicate. One copy of the remaining forms may be submitted. Failure to submit forms required for permitting (OGC-1 through OGC-4) in a timely fashion will result in the delayed issuance of a permit. Failure to submit well completion report (OGC-5) within 30 days of the completion of the well or monthly reporting forms (OGC-9 and OGC-10) within 30 days of the end of the month will result in an issuance of a Notice of Violation (NOV) for failure to comply with Council regulations.

INITIAL CONSIDERATIONS:

The first step when considering drilling a commercial well is to determine the drilling and spacing units and distances to boundaries in your area. Some areas of the state have exemptions to the minimum drilling and spacing units and distance outlined in the regulations of the Council. Contact GSP to determine if there are exemptions in your area. In lieu of exemptions by the Council, the minimum requirements apply and are as follows:

For commercial gas wells, the default requirements are:

- The unit will be established as a governmental section tract containing approximately 640 acres.
- No more than one well may be drilled per unit.
- Wells greater than 1500 feet in depth may not be drilled closer than 2200 feet to the unit boundary. Wells less than 1500 feet in depth may not be drilled closer than 234 feet to the unit boundary.
- The well may not be drilled closer than 4500 feet to the nearest well producing from the same horizon.
- No well may be drilled in a governmental section containing less than 600 acres.

For oil wells, the default requirements are:

- The unit will be established as $\frac{1}{4}$ of $\frac{1}{4}$ of a governmental section tract containing approximately 40 acres.
- No more than one well may be drilled per unit.
- Wells greater than 1200 feet in depth may not be drilled closer than 500 feet to the unit boundary. Wells less than 1200 feet in depth may not be drilled closer than 165 feet to the unit boundary.

- The well may not be drilled closer than 1000 feet to the nearest well producing from the same horizon.
- No well may be drilled in a ¼ of ¼ of a governmental section tract containing less than 36 acres.

Any exemption to these default regulations that have not previously been made must be petitioned to the Council.

FORMS TO BE SUBMITTED PRIOR TO (OR ALONG WITH) THE PERMIT APPLICATION:

- OGC-1, Organization Report: This form identifies the person or company that will operate the gas well. This form must be filled out, notarized, and submitted to GSP.
- OGC-2, Surety Bond; OGC-2A, Personal Bond by Certificate of Deposit; or OGC-2B, Personal Bond by Letter of Credit: One of these forms must be used and accompanied with the appropriate bond amount required for the oil or gas well and submitted in duplicate.

A bond must be in place on each well prior to drilling. This bond is for the life of the well. When the well is properly plugged, permit cancelled, well converted to a water well, or ownership is transferred and a replacement bond is put in place, the bond will be returned upon written request.

Well bond amounts are determined based on the proposed total depth of the well. If the final depth of the well is greater than the proposed total depth, then an additional bond may be required to cover the well. For oil/gas wells, there are single well bonds or blanket well bonds. Both types increase in dollar value based upon the depth of the well(s). A single well bond amount of \$1000 is required for wells less than 501 feet in depth. The bond increases for deeper wells. The blanket bonds are often submitted in place of single well bond by large companies that will be drilling multiple wells at a particular location. No more than 50 wells less than 800 feet in depth may be drilled for a bond amount of \$20,000 under a blanket bond. A list of the single and blanket well bond amounts is located on page 2 of the following web link: <http://www.sos.mo.gov/adrules/csr/current/10csr/10c50-2.pdf>

A well bond may be through a surety bond company, a Letter of Credit, or a Certificate of Deposit (CD).

If an oil/gas well is bonded by a CD the following rules apply.

1. Each CD must be payable to the Council or the company/individual (obligor) securing bonding. Both the Council name and the name of the company representative/individual must appear with the word “or” between the names.
Example: The CD is payable to the “State Oil and Gas Council or John Smith”
2. The original CD must be delivered or sent to:

Missouri Department of Natural Resources
 Division of Geology and Land Survey
 Geological Survey Program
 P.O. Box 250

Rolla, MO 65402.

It is advisable to send the CD registered return receipt, to verify its receipt by GSP.

3. The CD must be automatically renewable.
4. Interest on the CD may be payable to the obligor (person or company obtaining the CD).
5. The issuing bank must be protected by the Federal Deposit Insurance Corporation (F.D.I.C.).
6. Form OGC-2A must accompany each CD.
7. The bond form must be signed by the obligor, notarized, and submitted in duplicate.

FORMS TO BE SUBMITTED AS PART OF THE PERMIT APPLICATION:

- OGC-3, Application for Permit to Drill, Deepen, or Plug Back: This form is the application to drill a well and must be submitted in duplicate. It should be filled out by the driller or with the driller's assistance. The form requires the proposed depth of the well, its location, and the proposed casing to be used in the well. Since drilling a well DOES NOT guarantee oil or gas will be found, it is recommended that the casing program be designed to meet Missouri Well Construction Rules. This would facilitate conversion of the well to a water well if sufficient oil/gas is not found and a sufficient water supply is.
- OGC-4, Well Location Plat: This form provides an accurate location of the proposed well and must accompany the permit application. A professional land surveyor or hand held global positioning system unit may be utilized to determine the geographic location of the proposed well.

