



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

IN THE MATTER OF ALLEGED VIOLATIONS OF) CAUSE NO. 1V
THE RULES AND REGULATIONS OF THE)
COLORADO OIL AND GAS CONSERVATION) DOCKET NO. 160100080
COMMISSION BY CM PRODUCTION LLC, LOGAN)
AND WASHINGTON COUNTIES, COLORADO) TYPE: ENFORCEMENT
)
) ORDER NO. 1V-581

ORDER FINDING VIOLATION

The Colorado Oil and Gas Conservation Commission (“Commission”), having reviewed the administrative record and being fully advised on the premises, enters this Order Finding Violation (“OFV”) pursuant to the Rules and Regulations of the Colorado Oil and Gas Conservation Commission, 2 CCR 404-1(“Rule” or “Rules”), and finds and states as follows:

A. Background

1. CM Production LLC (“CM”) (Operator No. 10352) is an oil and gas operator registered with the Colorado Oil and Gas Conservation Commission. (Exhibits 1 and 2 - Order No. 1V-507 and 1V-569).
2. CM is the operator of the SJ Warren site (API # 05-121-07034) and the Oliver Warren site (API # 05-121-07039) in Washington County (collectively the “Warren Wells”). (Order No. 1V-507).
3. CM is the operator of the Rice site (API # 05-075-07216) (the “Rice Well”) in Logan County. (Id.).
4. CM is the operator of the Margaret Spaulding Location in Jackson County (Location No. 324634), which was formerly operated by Lone Pine Gas, Inc. (the “Lone Pine Field”). (Order No. 1V-569).

B. Rice and Warren Wells

Background

5. On December 3, 2013, Commission Staff issued Notice of Alleged Violation (“NOAV”) Nos. 200390913 and 200390941 to CM, citing multiple violations of the Rules, including Rule 909 (Site Investigation, Remediation, and Closure) at the Warren Wells. (Exhibit 1 - Order No. 1V-507).
6. On March 18, 2014, Commission Staff issued NOAV No. 200399090 to CM, citing multiple violations of the Rules, including Rule 902.b (Pits – General and Special Rules), 907.a (Management of E&P Waste – General Requirements), 907.e

(Management of E&P Waste – Oily Waste) and 1002.f.(2) (Site Preparation and Stabilization – Stormwater Management) at the Rice Well. (Id.).

7. On May 6, 2015, CM settled NOAV Nos. 200390913, 200390941 and 200399090, agreeing to the terms of an Administrative Order By Consent (“AOC”). (Id.).

8. The AOC was approved by the Commission on May 18, 2015, becoming Order No. 1V-507. (Id.). Order No. 1V-507 imposed a penalty of \$60,000, \$15,000 of which was suspended pending successful completion of corrective actions outlined in the order. (Id.).

Warren Wells

9. Form 27 conditions of approval from January 2015, which were incorporated by reference into Order No. 1V-507, required CM to actively treat oily waste, to collect soil samples from the land treatment areas twice per year to establish rate of biodegradation and to file semi-annual progress reports for the land treatment of the oily waste at the Warren Wells. (Exhibit 3 - Document Nos. 1761421 and 1761422). The semi-annual progress reports were due no later than April 30th and October 31st of each year. (Id.).

10. In this context, active treatment of oily waste means regular disking, tilling, aeration, or addition of nutrients, microbes, water or other amendments as appropriate. (Exhibit 4 - Axelson Affidavit). Active treatment is important to provide the conditions necessary to enhance and promote biodegradation of petroleum hydrocarbons. (Id.). Without active treatment, bioremediation of oily waste is sometimes not successful in reaching applicable Table 910-1 cleanup standards. (Id.). Regular progress reporting (with soil sampling data) was also important so that Staff could monitor the progress of biodegradation at these locations and adjust the remediation protocols, if needed, in order to achieve timely and complete remediation. (Id.).

11. Land treatment of the oily waste at the Warren Wells was a negotiated term in Order No. 1V-507. (Id.). Staff would have preferred immediate completion of these remediation projects by disposing of the oily waste at an appropriate commercial disposal facility but agreed to a perceived less expensive approach at the operator's insistence. (Id.). In exchange, Staff expected strict compliance with the order and, therefore, the consequence for failure to submit the semi-annual progress reports by the due dates was for CM to immediately dispose of all oily waste off-site at an appropriate disposal facility. (Id.).

12. CM did not file the April 30, 2015, progress reports covering either of the Warren Wells. (Id.).

13. This failure was noted in a letter to CM dated June 18, 2015. (Exhibit 5 - Document No. 2314844). Additionally, this letter required CM to remove all oily waste for off-site disposal with disposal documentation submitted no later than August 18, 2015. (Id.).

14. CM did not comply with the August 18, 2015, deadline. (Exhibit 4 - Axelson Affidavit).

15. On October 2, 2015, COGCC Staff inspected the Warren Wells and noted that CM did not appear to be actively treated the oily waste at the Warren Wells. (Exhibit 6 - Document Nos. 679500069 and 679500080). There are three land treatment areas at the Warren Wells. (Exhibit 4 - Axelson Affidavit). While one of the areas appeared to have been tilled at some point (though not recently as of the inspection date), the other two areas had no evidence of active tilling. (Id.). This was evident from the large clods of soil. [Id. - Compare the third photo (showing clumpy soil) with the fifth photo (showing tilled soil) in Exhibit 6 - Document No. 679500080].

16. CM did not file the October 31, 2015, progress reports covering either of the Warren Wells. (Id.).

17. On December 19, 2015, COGCC received a Form 4, Sundry Notice, from CM covering the Oliver Warren Well. (Exhibit 7 - Document No. 400957535). The Form 4 asserts that recent sampling indicates decreasing contamination. (Id.). The Form 4 notes that Total Petroleum Hydrocarbons - Diesel Range Organics remain above Table 910-1 standards. (Id.). The Form 4 mentions attached laboratory analysis. (Id.). No attachments were received by the COGCC. (Exhibit 4 - Axelson Affidavit).

18. On December 22, 2015, COGCC Staff notified CM that analytical data was not attached to the Form 4. (Exhibit 8 – Proof of Staff Notification).

19. To date, CM has failed to provide analytical data or any documentation evidencing active treatment of the waste at the Warren Wells. (Exhibit 4 - Axelson Affidavit).

20. CM did not file the April 30, 2016, progress reports covering either of the Warren Wells. (Id.).

21. On May 9, 2016, COGCC Staff inspected the Warren Wells and noted, again, that CM did not appear to be actively treating the oily waste at the Warren Wells. (Exhibit 9 - Document Nos. 679500100 and 679500107). Consistent with the prior inspections of the Warren Wells, oily waste at two of the three land treatment areas did not appear to have ever been tilled. The third land treatment area had not been tilled recently. (Exhibit 4 - Axelson Affidavit).

Rice Well

22. Order No. 1V-507 also required CM to complete all surface reclamation including installation of stormwater and erosion control measures and seeding of the impacted areas at the Rice Well no later than May 31, 2015. (Exhibit 1 - Order No. 1V-507).

23. On August 19, 2015, COGCC Staff inspected the Rice Well and noted that while some of the reclamation work was completed, CM had not completed the required erosion control work. (Exhibit 10 - Document No. 678200277).

24. In this context, Staff was expecting to see stabilization of the slopes and/or installation of erosion/sediment control best management practices on the east side of the two produced water pits immediately adjacent to an ephemeral stream. (Exhibit 4 - Axelson Affidavit). This stabilization was required to prevent active sediment erosion and transport from the produced water pit berms directly into the ephemeral stream. (Id.).

25. Additionally, the inspection noted that operation of two of the three unlined production pits (Facilities ID #'s 100570 and 100571) continues to cause impacts to the adjacent ephemeral stream. (Exhibit 10 - Document No. 678200277).

26. On May 5, 2016, COGCC Staff inspected the Rice Well and noted, again, that CM had still not completed the required erosion control work. (Exhibit 11 - Document No. 678200457). As with prior inspections of the Rice Well, CM had failed to stabilize the slopes on the east side of the two produced water pits. (Id.) Erosion continues to cause transport of sediment into the ephemeral stream. (Id.).

Enforcement Proceedings

27. On November 25, 2015, COGCC Staff issued NOAV No. 200438048 for violations of Section 34-60-121(1), C.R.S. (violation of Order No. 1V-507) at the Warren Wells and the Rice Well. (Exhibit 12 - NOAV No. 200438048).

28. NOAV No. 200438048 required CM to remove all oily waste at the Warren Wells, provide disposal documentation, reclaim the surface area disturbed by the land treatment and provide a report to COGCC by December 18, 2015. (Id.).

29. NOAV No. 200438048 also required CM to discontinue use of two pits at the Rice Well, submit a plan to close the pits by December 18, 2015, stabilize all disturbed locations to stop ongoing erosion during the pit closure and surface reclamation project. Work at this location is to be completed by June 30, 2016. (Id.).

30. NOAV No. 200438048 was received by CM on or before December 3, 2015. (Id.).

31. To date, CM has failed to comply with NOAV No. 200438048. (Exhibit 4 - Axelson Affidavit).

32. Order No. 1V-507 provided that if CM failed to comply with the order, the \$15,000 suspended penalty would become due upon demand by the Director, without further action by the Commission. (Exhibit 1 - Order No. 1V-507). By letter dated November 24, 2015, the COGCC Director noted CM's failure to comply with Order No. 1V-507 and demanded payment of the \$15,000 suspended penalty by December 18, 2015 (the "2015 Demand Letter" - this document is included in Exhibit 12 - NOAV No. 200438048).

33. To date, CM has failed to comply with the 2015 Demand Letter. (Exhibit 13 - COGCC Penalty Payment Accounting Report).

34. On December 11, 2015, CM's counsel waived formal service of the Notice and Application for Mandatory OFV Hearing in this matter. (Exhibit 12 - NOAV No. 200438048).

35. The Commission heard this matter on June 6, 2016. The Commission heard a Staff summary of the materials in the record and heard an oral Rule 510 statement from John Teff, CM's Business Manager. During CM's presentation Mr. Teff admitted that he had no evidence to dispute the allegations made by Staff. During deliberations Commissioner Randall noted that Staff's allegations were undisputed and that CM had engaged in a pattern of violations. Commissioner Hawkins noted that CM had been given an opportunity to return to compliance, including at the last hearing, and failed. Commissioner Hawkins expressed frustration with CM who has disregarded the Commission's Rules and Staff's requests.

Violations and Penalty Calculation

36. The Commission finds that CM has violated §34-60-121(1), C.R.S. and Order No. 1V-507 by failing to file semi-annual progress reports for the land treatment and failing to provide analytical data or any documentation evidencing active treatment of the waste at the Warren Wells. CM has also violated §34-60-121(1), C.R.S. and Order No. 1V-507 by failing to implement the required erosion control work at the Rice Well. Last, CM has violated §34-60-121(1), C.R.S. and Order No. 1V-507 by failing to comply with the 2015 Demand Letter and pay the \$15,000 suspended penalty.

37. Pursuant to Rule 523 and the Commission's Enforcement and Penalty Policy, the Commission calculated a penalty of \$359,650. The penalty calculation is based on the following:

NOAV No.	Well Name	Rule	Old/New Act	Class, Impact	Days of Violation	Total Penalty
200438048	Warren Wells & Rice Well	34-60-121(1) C.R.S.	New	3/Moderate	227	\$359,650
TOTAL						\$359,650

- a. The Commission finds that these violations resulted in Moderate impacts given the moderate actual adverse impacts that have occurred at both the Warren and Rice Wells, as evidenced by the inspections described above;
- b. The Commission has applied the Duration Matrix;
- c. The Commission finds that the violation commenced on May 1, 2015, (the day after the first semi-annual progress report was due under Order No. 1V-507) and continued through December 14, 2015, (the day COGCC staff and CM agreed to continue this matter awaiting resolution of Docket Nos. 151000676, 160100078, and 160100079);
- d. The Commission finds that no aggravating factors apply;

- e. The Commission finds that no mitigating factors apply; and
- f. The Commission finds that CM has not engaged in gross negligence or knowing and willful misconduct.

C. CM's Pattern of Violations

38. Pursuant to the Act, if the Commission determines there is "evidence that an operator is responsible for a pattern of violation" of the Act, or Commission Rules, orders, or permits, "it may issue an order that prohibits the issuance of any new permits to the operator, suspends any or all of the operator's certificates of clearance, or both." §34-60-121(7), C.R.S.

39. Pursuant to Rule 523.d.(3), the Commission will "consider an operator's history of violations of the Act, or Commission rules, orders, or permits and any other factors relevant to objectively determining whether an operator has engaged in a pattern of violations."

Order Nos. 1V-412 and 1V-413

40. On May 6, 2013, the Commission entered Order No. 1V-412, which approved an Administrative Order by Consent between Lone Pine Gas, Inc. and Staff. Order No. 1V-412 imposed numerous compliance requirements pertaining to the Lone Pine Field. (Exhibit 14 - Order Nos. 1V-412 and 1V-413). On the same date, the COGCC Director, Lone Pine, and CM voluntarily agreed to a stipulated order, which was approved and finalized by the Commission as Order No. 1V-413. (Id.). In Order No. 1V-413, CM agreed to assume Lone Pine's responsibilities under Order 1V-412 if the anticipated sale of Lone Pine's assets to CM closed. (Id.).

41. On March 7, 2016, the Commission entered Order No. 1V-569, which was received by CM on March 21, 2016. (Exhibit 2 - Order No. 1V-569).

42. The order found that CM had failed to comply with the requirements of Order No 1V-412, stating:

Order 1V-412 required all of the pits to be decommissioned to Table 910-1 standards pursuant to an approved workplan by July 1, 2014. (Ex. 7 at "Order" ¶4). This deadline was extended to November 1, 2014 for Pits 4 and 5, which was the deadline CM itself requested. (Ex. 20 & 21).

It is undisputed that the Pits have not been decommissioned to Table 910-1 standards. (Ex. 108, pp. 27, 30, & 58; Testimony of Alex Fischer and John Teff). CM has provided no evidence showing that the soils in Pits 4 and 5 meet Table 910-1 standards, or even sample results from the Pits since those submitted were only for Pit 5 on October 23, 2014. CM has not performed any active remediation on the Pits. (Testimony of Alex Fischer and John Teff).

Order No. 1V-507

43. On May 18, 2015, the Commission entered Order No. 1V-507. (Exhibit 1 - Order No. 1V-507).

44. CM did not file the April 30, 2015, progress reports covering either of the Warren Wells. (Exhibit 4 - Axelson Affidavit).

45. CM did not file the October 31, 2015, progress reports covering either of the Warren Wells. (Id.).

46. CM did not file the April 30, 2016, progress reports covering either of the Warren Wells. (Id.).

47. To date, CM has failed to provide analytical data or any documentation evidencing active treatment of the waste at the Warren Wells. (Id.).

48. CM had not completed the required erosion control work at the Rice Well. (Id.).

49. To date, CM has failed to comply with the 2015 Demand Letter and pay the \$15,000 suspended penalty imposed by Order No. 1V-507. (Exhibit 13 – COGCC Penalty Payment Accounting Report).

Order No. 1V-569

50. On March 7, 2016, the Commission entered Order No. 1V-569. (Exhibit 2 - Order No. 1V-569).

51. Order No. 1V-569, imposed two initial deadlines on CM. (Id.).

52. First, paragraph seven of Order No. 1V-569 required CM to “post a \$210,000 bond within 30 days of the approval of this Order. The \$64,510 penalty is suspended pending compliance with this corrective action by the deadline. If the corrective action is not timely performed, the \$64,510 will be due within 10 days of notification from the Director and without any further action from the Commission.” (Id.).

53. This requirement came due on April 6, 2016.

54. To date, CM has failed to post the \$210,000 bond required by Order No. 1V-569. (Exhibit 15 – Ramos Affidavit).

55. Second, paragraph four of Order No. 1V-569 gave CM 30 days after the order was mailed to either:

Pay the \$150,000 penalty previously suspended under Orders 1V-412 and 1V-413 and complete active remediation of the Pit Facility ID Nos. 112265, 112266, 112267, 112268, 112269, 115241, Landfarm Facility ID 441982, and the soil stockpile to Table 910-1 standards and any subsequently approved Form 27s by September 1, 2016; or

Post financial assurance in the amount of \$200,000 pursuant to Rule 702.a. and negotiate a deadline to remediate Pit Facility ID Nos. 112265,

112266, 112267, 112268, 112269, 115241, Landfarm Facility ID 441982, and the soil stockpile to Table 910-1 standards. The \$200,000 financial assurance posted under Rule 702.a. is separate and independent of CM's obligations to post \$210,000 of additional financial assurance under Rule 707 as described in Paragraph 6.

56. This requirement came due on April 17, 2016.

57. To date, CM has failed to comply with paragraph four of Order No. 1V-569. (Exhibit 13 – COGCC Penalty Payment Accounting Report – showing no payment of the \$150,000 penalty previously suspended under Orders 1V-412 and 1V-413); (Exhibit 15 – Ramos Affidavit - attesting to CM's failure to post financial assurance in the amount of \$200,000 pursuant to Rule 702.a).

58. By letter dated April 7, 2016, COGCC Director, Mathew J. Lepore, noted CM's failure to comply with Order No. 1V-569, specifically CM's failure to post \$210,000 in additional financial assurance, and demanded payment of the \$64,510 suspended penalty by April 17, 2016. (Exhibit 16 - the "2016 Demand Letter").

59. To date, CM has failed to comply with the 2016 Demand Letter. (Exhibit 13 – COGCC Penalty Payment Accounting Report – showing no payment of the \$64,510 suspended penalty imposed by Order No. 1V-569).

60. Taking into account the violations found above, as well as those confirmed in prior orders, the Commission finds that CM has engaged in a pattern of violations. The pattern of violation that most prominently marks CM's compliance history is a refusal to comply with enforcement orders. As mentioned, the Commission has entered three different enforcement orders against CM over the past three years and CM has failed to comply with all three orders. Cumulatively, what this pattern indicates is an unwillingness, or inability, to comply with COGCC orders, even negotiated orders that CM has agreed to. Failing to comply with an enforcement order undermines the entire enforcement program and Staff's efforts to enforce the COGCC Rules statewide. While the Commission is always loathe to impose a substantial penalty and revoke an Operator's right to operate in the state, here CM has been given multiple chances to return to compliance and failed to live up to its obligations. CM's pattern of non-compliance more than justifies the relief imposed in this Order.

ORDER

NOW, THEREFORE, the COMMISSION ORDERS:

1. CM is found in violation of 34-60-121(1), C.R.S. for the reasons specified above.

2. CM is ordered to return to compliance, including full compliance with Order Nos. 1V-412, 1V-413, 1V-507, and 1V-569, within 30 days after this Order is mailed by the Commission.

3. CM is ordered to pay a \$359,650 penalty within 30 days after this Order is mailed by the Commission.

4. CM is found to have engaged in a pattern of violations, pursuant to Section 34-60-121(7), C.R.S. and Rule 523.d.(3), by failing to comply with Order Nos. 1V-412, 1V-413, 1V-507, and 1V-569. The Director is authorized to immediately: suspend CM's Form 10, Certification of Clearance, as to all of CM's wells, and withhold the issuance of any new drilling or oil and gas location permits, until CM demonstrates to the satisfaction of the Director that CM has brought all violations into compliance and that any penalty assessed has been paid.

5. If CM fails to pay the penalty and/or return to compliance within 30 days after this Order is mailed by the Commission, COGCC Staff is authorized to take the following actions:

- a. Terminate CM's Operator Number (No. 10352);
- b. Rescind CM's Form 1 (Doc. No. 1662345);
- c. Revoke CM's right to conduct oil and gas operations in Colorado, until CM demonstrates at a Commission hearing that CM has brought all violations into compliance, any penalty assessed has been paid, and that re-instating CM's Form 1 will not threaten, or actually impact, public health, safety, and welfare, including the environment and wildlife resources;
- d. Foreclose CM's existing financial assurance and claim both the principal and any accrued, but undisbursed, interest that may exist;
- e. Use funds from the Oil and Gas Conservation and Environmental Response Fund to:
 - i. investigate, prevent, monitor, or mitigate conditions that threaten to cause, or that actually cause, significant adverse environmental impacts at oil and gas locations operated by CM;
 - ii. Plug and abandon any wells operated by CM; and
 - iii. Reclaim all well sites and associated facilities operated by CM.
- f. Claim all equipment, saleable product, and appurtenances related to CM's operations, if any, as property of the Commission should Staff initiate any of the activities described above, provided that any proceeds from the disposition of the assets will be applied to any work undertaken by the Commission.

