

How to Submit a Complete Oil or Gas Permit Application – OG -10 - to the Illinois Department of Natural Resources

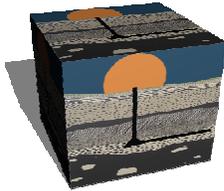
March 2014

1



<http://www.dnr.illinois.gov>

This presentation will be posted on the IDNR Office of Oil & Gas Resource Management website.



<http://www.dnr.illinois.gov/OILANDGAS/Pages/Hydraulicfracturing.aspx>

2

Outline

- **Intro new OG-10:** Sections I, II, III
- **Completeness/Permit Blocks**
- **Questions 1 – 28: Yes or No**
- **Other Issues: Leases, Formation**
- **Directions, Administrative Rules**
- **Consult Others if necessary**

3

Introducing the OG - 10

- Well Location the same look
- 21 yes/no questions . . .
- Along the left hand column
- Followed by Applicant info.
- And important signature!
- Easy, if you follow the ad rules
- Check your work.

7

Completeness

- OG-10 completely filled out, signed properly, and submitted with all attachments
- An incomplete OG-10 will not be processed, and will cause great delay in applicant's ability to obtain permit
- Failure to provide any missing information w/in 60 days of notification means that ". . . the application be deemed denied . . ."
- 62 Ill. Adm. Code 240.210(c).

8

Completeness

- This PowerPoint Presentation is designed to help Operators, Applicants, Permittees submit "complete" applications.
- Excellent Instructions: Fill in all Blanks that apply and answer all questions.
- Fill in all blanks that apply and answer all questions.
- Then be sure to attach, enclose all appropriate documents, maps, and check.

9

OG-10 Questions

- What will the well be used for?
- **NOTE:** that if it is for gas storage, observation, or a service well, there are addl. requirements that are not covered here. You will need to consult the administrative rules (62 Ill. Adm. Code 240.), or your lawyer, geologist, petroleum engineer, or environmental consultant for help on those applications.

10

OG-10 Questions

- Questions 1 – 13: 62 Ill. Adm. Code 240.220
- #1: What is the Well Name and Number?
- Is it a new well, or did a permit already exist for that location (CONVERSION, DEEPENING, DRILLED OUT PLUGGED HOLE (DOPH), RENEWAL)?

11

OG-10 Questions

- #1 (cont'd)
- If permit already existed what was the previous name, permit #, & reference #?
- If a permit was already issued for that location:
 - Reference # will remain the same on new permit;
 - Permit # will change

12

OG-10 Questions

- 62 Ill. Adm. Code 240.220
- #2: Location of the Well
 - Surface elevation (used to calculate surface casing requirement)
 - Written description of location
 - Latitude and Longitude (degrees/decimal degrees to 6 places): must be a field measurement

13

OG-10 Questions

- 62 Ill. Adm. Code 240.220
- #3: Map outline of lease & spot well location
- Attach a separate map if necessary
- This should be done by registered Illinois Land Surveyor, or Registered Illinois Professional Engineer – more accuracy, saves permit reviewer time; and they must certify location of well
- Before submitting OG-10, applicant should check written location matches well plot and plot matches Latitude and Longitude:
<http://maps.isgs.illinois.edu/iloil/>

14

OG-10 Questions

- 62 Ill. Adm. Code 240.220
- #4: Did you attach/include recorded, file stamped copies of leases, assignments showing 100% right to drill, operate?
 - Must have Recorder’s stamp from County on document(s) where well/drilling unit located
 - Lease/Assignment must show permittee as lessee or assignee, or you can supply an operating agreement

15

OG-10 Questions

- #4: (cont'd)
 - ENTIRE drilling unit must be included in lease description
 - If multiple leases being pooled to form drilling unit (even if part of a single assignment), must provide documentation of right to pool
 - Plot of lease (#3) relative to drilling unit/well location important if legal description or exceptions are complex
 - Lease/Assignment checked for formation/depth restrictions

16

OG-10 Questions

- 62 Ill. Adm. Code 240.220
- #5: Is the well site in a city, town, village? Did you get official consent? Document it.
- #6: You are probably using a Drilling Contractor – yes?
 - Who? Name/Address
 - What type of tools? Rotary/Cable/Air
 - This info is listed on permit when issued

17

OG-10 Questions

- 62 Ill. Adm. Code 240.220
- #7: Is the well located over an active mine, temporarily abandoned mine, or w/in undeveloped limits of a mine? If yes, go to 62 Ill. Adm. Code 240.1305 for compliance.
 - Potential starting points for making determination:
 - IDNR website: <http://geoserver.dnr.illinois.gov/mines/Default.aspx>
 - ISGS website: <http://www.isgs.illinois.edu/?q=ilmines>
 - If yes, an agreement w/ the mine owner must be signed by both parties & a map/sketch is required.

