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

IN THE MATTER OF CHANGES TO THE RULES OF PRACTICE AND PROCEDURE OF THE OIL & GAS CONSERVATION COMMISSION OF THE STATE OF COLORADO	))))	Cause No. 1R DOCKET NO. **1211-RM-03**

SHELL OIL COMPANY'S ALTERNATIVE PROPOSED RULE

Shell Oil Company (Shell), by and through the undersigned counsel, and pursuant to the Notice of Rulemaking Hearing issued by the Colorado Oil and Gas Conservation Commission (COGCC) on October 15, 2012, hereby submits its Proposed Statement of Basis and Purpose in the above-captioned matter, attached hereto.

Submitted this 9th day of November, 2012.

SHELL OIL COMPANY

By:_____

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CERTIFICATE OF SERVICE

I hereby certify that on November 9, 2012, **THE STATEMENT OF BASIS AND PURPOSE OF SHELL OIL COMAPNY** was filed electronically at:

DNR_cogcc.rulemaking@state.co.us

With an additional electronic copy to:

Robert.Frick@state.co.us

In addition, on November 13, 2012, hard copies will be delivered, as follows:

Original and 13 copies:
Robert Frick, Hearings Manager
Docket No. 1211-RM-04
Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, CO 80203

VIA COURIER SERVICE

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VIA COURIER SERVICE

DEPARTMENT OF NATURAL RESOURCES

OIL AND GAS CONSERVATION COMMISSION

AMENDMENTS TO 600 SERIES (SAFETY REGULATIONS)

Statement of Basis, Specific Statutory Authority, and Purpose

New Rules of the Colorado Oil and Gas Conservation Commission, Amending 600 Series (Safety Regulations).

This statement sets forth the basis, specific statutory authority, and purpose for the new promulgated by the Colorado Oil and Gas Conservation Commission ("Commission" or "COGCC").

In adopting the new rules and amendments, the Commission relied upon the entire administrative record for this rulemaking proceeding, which formally began in the fall of 2012. The administrative record includes the proposed rules and recommended modifications and alternatives; public comments, testimony, and exhibits; and one day of public and party hearings.

Statutory Authority

The new rules and amendments are based on: 1) general Commission jurisdiction and rulemaking authority granted in section 34-60-105 (1) C.R.S; and 2) specific statutory authority of sections 34-60-106(2), 34-60-106(4) and 34-60-106(10) C.R.S. The Commission adopted the following statement of basis and purpose consistent with section 24-4-103(4), C.R.S., of the Administrative Procedure Act. This statement is incorporated by reference in the rules adopted. The rulemaking hearing for these new rules and amendments was held by the Commission on November 14, 2012. These amendments become effective twenty days after publication in the *Colorado Register.*

Basis and Purpose

INTRODUCTION

A major reason for adopting the new rules and amendments was to address concerns regarding the impact of drilling, completion, treatment and production of oil and gas wells on Colorado's groundwater resources. Members of the public and industry have expressed interest in compiling initial baseline data and post-completion data to better understand any such impacts. Many oil and gas operators are currently compiling and publishing such data through the voluntary program crafted by the Colorado Oil and Gas Association.

The Commission Staff believes a mandatory, state-wide sampling and testing regime will enhance understanding of the impacts of oil and gas activity on groundwater resources and how to avoid, minimize and mitigate any such impacts. The new rules will significantly increase the public's confidence that oil and gas activity is being conducted safely and with maximum protection of groundwater.

The new rules reflect staff discussions with those intergovernmental organizations, as well as other states, industry associations, individual operators, and conservation groups. The Commission believes the proposed new rules and amendments strike a responsible balance of these interests.

The following discussion summarizes the new rules and amendments and explains their purpose.

IDENTIFICATION AND EXPLANATION OF AMENDMENTS

The new rules and amendments make substantive amendments and additions to the Rules and Regulations of the Colorado Oil and Gas Conservation Commission, 2 CCR 404-1 ("Commission Rules"). The general authority for adoption of these rules is set out in the Statutory Authority section set forth above and is generally applicable to all the new rules and amendments. The most specific authority and a summary of the purpose for each rule change are set forth below. References to particular factors or testimony are intended to be illustrative and not comprehensive.

600 Series (Safety Regulations)

The Commission has adopted a new rule, Rule 609, Statewide Groundwater Baseline Testing and Monitoring.

Basis: The statutory basis for this new rule is § 34-60-106 (2)(d) C.R.S.

Purpose: The purpose of this new rule is to create a statewide regime for the baseline testing and post-completion monitoring of water sources near oil and gas wells in Colorado. Under the new rule, operators will be required to sample groundwater sources near oil and gas wells both prior to drilling and after completion and to test such samples in order to detect changes in the presence and concentration of certain constituents in the groundwater.