6. The Commission orders John Teff, CM's Business Manager, to notify the Commission if: (1) he or any entity of which he is a principal, majority owner, operational or general manager, or otherwise controls applies for a permit or submits a Certificate of Clearance for the Commission's approval; or (2) he joins an existing entity and becomes the principal, majority owner, operational or general manager, or otherwise controls the

existing entity. If Mr. Teff or such an entity applies for a permit or submits a Certificate of Clearance, the Director may not approve the request. The request must come before the Commission for hearing, where it may determine whether to grant the application, require a higher amount of financial assurance before granting the application, or deny the application.

7. The Commission orders CM, or its successors or assigns, to repay any funds expended by the Commission from the Oil and Gas Conservation and Environmental Response Fund for any work undertaken by COGCC Staff.

8. CM, or its successors or assigns, shall be responsible for complying with this Order, including the penalties imposed, in the event CM is revived or recapitalized or there is a sale of any well sites or associated facilities operated by CM.

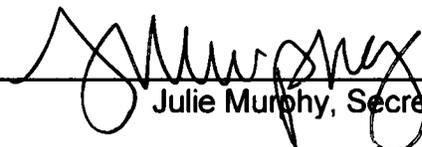
9. This Order is effective as of the date it is mailed by the Commission. It constitutes final agency action for purposes of judicial review.

10. The Commission expressly reserves its right after notice and hearing, to alter, amend, or repeal any and/or all of the above Order.

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ENTERED this 20th day of June, 2016 as of the 6th day of June, 2016.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By  _____
Julie Murphy, Secretary

CERTIFICATE OF MAILING

On June 23rd, 2016, a true and correct copy of the foregoing *Order Finding Violation* was sent by US Mail, Return Receipt Requested, to the following:

CM Production LLC
Attn: John Teff
390 Union Blvd., Suite 620
Lakewood, CO 80228

Liberty Savings Bank
6460 E. Yale Ave.
Denver, CO 80222



Margaret Humecki

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

IN THE MATTER OF ALLEGED VIOLATIONS OF) CAUSE NO. 1V
THE RULES AND REGULATIONS OF THE)
COLORADO OIL AND GAS CONSERVATION) ORDER NO. 1V-507
COMMISSION BY **CM PRODUCTION, LLC,**) DOCKET NO. 1404-OV-19
WASHINGTON AND LOGAN COUNTY,) DOCKET NO. 150300191
COLORADO)

ADMINISTRATIVE ORDER BY CONSENT

(Pursuant to Rule 522.b.(3) of the Rules and Regulations of the
Colorado Oil and Gas Conservation Commission, 2 CCR 404-1)

FINDINGS

1. CM Production, LLC ("CM Production") (Operator No. 10352) is the operator of the Wells identified in Table 1, located in Washington and Logan County, Colorado.

Table 1

Well Name	API #	NOAV #
Oliver Warren 1	05-121-07039	200390913
SJ Warren	05-121-07034	200390941
Rice 2	05-075-07216	200399090

Warren Wells

2. On November 20, 2013, Commission Staff conducted compliance inspections of the Oliver Warren 1 and SJ Warren Wells (the "Warren Wells") in response to Form 18 Complaints (Doc. Nos. 200390716 and 20039082, respectively).

3. During the inspection (Doc. No. 670600080) of the Oliver Warren 1 Well, staff observed that a skim pit closure had occurred without prior approval from the Commission and no documentation regarding disposal of E&P waste was submitted to the COGCC.

4. During the inspection (Doc. No. 670600098) of the SJ Warren Well, staff observed that a skim pit closure had occurred without prior approval from the Commission and no documentation regarding disposal of E&P waste was submitted to the COGCC.

5. On December 3, 2013, Commission Staff issued Notices of Alleged Violation ("NOAVs") Nos. 200390913 and 200390941 to CM Production, citing multiple

violations of the COGCC Rules of Practice and Procedure, 2 CCR 404-1, including Rule 909 (Site Investigation, Remediation, and Closure).

6. CM Production Response: CM Production respectfully disputes the allegations of violation set forth above generally in the Notices of Alleged Violations and the specific violations for the Warren Wells identified above. CM has responded to these allegations in various reports and deliverables of record prepared by Olsson Associates as well as in correspondence from its counsel, Davis Graham & Stubbs, LLP, dated April 21, 2014. CM Production states that it has investigated conditions and made arrangements to address them as described herein pursuant to work plans approved by Commission staff but, in doing so, it admits no wrongdoing.

Rice Well

7. On January 14, 2014, Commission staff conducted a compliance inspection of the Rice 2 Well in response to an informal complaint.

8. During the inspection (Doc. No. 670600199) staff found buried oily waste on location. Staff also noted impacts associated with produced water pits on-site including locations with sparse or no vegetation and with visible damage from erosion/sedimentation which indicates historic spills at those locations. The southeast produced water pit had inadequate freeboard and all three pits had inadequate stormwater/erosion controls.

9. On March 18, 2014, Commission Staff issued NOAV No. 200399090 to CM Production, citing multiple violations of the Rules, including Rule 902.b (Pits – General and Special Rules), 907.a (Management of E&P Waste – General Requirements), 907.e (Management of E&P Waste – Oily Waste) and 1002.f.(2) (Site Preparation and Stabilization – Stormwater Management).

10. CM Production Response: CM Production respectfully disputes the allegations of violation set forth above generally in the Notices of Alleged Violations and the specific violations for the Rice Wells identified above. CM has responded to these allegations in various reports and deliverables of record prepared by Olsson Associates as well as in correspondence from its counsel, Davis Graham & Stubbs, LLP, dated April 21, 2014. CM Production states that it has investigated conditions and made arrangements to address them as described herein pursuant to work plans approved by Commission staff but, in doing so, it admits no wrongdoing.

Enforcement Proceedings

11. Following a factual investigation and legal review of the violations alleged in NOAVs Nos. 200390913, 200390941 and 200399090 the Enforcement Staff now asserts CM Production has committed the following violations:

- a. Two, ten-day violations of Rule 909 (Site Investigation, Remediation, and Closure) for failing to submit Form 27s prior to performing pit

closure and for failing to document disposal of E&P Waste at the Warren Wells.

- b. One, ten-day violation of Rule 902.b (Pits – General and Special Rules) for failing to maintain adequate freeboard at the southeast produced water pit at the Rice location.
- c. One, ten-day violation of 907.a (Management of E&P Waste – General Requirements) for failing to properly handle E&P Waste at the Rice location.
- d. One, ten-day violation of 907.e (Management of E&P Waste – Oily Waste) for failing to properly dispose of oily waste at the Rice location.
- e. One, ten-day violation of 1002.f.(2) (Site Preparation and Stabilization – Stormwater Management) for failing to install and maintain adequate stormwater protection best management practices at the Rice location.

12. Pursuant to Rule 523 and the Commission's Enforcement and Penalty Policy, Enforcement Staff is pursuing a penalty of \$60,000 for these violations.

AGREEMENT

NOW, THEREFORE, based on the Findings and pursuant to Rule 522.e and the Commission's Enforcement and Penalty Policy, the Director proposes and CM Production agrees to settle the NOAV on the following terms and conditions:

- I. Penalty. CM Production will be assessed a penalty of \$60,000.
 - a. CM Production will pay \$10,000 on or before June 18, 2015; \$10,000 on or before August 18, 2015; \$10,000 on or before October 18, 2015; and \$15,000 on or before December 18, 2015. Failure to make these payments by the deadline may result in a separate violation with additional daily penalties.
 - b. The remaining \$15,000 of the penalty will be suspended provided CM Production complies with the requirements specified in this AOC. If CM Production complies, the suspended penalty will be vacated. If CM Production fails to fully comply, the suspension will be lifted, and the remaining \$15,000 penalty will become due upon demand by the Director, without further action by the Commission.
- II. Required Corrective Actions. CM Production will do the following:
 - a. Oliver Warren 1. Pursuant to the approved Form 27 (Doc #2147680, Project #8209) as amended by Staff, CM will proceed with land treatment of the estimated 2,500 cubic yards of oily waste, pursuant to the conditions of approval (Doc# 1761422). All treated waste must

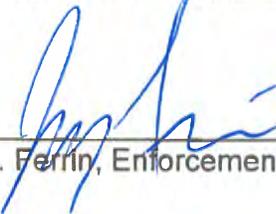
comply with Table 910-1 standards no later than January 28, 2018. In the event any treated waste fails to meet Table 910-1 standards by January 28, 2018, it must be removed and disposed of at a commercial facility by February 28, 2018. Documentation evidencing proper disposal must be received within 45 days following disposal.

- b. SJ Warren. Pursuant to the approved Form 27 (Doc # 2147593, Project #8179), as amended by Staff, CM will proceed with land treatment of the estimated 500 cubic yards of oily waste, pursuant to the conditions of approval (Doc # 1761421) All treated waste must comply with Table 910-1 standards no later than January 28, 2018. In the event any treated waste fails to meet Table 910-1 standards by January 28, 2018, it must be removed and disposed of at a commercial facility by February 28, 2018. Documentation evidencing proper disposal must be received within 45 days following disposal.
 - c. Rice 2 - Oily Waste. Pursuant to the approved Form 27 (Doc # 2141591, Project #8517), as amended by Staff, CM Production asserts that the buried oily waste has been transported to an approved waste disposal facility. Documentation evidencing proper disposal must be received by May 31, 2015.
 - d. Rice 2 – Sensitive Area Determination. Pursuant to the approved Form 27 (Doc # 2141171, Project #8461), as amended by Staff, CM Production has completed the required Sensitive Area Determination of the Rice Location (Doc #s 2313336 & 2313676). CM Production must complete all surface reclamation including installation of stormwater and erosion control measures and seeding of impacted areas no later than May 31, 2015.
- III. Compliance dates specified in this Order may be extended only for good cause, as determined at the Director's sole discretion, except that the Director shall not have the authority to extend the multiple January 28, 2018, deadlines, described above. A request for extension of a different deadline must be made, in writing, at least 35 days prior to the pertinent compliance deadline or as soon as possible if 35 days prior notice is not feasible. Failure to receive an extension prior to the compliance deadline or the failure to meet a compliance deadline may constitute a new violation subject to additional penalties.
- IV. Payment of the penalty pursuant to this AOC does not relieve CM Production of its obligations to complete corrective actions set forth in the NOAVs and Inspections, as may be amended or modified by COGCC Staff.
- V. CM Production agrees to the findings in this Administrative Order by Consent only for the purpose of expeditiously resolving the matter without

a contested hearing. Notwithstanding the above, CM Production does not admit any of the alleged violations for purposes other than entering this Administrative Order by Consent, nor does it admit the factual or legal determinations made by the Commission herein, and fully reserves its right to contest the same in any further action or proceeding other than a proceeding to enforce this Administrative Order by Consent. No action undertaken by CM Production pursuant to this Administrative Order by Consent shall constitute admission or evidence of any liability or fault by CM Production with respect to matters set forth in this Administrative Order by Consent.

RECOMMENDED this 7th day of May, 2015.

OIL AND GAS CONSERVATION COMMISSION OF
THE STATE OF COLORADO

By 
Jeremy I. Ferrin, Enforcement Officer

AGREED TO AND ACCEPTED this 7th day of MAY, 2015.

CM PRODUCTION, LLC

By  
Signature of Authorized Company Representative

John TEFF
Print Signatory Name

Manager
Title

ORDER

HAVING CONSIDERED the Agreement between the Director and CM Production to resolve the NOAV, the COMMISSION ORDERS:

1. CM Production is found in violation of Rules 909, 902.b, 907.a, 907.e, and 1002.f.(2), as described above.
2. Penalty. CM Production will be assessed a penalty of \$60,000.
 - a. CM Production will pay \$10,000 on or before June 18, 2015; \$10,000 on or before August 18, 2015; \$10,000 on or before October 18, 2015; and \$15,000 on or before December 18, 2015. Failure to make these payments by the deadline may result in a separate violation with additional daily penalties.
 - b. The remaining \$15,000 of the penalty will be suspended provided CM Production complies with the requirements specified in this AOC. If CM Production complies, the suspended penalty will be vacated. If CM Production fails to fully comply, the suspension will be lifted, and the remaining \$15,000 penalty will become due upon demand by the Director, without further action by the Commission.
3. Required Corrective Actions. CM Production will do the following:
 - c. Oliver Warren 1. Pursuant to the approved Form 27 (Doc #2147680, Project #8209) as amended by Staff, CM will proceed with land treatment of the estimated 2,500 cubic yards of oily waste, pursuant to the conditions of approval (Doc# 1761422). All treated waste must comply with Table 910-1 standards no later than January 28, 2018. In the event any treated waste fails to meet Table 910-1 standards by January 28, 2018, it must be removed and disposed of at a commercial facility by February 28, 2018. Documentation evidencing proper disposal must be received within 45 days following disposal.
 - d. SJ Warren. Pursuant to the approved Form 27 (Doc # 2147593, Project #8179), as amended by Staff, CM will proceed with land treatment of the estimated 500 cubic yards of oily waste, pursuant to the conditions of approval (Doc # 1761421) All treated waste must comply with Table 910-1 standards no later than January 28, 2018. In the event any treated waste fails to meet Table 910-1 standards by January 28, 2018, it must be removed and disposed of at a commercial facility by February 28, 2018. Documentation evidencing proper disposal must be received within 45 days following disposal.
 - e. Rice 2 - Oily Waste. Pursuant to the approved Form 27 (Doc # 2141591, Project #8517), as amended by Staff, CM Production asserts

that the buried oily waste has been transported to an approved waste disposal facility. Documentation evidencing proper disposal must be received by May 31, 2015.

- f. Rice 2 – Sensitive Area Determination. Pursuant to the approved Form 27 (Doc # 2141171, Project #8461), as amended by Staff, CM Production has completed the required Sensitive Area Determination of the Rice Location (Doc #s 2313336 & 2313676). CM Production must complete all surface reclamation including installation of stormwater and erosion control measures and seeding of impacted areas no later than May 31, 2015.

4. This Order does not relieve CM from undertaking and completing additional abatement or corrective actions as required by Staff, including additional corrective actions as may be warranted to completely remediate the issues identified in the NOAVs but not otherwise described herein.

5. Compliance dates specified in this Order may be extended only for good cause, as determined at the Director's sole discretion, except that the Director shall not have the authority to extend the multiple January 28, 2018, deadlines, described above. A request for extension of a different deadline must be made, in writing, at least 35 days prior to the pertinent compliance deadline or as soon as possible if 35 days prior notice is not feasible. Failure to receive an extension prior to the compliance deadline or the failure to meet a compliance deadline may constitute a new violation subject to additional penalties.

6. Entry of this Order constitutes final agency action for purposes of judicial review as of the date this order is mailed by the Commission. For all other purposes, this Order is effective as of the date of approval by the Commission.

7. 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 20th day of May, 2015, as of the 18th day of May, 2015.

OIL AND GAS CONSERVATION COMMISSION OF
THE STATE OF COLORADO

By  _____
Julie Murphy, Secretary

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

IN THE MATTER OF THE APPLICATION OF CM) CAUSE NO. 1V
PRODUCTION REGARDING THE DISPOSITION OF)
ORDER NOS. 1V-412 AND 1V-413 AND) DOCKET NOS. 151000676,
WITHDRAWN DOCKET NO. 150500143 AND THE) 160100078, & 160100079
APPLICATIONS OF STAFF REGARDING ALLEGED)
VIOLATIONS OF THE RULES AND REGULATIONS) TYPE: ENFORCEMENT
OF THE COLORADO OIL AND GAS CONSERVATION)
COMMISSION BY CM PRODUCTION LLC, JACKSON) ORDER NO. 1V-569
AND WASHINGTON COUNTIES, COLORADO)

ORDER FINDING VIOLATION AND DENYING CM'S APPLICATION

The Colorado Oil and Gas Conservation Commission ("Commission"), having reviewed the administrative record and being fully advised on the premises, enters this Order Finding Violation ("OFV") and Denying CM's Application pursuant to the Rules and Regulations of the Colorado Oil and Gas Conservation Commission, 2 CCR 404-1("Rule" or "Rules"), and states as follows:

I. Disputed Issues

A. The disputed issues in Docket No. 151000676 are as follows:

1. Whether CM's application should be granted, which entails approval of the 2015 AOC and withdrawal of the Demand for Payment, or whether the Application should be denied and the Demand for Payment left in place;
2. Whether CM violated Commission Orders 1V-412 and 1V-413;
3. If CM violated Orders 1V-412 and 1V-413, whether CM has any valid reasons or excuses for failure to comply fully with Orders 1V-412 and 1V-413;
4. Whether CM's financial condition is a mitigating factor in the violations alleged by Staff and/or the corrective actions requested by Staff;
5. What, if any, corrective actions should be ordered.

B. The disputed issues in Docket No. 160100078 are as follows:

1. Ordinarily, whether CM violated Commission Rule 326.b. for failure to conduct mechanical integrity tests on five wells in Jackson County Colorado would be a disputed issue. However in this case, stipulation paragraphs 24 through 45 show that MIT's on the five wells at issue were required, but have not been performed.
2. Whether CM has any valid reasons or excuses for failure to conduct the MITs;

3. Whether CM's financial condition is a mitigating factor in the violations alleged by Staff, the penalty proposed by Staff, and/or the corrective actions requested by Staff;
4. What, if any, penalty should be imposed by the Commission;
5. What, if any, corrective actions should be ordered.

C. The disputed issues in Docket No. 160100079 are as follows:

1. Whether CM violated Commission Rule 707.a. for failure to provide adequate financial assurance for the 23 shut in wells in Jackson and Washington Counties, Colorado;
2. If CM violated Rule 707.a., whether the additional financial assurance sought by staff is calculated correctly;
3. If CM violated Rule 707.a., whether CM has any valid reasons or excuses for failure to post the required additional financial assurance;
4. Whether CM's financial condition is a mitigating factor in the violations alleged by Staff, the penalty proposed by Staff, and/or the corrective actions requested by Staff;
5. What, if any, penalty should be imposed by the Commission
6. What, if any, corrective actions should be ordered.

II. Background

A. The Margaret Spaulding Location

CM is the current operator of the Margaret Spaulding Location (Location No. 324634) ("Location"), which was formerly operated by Lone Pine Gas, Inc. ("Lone Pine"). (Exs. 1 & 2). The Location is in a sensitive area. (Exs. 12, 18, 19, & 34; Testimony of Alex Fischer).

The Location includes five former produced water pits: Facility No. 112265 ("Pit 1"), Facility No. 112266 ("Pit 2"), Facility No. 112267 ("Pit 3"), Facility No. 112268 ("Pit 4"), and Facility No. 112269 ("Pit 5"), as well as Facility No. 115241 ("Overflow Treater Pit") (collectively, the "Pits"). (Undisputed Fact 6; Exs. 3, 4, & 12). There is a 6,600 cubic yard soil stockpile containing E&P waste and a land application site ("Landfarm") (Facility ID 441982) for the treatment of these soils on the Location. (Undisputed Fact 7; Ex. 18; Testimony of Alex Fischer).

1. 2013 COGCC and CDPHE Orders

CM negotiated agreements with Lone Pine, COGCC and the Colorado Department of Public Health & Environment ("CDPHE") prior to purchasing the Location from Lone Pine. (Testimony of Matt Lepore, Kelly Morgan, Alex Fischer and John Teff).

John Teff, business manager of CM, visited the Location prior to the execution of these agreements and CM's purchase of the Location. (Testimony of John Teff). Representatives of COGCC and CDPHE had also informed Mr. Teff of the Location's environmental compliance issues and the required remediation. (Testimony of Matt Lepore, Kelly Morgan, and Alex Fischer).

On May 6, 2013, the Commission entered Order 1V-412, which approved an Administrative Order by Consent between Lone Pine and Staff. The Order required the following corrective actions:

- a. Hydrocarbon contaminated soil excavated from a pit and stockpiled on the Location shall be treated or disposed of by September 1, 2013, pursuant to an approved Form 27.
- b. Use of water treatment pits for produced water or other exploration and production waste from the location shall cease by November 1, 2013.
- c. The former water treatment pits shall be decommissioned to Table 910-1 standards pursuant to an approved Form 27 by July 1, 2014.
- d. Groundwater sampling shall be continued according to an approved Form 27. (Ex. 7 at "Order" ¶¶2-5).