18

OG-10 Questions

- #7: (cont'd)
 - If yes, but no agreement is reached, must provide map/sketch and document that a complete copy of permit appl. was sent to mine owner
- #8: Is the well located where the coal rights are owned by someone other than the oil & gas lessors? If yes, go to 62 Ill. Adm. Code 240.1305 for compliance.
 - Document that notice of proposed well location plus depth/formation was sent to coal owner by registered mail—return receipt requested

19

OG-10 Questions

- #9: Is this for a newly drilled well located over an underground gas storage field, or located over gas storage rights owned by someone other than the oil & gas lessor(s)?
- If yes, go to 62 Ill. Adm. Code 240.1820 to establish compliance.
 - Agreement between applicant and gas storage operator
 - If no agreement can be reached, applicant shall notify gas storage operator of location/depth of well by certified mail, return receipt requested

20

OG-10 Questions

- 62 Ill. Adm. Code 240.220
- #10: What is the proposed depth of the well?
 - Depth will be listed on permit when issued
- #11: What is the lowest geological formation to be tested?
 - Important information to determine compliance with Spacing of Wells (62 Ill. Adm. Code Part 240, Subpart D)
 - Issue referenced again later in the presentation

21

OG-10 Questions

- #12: Have you ever had your bond forfeited by IDNR? If yes, explain when and for what well separately.
- End of questions from section 240.220
- Still on Page 2 of OG-10
- Roman Numeral II. Other Info.
- Other Adm. Rules & HFRA

22

OG-10 Questions

- Page 2: II. Other Information
- #13: Is this a directional well?
 - If yes, comply w/ Section 240.240 and provide the bottom hole location?
- #14: Does your drilling plan include horizontal drilling in an oil or gas production well?
 - If yes, comply w/ Section 240.245 and provide the entry point to the formation and the bottom hole location.

23

OG-10 Questions

- Page 2: II. Other Information (cont.)
- Horizontal drilling has new importance in IL because of the Hydraulic Fracturing Regulatory Act (“HFRA”). 225 ILCS 732/1-1 et seq.
- #15: If planning to horizontally drill (#14), will you use high volume horizontal hydraulic fracturing operations? 225 ILCS 732/1-5.
 - . . . > 80,000 gallons hydr. fracturing fluid per stage . . .
 - . . . > 300,000 gallons hydr. fracturing fluid total . . .

24

OG-10 Questions

- Page 2: II. Other Information (cont.)
- #16: If yes to #15, have you registered under the HFRA? 225 ILCS 732/1-35(a)
- #17: If you plan to drill a horizontal well (yes to #14) and frack, but not high volume (no to #15), will you be required to report your fracking operations to the Dept. per HFRA?
 - Hydraulic Fracturing Completion Report, 225 ILCS 732/1-98
 - . . . < 300,001 gallons hydraulic fracturing fluids . . .

25

OG-10 Questions

- Page 2: II. Other Information (cont.)
- #18: Is the well located less than 200' from an occupied dwelling? If yes, you must comply w/ 62 Ill. Adm. Code 240.410(f).
 - If yes, will need written agreement with surface owner on which dwelling located
- Starting with Location and Drilling Unit Exceptions – Page 3

26

OG-10 Questions

- Page 3: Section II. Other Information
- #19: Are you requesting a “well location exception w/in a regular drilling unit” per 62 Ill. Adm. Code 240.420? Attach all documentation!
 - **Topographic Conditions**, also attach topographic map w/ well location in relation to identified condition
 - **Cultural Features**, attach a map w/ well location in relation to identified cultural feature
 - **Common Boundary Lines**, include well name/reference #
 - **Mine Pillar**, attach map showing well location in relation to mine pillar

27

OG-10 Questions

- **Page 3: II. Other Information (cont.)**
- **#20: Are you requesting a “drilling unit exception” per 62 Ill. Adm. Code 240.430?**
 - **Irregular Section**, also attach surveyed plat signed by a registered surveyor showing quarter-quarter dimensions w/ location of proposed well/drilling unit
 - **Enhanced Oil Recovery Project:**
 - Within lease include reference #s of active injection wells
 - Within Waterflood Unit include Unit name & reference #s of active injection wells

28

OG-10 Questions

- **#20 Drilling Unit Exceptions (cont'd)**
- **Post Primary Recovery Well**
 - Can designate new drilling unit made up of two or more drilling units of same size/shape and location as “standard unit” . . .
 - Only if at least one-half of the “standard units” have at least one plugged well having formerly produced from same formation you are proposing to produce from for new well.
 - Cannot contain drilling unit of a well actively producing from same reservoir
 - Post-Primary Unit CAN cross section line

29

OG-10 Questions

- **Page 3: II. Other Information (cont.)**
- **More Irregular Drilling Units – not on OG-10**
 - Modified Drilling Unit (62 Ill. Adm. Code 240.460)
 - Special Drilling Unit (62 Ill. Adm. Code 240.465)
 - Pool Wide Drilling Unit (62 Ill. Adm. Code 240.133)
- **#21: Is the well w/in 250 ft. of any opening for an active coal mine used by people to get in and out, or used for air? If yes, comply with 62 Ill. Adm. Code 240.1330.**
 - New Question on OG-10, has been in the Adm. Rules

30

OG-10 Questions

- Page 3: II. Other Information (cont.)
- #22: Is the well located on State owned surface property?
- #23: Does the State own any mineral interests in the proposed lease?

