



COLORADO

**Oil & Gas Conservation
Commission**

Department of Natural Resources

796 Megan Avenue, Suite 201
Rifle, CO 81650

WARNING LETTER #2597091

KGH Operating Company
Attn: Jeff Wingerter
216 16th Street, Suite 1450
Denver, CO 80202

Operator Number: 47200
Contact email: jwingerter@hohneng.com
Well Name: Meagher 3-3H
API Number: 05-103-12121
Legal Location: Lot 5 Section 3, Township 1S, Range 104W, 6th P.M.
Rio Blanco County, Colorado

Date: August 29, 2014

This Warning Letter is to inform you that the oil and gas facility or the oil and gas operations listed above may be in violation of the rules and regulations of the Colorado Oil and Conservation Commission (“COGCC”) and correction action is required.

There is reasonable cause to believe that a violation of the Oil and Gas Conservation Act, or of any rule, regulation, or order of the Commission, or of any permit issued by the Commission, has occurred. The Operator’s compliance with this Warning Letter is required to resolve these alleged violations. This document requires the Operator to timely respond to the COGCC and to comply with directives as listed by the **Corrective Action Deadline Date**. Failure to do so will result in the issuance of a Notice of Alleged Violation and initiation of enforcement proceedings in which COGCC will seek monetary penalties for the alleged violations pursuant to § 34-60-121, C.R.S. and Rule 523, COGCC Rules of Practice and Procedure, 2 CCR 404-1.

The COGCC requires KGH Operating Company (“Operator”) to implement corrective action(s) for the conditions identified below.

P 970.625.2497 F 970.625.5682 www.colorado.gov/cogcc

Commissioners: Thomas L. Compton - Chairman, Richard Alward, John H. Benton, DeAnn Craig,
James W. Hawkins, Tommy Holton, Andrew L. Spielman, Mike King, Dr. Larry Wolk

John W. Hickenlooper, Governor | Mike King, Executive Director, DNR | Matthew J. Lepore, Director



Alleged Violation:

Operator spud the Meagher 3-3H Well and ran and cemented surface casing on 8/23/2014. Operator did not submit Notices of Intent on Form 42 or email Subsequent Reports of casing cement jobs to COGCC staff within 24 hours of cementing casing strings, as required by the Northwest Colorado Notification Policy ("Policy"). Compliance with the Policy was required as Condition of Approval #1 on Form 2 # 675100338 (Application for Permit to Drill).

Rule(s), Regulations(s), or Permit Conditions Cited: Section 34-60-121(1) C. R. S. (violation of permit condition)

How to Comply with this Warning Letter:

Comply with the Northwest Colorado Notification Policy. Submit a written response to this Warning Letter, specifying how Operator will change its internal procedures to prevent recurrence of this alleged violation.

Corrective Action Deadline Date: September 29, 2014

Failure to Comply with this Warning Letter:

If Operator fails to perform the required corrective actions, COGCC will issue a Notice of Alleged Violation and seek penalties pursuant to § 34-60-121, C.R.S. and Rule 523, COGCC Rules of Practice and Procedure, 2 CCR 404-1. (Please note that the COGCC's penalty authority was recently increased to a maximum of \$15,000 per day and penalties are no longer capped at a maximum of \$10,000 per violation.)

If you have any questions about this Warning Letter, please contact the COGCC representative below.

Sincerely,

Craig A. Burger, P.E.
Northwest Area Engineer
Email: Craig.Burger@state.co.us