Under Order 1V-412, the \$150,000 penalty was suspended until July 1, 2014, at which time "if the required corrective actions are not satisfactorily and timely completed, the penalty shall be due in full thirty calendar days following written notice from the Director." (Ex. 7 at "Order" ¶7).

On May 6, 2013, the Director, Lone Pine, and CM voluntarily agreed to a stipulated order, which was approved and finalized by the Commission as Order 1V-413. (Ex. 8). CM agreed to assume Lone Pine's responsibilities under Order 1V-412 if the anticipated sale of Lone Pine's assets to CM closed. Order 1V-413 provides that:

CM has never operated the Lone Pine Assets and has not caused the existing contamination at the Location . . . CM has made a business decision to enter into this Stipulated Order and, if necessary, perform the corrective actions required by, and pay the penalty imposed under, the Lone Pine AOC as provided herein. (Ex. 8, at ¶6).

On June 24, 2013, Lone Pine sold its assets to CM, making CM Production jointly and severally responsible for the corrective actions and the payment of the penalty. (Undisputed Fact 9; Ex. 8).

On June 24, 2013, CDPHE and CM agreed to Compliance Order on Consent No. IC-130624-1 ("CDPHE Compliance Order"), which established a schedule for CM to eliminate the produced water discharge at the Location. (Ex. 9).

On June 26, 2013, a Final Consent Order between the Colorado Department of Public Health and the Environment (“CDPHE”) and Lone Pine was judicially approved (“CDPHE and Lone Pine Consent Order”). (Ex. 10). This CDPHE and Lone Pine Consent Order requires Lone Pine to pay \$120,000 in furtherance of Beneficial Environmental Projects (“BEPs”). *Id.* at ¶¶ 11 & 13. The CDPHE Consent Order references compliance with COGCC Order 1V-412 as a BEP, in particular the decommissioning of the five pits. *Id.* at ¶14.b. CDPHE expected that CM would undertake the pit decommissioning and communicated this expectation to CM. (Testimony of Kelly Morgan). Additional work on pit decommissioning is necessary to satisfy the requirements of the CDPHE and Lone Pine Consent Order. (Ex. 61; Testimony of Kelly Morgan).

2. Remediation Progress 2013-2015

On July 12, 2013, Staff conditionally approved a Form 27, Site Investigation and Remediation Work Plan, for the Location regarding the remediation of the 6,600 cubic yard soil stockpile (“First Form 27”). (Ex. 12). The First Form 27 stated that the soil stockpile would be remediated to Table 910-1 standards. *Id.* The soils were treated in July and August of 2013. (Ex. 18).

On October 29, 2013, CM submitted an application for a UIC permit. (Undisputed Fact 10). COGCC Staff did not affect or otherwise delay CM’s filing of the application for a UIC permit. (Testimony of Stuart Ellsworth).

On October 31, 2013, CM ceased discharging any fluids into the pits and the field was shut-in. (Undisputed Fact 11; Ex. 15).

On February 28, 2014, the COGCC approved CM’s UIC permit for the Entrada 1-28 Well. (Undisputed Fact 12). The four-month approval time for CM’s permit was less than half of the COGCC’s average approval time for similar permits. (Testimony of Stuart Ellsworth). The complex nature of CM’s UIC permit application only became apparent to COGCC Staff after the application was submitted. (Testimony of Stuart Ellsworth).

On May 5, 2014, Staff conditionally approved a second Form 27, Site Investigation and Remediation Work Plan, for the Location (“Second Form 27”). (Ex. 18). The Second Form 27 stated that CM would dispose of the water in the pits in the Entrada 1-28 Class II UIC Well and till or disk the Landfarm on a weekly or biweekly basis. *Id.*

On May 23, 2014, Staff conditionally approved a third Form 27, Site Investigation and Remediation Work Plan, for the Location (“Third Form 27”). (Ex. 19). The conditions of approval included that Pits 4 and 5 “shall be closed by November 1, 2014,” Pits 1-3 “shall be closed by July 1, 2015,” and “all pits shall be closed in accordance with the 900-Series Rules.” *Id.* A May 23, 2014 letter attached to the Third Form 27 states that “[i]t is expected that [Pits 4 and 5] will be closed by November 1, 2014,” and CM will

assess the soils, compare the lab results to Table 910-1, and remediate the pits to Table 910-1 standards. *Id.*

On June 5, 2014, CM requested a time extension for compliance dates specified in Order 1V-412 and suggested specific deadlines. (Ex. 20).

On June 25, 2014, the Director extended the deadlines of Order 1V-412 as requested by CM:

- a. The deadline for treating or disposing of the soil stockpile was extended to July 1, 2015.
- b. The deadline for decommissioning Pits 4 and 5 to Table 910-1 standards pursuant to an approved Form 27 was extended to November 1, 2014 and to July 1, 2015 for Pits 1-3. (Ex. 21).

On October 23, 2014, CM submitted soil sample results from Pit 5 showing exceedances of Table 910-1 standards. (Ex. 28). CM did not submit samples for Pits 1-4 or the Overflow Treater Pit. (Testimony of Alex Fischer).

On November 7, 2014, Staff observed that Pits 4 and 5 were “practicably dry” but contained residual hydrocarbons. (Ex. 30). Based on Staff’s observations at the inspection, no active remediation of the Pits had occurred. (Testimony of Alex Fischer).

On November 12, 2014, CM submitted a timeline of work performed to Staff that showed no active remediation of the pits or sampling had occurred during the 2014 field season. (Ex. 31).

During the 2014 Field Season, CM failed to: retreat the soil stockpile; provide results of composite samples to the COGCC; provide weekly updates to the COGCC; actively remediate or sample the Pits; or remove and dispose of fluids using the Entrada 1-28 well. (Testimony of Alex Fischer).

On November 21, 2014, Staff issued Notice of Alleged Violation (“NOAV”) 200417500 to CM for violating Orders 1V-412 and 1V-413 by failing to decommission Pits 4 and 5 to Table 910-1 standards by the extended deadline of November 1, 2014. (Ex. 32).

By the fall of 2014, CM had run electrical lines to the Location. CM did not complete the electrical connections necessary to operate the UIC Well. (Testimony of John Teff).

On March 9, 2015, Staff conditionally approved a Supplemental Form 27 with the express reservation that the Form 27 did not extend the compliance deadlines in Order 1V-412 or the CDPHE Consent Order (“Fourth Form 27”). (Ex. 34). The conditions of approval on the Fourth Form 27 required CM to “actively remediate Pit Facilities at this location;” remove any accumulation of fluid in the treatment areas, including the pits,

upon detection; and provide a workplan describing the frequency of farming the proposed landfarm (tilling, disking, nutrient loading, surfactants, etc.). *Id.*

3. The Unapproved 2015 AOC

On April 1, 2015, Staff filed a Notice and Application for Hearing in Docket No. 150500143 to resolve the violation alleged in NOAV 200417500. (Ex. 36). On April 24, 2015, CM and Staff signed an Administrative Order by Consent (“2015 AOC”). (Ex. 37).

The 2015 AOC required monthly written progress reports on remediation activities beginning May 1, 2015 and semi-annual written progress reports on groundwater monitoring beginning May 1, 2015. (Ex. 37). CM did not submit the monthly remediation progress reports and did not submit the semi-annual groundwater monitoring report until September 4, 2015. (Undisputed Facts 20 & 21; Ex. 59; Testimony of Alex Fischer).

On May 15, 2015, CDPHE first notified Peter Gowen, COGCC Enforcement Supervisor, of the agency’s concerns with the 2015 AOC. (Testimony of Kelly Morgan). These concerns were the following:

In 2013 CDPHE's WQCD entered into a judicial Consent Order with Lone Pine Gas, Inc that included a corrective action for completion of pond decommissioning, an action which was linked to the terms and deadlines in COGCC's AOC No. 1V-412. However, we were not consulted on the terms of COGCC's current proposed AOC No. 1V-497 and we are concerned about the extended deadline to complete decommissioning of the ponds by September 2018. (Ex. 41).

At the May 18, 2015 hearing, Commissioner Wolk withdrew Docket No. 150500143 from the consent agenda due to timing issues with the Water Quality Control Division. (Ex. 43). Docket No. 150500143 was deferred to the July 20, 2015 hearing. *Id.*

4. Events after the May 18, 2015 Hearing

On May 18, 2015, Staff learned for the first time that CM was not paying its consultants. (Exs. 43, 44-46; Testimony of Alex Fischer). Prior to the May 18, 2015, hearing Staff was not aware that CM was in financial distress. (Testimony of Matt Lepore).

On May 13, 2015, Staff observed that a landfarm had been constructed on the Location without the submission of a workplan. (Ex. 39; Testimony of Alex Fischer).

During a June 2, 2015 inspection, Staff observed that Pits 2, 3, 4, and 5 had visual hydrocarbons on the bottom of the pits and hydrocarbon staining on the pit walls. (Ex. 48; Testimony of Alex Fischer).

On June 3, 2015, Staff met with CDPHE to discuss the 2015 AOC. (Testimony of Kelly Morgan and Matt Lepore). On June 5, 2015, CDPHE provided Staff with comments on the 2015 AOC, including the request that the deadline in the 2015 AOC be changed from September 1, 2018 to September 1, 2016. (Ex. 49).

On June 11, 2015, Staff met with CDPHE and CM to discuss the remediation at the Location and the 2015 AOC. (Testimony of Kelly Morgan and Matt Lepore).

On June 25, 2015, CM discussed their plans with Staff, which included “trying to dry out landfarm material for treatment, (no active tilling or disking has been done) and continue removing fluids from the pits through aeration and evaporation.” (Ex. 54). In addition, the hydrocarbons had not been removed from the surfaces of Pits 2, 3, 4, and 5 and “no active remedial activities” had been initiated. *Id.*

On June 26, 2015, the Director issued a Notice and Demand for Payment: Order Nos. 1V-412 and 1V-413 (“Demand for Payment”) due to CM’s failure to decommission Pits 4 and 5 to Table 910-1 standards. The Demand for Payment required payment of the suspended \$150,000 penalty by August 10, 2015, an extended deadline from what was provided in Order 1V-412. The Demand for Payment also provided CM with an alternative to payment of the \$150,000: if CM posted a \$75,000 bond for the decommissioning of the Pits before August 10, 2015, Staff would support an extension of the deadlines to September 1, 2016. (Ex. 55). CM did not respond to the Demand for Payment prior to August 10, 2015. (Testimony of Matt Lepore).

On July 1, 2015, CM failed to meet the extended deadline for the decommissioning of Pits 1-3 to Table 910-1 standards and treatment of the soil stockpile to Table 910-1 standards. (Testimony of Alex Fischer and Matt Lepore).

On July 8, 2015, Staff withdrew its Notice and Application for Hearing dated April 1, 2015 in Docket No. 150500143, noting that the withdrawal did not impact NOAV 200417500, which remained outstanding. (Ex. 56).

Staff was not aware of any of the information that caused it to issue the Director’s Demand for Payment and withdraw the Notice and Application for Hearing before the May 18, 2015 hearing. (Testimony of Matt Lepore).

During inspections on July 16th, September 4th, September 30th, and November 18th, 2015, Staff observed that, among other issues at the site, no active pit remediation had occurred and that hydrocarbons remained in the pits. (Exs. 57, 58, 60, & 66).

On August 26, 2015, Lone Pine submitted affidavits and invoices to CDPHE regarding costs expended at the Location to qualify the costs towards the BEP under the CDPHE and Lone Pine Consent Order. (Exs. 62 & 63; Testimony of Kelly Morgan). CDPHE and Lone Pine are currently involved in the dispute resolution process regarding the cost information, but CDPHE’s initial evaluation concluded that only \$18,500 of the costs expended from 2013 to 2014 could be attributed to the decommissioning of the Pits. (Ex. 61; Testimony of Kelly Morgan).

During the 2015 Field Season, CM failed to: retreat the soil stockpile; submit a workplan for the Landfarm; work the Landfarm on a regular basis; actively remediate or provide samples from the Pits; provide weekly updates to the COGCC; or remove and dispose of fluids using the Entrada 1-28 Well. (Testimony of Alex Fischer).

On December 16, 2015, CM submitted a workplan for the onsite land treatment of the soil stockpiles, which was first requested in April of 2015. (Ex. 67; Testimony of Alex Fischer). Staff did not approve this workplan because it did not provide sufficient detail and was not based on attainable outcomes. (Ex. 69).

The soils in Pits 1-5 have not met Table 910-1 standards and CM has not completed decommissioning of the Pits pursuant to Order 1V-412. (Testimony of Alex Fischer and John Teff). The soils in the stockpile or the Landfarm have not met Table 910-1 standards and CM has not completed the treating of the soil stockpile pursuant to Order 1V-412. (Testimony of Alex Fischer and John Teff).

CM has not performed any active remediation on the Pits. (Testimony of Alex Fischer). CM relied on the evacuation of the free product on the surface of the water in the Pits and the exposure of the Pits to sun and wind. (Testimony of John Teff). CM provided no evidence of additional chemical treatment of the soil stockpile and Landfarm beyond the initial treatment in 2013. (Testimony of Alex Fischer and John Teff). CM never put the Entrada 1-28 injection well into use after it was permitted in February 2014. (Testimony of John Teff).

5. Procedural History

On September 11, 2015, CM filed its Application for Hearing, requesting the Commission to approve the 2015 AOC and to vacate the Demand for Payment.

On October 9, 2015, Staff filed its Motion to Dismiss CM Production's Application for Hearing. On November 16, 2015, the Commission denied Staff's Motion to Dismiss.

On December 3, 2015, Staff filed its Protest of CM Production's Application for Hearing. On December 9, 2015, Staff filed its Amended Notice and Application for Hearing in Docket No. 151000676 to resolve the alleged violations in NOAV 200417500.

B. Mechanical Integrity Testing Requirements

CM operates the Margaret Spaulding 10-A, 11, 12-A, 15 and 16 wells (the "MIT Wells"). (Undisputed Fact 24; Ex. 79). The MIT Wells are part of the Margaret Spaulding Location. (Ex. 80). All five MIT Wells were shut-in by no later than March 31, 2012. (Undisputed Facts 25-34; Ex. 81).

In an October 6, 2014 warning letter, Staff notified CM that it was required to perform MITs and set a compliance deadline of January 7, 2015. (Undisputed Facts 35 and 36; Ex. 82). CM requested an extension to perform the MITs until September 1,

2015 (Ex. 86), which was not approved by the COGCC. (Undisputed Fact 44; Ex. 108 at p. 101). CM failed to meet its own requested extension and still has not conducted the required MITs. (Undisputed Facts 39-44; Ex. 97).

C. Financial Assurance Requirements

CM operates 23 inactive wells in Jackson and Washington Counties. (Undisputed Facts 46 and 47; Exs. 102-104; Testimony by Martha Ramos). CM has not sold any production for at least twelve consecutive months from any of these 23 wells. (Undisputed Fact 47; Ex. 104, Testimony of Martha Ramos). CM has a plugging bond with the COGCC in the amount of \$60,000. (Undisputed Fact 51; Ex. 107).

Staff notified CM of the requirement for additional financial assurance in a July 16, 2015 warning letter and required corrective action by August 17, 2015. (Undisputed Fact 49, Ex. 105). CM never made any effort to submit the required additional financial assurance. (Undisputed Fact 54).

III. The Commission's Findings and Conclusions

The Commission reviewed the relief requested in CM's Application, Staff's alleged violations, and the associated penalties and relief recommended by staff. The Commission's final determinations are set forth in **Exhibit A** attached to this Order.

The Commission finds and concludes that CM has not proven that its relief requested in its Application should be granted. The Commission finds and concludes that Staff has proven by a preponderance of the evidence that CM violated Orders 1V-412 and 1V-413, as well as Rules 326.b. and 707.a.

A. The relief requested in CM's Application is denied.

1. The 2015 AOC is not approved.

The 2015 AOC is null and void because Staff withdrew its support for the proposal before it was approved by the Commission. The purpose of AOCs is to "provisionally resolve" enforcement actions and they are subject to final approval by the Commission. §34-60-121(1), C.R.S.; Rule 522.e.(1). The Act provides that a penalty may only be imposed after a hearing or "by an administrative order by consent entered into by the *commission* and the operator." §34-60-121(1)(b), C.R.S. (emphasis added). It also states that no recommended findings, determinations, or orders of any hearing officer are final until adopted by the Commission. §34-60-106(6), C.R.S. The 2015 AOC expressly states it becomes effective as of the date of approval by the Commission. (Ex. 37 at "Order" ¶18).

Staff withdrew its support for the 2015 AOC because: (1) CM defaulted on the agreement; (2) CDPHE had concerns with the 2015 AOC; and (3) Staff determined that it was not in the public interest to continue its support because of CM's compliance trends, finances, and lack of progress.

The Commission finds that there is evidence supporting Staff's decision to withdraw its support for the 2015 AOC. CM has not presented persuasive authority or evidence demonstrating that it should be approved over Staff's objection. The Commission finds and concludes that the 2015 AOC is null and void and that the approval of the 2015 AOC is not in the public interest.

2. The Demand for Payment is not vacated.

The Demand for Payment was validly issued pursuant to an approved Commission order. Order 1V-412 provides that: "If the required corrective actions are not satisfactorily and timely completed, the penalty shall be due in full thirty calendar days following written notice from the Director." (Ex. 7 at "Order" ¶7). It is undisputed that CM did not timely and satisfactorily decommission Pits 4 and 5. (Ex. 108, p. 58; Testimony of Alex Fischer and John Teff).

The Commission finds and concludes that the Demand for Payment was properly issued because CM failed to satisfactorily and timely perform the corrective action under Orders 1V-412 and 1V-413.

B. CM violated Orders 1V-412 and 1V-413 at the Margaret Spaulding Location by failing to decommission Pits 4 and 5 to Table 910-1 standards by November 1, 2014.

Order 1V-412 required all of the pits to be decommissioned to Table 910-1 standards pursuant to an approved workplan by July 1, 2014. (Ex. 7 at "Order" ¶4). This deadline was extended to November 1, 2014 for Pits 4 and 5, which was the deadline CM itself requested. (Ex. 20 & 21).

It is undisputed that the Pits have not been decommissioned to Table 910-1 standards. (Ex. 108, pp. 27, 30, & 58; Testimony of Alex Fischer and John Teff). CM has provided no evidence showing that the soils in Pits 4 and 5 meet Table 910-1 standards, or even sample results from the Pits since those submitted were only for Pit 5 on October 23, 2014. CM has not performed any active remediation on the Pits. (Testimony of Alex Fischer and John Teff).

The Commission finds and concludes that CM failed to decommission Pits 4 and 5 to Table 910-1 standards pursuant to the approved Form 27 by November 1, 2014. The Commission further finds that CM must pay the \$150,000 previously demanded by the Director.

C. CM violated Rule 326.b. (Mechanical Integrity) at Five Wells by failing to perform MITs within two years of the initial shut-in date.

Rule 326.b.(1) states that "[a] mechanical integrity test shall be performed on each shut-in well within two years of the initial shut-in date." It is undisputed that CM failed to perform MITs at the MIT Wells within two years of their shut-in dates. (Undisputed Facts 39-44; Ex. 97).

CM was notified of this issue in 2013 and Staff provided a warning letter in 2014. (Undisputed Facts 35 and 36; Ex. 82). CM has failed to perform the MITs, even by its requested extended deadline. (Undisputed Facts 39-44; Ex. 86). CM has not provided any evidence that it has attempted or has completed MITs or plugged and abandoned the MIT Wells.

The Commission finds and concludes that CM violated Rule 326.b. at the MIT Wells and Staff's requested penalty of \$327,630 is appropriate under the circumstances. The method for calculating this penalty is described in **Exhibit A.**

D. CM violated Rule 707.a. (Financial Assurance) by failing to provide additional bonding required for excess inactive wells.

Rule 707.a. requires additional financial assurance for inactive wells where an operator' inactive well count exceeds its financial assurance based on a calculation provided by Rule 707.a.

CM has a plugging bond with the COGCC in the amount of \$60,000. (Undisputed Fact 51; Ex. 107). It is undisputed that CM operates 23 wells which are inactive. (Undisputed Facts 46 and 47; Exs. 102-104). Nineteen of these inactive wells are less than 3,000 feet deep and four are more than 3,000 feet deep. (Undisputed Fact 48).