31

OG-10 Questions

- #24: Do you have a current Permittee Status Reporting Form, OG-1, on file w/ the IDNR? 62 Ill. Adm. Code 1710. If no, complete one and submit w/ OG-10.
 - Should update each year & whenever changes occur
 - IDNR sends blank OG-1 form to all permittees with annual well fee bill
 - Critical info. for most up to date communications

32

OG-10 Questions

- Page 3: II. Other Information (cont.)
- #25: Is there a bond included with this application? (62 Ill. Adm. Code 240.1500)

If not, please explain

 - Examples: blanket bond on file, 2 years annual well fees paid, conversion—bond on file, etc.
- #26: Do not send an OG-10 in w/out the application fee. Currently \$100--the price is going up soon to \$300.

33

OG-10 Applicant Info

- Section III. Applicant Information
62 Ill. Adm. Code 240.210 and 240.230
- #27: Who is the applicant/permittee?
- What is your permittee #?
 - If this is your FIRST OG-10 application with the IDNR and you have never applied for a well transfer, then the IDNR will assign the permittee number after the application is submitted.

34

OG-10 Applicant Info

- III. Appl. Info., Sect.s 240.210 and 240.230
- #28: Have you, the applicant, checked everything on the permit application . . . and all the attachments to verify they are true/correct/complete?
- Are you authorized to sign this OG-10 on behalf of the applicant? What is your title?
- Feel free to check everything one more time!

35

OG-10 Applicant Info

- #28 (cont'd)
 - Who is authorized to sign?
 - Individual: Individual
 - Partnership: General Partner
 - Corporation: Corporate Officer
 - IDNR verifies signature/authorization w/ info. provided by permittees on OG-1
 - IDNR can also check w/ Sec. of State

36

Other Application Issues

- Lease Termination
- Geologic Formations
 - Spacing requirements

37

TERMINATION OF LEASE RIGHTS

SCENARIO

- Permittee #1 has a lease with 2 wells.
- Permittee #1 appears to walk away from lease.
- After several years, Permittee #2 approaches the mineral owner and asks him for a lease.
- An "Affidavit of Non Production" is recorded by the mineral owner in County Courthouse and a new "base" lease is signed with Permittee #2

38

TERMINATION OF LEASE RIGHTS

- A request for a transfer, or a new permit application is submitted to the Department by Permittee #2 including the Affidavit of Non Production and the new "base" lease.
- The Department sends Permittee #2 a deficiency letter indicating the new "base" lease cannot be recognized until the existing lease to Permittee #1 is resolved.
- Why?

39

AUTHORITY OF THE STATE

- US CONSTITUTION
- 14th AMENDMENT
- "...nor shall any State deprive any person of ...property, without due process of law..."
- IL. CONSTITUTION
- BILL OF RIGHTS
- SECTION 2
- "No person shall be deprived of ...property without due process of law..."

40

What Institutes Due Process?

- Merriam-Webster’s Dictionary of Law:
- “Fundamental to procedural due process is adequate notice prior to the government’s deprivation of one’s ...property, and an opportunity to be heard and defend one’s rights to ... property.”

41

Ways of Obtaining Mineral Rights

- Assignment of the Existing Lease
- Voluntary Release of the Existing Lease
- Oil and Gas Act - Plugging and Restoration Fund – Hearing Process, then Transfer. (225 ILCS 725/19.8)
- Oil and Gas Act - Integration Hearing. (225 ILCS 725/22.2)
- Mineral Lease Release of Record Act. (765 ILCS 510/)
- Severed Mineral Interest Act. (765 ILCS 515/)
- Oil and Gas Rights Act. (765 ILCS 520/)

42

IDENTIFYING FORMATIONS

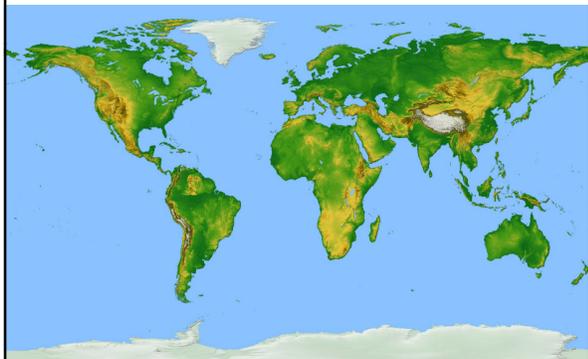
• COMMON SUBMISSIONS ON THE OG-10

- Robinson St. Louis
- Salem Warsaw
- Silurian Devonian
- Mississippian Pennsylvanian