When received by GSP and all applicable regulations are met, the OGC-3 form will be dated, signed, and given a permit number. The returned copy is the approved permit. Regulations require that the driller sign the bottom portion of the approved permit prior to drilling a well for oil or gas. The regulations of the Council stipulate the department must approve or deny permits within 15 days of receipt. The permit to drill is valid for 180 day from date of issuance. If requested in writing, an extension of 180 days may be granted to drill the well. This may be repeated for a maximum of two years. If the well is not drilled or an extension request received within the stated timeframe, the permit becomes null and void. If the permit is denied, an appeal may be made to the Council through GSP within 30 days of the denial.

FORMS TO BE SUBMITTED AFTER THE WELL IS DRILLED:

- OGC-5, Completion Report: This form details how the well was actually completed. State regulations require that this form be submitted within 30 days of drilling the well. The Completion Report should be filled out with the driller's help.
- OGC-9, Monthly Well Status and Production Report: This report is submitted monthly and records the amount of oil/gas and water produced from the well(s). The average price per barrel or million cubic feet of gas produced in dollars is also reported on this form. This form is due within 30 days of the end of the previous month.

- OGC-10, Monthly Report of Disposal of Produced Water: This monthly report details the amount of water, type of water, and method used to disposed of produced water for a particular month. This form is due within 30 days of the end of the previous month.

The above forms must be submitted to GSP according to the timeframe specified. Failure to adhere to the due date will result in the issuance of a NOV.

FORMS TO BE SUBMITTED IF THE WELL IS NOT DRILLED OR DOES NOT PRODUCE USABLE AMOUNTS OF OIL/GAS:

- OGC Misc. Form 2, Notice to Cancel Permit Application: In the event a well is not drilled, this form should be completed and submitted to GSP. This informs the state that the well was not, and will not, be drilled. Submission of this form removes the plugging liability for this proposed well. The bond for this well may then be returned when this form has been submitted and a request made in writing.
- OGC-6, Notice of Intent to Abandon: In the event the well is drilled, does not produce useable quantities of oil/gas, and the landowner does not want to utilize the well as a water well, the well must be plugged. This form is to be submitted in duplicate prior to the plugging of a well that has been permitted for oil or gas and details the proposed method of plugging. The plugging of the well may not begin until approval from GSP has been granted.

In lieu of this form and GSP notification and approval, the well may be plugged from total depth to surface with cement slurry no less than 16 lbs. per gallon density. Only form OGC-7 need be completed in these instances and must be submitted to GSP within 48 hours of the plugging completion.

- OGC-7, Plugging Record: This form details the plugging of an oil and gas well. It must be submitted within 30 days of plugging a well when used in conjunction with form OGC-6. If the well is plugged full length with cement slurry without notifying GSP, this form must be submitted within 48 hours. Upon the receipt of this form and a written request for bond release by GSP, the bond held for the well may be returned.
- OGC-8, Conversion Agreement: This form is to be submitted in the event oil or gas is not found or in insufficient quantity and the landowner would like to convert the well to water well. This conversion will be approved only if Missouri Well Construction Rules are met for casing and grouting of the well. A Water Well Certification form must be submitted to the Wellhead Protection Section along with the appropriate certification fee (\$35 as of 1/1/2008). A certification number will be issued for the well indicating it meets minimum state standards for water well construction. Upon approval of conversion of the well, submission of the appropriate forms, and a request made in writing, the bond held for the well may be released.

OTHER CONSIDERATIONS:

Injection Wells:

In addition to the actual permitting process, there are additional considerations prior to drilling a commercial oil or gas well. Water is often produced with oil and gas. This produced water is usually of poor quality. Disposal methods for this water must be considered. Some types of disposal methods may need to be permitted as injection wells under the Underground Injection Control (UIC) Program which is administered by GSP. This could result in added expense that may not have been considered. Please review “Procedures for Permitting an Injection Well in Missouri” and/or contact the GSP for help in determining how to permit an injection well.

Special Projects and Research Projects:

The regulations of the Council have made it possible to conduct special research projects. This includes new technologies developed to increase the recovery of heavy oil or oil shales as well as increased secondary and tertiary recovery projects. A project report specifying all pertinent details of the proposed project must be submitted to GSP for approval. Further details for these projects are outlined in 10 CSR 50-2.110 of the Council regulations.

Gas Storage Injection Well:

Wells drilled for the sole purpose of gas storage are exempt from spacing and reporting requirements. However, they may not be drilled within 330 feet of a lease line without approval from GSP. All other injection well regulations of the Council apply to gas storage wells.