CM is required to increase its financial assurance by \$10,000 for inactive wells less than 3,000 feet in total measured depth or \$20,000 for inactive wells greater than or equal to 3,000 feet in total measured depth. Of the 23 inactive wells operated by CM, 4 have a total measured depth of 3,000 feet or more. Under Rule 707.a. the financial assurance required for these 4 deeper wells totals \$80,000. Under Rule 707.a. the financial assurance required for the remaining 19 shallower wells totals \$190,000, as these remaining 19 wells have a total measured depth of less than 3,000 feet.

The total financial assurance required for all of CM Production's inactive wells is \$270,000. As CM Production currently has a \$60,000 plugging bond, the total additional financial assurance required is \$210,000.

The calculation of the additional required financial assurance can be summarized with the following formula:

19 Inactive Wells < 3,000 Ft. x \$10,000	=	\$190,000
+		
4 Inactive Wells > 3,000 Ft. x \$20,000	=	\$80,000
-		
Existing Financial Assurance	=	\$60,000
<hr/>		
Required Additional Financial Assurance	=	\$210,000

Pursuant to the calculation provided by Rule 707.a., and based on the number of inactive wells and the depths of those wells, CM is required to submit \$210,000 in

additional financial assurance. It is undisputed that CM has not submitted this financial assurance. (Undisputed Fact 54).

Staff issued a warning letter to CM and gave CM time to provide the additional financial assurance or negotiate a plan for graduated payments. (Undisputed Fact 49, Ex. 105). CM failed to make any effort to comply with the requirements of Rule 707. (Undisputed Fact 54).

The Commission finds and concludes that CM violated Rule 707.a. and Staff's requested penalty of \$64,510 is appropriate under the circumstances. The method for calculating this penalty is described in **Exhibit A**.

ORDER

NOW, THEREFORE, the COMMISSION ORDERS:

1. The Commission approves all Hearing Officer Orders entered in Docket Nos. 151000676, 160100078, and 160100079.

2. CM's Application is denied. The 2015 AOC is not approved and the Director's Demand for Payment is not vacated.

3. CM is found in violation of Section 34-60-121(1), C.R.S., of the Act for a violation of Orders 1V-412 and 1V-413 as described above.

4. Within 30 days after this Order is mailed by the Commission, CM will either:

a. Pay the \$150,000 penalty previously suspended under Orders 1V-412 and 1V-413 and complete active remediation of the Pit Facility ID Nos. 112265, 112266, 112267, 112268, 112269, 115241, Landfarm Facility ID 441982, and the soil stockpile to Table 910-1 standards and any subsequently approved Form 27s by September 1, 2016; or

b. Post financial assurance in the amount of \$200,000 pursuant to Rule 702.a. and negotiate a deadline to remediate Pit Facility ID Nos. 112265, 112266, 112267, 112268, 112269, 115241, Landfarm Facility ID 441982, and the soil stockpile to Table 910-1 standards. The \$200,000 financial assurance posted under Rule 702.a. is separate and independent of CM's obligations to post \$210,000 of additional financial assurance under Rule 707 as described in Paragraph 6.

5. The corrective action deadlines in Paragraphs 4, 6, and 7 of this Order are new and arise solely from this Order. The corrective action deadlines in Orders 1V-412 and 1V-413 have all passed without further extension. The failure to meet either of the requirements set forth in Paragraph 4 is an independent violation of this Order that may

be subject to additional penalties.

6. CM is found in violation of Rule 326.b. at five wells as described above. CM is assessed a penalty of \$327,630 for these violations. CM will perform the mechanical integrity tests on the MIT Wells by June 30, 2016. The penalty amount of \$327,630 will be reduced by the amount of substantiated, actual costs incurred by CM to perform mechanical integrity tests on the MIT Wells, provided that CM performs an MIT test on all five MIT Wells on or before June 30, 2016. The deadline for the payment of the penalty is June 30, 2016.

7. CM is found in violation of Rule 707.a. as described above. CM is assessed a \$64,510 penalty for this violation. CM will post a \$210,000 bond within 30 days of the approval of this Order. The \$64,510 penalty is suspended pending compliance with this corrective action by the deadline. If the corrective action is not timely performed, the \$64,510 will be due within 10 days of notification from the Director and without any further action from the Commission.

8. Entry of this Order constitutes final agency action for purposes of judicial review 30 days after the date this Order is mailed by the Commission. For all other purposes, this Order is effective as of the date it is approved by the Commission.

9. The Commission expressly reserves its right after notice and hearing, to alter, amend, or repeal any and/or all of the above Order.

=====

ENTERED this 14th day of March, 2016 as of the 7th day of March, 2016.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 
Julie Murphy, Secretary

Exhibit A: Commission Findings Summary

CLAIM	CLAIM DESCRIPTION	NOAV No.	Commission Finding on Requested Relief						
Docket No. 151000676 (“Environmental Violations”)									
1.	Request to approve the 2015 AOC (CM’s Application)	Not applicable	DENIED						
2.	Request to vacate the Demand for Payment (CM’s Application)	Not applicable	DENIED						
3.	Finding CM in violation of Section 34-60-121(1), C.R.S., of the Act for failing to comply with Orders 1V-412 and 1V-413 (Staff’s Application)	NOAV No. 200417500	<p>Within 30 days after this Order is mailed by the Commission, CM will either:</p> <p>a. Pay the \$150,000 penalty previously suspended under Orders 1V-412 and 1V-413 and complete active remediation of the Pit Facility ID Nos. 112265, 112266, 112267, 112268, 112269, 115241, Landfarm Facility ID 441982, and the soil stockpile to Table 910-1 standards and any subsequently approved Form 27s by September 1, 2016; or</p> <p>b. Post financial assurance in the amount of \$200,000 pursuant to Rule 702.a. and negotiate a deadline to remediate Pit Facility ID Nos. 112265, 112266, 112267, 112268, 112269, 115241, Landfarm Facility ID 441982, and the soil stockpile to Table 910-1 standards. The \$200,000 financial assurance posted under Rule 702.a. is separate and independent of CM’s obligations to post \$210,000 of additional financial assurance under Rule 707 as described in Paragraph 6.</p> <p>The corrective action deadlines in Paragraphs 4, 6, and 7 of this Order are new and arise solely from this Order. The corrective action deadlines in Orders 1V-412 and 1V-413 have all passed without further extension. The failure to meet either of the requirements set forth in Paragraph 4 is an independent violation of this Order that may be subject to additional penalties.</p>						
Docket No. 160100078 (“MIT violations”)			Act	Class, Impact	Daily Penalty	Start Date	End Date	Days	Approved Penalty
4.	Finding CM in violation of Rule 326.b. (Mechanical Integrity) at the Margaret Spaulding 10-A well.	NOAV No. 2618144	New	Class 2, Minor	\$2,500	10/1/2014	3/7/2016	523	\$63,910
5.	Finding CM in violation of Rule 326.b. (Mechanical Integrity) at the Margaret Spaulding 11 well.	NOAV No. 2618143	New	Class 2, Minor	\$2,500	6/22/2014	3/7/2016	624	\$65,930
6.	Finding CM in violation of Rule 326.b. (Mechanical Integrity) at the Margaret Spaulding 12-A well.	NOAV No. 2618140	New	Class 2, Minor	\$2,500	6/22/2014	3/7/2016	624	\$65,930

Exhibit A: Commission Findings Summary

7.	Finding CM in violation of Rule 326.b. (Mechanical Integrity) at the Margaret Spaulding 15 well.	NOAV No. 2618141	New	Class 2, Minor	\$2,500	6/22/2014	3/7/2016	624	\$65,930
8.	Finding CM in violation of Rule 326.b. (Mechanical Integrity) at the Margaret Spaulding 16 well.	NOAV No. 2618142	New	Class 2, Minor	\$2,500	6/22/2014	3/7/2016	624	\$65,930

The penalty was also calculated based on the following:

- a. Violations beginning after the effective date of HB 14-1356 (June 6, 2014);
- b. For NOAV Nos. 2618140, 2618141, 2618142, and 2618143, a start date of one year before the NOAV was served for penalty purposes and continuing until the hearing date as these violations are ongoing;
- c. For NOAV No. 2618144, a start date of the day the violation began and continuing until the hearing date as this violation is ongoing;
- d. Application of the Duration Matrix from the Commission's Enforcement and Penalty Policy;
- e. No aggravating or mitigating factors; and
- f. No pattern of violation or gross negligence/knowing and willful misconduct.

CORRECTIVE ACTION: CM will perform the mechanical integrity tests on the MIT Wells by June 30, 2016. The penalty amount of \$327,630 will be reduced by the amount of substantiated, actual costs incurred by CM to perform mechanical integrity tests on the MIT Wells, provided that CM performs an MIT test on all five MIT Wells on or before June 30, 2016. The deadline for the payment of the penalty is June 30, 2016.

Docket No. 160100079 ("Financial Assurance Violations")			Act	Class, Impact	Daily Penalty	Start Date	End Date	Days	Approved Penalty
9.	Finding CM in violation of Rule 707.a. (Financial Assurance, Excess Inactive Wells)	NOAV No. 5229352	New	Class 2, Minor	\$2,500	9/1/2014	3/7/2016	553	\$64,510

The penalty was also calculated based on the following:

- a. Violation beginning after the effective date of HB 14-1356 (June 6, 2014);
- b. A start date one year before the NOAV was served for penalty purposes and continuing to the hearing date as this violation is ongoing,
- c. Application of the Duration Matrix from the Commission's Enforcement and Penalty Policy;
- d. No aggravating or mitigating factors; and
- e. No pattern of violation or gross negligence/knowing and willful misconduct.

CORRECTIVE ACTION: CM will post a \$210,000 bond within 30 days of the approval of this Order. The \$64,510 penalty is suspended pending compliance with this corrective action by the deadline. If the corrective action is not timely performed, the \$64,510 will be due within 10 days of notification from the Director and without any further action from the Commission.



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COLORADO

Oil & Gas Conservation
Commission

Department of Natural Resources

1120 Lincoln Street, Suite 801
Denver, CO 80203



01761421

Conditions of Approval

January 28, 2015

CM Production, LLC - Operator #10352

SJ Warren #1, API #121-07034

Remediation Project #8179

Supplemental Soil Remediation Work Plan - Submitted October 2014

The Supplemental Soil Remediation Work Plan for Land Treatment of Oily Waste is approved with the following conditions:

1. Land Treatment of oily waste shall be performed in strict accordance with the requirements of COGCC Rule 907.e.(2).
2. At a minimum, collect soil samples from the proposed treatment areas twice per year to establish rate of biodegradation. Samples shall be collected consistently from the same approximate locations during each sampling event.
 - a. One sample shall be collected to represent each 100 cubic yards of soil being treated. A grid shall be established over the treatment area to represent 100 cubic yard volumes based on surface area and thickness of treated material.
 - b. Progress samples shall be analyzed for Total Petroleum Hydrocarbons (TPH) - gasoline range organics (GRO) and diesel range organics (DRO).
 - c. Final confirmation samples prior to reuse of the material shall be analyzed for TPH - GRO & DRO, Polycyclic Aromatic Hydrocarbons (PAH), Electrical Conductivity (EC), pH, Sodium Adsorption Ratio (SAR).
 - d. If one or more of the inorganics EC, pH or SAR exceed Table 910-1 standards, CM will be required to provide a plan for prior COGCC approval to either bury the waste with at least 3-feet of clean fill or reuse it in another location outside of active agricultural areas. If buried off site, land owner permission is required.
3. Submit semi-annual progress reports no later than April 30th and October 31st each year of treatment. Include the following information in each progress report:
 - a. Dates and description of work performed such as aeration by tilling or addition of nutrients, microbes, water or other amendments.
 - b. Include types and volumes of nutrients, microbes or other amendments.

P 303.894.2100 F 303.894.2109 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

Exhibit 3



- c. Provide sample results with sample location diagram, summary table of results compared to Table 910-1 standards and laboratory reports.
 - d. Failure to submit the semi-annual progress reports by the due dates will result in the requirement to immediately dispose all oily waste off site at an appropriate disposal facility.
4. Implement stormwater controls to prevent contamination of stormwater runoff.
5. Control weeds in the disturbed areas associated with the land treatment.
6. CM shall complete remediation within three years of the date of this conditional approval - by January 28, 2018. In the event any treated waste fails to meet Table 910-1 standards within three (3) years, it must be removed and disposed of at a commercial facility within 30 days. Disposal documentation must be received by COGCC within 15 days following disposal.
7. If waste fails to meet Table 910-1 standards and is removed from the location for disposal, the underlying soil must be sampled to verify compliance with Table 910-1 standards.
8. The offsite treatment location must be reclaimed in accordance with Rule 1004.c. final reclamation threshold within three (3) months after treatment or disposal of oily waste is completed.
 - a. Final reclamation shall include incorporation of treated waste or other proposed reuse, final contouring, seeding and weed control until vegetation complies with the threshold for release.
9. To meet closure criteria for the remediation, submit a final report with a closure request and request for inspection once all confirmation samples comply with Table 910-1 standards. Final closure request shall be made no later than January 28, 2018.



01761422



COLORADO

Oil & Gas Conservation
Commission

Department of Natural Resources

1120 Lincoln Street, Suite 801
Denver, CO 80203

Conditions of Approval

January 28, 2015

CM Production, LLC - Operator #10352
Oliver Warren #1, API #121-07039
Remediation Project #8209
Supplemental Soil Remediation Work Plan - Submitted November 2014

The Supplemental Soil Remediation Work Plan for Land Treatment of Oily Waste is approved with the following conditions:

1. Land Treatment of oily waste shall be performed in strict accordance with the requirements of COGCC Rule 907.e.(2).
2. At a minimum, collect soil samples from the proposed treatment areas twice per year to establish rate of biodegradation. Samples shall be collected consistently from the same approximate locations during each sampling event.
 - a. One sample shall be collected to represent each 100 cubic yards of soil being treated. A grid shall be established over the treatment area to represent 100 cubic yard volumes based on surface area and thickness of treated material.
 - b. Progress samples shall be analyzed for Total Petroleum Hydrocarbons (TPH) - gasoline range organics (GRO) and diesel range organics (DRO).
 - c. Final confirmation samples prior to reuse of the material shall be analyzed for TPH - GRO & DRO, Polycyclic Aromatic Hydrocarbons (PAH), Electrical Conductivity (EC), pH, Sodium Adsorption Ratio (SAR).
 - d. If one or more of the inorganics EC, pH or SAR exceed Table 910-1 standards, CM will be required to provide a plan for prior COGCC approval to either bury the waste with at least 3-feet of clean fill or reuse it in another location outside of active agricultural areas. If buried off site, land owner permission is required.
3. Submit semi-annual progress reports no later than April 30th and October 31st each year of treatment. Include the following information in each progress report:
 - a. Dates and description of work performed such as aeration by tilling or addition of nutrients, microbes, water or other amendments.
 - b. Include types and volumes of nutrients, microbes or other amendments.



- c. Provide sample results with sample location diagram, summary table of results compared to Table 910-1 standards and laboratory reports.
 - d. Failure to submit the semi-annual progress reports by the due dates will result in the requirement to immediately dispose all oily waste off site at an appropriate disposal facility.
4. Implement stormwater controls to prevent contamination of stormwater runoff.
5. Control weeds in the disturbed areas associated with the land treatment.
6. CM shall complete remediation within three years of the date of this conditional approval - by January 28, 2018. In the event any treated waste fails to meet Table 910-1 standards within three (3) years, it must be removed and disposed of at a commercial facility within 30 days. Disposal documentation must be received by COGCC within 15 days following disposal.
7. If waste fails to meet Table 910-1 standards and is removed from the location for disposal, the underlying soil must be sampled to verify compliance with Table 910-1 standards.
8. The offsite treatment location must be reclaimed in accordance with Rule 1004.c. final reclamation threshold within three (3) months after treatment or disposal of oily waste is completed.
 - a. Final reclamation shall include incorporation of treated waste or other proposed reuse, final contouring, seeding and weed control until vegetation complies with the threshold for release.
9. To meet closure criteria for the remediation, submit a final report with a closure request and request for inspection once all confirmation samples comply with Table 910-1 standards. Final closure request shall be made no later than January 28, 2018.

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

IN THE MATTER OF ALLEGED VIOLATIONS OF) CAUSE NO. 1V
THE RULES AND REGULATIONS OF THE)
COLORADO OIL AND GAS CONSERVATION) DOCKET NO. 160100080
COMMISSION BY CM PRODUCTION LLC, LOGAN)
AND WASHINGTON COUNTIES, COLORADO) TYPE: ENFORCEMENT

AFFIDAVIT OF JOHN AXELSON

I, John Axelson, declare under oath and penalty of perjury that the information stated below is true and accurate to the best of my knowledge, information, and belief:

1. I have worked for the Colorado Oil and Gas Conservation Commission ("Commission" or "COGCC") for 9 years. I was an Environmental Protection Specialist II until 2013, when I became the East Environmental Supervisor. My resume is attached to this Affidavit.

2. As an Environmental Supervisor, I ensure compliance with Commission rules regarding spills and releases, the management of E&P waste, and mitigation, prevention, and remediation of environmental impacts. I oversee all environmental issues related to oil and gas operations in eastern Colorado, including Washington and Logan Counties.

3. I am the COGCC representative who issued Notice of Alleged Violation ("NOAV") No. 200438048 to CM Production LLC ("CM") for violations of Order No. 1V-507. I am familiar with the events, documents, and current compliance status of the violations alleged in that NOAV.

4. Order No. 1V-507 addressed compliance issues at the SJ Warren site (API # 05-121-07034) and the Oliver Warren site (API # 05-121-07039) in Washington County (collectively the "Warren Wells").

5. Order No. 1V-507 also addressed compliance issues at the Rice site (API # 05-075-07216) (the "Rice Well") in Logan County.

Warren Wells

6. Form 27 conditions of approval from January 2015, which were incorporated by reference into Order No. 1V-507, required CM to actively treat oily waste, to collect soil samples from the land treatment areas twice per year to establish rate of biodegradation and to file semi-annual progress reports for the land treatment of

the oily waste at the Warren Wells. The semi-annual progress reports were due no later than April 30th and October 31st of each year.

7. In this context, active treatment of oily waste means regular disking, tilling, aeration, or addition of nutrients, microbes, water or other amendments as appropriate.

8. Active treatment is important to provide the conditions necessary to enhance and promote biodegradation of petroleum hydrocarbons. Without active treatment, bioremediation of oily waste is sometimes not successful in reaching applicable Table 910-1 cleanup standards.

9. Regular progress reporting (with soil sampling data) was also important so that Staff could monitor the progress of biodegradation at these locations and adjust the remediation protocols, if needed, in order to achieve timely and complete remediation.

10. Land treatment of the oily waste at the Warren Wells was a negotiated term in Order No. 1V-507. Staff would have preferred immediate completion of these projects by disposing of the oily waste at an appropriate commercial disposal facility, but agreed to a perceived less expensive approach at the operator's insistence. In exchange, Staff expected strict compliance with the order and, therefore, the consequence for failure to submit the semi-annual progress reports by the due dates was for CM to immediately dispose of all oily waste off-site at an appropriate disposal facility.

11. CM did not file the April 30, 2015, progress reports covering either of the Warren Wells.

12. This failure was noted in a letter to CM dated June 18, 2015. Additionally, this letter required CM to remove all oily waste for off-site disposal with disposal documentation submitted no later than August 18, 2015.

13. CM did not comply with the August 18, 2015, deadline.

14. On October 2, 2015, COGCC Staff inspected the Warren Wells and noted that CM did not appear to be actively treating all of the oily waste at the Warren Wells. There are three land treatment areas at the Warren Wells. While one of the areas appeared to have been tilled at some point (though not recently as of the inspection date), the other two areas had no evidence of active tilling. This was evident from the large clods of soil. [Compare the third photo (showing clumpy soil) with the fifth photo (showing tilled soil) attached to Inspection No. 679500080].

15. CM did not file the October 31, 2015, progress reports covering either of the Warren Wells.

16. On December 19, 2015, COGCC received a Form 4, Sundry Notice, from CM covering the Oliver Warren Well. The Form 4 asserts that recent sampling indicates decreasing contamination.

17. The Form 4 notes that Total Petroleum Hydrocarbons - Diesel Range Organics remain above Table 910-1 standards. The Form 4 mentions attached laboratory analysis. No attachments were received by the COGCC.

18. On December 22, 2015, via COGCC's eForm system, I notified CM that analytical data was not attached to the Form 4.

19. To date, CM has failed to provide analytical data or any documentation evidencing active treatment of the waste at the Warren Wells.