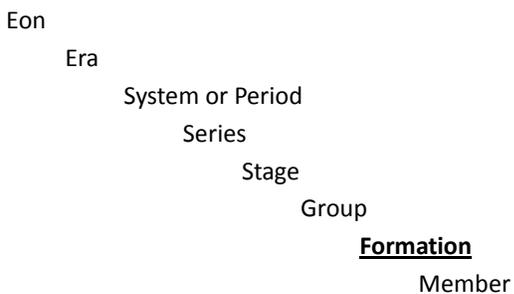
• **Why is this a problem?**

43

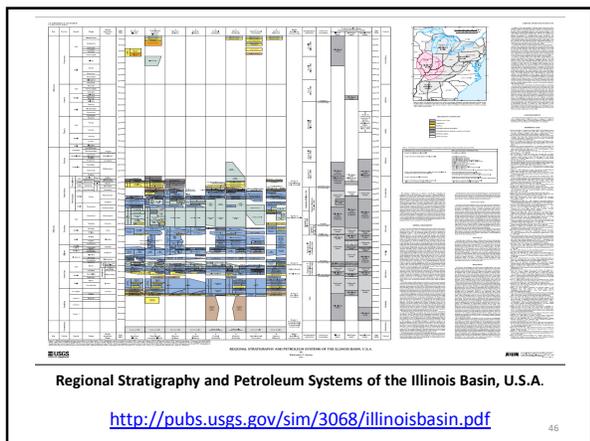
GEOLOGY CIRCA 1800s

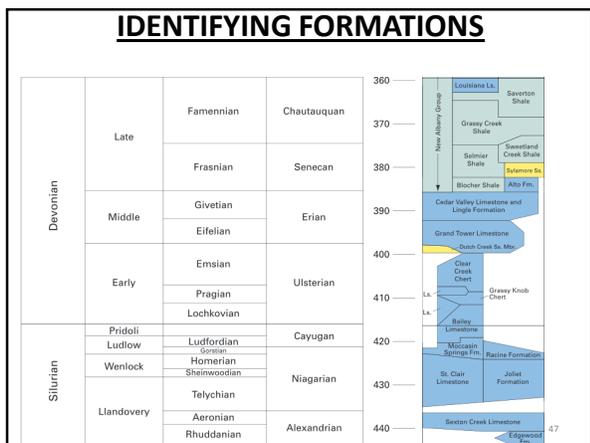


IDENTIFYING FORMATIONS



45





IDENTIFYING FORMATIONS

- Silurian, Devonian, Mississippian and Pennsylvanian are actually Systems which contain multiple Formations.
- **Silurian System:**
 - Moccasin Springs
 - St. Clair
 - Racine
 - Sugar Run
 - Marcus
 - Joliet
 - Sexton Creek
 - Edgewood
 - Sweeney
 - Blanding
 - Tete Des Morts
 - Molsalem
 - Kankakee
 - Elwood
 - Wilhelmi

Administrative Rules

- **Administrative Rules: 62 Ill. Adm. Code 240.**
- **240.1710 Annual Permittee Reporting**
- **240.1805 Definitions – “underground gas storage field”**
- **240.1820 Permit Requests in an Underground Gas Storage Field**

52

What Else?

- **Hydraulic Fracturing Regulatory Act (“HFRA”)**
- **225 ILCS 732/1-1 et seq.**
 - Definitions – section 1-5
 - Registration – section 1-35
 - Hydraulic Fracturing Completion Reporting – section 1-98
- **When there are Administrative Rules for the HFRA: 62 Ill. Adm. Code 245. ???**

53

Conclusion

- **IDNR, Government, here to help**
- **Put on this “how to” seminar**
- **IDNR cannot do industry’s work**
- **Encourage you to consult w/ each other**
- **Read the Ad. Rules, Review PowerPt. Pres.**
- **Use Consultants, Geologists, Engineers, and Lawyers to help with the process**
- **IDNR Employees cannot make recommend.**
- **Illinois Oil & Gas Association can help - Thx**

How to . . . OG-10

- Presenters:
- Kendra Brockamp
- Doug Shutt
- Mitchell Cohen
- IDNR Oil & Gas Permits
call (217) 782-7756
- **Oil and Gas District Offices**
- Mt. Carmel – (618) 262-2106
- Centralia – (618) 533-8979
- Springfield – (217) 782-7756
- **Enforcement** – (217) 782-7756

55
