



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

IN THE MATTER OF ALLEGED VIOLATIONS OF THE)	CAUSE NO. 1
RULES AND REGULATIONS OF THE COLORADO OIL)	
AND GAS CONSERVATION COMMISSION BY JOHN H.)	ORDER NO. 1-66
CHILSON AND JENEX PETROLEUM CORPORATION,)	AMENDED
LARIMER COUNTY, COLORADO)	

REPORT OF THE COMMISSION

This cause came on for hearing before the Commission on February 11, 1997, at 8:30 a.m. in Suite 801, the Chancery Building, 1120 Lincoln Street, Denver, Colorado, pursuant to the Director's request to determine the responsible party and whether any violations have occurred regarding the Chilson No. 16-1 Well, Larimer County, Colorado.

FINDINGS

The Commission finds as follows:

1. John H. Chilson and Jenex Petroleum Corporation are interested parties in the subject matter of the above-referenced hearing.
2. The Commission has jurisdiction over the subject matter and of the parties interested therein, and jurisdiction to promulgate the hereinafter prescribed order.
3. On February 6, 1987 Jenex Petroleum Corporation submitted a COGCC Form 10 for the Chilson No. 16-1 Well located in the NW¼ NW¼ of Section 16, Township 5 North, Range 68 West, 6th P.M., transferring operatorship from Phoenix Petroleum to Jenex. COGCC staff approved the Form 10 on February 27, 1987. Jenex obtained the well via a Larimer County tax sale on November 5, 1986. In 1987 Mr. Chilson filed legal action against the Treasurer of Larimer County, Jenex, and other parties. Mr. Chilson claimed that the Treasurer of Larimer County did not have a legal right to sell his mineral interest to Jenex as part of the tax sale. In the lawsuit it was stated that gas from the well was used for domestic purposes. In 1990, a settlement was reached between the parties involved concerning payments and distribution of equipment.
4. On February 2, 1996 COGCC staff issued Notices of Alleged Violation (NOAV) for the Chilson No. 16-1 Well to Mr. Chilson and Jenex, citing violations of Rule 317.b. (now 319.b.), failure to obtain Director approval for shut-in status and Rule 324.b. (now 326.b.), failure to perform a mechanical integrity test within thirty (30) days of temporarily abandoning the well. In addition, Mr. Chilson was cited for Rule 304, failure to provide a plugging bond, and Rule 310 (now 312), failure to provide a COGCC Form 10 within fifteen (15) days of transfer of ownership. The NOAVs specified an abatement date of August 2, 1996. On July 18, 1996, Ms. Lori Coulter with the Office of the Attorney General sent a settlement proposal to Mr. Chilson and Jenex. Ms. Coulter proposed that both parties be equally responsible for the plugging of the well. Jenex was responsive to the proposal, however Mr. Chilson apparently had a concern about being responsible for his share of potential plugging costs. On December 3, 1996, COGCC staff sent certified letters to Mr. Chilson and Jenex Petroleum listing terms and responsibilities for plugging the Chilson No. 16-1 Well. The letter asked that both parties agree to their respective terms by signing and returning the letter.
5. This matter was originally scheduled for hearing on January 6, 1997 and continued to the February hearing at the request of Mr. Chilson who was unable to attend in January.
6. Testimony and exhibits were presented at the hearing by the COGCC staff to describe the sequence of events and relate the staff's position that Mr. Chilson should be found as owner and a responsible party for the plugging and abandonment and the surface reclamation of the Chilson No. 16-1 Well.
7. Testimony and exhibits were presented by Mr. Chilson to describe his position that he never intended to operate the Chilson No. 16-1 Well and therefore was not the responsible party for the plugging and abandonment and the surface reclamation.
8. That an order should be entered finding John H. Chilson is the owner of the Chilson No. 16-1 Well and that Mr. Chilson assumed the responsibility for the conduct of oil and gas operations of the well. The order further should find that John H. Chilson and Jenex Petroleum Corporation each are responsible parties, and as such, each responsible for fifty percent (50%) of costs, after deduction of the salvage value of casing, for plugging and abandonment and surface reclamation of the Chilson No. 16-1 Well. In addition, staff should direct Jenex Petroleum Corporation manage the plugging and abandonment and surface reclamation of the well. Further, Jenex Petroleum Corporation should oversee the establishment of an escrow account held by a third party financial institution to contain contributions by both parties to cover the entire estimated cost for plugging and abandonment and surface reclamation. Any funds remaining in the escrow account should be equally divided after all expenses are paid and upon receiving a passing inspection by COGCC staff.

9. At the August 17, 1998 hearing, after both parties appeared before the Commission, it was determined that the original order should be amended to acknowledge the party holding the escrow account and to establish a date by which the Chilson No. 16-1 wellsite should be properly reclaimed.

ORDER

NOW, THEREFORE, IT IS ORDERED, that the Colorado Oil and Gas Conservation Commission hereby finds that John H. Chilson is the owner of the Chilson No. 16-1 Well and that Mr. Chilson assumed the responsibility for the conduct of oil and gas operations of the well.

IT IS FURTHER ORDERED, that the Colorado Oil and Gas Conservation Commission hereby finds that John H. Chilson and Jenex Petroleum Corporation are each responsible parties for the Chilson No. 16-1 Well, and as such, each shall be responsible for fifty percent (50%) of costs beyond salvage of casing for plugging and abandonment and surface reclamation of the Chilson No. 16-1 Well.

IT IS FURTHER ORDERED, that the staff shall direct Jenex Petroleum Corporation to manage the plugging and abandonment and surface reclamation of the well.

IT IS FURTHER ORDERED, that Jenex shall oversee the establishment of an escrow account held by a third party financial institution to contain contributions by both parties to cover the entire estimated cost for plugging and abandonment and surface reclamation.

IT IS FURTHER ORDERED, that any funds remaining in the escrow account shall be equally divided between Mr. Chilson and Jenex after all expenses are paid and upon receiving a passing inspection by COGCC staff.

IT IS FURTHER ORDERED, that the establishment of an escrow account with a law firm rather than a third party financial institution is hereby recognized and accepted.

IT IS FURTHER ORDERED, that the wellsite at the Chilson No. 16-1 Well shall be properly reclaimed by January 1, 1998, as managed by Jenex Petroleum Corporation.

IT IS FURTHER ORDERED, that the provisions contained in the above order shall become effective on the date the order is entered.

IT IS FURTHER ORDERED, that the Commission expressly reserves its right, after notice and hearing, to alter, amend or repeal any and/or all of the above orders.

ENTERED this 21st day of February, 1997, as of February 11, 1997.

AMENDED this -27th day of August, 1998, as of February 11, 1997.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 
Patricia C. Beaver, Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203
August 27, 1998