20. CM did not file the April 30, 2016, progress reports covering either of the Warren Wells.

21. On May 9, 2016, COGCC Staff inspected the Warren Wells and noted again that CM did not appear to be actively treating the oily waste at the Warren Wells. Consistent with the prior inspections of the Warren Wells, oily waste at two of three land treatment areas did not appear to have ever been tilled. The third land treatment area had not been tilled recently.

Rice Well

22. Order No. 1V-507 also required CM to complete all surface reclamation including installation of stormwater and erosion control measures and seeding of the impacted areas at the Rice Well no later than May 31, 2015.

23. On August 19, 2015, COGCC Staff inspected the Rice Well and noted that while some of the reclamation work was completed, CM had not completed the required erosion control work.

24. In this context Staff was expecting to see stabilization of the slopes and/or installation of erosion/sediment control best management practices on the east side of the two produced water pits immediately adjacent to an ephemeral stream. This stabilization was required to prevent active sediment erosion and transport from the produced water pit berms directly into the ephemeral stream.

25. Additionally, the inspection noted that operation of two of the three unlined production pits (Facilities ID #'s 100570 and 100571) continues to cause impacts to the adjacent ephemeral stream.

26. On May 5, 2016, COGCC Staff inspected the Rice Well and noted that CM had still not completed the required erosion control work. As with prior inspections of the Rice Well, CM had failed to stabilize the slopes on the east side of the two produced water pits. Erosion continues to cause transport of sediment into the ephemeral stream.

Enforcement Proceedings.

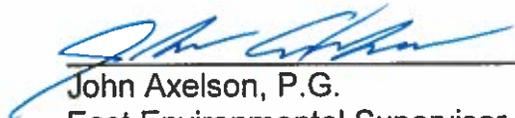
27. On November 25, 2015, I issued NOAV No. 200438048 for violations of Section 34-60-121(1) C.R.S. (violation of Order No. 1V-507) at the Warren Wells and the Rice Well.

28. NOAV No. 200438048 required CM to remove all oily waste at the Warren Wells, provide disposal documentation, reclaim the surface area disturbed by the land treatment and provide a report to COGCC by December 18, 2015.

29. NOAV No. 200438048 also required CM to discontinue use of two pits at the Rice Well, submit a plan to close the pits by December 18, 2015, stabilize all disturbed locations to stop ongoing erosion during the pit closure and surface reclamation project. Work at this location is to be completed by June 30, 2016.

30. To date, CM has failed to comply with NOAV No. 200438048.

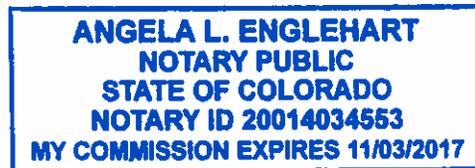
Further Affiant sayeth not.


John Axelson, P.G.
East Environmental Supervisor

Subscribed and sworn to before me in the City and County of Denver, State of Colorado, this 12 day of May, 2016.

Witness my hand and official seal.


Notary Public



SUMMARY OF EXPERIENCE

Mr. Axelson has been employed as a geologist and environmental scientist for 28 years. Three years of experience were gained in mining and 16 years of environmental work has been performed primarily for consulting firms. For the last nine years John has been employed with the Colorado Oil & Gas Conservation Commission as an environmental protection specialist and the East Environmental Supervisor. He served as a Construction Engineer, Survey Engineer and Assistant Construction Coordinator for the Program Management Contractor at the Rocky Mountain Arsenal. John's environmental experience includes consulting on commercial projects performing assessment and remediation at sites contaminated with petroleum compounds, chlorinated solvents, and metals. He has performed remedial investigations and implemented remediation projects for commercial clients as well as government entities such as AFCEE, at various facilities and air force bases throughout the country.

PROJECT TYPES

Oil & Gas
 Open Pit Mine
 Mined Land Reclamation
 UST Sites
 Compressor Stations and Pipelines
 Manufacturing Facilities
 Air Force Bases
 Army Installations
 Landfills

EDUCATION

Degree: Bachelors - Geology, Western State College, Colorado, 1987

ACTIVITIES

Environmental Protection Specialist
 Project Management
 Remedial Investigations
 Feasibility Studies
 Regulatory Compliance
 Field Surveying
 Cost Estimating

REGISTRATIONS

Professional Geologist
 Registered February 8, 1996
 State of Indiana, #1705

EMPLOYMENT HISTORY

State of Colorado - COGCC	2006 to Present
Brown & Root, Inc.	4 Years (02'-06')
TN & Associates, Inc.	2.5 Years (99'-01')
State of Colorado -OIS	0.5 Years (99')
Brown & Root Environmental	2 Years (96'-98')
Ryan-Murphy, Inc.	6 Years (90'-96')
Levon Resources, Inc.	3 Years (87'-90')

PROJECT EXPERIENCE**COLORADO OIL & GAS CONSERVATION COMMISSION – November 2006 to Present**

East Environmental Supervisor, EPS-IV (August 2013 – Present)

Responsible for supporting the oil and gas industry and the public with the responsible development of the state's oil and gas natural resources while protecting public health, safety, and welfare, including the environment and wildlife. Duties include the supervision of seven EPS staff covering the east half of the state. Continue to perform technical work as described below.

Environmental Protection Specialist – II (November 2006 – 2013)

Duties included investigation of complaints from the public related to a wide variety of oil & gas issues such as allegations of domestic water well impacts, land application of drilling fluids and cuttings, spills and releases, dumping, crop damage, pit issues, historic impacts, salt kills, etc. Successfully resolved complaints in a timely manner and provided appropriate documentation to complainants and oil & gas operators.

Responsible for reviewing and processing spill reports (Form 19), remediation plans (Form 27), permit packages for centralized E&P waste management facilities (Form 28), pit permits (Form 15), complaints (Form 18), sundry notices (Form 4) for issues such as variance requests and E&P waste management plans.

Performed field inspections at various oil & gas facilities to document compliance with applicable COGCC rules. When necessary collected groundwater, surface water, soil, gas and E&P waste samples. When appropriate, issued notices of alleged violation requiring corrective actions to meet compliance. Supported the hearings unit in enforcement matters. Worked with operators to understand rule citations and provided technical guidance to help achieve compliance. Provided public outreach to oil & gas operators, community organizations and other regulatory agencies.

KBR AT THE ROCKY MOUNTAIN ARSENAL – January 2002 to October 2006

Construction Engineer/Field Engineer/Survey Engineer/Assistant Construction Coordinator:

Construction Engineer

Prepared the Statement of Work for the Secondary Basins/Section 35 soil remediation project that included excavation, transport, and disposal of 300,000 cubic yards of contaminated soil at the Rocky Mountain Arsenal.

Construction Engineer for the Well Abandonment Project at the Rocky Mountain Arsenal. Prepared all associated work plans and provided oversight of subcontractor

performing well closure. Coordinated the work with client personnel and Regulatory Agencies. Closed 180 monitor wells in accordance with applicable regulations. Successfully negotiated access agreements with private land owners for the closure of off site wells and obtained appropriate permits to perform the work.

Field Engineer/Survey Engineer

Provided oversight of subcontractor constructing a Vapor Containment Structure as part of the dismantlement and decontamination of nerve agent fill equipment formerly used to manufacture chemical munitions at the Rocky Mountain Arsenal. Prepared associated work plans and supervised construction to meet design specifications.

Supervised field activity associated with the Secondary Basins and Section 35 Soil Remediation Project. Project included excavation and disposal of 300,000 cubic yards of contaminated soil. Responsible for subcontractor oversight and all pre and post excavation surveying. Compiled data in survey reports to document remediation in accordance with design specifications. Prepared the Construction Completion Report (CCR) for each project to document conformance with the remedy goals established in the Record of Decision. Worked with client and agency personnel through the review process to obtain EPA, State and County acceptance and approval of each CCR.

Provided oversight of the Haul Road Operations Project. Responsible for maintaining the haul road system including repair, new construction and removal of unused roads at RMA. Also responsible for overseeing a variety of support tasks such as soil sampling, assistance with remedy execution, perimeter fence repair and spill response. As part of the Haul Road Operations Project, the subcontractor also operated the on site Hazardous Waste Landfill and Basin A waste consolidation area.

Assistant Construction Coordinator

Assisted the Construction Coordinator with site wide project coordination at RMA. Responsibilities included coordination of multiple subcontractors regarding facility usage, health and safety issues, security issues and access requirements. Responsible for facilitating a weekly subcontractor coordination meeting.

TN & Associates, Inc. - June 1999 to December 2001

Environmental Scientist

Performed Remedial Investigations and Monitoring at various military installations.

Removal Action at Lowrey AFB, Denver, CO

Provided oversight of subcontractor performing removal action at the former base. Removal action consisted of soil treatment for lead shot removal at a former firing range, and load out and disposal of approximately 25,000 cubic yards.

RI/FS at FE Warren AFB, Cheyenne, WY

Performed \$2 million Remedial Investigation/Feasibility Study (RI/FS) of source areas at several operable units on base, which included preparing investigation reports, conducting soil vapor sampling, membrane interface probe investigations, and installation of soil borings and permanent monitor wells to identify source areas of chlorinated solvents contamination. Acted as one of the lead geologists guiding the RI/FS.

RI/FS at Iowa Army Ammunition Plant, Burlington, IA

Conducted RI/FS to identify contamination at suspected source areas associated with munitions manufacturing. Performed soil sampling, USCS logging of soil cores, and field screening for explosives and radiation.

Groundwater Protection Plan at Holloman, AFB, Alamogordo, NM

Provided oversight for consultant collecting data to develop a groundwater protection plan for the base, which included site reconnaissance, records review, and report review.

Endangered Species Survey, Canon AFB – Melrose Bombing Range, Clovis, NM
Assisted wildlife biologist with a Black Footed Ferret survey at the bombing range. Prepared final report, adhering to U.S. Fish and Wildlife Service protocol.

LTM, Moody AFB, Valdosta, GA

Performed base wide groundwater sampling as part of long term monitoring program.

LTM Harington Army Airfield, Harington, Kansas

Performed site wide groundwater sampling as part of long term monitoring program.

RI/FS FE Warren AFB, Cheyenne, WY

As part of \$2 million Remediation Investigation/Feasibility Study, performed site investigation associated with a former landfill on base, which included conducting groundwater sampling, surface water sampling, sediment sampling and stream gauging.

State of Colorado Oil Inspection Section – January 1999 to June 1999

Environmental Protection Specialist

Primary responsibilities included reviewing site assessment and remediation reports associated with leaking underground storage tank (UST) sites for regulatory compliance. Directed owners on appropriate actions in accordance with the State of Colorado risk-based clean-up guidance.

Brown & Root Environmental – 1996 to 1998

Project Geologist

Performed site assessments and installed/operated various remediation systems under a National Service Agreement with Conoco, Inc. at retail gas stations in Colorado.

Responsibilities included job cost tracking, regulatory compliance, client consultations; preparing work plans, fieldwork, permitting and all associated reporting.

Managed \$500,000 remediation project utilizing oxygen release compound (ORC) for petroleum-contaminated groundwater treatment. Installed ORC via slurry through over 300 injection points. Managed several smaller remediation projects utilizing technologies such as vapor extraction/air sparge and low-flow bio-sparge systems.

Performed Emergency Planning and Community Right to Know Act (EPCRA) audits at U.S. Postal Facilities in Colorado and prepared associated reports.

Ryan-Murphy, Inc. – 1990 TO 1996*Environmental Geologist*

Primary responsibilities included managing site assessment and remediation projects under a National Service Agreement with Bridgestone Firestone, Inc. Prepared work plans and cost estimates, obtained client approval, performed fieldwork, and prepared reports. Also responsible for client, agency and legal council consultations. Responsible for projects at sites located in 65 cities in 23 states valued at \$3.2 million.

Performed site assessments and remediation projects for additional clients such as Good Year, BP, Exxon, Norfolk & Southern Railroad and Texas Eastern Transmission Co.

Site Supervisor on \$3 million PCS thermal treatment project for Continental Baking Co., Sacramento, CA.

Wrote the reclamation plan for the Conda Rock quarry Boulder County, Colorado.

Developed the remediation plan for a former Strategic Metals Recovery plant in Laramie, Wyoming.

Levon Resources, Inc. – 1987 to 1990*Geologist*

For gold mine development project in Cripple Creek, Colorado, performed oversight of 12,000-foot infill core drilling for ore reserve evaluations. Responsible for core logging, preparing assay data profiles and geologic cross sections. Assisted project manager with ore reserve estimates and mine planning. Responsible for environmental compliance associated with exploration permits to achieve bond redemption. Conducted reclamation of exploration roads, trenches, pits, and drill pads. Provided oversight of consultants preparing various permit applications.

Performed exploration projects in Colorado, Nevada and Arizona. Established grids, performed geophysical surveys, surface sampling and geologic mapping, and prepared exploration reports.


COLORADO

 Oil & Gas Conservation
 Commission

Department of Natural Resources

 1120 Lincoln Street, Suite 801
 Denver, CO 80203

June 18, 2015

Certified Mail Return Receipt Requested #7014 0510 0002 0093 3775

 Mr. John Teff
 CM Production LLC
 390 Union Blvd., Suite 620
 Lakewood, CO 80228

 Re: Compliance Status
 SJ Warren Remediation Project #8179
 Oliver Warren Remediation Project #8209

Dear Mr. Teff,

As you are aware, the Colorado Oil & Gas Conservation Commission (COGCC) approved Remediation Plans for the land treatment of oily waste at the subject locations on January 28, 2015. Each plan was approved with nine (9) conditions of approval. The conditions of approval required the collection of soil samples from the treated material a minimum of twice per year to establish rates of biodegradation. The conditions also required submittal of semi-annual progress reports no later than April 30th and October 31st each year. COGCC has not received the April 30th progress report. No documentation has been provided to demonstrate that land treatment has been performed in accordance with the approved plans.

Condition of approval 3.d. specifically stated, "Failure to submit the semi-annual progress reports by the due dates will result in the requirement to immediately dispose all oily waste off site at an appropriate disposal facility."

Due to the failure to comply with the required conditions of approval, COGCC is requiring the following corrective actions.

1. Immediately remove all oily waste at both the SJ Warren and Oliver Warren locations in Washington County and properly dispose in accordance with Rule 907.e.
2. Provide a report documenting the off-site disposal including all waste transportation and disposal documentation required by Rule 907.b.(2). Documentation shall verify that the estimated 2,500 cubic yards of waste at the Oliver Warren site and estimated 500 cubic yards of waste at the SJ Warren was properly disposed. The report shall be submitted no later than August 18, 2015.

P 303.894.2100 F 303.894.2109 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



Exhibit 5

Mr. John Teff
June 18, 2015
Page 2

3. Restore/reclaim the surface at both locations that was disturbed by the land treatment area. Provide photo documentation of the surface restoration in the report due no later than August 18, 2015.

Failure to comply with the required corrective actions by the due dates will result in additional enforcement action.

If you have any questions, please call me at 303-894-2100, ext. 5115.

Sincerely,
Colorado Oil and Gas Conservation Commission



John Axelson, P.G.
East Environmental Supervisor

Cc. Greg Deranleau - COGCC Environmental Manager
Jeremy Ferrin - COGCC Enforcement Officer
Remediation Project Files - 8179, 8209

FORM INSP
Rev 05/11

**State of Colorado
Oil and Gas Conservation Commission**

1120 Lincoln Street, Suite 801, Denver, Colorado 80203
Phone: (303) 894-2100 Fax: (303) 894-2109



DE	ET	OE	ES
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Inspection Date:
09/11/2015

Document Number:
679500069

Overall Inspection:

ACTION REQUIRED

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>234892</u>	<u>317041</u>	<u>AXELSON, JOHN</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>10352</u>
Name of Operator:	<u>CM PRODUCTION LLC</u>
Address:	<u>390 UNION BLVD SUITE 620</u>
City:	<u>LAKEWOOD</u> State: <u>CO</u> Zip: <u>80228</u>

- THIS IS A FOLLOW UP INSPECTION
- FOLLOW UP INSPECTION REQUIRED
- NO FOLLOW UP INSPECTION REQUIRED
- INSPECTOR REQUESTS FORM 42 WHEN CORRECTIVE ACTIONS ARE COMPLETED

Contact Information:

Contact Name	Phone	Email	Comment
Teff, John	(303) 534-0299	johnT@cmproductionllc.com	
Young, Rob		rob.young@state.co.us	
Camper, Grady	(720) 248-8645	gradyc@cmproductionllc.com	

Compliance Summary:

QtrQtr: NWSW Sec: 11 Twp: 2N Range: 49W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
01/23/2015	673709375	PR	PR	ACTION REQUIRED			No
11/20/2013	670600098	PR	PR	ALLEGED VIOLATION			Yes
10/02/2007	200120850	PR	PR	SATISFACTORY			No
09/23/2004	200060574	PR	PR	ACTION REQUIRED		Fail	Yes
10/20/2003	200045862	PR	PR	SATISFACTORY		Pass	No
02/26/1999	500158844	ES	PR			Pass	No
09/25/1997	500158846	ES	PR			Pass	No
10/03/1995	500158845	PR	PR			Pass	No

Inspector Comment:

Inspection performed to determine status of land treatment of oily waste - Remediation Project #8179. See corrective actions within.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status
102615	PIT		09/23/1999		-	S.J. WARREN	<input type="checkbox"/>
102621	PIT		09/23/1999		-	S.J. WARREN	<input type="checkbox"/>
102622	PIT		09/23/1999		-	S.J. WARREN	<input type="checkbox"/>
234892	WELL	PR	01/02/1996	OW	121-07034	WARREN*S J 1	EI <input checked="" type="checkbox"/>

Equipment:

Location Inventory

Special Purpose Pits: _____	Drilling Pits: _____	Wells: _____	Production Pits: _____
Condensate Tanks: _____	Water Tanks: _____	Separators: _____	Electric Motors: _____
Gas or Diesel Mortors: _____	Cavity Pumps: _____	LACT Unit: _____	Pump Jacks: _____
Electric Generators: _____	Gas Pipeline: _____	Oil Pipeline: _____	Water Pipeline: _____
Gas Compressors: _____	VOC Combustor: _____	Oil Tanks: _____	Dehydrator Units: _____
Multi-Well Pits: _____	Pigging Station: _____	Flare: _____	Fuel Tanks: _____

Location

Signs/Marker:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
BATTERY	ACTION REQUIRED	Sign does not include legal location.	Install sign to comply with rule 210.	10/31/2015

Emergency Contact Number (S/A/V): _____ Corrective Date: _____

Comment: _____

Corrective Action: _____

Good Housekeeping:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
WEEDS	ACTION REQUIRED	no recent weed control	Perform weed control	10/31/2015
TRASH	ACTION REQUIRED	unused pipe at water tank.	Dispose or recycle	10/16/2015

Spills:				
Type	Area	Volume	Corrective action	CA Date
Crude Oil		<= 5 bbls	small amount of oil stained soil ring inside produced water pit - remove and properly treat or dispose.	10/31/2015
Crude Oil	Treater	<= 5 bbls	localized oily waste in treater shed has been covered with fresh dirt - properly treat or dispose.	11/01/2015
Crude Oil	Tank	<= 5 bbls	small amount of localized oily waste at battery - properly treat or dispose.	10/31/2015

Multiple Spills and Releases?

