

MEMORANDUM OF UNDERSTANDING AND COOPERATION ON THE DEVELOPMENT AND DEPLOYMENT OF PROCESSES AND STANDARDS FOR U.S. FEDERAL AND STATE REGULATORY PERMITTING AND REPORTING (MOUAC on US RPR)

BACKGROUND

State oil and gas regulatory agencies, represented by the Ground Water Protection Council (GWPC), industry, the U.S. Departments of Energy (DOE) and Interior (DOI), and Interior's Bureau of Land Management (BLM) and Minerals Management Service (MMS) recognize the need to develop national electronic commerce standards to promote data transfer, electronic reporting, and electronic permitting. Representatives of regulatory agencies, along with representatives of industry standards bodies, have collaborated in the development of an ePermit Business Case and have agreed to continue to work together to coordinate further activities for the common benefit of the oil and gas industry and regulatory community.

PURPOSE

The parties represented by this Memorandum of Common Understanding and Co-operation (MOUAC) are as listed in Attachment 1. Energy industry organizations with an interest in the stated objectives are invited to participate by signing this MOUAC. The purpose of this MOUAC is to coordinate the development and use of beneficial processes and standards in support of regulatory permitting and reporting activities, including the follow near-term benefits:

- Electronic transfer of data between state agencies and the U.S. BLM. This will reduce or eliminate duplicate permitting and reporting, as is now the case for oil and gas operations on federal land.
- Electronic permitting allows oil and gas operators to apply for permits via the Internet. In some cases, this will dramatically decrease the time it takes to issue permits. Many states would like to achieve electronic approval of "routine" permits. Combined with the electronic transfer of data between states and the BLM, this will decrease rig down time and increase access to federal lands.

DISCUSSION

Before an oil and gas operator can drill a well on virtually any land within the continental US including navigable waters and contiguous three-mile offshore areas, permission must be obtained from the appropriate state oil and gas regulatory agency. State permission is required on private, state, and federal lands and, except for tribally operated wells on Indian lands and the Osage Mineral Reserve in Oklahoma, state permission is also required for wells drilled on Indian lands.

On federal and Indian land, there is overlapping state/federal jurisdiction, as federal permission is also required in addition to state approval.

In most states, when drilling on federal and Indian lands, operators must submit separate applications to both the US Bureau of Land Management and to the state oil and gas regulatory agency. While the application and supporting materials submitted by the operator to the state is similar to the application package submitted to the BLM, there are differences, and these differences vary from state to state, as each state has its own regulations and set of application forms.

With the advent of the Internet and electronic commerce, both the BLM and states realize the benefits of allowing operators to submit drilling permit applications and subsequent reports of drilling and completion operations electronically, and the BLM and several states have already commenced the development and implementation of such e-permitting systems.

To further the acceptance of and to reduce both governmental and private costs of electronic permitting, both the BLM and the states recognize the need to develop uniform data transfer standards.

A common data transfer schema will greatly simplify electronic filing for operators who must submit permit applications to both the BLM and states, and for operators who apply for well permits in multiple states. A common data transfer schema will also facilitate sharing of well data between state and federal agencies, and enable the states and the federal government to more easily share software designed to process and report on well application and completion data.

The task at hand is to define and reach agreement on a comprehensive common set of data elements to be used for the electronic transfer of application, drilling, and completion data. The comprehensive set of data elements will include all data elements used in common and most unique data elements used by individual agencies. The plan will also allow for the transfer of additional data elements on an exception basis.

In its initial stages, this cooperative agreement will achieve the development and deployment of common processes and standards between the GWPC (representing state oil and gas regulatory agencies) and the U.S. BLM. In doing so, regulatory barriers will be reduced and environmental compliance will be ensured.

INTENTION

It is the intention of the parties to cooperate in the development and deployment of regulatory processes and standards, and in related activities, for the benefit of the oil and gas industry and regulators. This MOUAC is not a contractual obligation between the parties and in no way shall conflict with, modify or negate clauses of any contracts negotiated between the parties.

Organization	Approval Name and Title	Signature and Date

ATTACHMENT 1

Memorandum of Common Understanding and Co-operation

LIST OF SIGNATORIES AS OF <date>

<u>Company / Organization</u>	<u>Name and Title</u>	<u>Date of Signature</u>