

Due Diligence for Drilling a Well:

Question:

Section 3211.(i) (Well Permits) of the Oil and Gas Act states that well permits issued for drilling of wells covered by the act shall expire one year after issuance unless operations for drilling the well are commenced within such period and pursued with “due diligence” or unless the permit is renewed in accordance with regulations of the Department. Many operators will spud the well and set conductor pipe or drill a portion of the well prior to expiration of the permit, but will not actually complete drilling to total depth for an extended period of time. How does the Department define “due diligence” under the Act, i.e., how long does an operator have to complete drilling to total depth after issuance of the permit?

Response:

In all cases an operator must commence drilling prior to expiration of the permit, or within one year of permit issuance. Further, the well must be drilled to total depth within 16 months of the permit issuance date, or no later than 4 months after expiration of the permit. The only exception to this is in cases where permits are renewed in accordance with standard Department procedures.