Facilities: New Tank Tank ID: _____

Contents	#	Capacity	Type	SE GPS
PRODUCED WATER	1	300 BBLS	STEEL AST	
S/A/V:	Comment:			
Corrective Action:				Corrective Date:

Paint

Condition: _____

Other (Content) _____

Other (Capacity) _____

Other (Type) _____

Berms				
Type	Capacity	Permeability (Wall)	Permeability (Base)	Maintenance

Earth	Inadequate	Walls Insufficient	Base Insufficient	Inadequate	
Corrective Action	Improve berms during routine maintenance				Corrective Date 10/31/2015
Comment	berms are deteriorated				

Venting:	
Yes/No	Comment

Flaring:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Predrill

Location ID: 234892

Site Preparation:

Lease Road Adeq.: _____ Pads: _____ Soil Stockpile: _____

S/A/V: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

S/A/V: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

S/A/V: _____ **Comment:** _____

CA: _____ **Date:** _____

Stormwater:

Comment: _____

Staking:

On Site Inspection (305):

Surface Owner Contact Information:

Name: _____ Address: _____

Phone Number: _____ Cell Phone: _____

Operator Rep. Contact Information:

Landman Name: _____ Phone Number: _____

Date Onsite Request Received: _____ Date of Rule 306 Consultation: _____

Request LGD Attendance: _____

LGD Contact Information:

Name: _____ Phone Number: _____ Agreed to Attend: _____

Summary of Landowner Issues:

Summary of Operator Response to Landowner Issues:

Onsite Inspection Memorandum Summarizing Discussions at Inspection as Attachment:

Facility

Facility ID: 234892 Type: WELL API Number: 121-07034 Status: PR Insp. Status: EI

Environmental

Spills/Releases:

Type of Spill: _____ Description: _____ Estimated Spill Volume: _____
 Comment:
 Corrective Action: _____ Date: _____
 Reportable: _____ GPS: Lat _____ Long _____
 Proximity to Surface Water: _____ Depth to Ground Water: _____

Water Well:

DWR Receipt Num: _____ Owner Name: _____ GPS : _____ Lat _____ Long _____

Field Parameters:

Sample Location:

Waste Management:

Type	Management	Condition	Comment	GPS (Lat)	(Long)
Oily Soil	Land Treatment	Inadequate	Land treatment area located adjacent to north side of lease approx dimensions 30' x 130' x 2-3' deep. Does not appear that material has been aerated or amended. Large clods of oily waste.	40.152804	- 102.831919

Emission Control Burner (ECB): _____
 Comment: _____
 Pilot: _____ Wildlife Protection Devices (fired vessels): _____

Reclamation - Storm Water - Pit

Interim Reclamation:

Date Interim Reclamation Started: _____ Date Interim Reclamation Completed: _____
 Land Use: _____
 Comment:
 1003a. Debris removed? _____ CM _____ CA _____ CA Date _____
 Waste Material Onsite? _____ CM _____ CA _____ CA Date _____
 Unused or unneeded equipment onsite? _____ CM _____ CA _____ CA Date _____
 Pit, cellars, rat holes and other bores closed? _____ CM _____ CA _____ CA Date _____
 Guy line anchors removed? _____ CM _____ CA _____ CA Date _____
 Guy line anchors marked? _____ CM _____ CA _____ CA Date _____

CA _____ CA Date _____

- 1003b. Area no longer in use? _____ Production areas stabilized? _____
- 1003c. Compacted areas have been cross ripped? _____
- 1003d. Drilling pit closed? _____ Subsidence over on drill pit? _____
Cuttings management: _____
- 1003e. Areas no longer needed for drilling or subsequent operations for have been re-vegetated to 80% of pre-existing? _____
Production areas have been stabilized? _____ Segregated soils have been replaced? _____

RESTORATION AND REVEGETATION

Cropland

Top soil replaced _____ Recontoured _____ Perennial forage re-established _____

Non-Cropland

Top soil replaced _____ Recontoured _____ 80% Revegetation _____

1003 f. Weeds Noxious weeds? _____

Comment: _____

Overall Interim Reclamation

Final Reclamation/ Abandoned Location:

Date Final Reclamation Started: _____ Date Final Reclamation Completed: _____

Final Land Use: _____

Reminder: _____

Comment: _____

Well plugged _____ Pit mouse/rat holes, cellars backfilled _____

Debris removed _____ No disturbance /Location never built _____

Access Roads Regraded _____ Contoured _____ Culverts removed _____

Gravel removed _____

Location and associated production facilities reclaimed _____ Locations, facilities, roads, recontoured _____

Compaction alleviation _____ Dust and erosion control _____

Non cropland: Revegetated 80% _____ Cropland: perennial forage _____

Weeds present _____ Subsidence _____

Comment: _____

Corrective Action: _____ Date _____

Overall Final Reclamation _____ Well Release on Active Location Multi-Well Location

Storm Water:

Loc Erosion BMPs	BMP Maintenance	Lease Road Erosion BMPs	Lease BMP Maintenance	Chemical BMPs	Chemical BMP Maintenance	Comment

S/A/V: **ACTION REQUIRED** Corrective Date: **10/31/2015**

Comment: **Soil from produced water pit berms eroding into adjacent agricultural field.**

CA: **Stabilize pit berms or install stormwater bmps to prevent migration of sediment off location.**

Pits:	NO SURFACE INDICATION OF PIT
--------------	------------------------------

COGCC Comments

Comment	User	Date
Rem #8179 for land treatment of oily waste required semi-annual progress report to be submitted by April 30, 2015. No report was submitted. As a result, COGCC required removal of all oily waste for off site disposal and documentation submitted no later than August 18, 2015. No documentation was submitted. Immediately dispose of all oily waste, submit disposal documentation and reclaim land treatment area.	axelsonj	10/02/2015

Attached Documents

You can go to COGCC Images (<https://cogcc.state.co.us/weblink/>) and search by document number:

Document Num	Description	URL
679500070	Sign at tank battery	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691737
679500071	Localilzed oily waste at tank battery	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691738
679500072	Oily waste inside separator shed	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691739
679500073	Land treatment area looking east	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691740
679500074	Land treatment area looking southeast	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691741
679500075	Pit berm sediment migration into field	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691742
679500076	Oily ring inside produced water pit	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691743
679500077	Secondary containment berm at water tank	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691744
679500078	uncontrolled weeds	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691745
679500079	uncontrolled weeds	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691746

ACTION REQUIRED

ANY ACTION REQUIRED items listed on this report indicate that the oil and gas facility or the oil and gas operations listed on the report may be in violation of the rules and regulations of the Colorado Oil and Conservation Commission (“COGCC”) and corrective 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 Inspection Report 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. (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.)

DE
IN **CM PRODUCTION, LLC** CORPORATION L.L. 911

**IN CASE OF EMERGENCY
CALL: 720-248-8645**

S. J. Warren

Lse.

80 acres



Exhibit 6B



Exhibit 6C



Exhibit 6D





Exhibit 6E



Exhibit 6F



Exhibit 6G



Exhibit 6H



Exhibit 6I

FORM INSP
Rev 05/11

**State of Colorado
Oil and Gas Conservation Commission**

1120 Lincoln Street, Suite 801, Denver, Colorado 80203
Phone: (303) 894-2100 Fax: (303) 894-2109



DE	ET	OE	ES
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Inspection Date:
09/11/2015

Document Number:
679500080

Overall Inspection:

ACTION REQUIRED

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>234897</u>	<u>317043</u>	<u>AXELSON, JOHN</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>10352</u>
Name of Operator:	<u>CM PRODUCTION LLC</u>
Address:	<u>390 UNION BLVD SUITE 620</u>
City:	<u>LAKEWOOD</u> State: <u>CO</u> Zip: <u>80228</u>

- THIS IS A FOLLOW UP INSPECTION
- FOLLOW UP INSPECTION REQUIRED
- NO FOLLOW UP INSPECTION REQUIRED
- INSPECTOR REQUESTS FORM 42 WHEN CORRECTIVE ACTIONS ARE COMPLETED

Contact Information:

Contact Name	Phone	Email	Comment
Young, Rob		rob.young@state.co.us	
Camper, Grady	(720) 248-8645	gradyc@cmproductionllc.com	
Teff, John	(303) 534-0299	johnT@cmproductionllc.com	

Compliance Summary:

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
01/23/2015	673709376	PR	PR	ACTION REQUIRED			No
11/20/2013	670600080	PR	PR	ALLEGED VIOLATION			Yes
10/02/2007	200120855	PR	PR	SATISFACTORY			No
09/23/2004	200060572	PR	PR	ACTION REQUIRED		Fail	Yes
04/13/2004	200052900	ES	PR	ACTION REQUIRED		Fail	Yes
10/20/2003	200045867	PR	PR	SATISFACTORY		Pass	No
09/25/1997	500158853	PR	PR			Pass	No
09/22/1997	500158852	CO	PR			Fail	Yes
10/03/1995	500158851	PR	PR			Pass	No

Inspector Comment:

Inspection performed to determine status of land treatment of oily waste - Remediation #8209. See corrective actions within.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status
102613	PIT	AC	09/23/1999		-	OLIVER-WARREN	AC
102616	PIT	AC	09/23/1999		-	OLIVER-WARREN	AC
102617	PIT	AC	09/23/1999		-	OLIVER-WARREN	AC
234897	WELL	PR	01/02/1996	OW	121-07039	OLIVER-WARREN 1	EI

Equipment:

Location Inventory

Special Purpose Pits: _____	Drilling Pits: _____	Wells: _____	Production Pits: _____
Condensate Tanks: _____	Water Tanks: _____	Separators: _____	Electric Motors: _____
Gas or Diesel Mortors: _____	Cavity Pumps: _____	LACT Unit: _____	Pump Jacks: _____
Electric Generators: _____	Gas Pipeline: _____	Oil Pipeline: _____	Water Pipeline: _____
Gas Compressors: _____	VOC Combustor: _____	Oil Tanks: _____	Dehydrator Units: _____
Multi-Well Pits: _____	Pigging Station: _____	Flare: _____	Fuel Tanks: _____

Location

Emergency Contact Number (S/A/V): _____ Corrective Date: _____

Comment: _____

Corrective Action: _____

Good Housekeeping:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
WEEDS	ACTION REQUIRED	uncontrolled weeds	Perform weed control	10/31/2015
TRASH	ACTION REQUIRED	2: 55 gal drums and orange construction fence	Immediately remove from location properly dispose or recycle.	10/31/2015

Spills:

Type	Area	Volume	Corrective action	CA Date
Crude Oil	Separator	<= 5 bbls	localized oily waste in separator shed. Properly treat or dispose.	10/31/2015

Multiple Spills and Releases?

Fencing/:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
OTHER	ACTION REQUIRED	Construction fence around skim pit excavation is down.	Backfill former skim pit excavation or properly secure/safeguard to prevent unintended entry and possible entrapment.	10/28/2015

Venting:

Yes/No	Comment

Flaring:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Predrill

Location ID: 234897

Site Preparation:

Lease Road Adeq.: _____ Pads: _____ Soil Stockpile: _____

S/AV: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Stormwater:

Comment: _____

Staking:

On Site Inspection (305):

Surface Owner Contact Information:

Name: _____ Address: _____

Phone Number: _____ Cell Phone: _____

Operator Rep. Contact Information:

Landman Name: _____ Phone Number: _____

Date Onsite Request Received: _____ Date of Rule 306 Consultation: _____

Request LGD Attendance: _____

LGD Contact Information:

Name: _____ Phone Number: _____ Agreed to Attend: _____

Summary of Landowner Issues:

Summary of Operator Response to Landowner Issues:

Onsite Inspection Memorandum Summarizing Discussions at Inspection as Attachment:

Facility

Facility ID: 234897 Type: WELL API Number: 121-07039 Status: PR Insp. Status: EI

Environmental

Spills/Releases:

Type of Spill: _____ Description: _____ Estimated Spill Volume: _____

Comment: _____

Corrective Action: _____ Date: _____

Reportable: _____ GPS: Lat _____ Long _____

Proximity to Surface Water: _____ Depth to Ground Water: _____

Water Well:

	Lat	Long
DWR Receipt Num: _____	Owner Name: _____	GPS : _____

Field Parameters: _____

Sample Location: _____

Waste Management:					
Type	Management	Condition	Comment	GPS (Lat)	(Long)
Oily Soil	Land Treatment	Inadequate	First treatment area located south of tank battery with approx dimensions of 36' x 200' x 2-3' deep. A shallow excavation was dug to contain the waste. It does not appear material has been aerated or amended. (Coordinates at north end).	40.158110	- 102.831790
Oily Soil	Land Treatment	Inadequate	Second area located on east side of battery and extends to the produced water pit. Approx dimensions are 36' x 230' x 2-3' deep. Material has been tilled in the past and amended with straw. (Coordinates approx center).	40.158583	- 102.831692

Emission Control Burner (ECB): _____

Comment: _____

Pilot: _____ Wildlife Protection Devices (fired vessels): _____

Reclamation - Storm Water - Pit

Interim Reclamation:

Date Interim Reclamation Started: _____ Date Interim Reclamation Completed: _____

Land Use: _____

Comment: _____

1003a. Debris removed? _____ CM _____

CA _____ CA Date _____

Waste Material Onsite? _____ CM _____

CA _____ CA Date _____

Unused or unneeded equipment onsite? _____ CM _____

CA _____ CA Date _____

Pit, cellars, rat holes and other bores closed? _____ CM _____

CA _____ CA Date _____

Guy line anchors removed? _____ CM _____

CA _____ CA Date _____

Guy line anchors marked? _____ CM _____

CA _____ CA Date _____

1003b. Area no longer in use? _____ Production areas stabilized ? _____

1003c. Compacted areas have been cross ripped? _____

1003d. Drilling pit closed? _____ Subsidence over on drill pit? _____

Cuttings management: _____

1003e. Areas no longer needed for drilling or subsequent operations for have been re-vegetated to 80% of pre-existing? _____

Production areas have been stabilized? _____ Segregated soils have been replaced? _____

RESTORATION AND REVEGETATION

Cropland

Top soil replaced _____ Recontoured _____ Perennial forage re-established _____

Non-Cropland

Top soil replaced _____ Recontoured _____ 80% Revegetation _____

1003 f. Weeds Noxious weeds? _____

Comment: _____

Overall Interim Reclamation

Final Reclamation/ Abandoned Location:

Date Final Reclamation Started: _____ Date Final Reclamation Completed: _____

Final Land Use: _____

Reminder: _____

Comment: _____

Well plugged _____ Pit mouse/rat holes, cellars backfilled _____

Debris removed _____ No disturbance /Location never built _____

Access Roads Regraded _____ Contoured _____ Culverts removed _____

Gravel removed _____

Location and associated production facilities reclaimed _____ Locations, facilities, roads, recontoured _____

Compaction alleviation _____ Dust and erosion control _____

Non cropland: Revegetated 80% _____ Cropland: perennial forage _____

Weeds present _____ Subsidence _____

Comment: _____

Corrective Action: _____ Date _____

Overall Final Reclamation _____ Well Release on Active Location Multi-Well Location

Storm Water:

Loc Erosion BMPs	BMP Maintenance	Lease Road Erosion BMPs	Lease BMP Maintenance	Chemical BMPs	Chemical BMP Maintenance	Comment

S/A/V: **ACTION REQUIRED** Corrective Date: **10/31/2015**

Comment: **East land treatment area has no stormwater controls along east edge.**

CA: **Install stormwater bmps to prevent sediment migration and to prevent contamination of stormwater runoff.**

Pits: NO SURFACE INDICATION OF PIT

COGCC Comments

Comment	User	Date
Rem #8209 for land treatment of oily waste required semi-annual progress report to be submitted by April 30, 2015. No report was submitted. As a result, COGCC required removal of all oily waste for off site disposal and documentation submitted no later than August 18, 2015. No documentation was submitted. Immediately dispose of all oily waste, submit disposal documentation and reclaim land treatment areas.	axelsonj	10/02/2015

Attached Documents

You can go to COGCC Images (<https://cogcc.state.co.us/weblink/>) and search by document number:

Document Num	Description	URL
679500081	Junk - 55-gal drum & weeds	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691747
679500082	South landtreatment area looking south	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691748
679500083	South landtreatment aea looking north	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691749
679500084	South landtreatment area excavation to contain waste	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691750
679500085	East landtreatment area looking north	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691751
679500086	East landtreatment area looking south	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691752
679500087	Produced water pit	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691753
679500088	former skim pit excavation	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691754
679500089	former skim pit excavation	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691755
679500090	former skim pit excavation - fence down	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691756
679500091	former skim pit excavation	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691757
679500092	Junk & trash - fence & pipe	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691758
679500093	oily waste in separator shed	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691759

ACTION REQUIRED

ANY ACTION REQUIRED items listed on this report indicate that the oil and gas facility or the oil and gas operations listed on the report may be in violation of the rules and regulations of the Colorado Oil and Conservation Commission (“COGCC”) and corrective 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 Inspection Report 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. (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.)



Exhibit 6J



Exhibit 6K



Exhibit 6L



Exhibit 6M



Exhibit 6N



Exhibit 60



Exhibit 6P



Exhibit 6Q



Exhibit 6R



Exhibit 6S



Exhibit 6T



Exhibit 6U



KIMRAY INC
U 1120

Exhibit 6V

State of Colorado
Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80203
Phone: (303) 894-2100 Fax: (303) 894-2109



DE	ET	OE	ES
Document Number: 400957535			
Date Received: 12/19/2015			

SUNDRY NOTICE

Submit a signed original. This form is to be used for general, technical and environmental sundry information. For proposed or completed operations, describe in full in Comments or provide as an attachment. Identify Well by API Number; identify Oil and Gas Location by Location ID Number; identify other Facility by Facility ID Number.

OGCC Operator Number: 10352 Contact Name John Teff
 Name of Operator: CM PRODUCTION LLC Phone: (303) 5340199
 Address: 390 UNION BLVD SUITE 620 Fax: (303) 4791318
 City: LAKEWOOD State: CO Zip: 80228 Email: johnt@cmproductionllc.com

Complete the Attachment
Checklist

OP OGCC

API Number : 05- 121 07039 00 OGCC Facility ID Number: 234897
 Well/Facility Name: OLIVER-WARREN Well/Facility Number: 1
 Location QtrQtr: SWNW Section: 11 Township: 2N Range: 49W Meridian: 6
 County: WASHINGTON Field Name: HYDE
 Federal, Indian or State Lease Number: _____

Survey Plat		
Directional Survey		
Srfc Eqpmt Diagram		
Technical Info Page		
Other		

CHANGE OF LOCATION OR AS BUILT GPS REPORT

- Change of Location * As-Built GPS Location Report As-Built GPS Location Report with Survey

* Well location change requires new plat. A substantive surface location change may require new Form 2A.

SURFACE LOCATION GPS DATA Data must be provided for Change of Surface Location and As Built Reports.

Latitude _____ PDOP Reading _____ Date of Measurement _____
 Longitude _____ GPS Instrument Operator's Name _____

LOCATION CHANGE (all measurements in Feet)

Well will be: _____ (Vertical, Directional, Horizontal)

Change of **Surface** Footage **From** Exterior Section Lines:

Change of **Surface** Footage **To** Exterior Section Lines:

Current **Surface** Location **From** QtrQtr SWNW Sec 11

New **Surface** Location **To** QtrQtr _____ Sec _____

Change of **Top of Productive Zone** Footage **From** Exterior Section Lines:

Change of **Top of Productive Zone** Footage **To** Exterior Section Lines:

Current **Top of Productive Zone** Location **From** Sec _____

New **Top of Productive Zone** Location **To** Sec _____

Change of **Bottomhole** Footage **From** Exterior Section Lines:

Change of **Bottomhole** Footage **To** Exterior Section Lines:

Current **Bottomhole** Location Sec _____ Twp _____

New **Bottomhole** Location Sec _____ Twp _____

Is location in High Density Area? _____

Distance, in feet, to nearest building _____, public road: _____, above ground utility: _____, railroad: _____,

property line: _____, lease line: _____, well in same formation: _____

Ground Elevation _____ feet Surface owner consultation date _____

FNL/FSL		FEL/FWL	
<u>2310</u>	<u>FNL</u>	<u>330</u>	<u>FWL</u>
_____	_____	_____	_____
Twp <u>2N</u>	Range <u>49W</u>	Meridian <u>6</u>	
Twp _____	Range _____	Meridian _____	
_____	_____	_____	_____
_____	_____	_____	_____
Twp _____	Range _____		
Twp _____	Range _____		
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

**

**

** attach deviated drilling plan

CHANGE OR ADD OBJECTIVE FORMATION AND/OR SPACING UNIT

<u>Objective Formation</u>	<u>Formation Code</u>	<u>Spacing Order Number</u>	<u>Unit Acreage</u>	<u>Unit Configuration</u>

OTHER CHANGES

REMOVE FROM SURFACE BOND Signed surface use agreement is a required attachment

CHANGE OF WELL, FACILITY OR OIL & GAS LOCATION NAME OR NUMBER

From: Name OLIVER-WARREN Number 1 Effective Date: _____

To: Name _____ Number _____

ABANDON PERMIT: Permit can only be abandoned if the permitted operation has NOT been conducted. Field inspection will be conducted to verify site status.

WELL: Abandon Application for Permit-to-Drill (Form2) – Well API Number _____ has not been drilled.

PIT: Abandon Earthen Pit Permit (Form 15) – COGCC Pit Facility ID Number _____ has not been constructed (Permitted and constructed pit requires closure per Rule 905)

CENTRALIZED E&P WASTE MANAGEMENT FACILITY: Abandon Centralized E&P Waste Management Facility Permit (Form 28) – Facility ID Number _____ has not been constructed (Constructed facility requires closure per Rule 908)

OIL & GAS LOCATION ID Number: _____

Abandon Oil & Gas Location Assessment (Form 2A) – Location has not been constructed and site will not be used in the future.

Keep Oil & Gas Location Assessment (Form 2A) active until expiration date. This site will be used in the future.

Surface disturbance from Oil and Gas Operations must be reclaimed per Rule 1003 and Rule 1004.

REQUEST FOR CONFIDENTIAL STATUS

DIGITAL WELL LOG UPLOAD

DOCUMENTS SUBMITTED Purpose of Submission: Quarterly Reporting

RECLAMATION

INTERIM RECLAMATION

Interim Reclamation will commence approximately _____

Per Rule 1003.e.(3) operator shall submit Sundry Notice reporting interim reclamation is complete and site is ready for inspection when vegetation reaches 80% coverage.

Interim reclamation complete, site ready for inspection.

Per Rule 1003.e(3) describe interim reclamation procedure in Comments below or provide as an attachment and attach required location photographs.

Field inspection will be conducted to document Rule 1003.e. compliance

FINAL RECLAMATION

Final Reclamation will commence approximately _____

Per Rule 1004.c.(4) operator shall submit Sundry Notice reporting final reclamation is complete and site is ready for inspection when vegetation reaches 80% coverage.

Final reclamation complete, site ready for inspection. Per Rule 1004.c(4) describe final reclamation procedure in Comments below or provide as an attachment.

Field inspection will be conducted to document Rule 1004.c. compliance

Comments:

ENGINEERING AND ENVIRONMENTAL WORK

NOTICE OF CONTINUED TEMPORARILY ABANDONED STATUS

Indicate why the well is temporarily abandoned and describe future plans for utilization in the COMMENTS box below or provide as an attachment, as required by Rule 319.b.(3).

Date well temporarily abandoned _____ Has Production Equipment been removed from site? _____

Mechanical Integrity Test (MIT) required if shut in longer than 2 years. Date of last MIT _____

SPUD DATE: _____

TECHNICAL ENGINEERING AND ENVIRONMENTAL WORK

Details of work must be described in full in the COMMENTS below or provided as an attachment.

NOTICE OF INTENT Approximate Start Date 12/21/2015

REPORT OF WORK DONE Date Work Completed _____

<input type="checkbox"/> Intent to Recomplete (Form 2 also required)	<input type="checkbox"/> Request to Vent or Flare	<input type="checkbox"/> E&P Waste Mangement Plan
<input type="checkbox"/> Change Drilling Plan	<input type="checkbox"/> Repair Well	<input type="checkbox"/> Beneficial Reuse of E&P Waste
<input type="checkbox"/> Gross Interval Change	<input type="checkbox"/> Rule 502 variance requested. Must provide detailed info regarding request.	
<input type="checkbox"/> Other _____	<input checked="" type="checkbox"/> Status Update/Change of Remediation Plans for Spills and Releases	

COMMENTS:

The landfarms that are currently in place on the Oliver Warren Site have been recently sampled and it appears that the chemicals of concern (COC) have decreased to below the COGCC Table 910-1 standards in most cases. See attached Table. TPH-DRO appears to be the primary cCOC that is greater than the Table 910-1 standard of 500 mg/kg. The land treatment area has been tilled on a monthly basis since May 2015. With continued treatment of the soil in the landfarms, the TPH-DRO concentrations should continue to lessen when weather improves in the Spring. Continued tilling of the in place landfarms once a week, beginning in the spring with analytical composite samples collected every two months is scheduled treatment of the Oliver Warren landfarms. Communication of the analytical results and progress of the landfarm treatment will be submitted to the COGCC no later than 45 days after the analytical sample results have been received. See attachments for more info.

CASING AND CEMENTING CHANGES

Casing Type	Size	Of	/	Hole	Size	Of	/	Casing	Wt/Ft	Csg/LinTop	Setting Depth	Sacks of Cement	Cement Bottom	Cement Top

H2S REPORTING

Data Fields in this section are intended to document Sample and Location Data associated with the collection of a Gas Sample that is submitted for Laboratory Analysis.

Gas Analysis Report must be attached.

H2S Concentration: _____ in ppm (parts per million) Date of Measurement or Sample Collection _____

Description of Sample Point:

Absolute Open Flow Potential _____ in CFPD (cubic feet per day)

Description of Release Potential and Duration (If flow is not open to the atmosphere, identify the duration in which the container or pipeline would likely be opened for servicing operations.):

Distance to nearest occupied residence, school, church, park, school bus stop, place of business, or other areas where the public could reasonably be expected to frequent: _____

Distance to nearest Federal, State, County, or municipal road or highway owned and principally maintained for public use: _____

COMMENTS:

<u>Best Management Practices</u>	
<u>No BMP/COA Type</u>	<u>Description</u>

Operator Comments:

[Empty box for Operator Comments]

I hereby certify all statements made in this form are, to the best of my knowledge, true, correct, and complete.

Signed: _____ Print Name: Justin Covey
Title: Hydrogeologist Email: justin.covey@ghd.com Date: 12/19/2015

Based on the information provided herein, this Sundry Notice (Form 4) complies with COGCC Rules and applicable orders and is hereby approved.

COGCC Approved: YOUNG, ROB Date: 12/24/2015

CONDITIONS OF APPROVAL, IF ANY:

<u>COA Type</u>	<u>Description</u>

General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
Permit	Removed permitting task. No documents attached to this Form 4.	12/22/2015 9:54:34 AM
Environmental	Failure to dispose of the oily waste and provide disposal documentation by 12/18/15 is in direct violation of Order No. 1V-507 and NOAV #200438048. Immediately dispose of all oily waste and provide disposal documentation to avoid ongoing days of violation and associated penalties. In addition, provide documentation that the oily waste in both land treatment areas has been tilled monthly since May 2015. No analytical data was attached to this Sundry.	12/22/2015 9:11:23 AM

Total: 2 comment(s)

Attachment Check List

<u>Att Doc Num</u>	<u>Name</u>
400957535	SUNDRY NOTICE APPROVED-REMEDIATION-DOC
400960013	FORM 4 SUBMITTED

Total Attach: 2 Files

eForm Notices

[Contents](#)

Search for one of the following:

email address: (Full or Partial)

Subject: (Document Number or Partial Subject)

Max Records: ▼

3 records returned.

MAIL_TO	MAIL_FROM	SUBJECT	SENT_TIME	CC	CREATION_DATE
johnt@cmproductionllc.com	Helpdesk.Eform@gov.state.co.us	OGCC: SUNDRY NOTICE Approval (#400957535)	2015-12-24 10:33:48.293		2015-12-24 10:31:58.45
justin.covey@ghd.com	Helpdesk.Eform@gov.state.co.us	OGCC: SUNDRY NOTICE Approval (#400957535)	2015-12-24 10:33:45.637		2015-12-24 10:31:58.357
yihsin.lin@state.co.us	dnr_eforms.helpdesk@state.co.us	eForm ePermit Service Failed	2015-12-22 08:02:08.677		2015-12-22 08:00:54.687

FORM INSP
Rev 05/11

**State of Colorado
Oil and Gas Conservation Commission**

1120 Lincoln Street, Suite 801, Denver, Colorado 80203
Phone: (303) 894-2100 Fax: (303) 894-2109



Inspection Date:
05/09/2016
Document Number:
679500100
Overall Inspection:
ACTION REQUIRED

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>234892</u>	<u>317041</u>	<u>AXELSON, JOHN</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>10352</u>
Name of Operator:	<u>CM PRODUCTION LLC</u>
Address:	<u>390 UNION BLVD SUITE 620</u>
City:	<u>LAKEWOOD</u> State: <u>CO</u> Zip: <u>80228</u>

- THIS IS A FOLLOW UP INSPECTION
- FOLLOW UP INSPECTION REQUIRED
- NO FOLLOW UP INSPECTION REQUIRED
- INSPECTOR REQUESTS FORM 42 WHEN CORRECTIVE ACTIONS ARE COMPLETED

Contact Information:

Contact Name	Phone	Email	Comment
		mail@cmproductionllc.com	
Ferrin, Jeremy		jeremy.ferrin@state.co.us	
		sterling@cmproductionllc.com	

Compliance Summary:

QtrQtr: NWSW Sec: 11 Twp: 2N Range: 49W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
09/11/2015	679500069	PR	EI	ACTION REQUIRED			No
01/23/2015	673709375	PR	PR	ACTION REQUIRED			No
11/20/2013	670600098	PR	PR	ALLEGED VIOLATION			Yes
10/02/2007	200120850	PR	PR	SATISFACTORY			No
09/23/2004	200060574	PR	PR	ACTION REQUIRED		Fail	Yes
10/20/2003	200045862	PR	PR	SATISFACTORY		Pass	No
02/26/1999	500158844	ES	PR			Pass	No
09/25/1997	500158846	ES	PR			Pass	No
10/03/1995	500158845	PR	PR			Pass	No

Inspector Comment:

Environmental inspection performed to determine status of Remediation Project #8179. Land treatment of oily waste required semi-annual progress reports to be submitted by April 30th & October 31st each year beginning April 30, 2015. To date COGCC has received no semi-annual progress reports with required information. As a result, COGCC required removal of all oily waste for off site disposal and documentation submitted no later than August 18, 2015. No documentation was ever submitted. Due to ongoing non-compliance, COGCC issued NOAV #200438048 requiring off site disposal of waste and documentation submitted by December 18, 2015. No documentation was received. Inspection documents that oily waste remains on location. There is no indication of active treatment. Material has not been tilled or aerated and stormwater controls are not adequate surrounding treatment area. CM Production is in violation of Commission Order No. 1V-507 and NOAV #200438048. Immediately dispose of all oily waste, submit disposal documentation and reclaim land treatment area. See additional corrective actions within.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status
102615	PIT				-	S.J. WARREN	EI <input checked="" type="checkbox"/>

102621	PIT		09/23/1999		-	S.J. WARREN		
102622	PIT		09/23/1999		-	S.J. WARREN		
234892	WELL	PR	01/02/1996	OW	121-07034	WARREN*S J 1	EI	<input checked="" type="checkbox"/>

Equipment: Location Inventory

Special Purpose Pits: _____	Drilling Pits: _____	Wells: _____	Production Pits: _____
Condensate Tanks: _____	Water Tanks: _____	Separators: _____	Electric Motors: _____
Gas or Diesel Mortors: _____	Cavity Pumps: _____	LACT Unit: _____	Pump Jacks: _____
Electric Generators: _____	Gas Pipeline: _____	Oil Pipeline: _____	Water Pipeline: _____
Gas Compressors: _____	VOC Combustor: _____	Oil Tanks: _____	Dehydrator Units: _____
Multi-Well Pits: _____	Pigging Station: _____	Flare: _____	Fuel Tanks: _____

Location

Lease Road:

Type	Satisfactory/Action Required	comment	Corrective Action	Date

Signs/Marker:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Emergency Contact Number (S/AR): ACTION Corrective Date: 11/01/2015

Comment: **Sign at battery does not include legal location as noted on previous inspection.**

Corrective Action: **Install sign to comply with rule 210. Ongoing violation from previous CA date.**

Good Housekeeping:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
WEEDS	ACTION REQUIRED	weeds emerging	perform weed control	06/30/2016

Spills:

Type	Area	Volume	Corrective action	CA Date
Crude Oil	WELLHEAD	<= 1 bbl	oily waste at wellhead, properly treat or dispose.	06/30/2016
Crude Oil	Treater	<= 1 bbl	Localized oily waste at treater, properly treat or dispose.	11/01/2015
Crude Oil	Tank	<= 1 bbl	small amount of localized oily waste at battery - properly treat or dispose.	11/01/2015

Multiple Spills and Releases?

Fencing/:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Equipment:

Type:	#	Satisfactory/Action Required:	
Comment			
Corrective Action		Date:	

Facilities: New Tank Tank ID: _____

Contents	#	Capacity	Type	SE GPS
PRODUCED WATER	1	300 BBLS	STEEL AST	,
S/AR	ACTION REQUIRED		Comment: Secondary containment berms in deteriorated condition as noted on last inspection.	
Corrective Action: Improve berms.			Corrective Date:	10/31/2015

Paint

Condition

Other (Content) _____

Other (Capacity) _____

Other (Type) _____

Berms

Type	Capacity	Permeability (Wall)	Permeability (Base)	Maintenance

Corrective Action		Corrective Date	
Comment			

Venting:

Yes/No

Comment

Flaring:

Type		Satisfactory/Action Required	
Comment:			
Corrective Action:		Correct Action Date:	

Predrill

Location ID: 234892

Lease Road Adeq.: _____ Pads: _____ Soil Stockpile: _____

S/AR: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

S/AR: _____ Comment: _____

CA: _____ Date: _____

Wildlife BMPs:

S/AR: _____ Comment: _____

CA: _____ Date: _____

Comment: _____

Staking:

On Site Inspection (305):

Surface Owner Contact Information:

Name: _____ Address: _____

Phone Number: _____ Cell Phone: _____

Operator Rep. Contact Information:

Landman Name: _____ Phone Number: _____

Date Onsite Request Received: _____ Date of Rule 306 Consultation: _____

Request LGD Attendance: _____

LGD Contact Information:

Name: _____ Phone Number: _____ Agreed to Attend: _____

Summary of Landowner Issues:

Summary of Operator Response to Landowner Issues:

Onsite Inspection Memorandum Summarizing Discussions at Inspection as Attachment:

Facility

Facility ID: 102615 Type: PIT API Number: - Status: _____ Insp. Status: EI

Facility ID: 234892 Type: WELL API Number: 121-07034 Status: PR Insp. Status: EI

Environmental

Spills/Releases:

Type of Spill: _____ Description: _____ Estimated Spill Volume: _____

Comment: _____

Corrective Action: _____ Date: _____

Reportable: _____ GPS: Lat _____ Long _____

Proximity to Surface Water: _____ Depth to Ground Water: _____

Water Well:	Lat	Long
DWR Receipt Num: _____	Owner Name: _____	GPS : _____

Field Parameters: _____

Sample Location: _____

Waste Management:					
Type	Management	Condition	Comment	GPS (Lat)	(Long)
Oily Soil	Land Treatment	Inadequate	Land treatment area located adjacent to north side of lease approx dimensions 30' x 130' x 2-3' deep. Material has not been actively treated. No indication of tilling/aeration - large clods of oily waste remain the same as previous inspections. Stormwater controls are not adequate to prevent contamination of stormwater runoff.	40.152804	-102.831919

Emission Control Burner (ECB): _____

Comment: _____

Pilot: _____ Wildlife Protection Devices (fired vessels): _____

Reclamation - Storm Water - Pit

Interim Reclamation:

Date Interim Reclamation Started: _____ Date Interim Reclamation Completed: _____

Land Use: _____

Comment: _____

1003a. Waste and Debris removed? _____

CM _____

CA _____ CA Date _____

Unused or unneeded equipment onsite? _____

CM _____

CA _____ CA Date _____

Pit, cellars, rat holes and other bores closed? _____

CM _____

CA _____ CA Date _____

Guy line anchors marked? _____

CM _____

CA _____ CA Date _____

1003b. Area no longer in use? _____ Production areas stabilized ? _____

1003c. Compacted areas have been cross ripped? _____

1003d. Drilling pit closed? _____ Subsidence over on drill pit? _____

Cuttings management: _____

1003e. Areas no longer needed for drilling or subsequent operations for have been re-vegetated to 80% of pre-existing? _____

Production areas have been stabilized? _____ Segregated soils have been replaced? _____

RESTORATION AND REVEGETATION

Cropland

Top soil replaced _____ Recontoured _____ Perennial forage re-established _____

Non-Cropland

Top soil replaced _____ Recontoured _____ 80% Revegetation _____

1003 f. Weeds Noxious weeds? _____

Comment: _____

Overall Interim Reclamation _____

Final Reclamation/ Abandoned Location:

Date Final Reclamation Started: _____ Date Final Reclamation Completed: _____

Final Land Use: _____

Reminder: _____

Comment: _____

Well plugged _____ Pit mouse/rat holes, cellars backfilled _____

Debris removed _____ No disturbance /Location never built _____

Access Roads Regraded _____ Contoured _____ Culverts removed _____

Gravel removed _____

Location and associated production facilities reclaimed _____ Locations, facilities, roads, recontoured _____

Compaction alleviation _____ Dust and erosion control _____

Non cropland: Revegetated 80% _____ Cropland: perennial forage _____

Weeds present _____ Subsidence _____

Comment: _____

Corrective Action: _____ Date _____

Overall Final Reclamation _____ Well Release on Active Location Multi-Well Location

Storm Water:

Loc Erosion BMPs	BMP Maintenance	Lease Road Erosion BMPs	Lease BMP Maintenance	Chemical BMPs	Chemical BMP Maintenance	Comment

S/A/V: **ACTION REQUIRED** Corrective Date: **10/31/2015**

Comment: **Soil from produced water pit berms is continuing to erode into adjacent agricultural field as indicated on previous inspections.**

CA: **Stabilize pit berms or install stormwater bmps to prevent migration of sediment off location.**

Pits: NO SURFACE INDICATION OF PIT

Pit Type: Produced Water Lined: NO Pit ID: 102615 Lat: 40.153156 Long: -102.829809

Lining:

Liner Type: _____ Liner Condition: _____

Comment: _____

Fencing:

Fencing Type: None Fencing Condition: _____

Comment: _____

Netting:

Netting Type: _____ Netting Condition: _____

Comment: _____

Anchor Trench Present: _____ Oil Accumulation: NO 2+ feet Freeboard: _____

Pit (S/AV): ACTION Comment: See stormwater section. Produced water pit berms eroding into adjacent field.

Corrective Action: Stabilize pit berms or install stormwater bmps. Date: 10/31/2015

Attached Documents

You can go to COGCC Images (<https://cogcc.state.co.us/weblink/>) and search by document number:

Document Num	Description	URL
679500100	INSPECTION APPROVED	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3852462
679500102	Sign at Tank Battery	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3852435
679500103	oily waste at wellhead	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3852436
679500104	land treatment area looking east	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3852437
679500105	pit berm sediment migration into field	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3852438
679500106	produced water tank	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3852439

DE
IN **CM PRODUCTION, LLC** CORPORATION L 911

**IN CASE OF EMERGENCY
CALL: 720-248-8645**

S. J. Warren

Lse.

80 acres











FORM INSP
Rev 05/11

**State of Colorado
Oil and Gas Conservation Commission**

1120 Lincoln Street, Suite 801, Denver, Colorado 80203
Phone: (303) 894-2100 Fax: (303) 894-2109



Inspection Date:
05/09/2016
Document Number:
679500107
Overall Inspection:
ACTION REQUIRED

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>234897</u>	<u>317043</u>	<u>AXELSON, JOHN</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>10352</u>
Name of Operator:	<u>CM PRODUCTION LLC</u>
Address:	<u>390 UNION BLVD SUITE 620</u>
City:	<u>LAKEWOOD</u> State: <u>CO</u> Zip: <u>80228</u>

- THIS IS A FOLLOW UP INSPECTION
- FOLLOW UP INSPECTION REQUIRED
- NO FOLLOW UP INSPECTION REQUIRED
- INSPECTOR REQUESTS FORM 42 WHEN CORRECTIVE ACTIONS ARE COMPLETED

Contact Information:

Contact Name	Phone	Email	Comment
Ferrin, Jeremy		jeremy.ferrin@state.co.us	
		mail@cmproductionllc.com	
		sterling@cmproductionllc.com	

Compliance Summary:

QtrQtr: SWNW Sec: 11 Twp: 2N Range: 49W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
09/11/2015	679500080	PR	EI	ACTION REQUIRED			No
01/23/2015	673709376	PR	PR	ACTION REQUIRED			No
11/20/2013	670600080	PR	PR	ALLEGED VIOLATION			Yes
10/02/2007	200120855	PR	PR	SATISFACTORY			No
09/23/2004	200060572	PR	PR	ACTION REQUIRED		Fail	Yes
04/13/2004	200052900	ES	PR	ACTION REQUIRED		Fail	Yes
10/20/2003	200045867	PR	PR	SATISFACTORY		Pass	No
09/25/1997	500158853	PR	PR			Pass	No
09/22/1997	500158852	CO	PR			Fail	Yes
10/03/1995	500158851	PR	PR			Pass	No

Inspector Comment:

Environmental inspection performed to determine status of Remediation Project #8209. Land treatment of oily waste required semi-annual progress reports to be submitted by April 30th & October 31st each year beginning April 30, 2015. To date COGCC has received no semi-annual progress reports with required information. As a result, COGCC required removal of all oily waste for off site disposal and documentation submitted no later than August 18, 2015. No documentation was ever submitted. Due to ongoing non-compliance, COGCC issued NOAV #200438048 requiring off site disposal of waste and documentation submitted by December 18, 2015. No documentation was received. Inspection documents that oily waste remains on location. There is no indication of active treatment. Material in the south treatment area has not been tilled/aerated and is in the same condition as the last inspection. Material in the east area has not been actively treated and is in the same condition as the last inspection. Immediately dispose of all oily waste, submit disposal documentation and reclaim land treatment areas. See additional corrective actions within.

Related Facilities:

--

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status
102613	PIT	AC	09/23/1999		-	OLIVER-WARREN	AC
102616	PIT	AC	09/23/1999		-	OLIVER-WARREN	AC
102617	PIT	AC	09/23/1999		-	OLIVER-WARREN	AC
234897	WELL	PR	01/02/1996	OW	121-07039	OLIVER-WARREN 1	EI

Equipment: Location Inventory

Special Purpose Pits: _____	Drilling Pits: _____	Wells: _____	Production Pits: _____
Condensate Tanks: _____	Water Tanks: _____	Separators: _____	Electric Motors: _____
Gas or Diesel Motors: _____	Cavity Pumps: _____	LACT Unit: _____	Pump Jacks: _____
Electric Generators: _____	Gas Pipeline: _____	Oil Pipeline: _____	Water Pipeline: _____
Gas Compressors: _____	VOC Combustor: _____	Oil Tanks: _____	Dehydrator Units: _____
Multi-Well Pits: _____	Pigging Station: _____	Flare: _____	Fuel Tanks: _____

Location

Lease Road:

Type	Satisfactory/Action Required	comment	Corrective Action	Date

Signs/Marker:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Emergency Contact Number (S/AR): _____

Corrective Date: _____

Comment: _____

Corrective Action: _____

Good Housekeeping:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
TRASH	ACTION REQUIRED	half of a 55 gal drum in east side of former skim pit excavation.	Immediately remove and properly dispose.	05/31/2016
UNUSED EQUIPMENT	ACTION REQUIRED	unused valve, pipe & belts at wellhead	remove from location	05/31/2016
WEEDS	ACTION REQUIRED	weeds emerging	control weeds during routine maintenance	06/30/2016

Spills:

Type	Area	Volume	Corrective action	CA Date

Multiple Spills and Releases?

Fencing/:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
OTHER	ACTION REQUIRED	Orange construction fence formerly installed around skim pit excavation is down.	Clean up fence material and properly dispose. Backfill former skim pit excavation or properly secure/safeguard to prevent unintended entry and possible entrapment.	10/28/2015

Equipment:				
Type:	#	Satisfactory/Action Required:		Date:
Comment				
Corrective Action				

Facilities:				
<input type="checkbox"/> New Tank	Tank ID: _____			
Contents	#	Capacity	Type	SE GPS
PRODUCED WATER	1	300 BBLS	STEEL AST	,
S/AR	ACTION REQUIRED	Comment: inadequate secondary containment around produced water tank.		
Corrective Action:	Improve berms			Corrective Date: 06/30/2016

Paint	
Condition	
Other (Content)	_____
Other (Capacity)	_____
Other (Type)	_____

Berms				
Type	Capacity	Permeability (Wall)	Permeability (Base)	Maintenance
Corrective Action				Corrective Date
Comment				

Venting:	
Yes/No	
Comment	

Flaring:			
Type	Satisfactory/Action Required		
Comment:			
Corrective Action:		Correct Action Date:	

Predrill

Location ID: 234897

Lease Road Adeq.: _____ Pads: _____ Soil Stockpile: _____

S/AR: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

S/AR: _____ Comment: _____

CA: _____ Date: _____

Wildlife BMPs:

S/AR: _____ Comment: _____

CA: _____ Date: _____

Comment: _____

Staking:

On Site Inspection (305):

Surface Owner Contact Information:

Name: _____ Address: _____

Phone Number: _____ Cell Phone: _____

Operator Rep. Contact Information:

Landman Name: _____ Phone Number: _____

Date Onsite Request Received: _____ Date of Rule 306 Consultation: _____

Request LGD Attendance: _____

LGD Contact Information:

Name: _____ Phone Number: _____ Agreed to Attend: _____

Summary of Landowner Issues:

Summary of Operator Response to Landowner Issues:

Onsite Inspection Memorandum Summarizing Discussions at Inspection as Attachment:

Facility

Facility ID: 234897 Type: WELL API Number: 121-07039 Status: PR Insp. Status: EI

Environmental

Spills/Releases:

Type of Spill: _____ Description: _____ Estimated Spill Volume: _____

Comment: _____

Corrective Action: _____ Date: _____

Reportable: _____ GPS: Lat _____ Long _____

Proximity to Surface Water: _____ Depth to Ground Water: _____

Water Well:

DWR Receipt Num: _____ Owner Name: _____ GPS: _____ Lat _____ Long _____

Field Parameters:

Sample Location: _____

Waste Management:					
Type	Management	Condition	Comment	GPS (Lat)	(Long)
Oily Soil	Land Treatment	Inadequate	Second area located on east side of battery and extends to the produced water pit. Approx dimensions are 36' x 230' x 2-3' deep. Material was tilled in the past and amended, but does not appear that any active treatment has been performed since last inspection. (Coordinates approx center).	40.158583	- 102.831692
Oily Soil	Land Treatment	Inadequate	First treatment area located south of tank battery with approx dimensions of 36' x 200' x 2-3' deep. A shallow excavation was dug to contain the waste. Material has not been aerated or amended and is in the same condition as the last inspection. (Coordinates at north end).	40.158110	- 102.831790

Emission Control Burner (ECB): _____

Comment: _____

Pilot: _____ Wildlife Protection Devices (fired vessels): _____

Reclamation - Storm Water - Pit

Interim Reclamation:

Date Interim Reclamation Started: _____ Date Interim Reclamation Completed: _____

Land Use: _____

Comment: _____

1003a. Waste and Debris removed? _____

CM _____

CA _____ CA Date _____

Unused or unneeded equipment onsite? _____

CM _____

CA _____ CA Date _____

Pit, cellars, rat holes and other bores closed? _____

CM _____

CA _____ CA Date _____

Guy line anchors marked? _____

CM _____

CA _____ CA Date _____

1003b. Area no longer in use? _____ Production areas stabilized ? _____

1003c. Compacted areas have been cross ripped? _____

1003d. Drilling pit closed? _____ Subsidence over on drill pit? _____
 Cuttings management: _____
 1003e. Areas no longer needed for drilling or subsequent operations for have been re-vegetated to 80% of pre-existing? _____
 Production areas have been stabilized? _____ Segregated soils have been replaced? _____

RESTORATION AND REVEGETATION

Cropland

Top soil replaced _____ Recontoured _____ Perennial forage re-established _____

Non-Cropland

Top soil replaced _____ Recontoured _____ 80% Revegetation _____

1003 f. Weeds Noxious weeds? _____

Comment: _____

Overall Interim Reclamation

Final Reclamation/ Abandoned Location:

Date Final Reclamation Started: _____ Date Final Reclamation Completed: _____

Final Land Use: _____

Reminder: _____

Comment: _____

Well plugged _____ Pit mouse/rat holes, cellars backfilled _____

Debris removed _____ No disturbance /Location never built _____

Access Roads Regraded _____ Contoured _____ Culverts removed _____

Gravel removed _____

Location and associated production facilities reclaimed _____ Locations, facilities, roads, recontoured _____

Compaction alleviation _____ Dust and erosion control _____

Non cropland: Revegetated 80% _____ Cropland: perennial forage _____

Weeds present _____ Subsidence _____

Comment: _____

Corrective Action: _____ Date _____

Overall Final Reclamation _____ Well Release on Active Location Multi-Well Location

Storm Water:

Loc Erosion BMPs	BMP Maintenance	Lease Road Erosion BMPs	Lease BMP Maintenance	Chemical BMPs	Chemical BMP Maintenance	Comment

S/A/V: **ACTION REQUIRED** Corrective Date: **10/31/2015**

Comment: **East land treatment area still has no stormwater controls along east edge.**

CA: **Install stormwater bmps to prevent contamination of stormwater runoff and sediment migration.**

Pits: NO SURFACE INDICATION OF PIT

Attached Documents

You can go to COGCC Images (<https://cogcc.state.co.us/weblink/>) and search by document number:

Document Num	Description	URL
679500107	INSPECTION APPROVED	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3852463
679500108	1st treatment area located south of battery - looking south	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3852440
679500109	2nd treatment area looking north	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3852441
679500110	former skim pit excavation w/55 gal drum	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3852442
679500111	Produced water tank - berms & construction fence	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3852443
679500112	Unused equipment at wellhead	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3852444









130
3313



300 BBL.S
PRODUCED WATER



FORM INSP
Rev 05/11

**State of Colorado
Oil and Gas Conservation Commission**

1120 Lincoln Street, Suite 801, Denver, Colorado 80203
Phone: (303) 894-2100 Fax: (303) 894-2109



DE	ET	OE	ES
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Inspection Date:
08/19/2015

Document Number:
678200277

Overall Inspection:

ACTION REQUIRED

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection <input type="checkbox"/>	2A Doc Num: _____
	<u>219789</u>	<u>312242</u>	<u>YOUNG, ROB</u>		

Operator Information:

OGCC Operator Number: <u>10352</u>
Name of Operator: <u>CM PRODUCTION LLC</u>
Address: <u>390 UNION BLVD SUITE 620</u>
City: <u>LAKEWOOD</u> State: <u>CO</u> Zip: <u>80228</u>

- THIS IS A FOLLOW UP INSPECTION
- FOLLOW UP INSPECTION REQUIRED
- NO FOLLOW UP INSPECTION REQUIRED
- INSPECTOR REQUESTS FORM 42 WHEN CORRECTIVE ACTIONS ARE COMPLETED

Contact Information:

Contact Name	Phone	Email	Comment
Axelson, John		john.axelson@state.co.us	
Teff, John		johnt@cmproductionllc.com	
Camper, Grady	(720) 248-8645	grady@cmproductionllc.com	

Compliance Summary:

QtrQtr: SWNW Sec: 33 Twp: 12N Range: 54W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
01/08/2014	664001535	PR	PR	ALLEGED VIOLATION			Yes
07/08/2008	200192773	PR	PR	ACTION REQUIRED			Yes
12/06/2007	200123277	PR	PR	SATISFACTORY			No
06/05/2003	200039978	PR	PR	SATISFACTORY		Pass	No
01/25/1996	500153337	PR	PR			Pass	No

Inspector Comment:

Environmental inspection related to Rem #8461. Reclamation of the salt kill south of the southern pit requires weed control. No erosion control BMPs were observed on the east slope of the produced water pits to prevent pit berm material from impacting the adjacent intermittent drainage. Requesting a Form 27 for the remediation/reclamation of the eastern produced water pit berms (Pit Fac IDs 100570 and 100571).

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status	
100570	PIT	AC			-	CLIFF UNIT (RICE LEASE)	AO	<input checked="" type="checkbox"/>
100571	PIT	AC			-	CLIFF UNIT (RICE LEASE)	AO	<input checked="" type="checkbox"/>
116281	PIT	AC			-	RICE	AO	<input checked="" type="checkbox"/>
219789	WELL	PR	08/01/2014	OW	075-07216	RICE 2	PR	<input type="checkbox"/>

Equipment:

Location Inventory

Special Purpose Pits: _____	Drilling Pits: _____	Wells: _____	Production Pits: _____
Condensate Tanks: _____	Water Tanks: _____	Separators: _____	Electric Motors: _____
Gas or Diesel Mortors: _____	Cavity Pumps: _____	LACT Unit: _____	Pump Jacks: _____
Electric Generators: _____	Gas Pipeline: _____	Oil Pipeline: _____	Water Pipeline: _____
Gas Compressors: _____	VOC Combustor: _____	Oil Tanks: _____	Dehydrator Units: _____
Multi-Well Pits: _____	Pigging Station: _____	Flare: _____	Fuel Tanks: _____

Location

Emergency Contact Number (S/A/V): _____ Corrective Date: _____

Comment: _____

Corrective Action: _____

Spills:				
Type	Area	Volume	Corrective action	CA Date
<input type="checkbox"/> Multiple Spills and Releases?				

Venting:	
Yes/No	Comment

Flaring:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Predrill

Location ID: 219789

Site Preparation:

Lease Road Adeq.: _____ Pads: _____ Soil Stockpile: _____

S/AV: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Stormwater:

Comment: _____

Staking:

On Site Inspection (305):

Surface Owner Contact Information:

Name: _____ Address: _____

Phone Number: _____ Cell Phone: _____

Operator Rep. Contact Information:

Landman Name: _____ Phone Number: _____

Date Onsite Request Received: _____ Date of Rule 306 Consultation: _____

Request LGD Attendance: _____

LGD Contact Information:

Name: _____ Phone Number: _____ Agreed to Attend: _____

Summary of Landowner Issues:

Summary of Operator Response to Landowner Issues:

Onsite Inspection Memorandum Summarizing Discussions at Inspection as Attachment:

Facility

Facility ID: 100570 Type: PIT API Number: - Status: AC Insp. Status: AO

Facility ID: 100571 Type: PIT API Number: - Status: AC Insp. Status: AO

Facility ID: 116281 Type: PIT API Number: - Status: AC Insp. Status: AO

Environmental

Spills/Releases:

Type of Spill: _____ Description: _____ Estimated Spill Volume: _____

Comment: _____

Corrective Action: _____ Date: _____
 Reportable: _____ GPS: Lat _____ Long _____
 Proximity to Surface Water: _____ Depth to Ground Water: _____

Water Well: _____ Lat _____ Long _____
 DWR Receipt Num: _____ Owner Name: _____ GPS : _____

Field Parameters: _____

Sample Location: _____

Emission Control Burner (ECB): _____
 Comment: _____
 Pilot: _____ Wildlife Protection Devices (fired vessels): _____

Reclamation - Storm Water - Pit

Interim Reclamation:
 Date Interim Reclamation Started: _____ Date Interim Reclamation Completed: _____
 Land Use: _____
 Comment: _____

1003a. Debris removed? _____ CM _____
 CA _____ CA Date _____
 Waste Material Onsite? _____ CM _____
 CA _____ CA Date _____
 Unused or unneeded equipment onsite? _____ CM _____
 CA _____ CA Date _____
 Pit, cellars, rat holes and other bores closed? _____ CM _____
 CA _____ CA Date _____
 Guy line anchors removed? _____ CM _____
 CA _____ CA Date _____
 Guy line anchors marked? _____ CM _____
 CA _____ CA Date _____

1003b. Area no longer in use? _____ Production areas stabilized ? _____
 1003c. Compacted areas have been cross ripped? _____
 1003d. Drilling pit closed? _____ Subsidence over on drill pit? _____
 Cuttings management: _____
 1003e. Areas no longer needed for drilling or subsequent operations for have been re-vegetated to 80% of pre-existing? _____
 Production areas have been stabilized? _____ Segregated soils have been replaced? _____

RESTORATION AND REVEGETATION

Cropland

Top soil replaced _____ Recontoured _____ Perennial forage re-established _____

Non-Cropland

Top soil replaced _____ Recontoured _____ 80% Revegetation _____
 1003 f. Weeds Noxious weeds? _____
 Comment: _____
 Overall Interim Reclamation _____

Final Reclamation/ Abandoned Location:
 Date Final Reclamation Started: _____ Date Final Reclamation Completed: _____
 Final Land Use: _____
 Reminder: _____
 Comment: _____
 Well plugged _____ Pit mouse/rat holes, cellars backfilled _____
 Debris removed _____ No disturbance /Location never built _____
 Access Roads Regraded _____ Contoured _____ Culverts removed _____
 Gravel removed _____
 Location and associated production facilities reclaimed _____ Locations, facilities, roads, recontoured _____
 Compaction alleviation _____ Dust and erosion control _____
 Non cropland: Revegetated 80% _____ Cropland: perennial forage _____
 Weeds present _____ Subsidence _____
 Comment: _____
 Corrective Action: _____ Date _____
 Overall Final Reclamation _____ Well Release on Active Location Multi-Well Location

Storm Water:

Loc Erosion BMPs	BMP Maintenance	Lease Road Erosion BMPs	Lease BMP Maintenance	Chemical BMPs	Chemical BMP Maintenance	Comment

S/A/V: _____ Corrective Date: _____
 Comment: _____
 CA: _____

Pits: NO SURFACE INDICATION OF PIT

Pit Type: Produced Water Lined: NO Pit ID: 100570 Lat: 40.974033 Long: -103.419472

Lining:

Liner Type: _____ Liner Condition: _____

Comment: _____

Fencing:

Fencing Type: _____ Fencing Condition: _____

Comment: _____

Netting:

Netting Type: _____ Netting Condition: _____

Comment: _____

Anchor Trench Present: _____ Oil Accumulation: _____ 2+ feet Freeboard: _____

Pit (S/A/V): **ACTION** Comment: **East berm of produced water pit is eroding.**

Corrective Action: **Submit a Form 27 for the remediation/revegetation of the east berm of the produced water pit.** Date: **08/31/2015**

Pit Type: Produced Water Lined: NO Pit ID: 100571 Lat: 40.973257 Long: -103.418704

Lining:

Liner Type: _____ Liner Condition: _____

Comment: _____

Fencing:

Fencing Type: _____ Fencing Condition: _____

Comment: _____

Netting:

Netting Type: _____ Netting Condition: _____

Comment: _____

Anchor Trench Present: _____ Oil Accumulation: _____ 2+ feet Freeboard: _____

Pit (S/A/V): **ACTION** Comment: **Erosion as noted above.**

Corrective Action: **Include this pit berm in the Form 27 requested above.** Date: **08/31/2015**

COGCC Comments

Comment	User	Date
Weeds need to be controlled in the reclamation area south of the SE produced water pit.	youngr	08/21/2015
Erosion control BMPs are required to be installed and maintained on the east side of the produced water pits to prevent undermining the pit berm integrity and erosion of sediment to the adjacent intermittent stream.		

Attached Documents

You can go to COGCC Images (<https://cogcc.state.co.us/weblink/>) and search by document number:

Document Num	Description	URL
678200278	View N along intermittent stream. Water bars have been breached in the foreground.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3666980
678200279	Severe erosion due to lack of stormwater BMPs.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3666981
678200280	View W toward NE corner of PW pit, erosion due to lack of BMPs.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3666982

678200281	Erosion at the NE corner of the northern PW pit.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3666983
678200282	View S across E side of PW pits, extensive erosion.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3666984
678200283	View W of erosion of PW pit berm.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3666985
678200284	Weed control needed in reclamation area. View W from SE corner of southern PW pit.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3666986
678200285	Reclamation area weeds.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3666987

ACTION REQUIRED

ANY ACTION REQUIRED items listed on this report indicate that the oil and gas facility or the oil and gas operations listed on the report may be in violation of the rules and regulations of the Colorado Oil and Conservation Commission (“COGCC”) and corrective 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 Inspection Report 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. (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.)



Exhibit 10



Exhibit 10



Exhibit 10



Exhibit 10



Exhibit 10



Exhibit 10



Exhibit 10



Exhibit 10

FORM INSP
Rev 05/11

**State of Colorado
Oil and Gas Conservation Commission**

1120 Lincoln Street, Suite 801, Denver, Colorado 80203
Phone: (303) 894-2100 Fax: (303) 894-2109



Inspection Date:
05/05/2016
Document Number:
678200457
Overall Inspection:
ACTION REQUIRED

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>219789</u>	<u>312242</u>	<u>YOUNG, ROB</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>10352</u>
Name of Operator:	<u>CM PRODUCTION LLC</u>
Address:	<u>390 UNION BLVD SUITE 620</u>
City:	<u>LAKEWOOD</u> State: <u>CO</u> Zip: <u>80228</u>

- THIS IS A FOLLOW UP INSPECTION
- FOLLOW UP INSPECTION REQUIRED
- NO FOLLOW UP INSPECTION REQUIRED
- INSPECTOR REQUESTS FORM 42 WHEN CORRECTIVE ACTIONS ARE COMPLETED

Contact Information:

Compliance Summary:

QtrQtr: SWNW Sec: 33 Twp: 12N Range: 54W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
08/19/2015	678200277	PR	PR	ACTION REQUIRED			No
01/08/2014	664001535	PR	PR	ALLEGED VIOLATION			Yes
07/08/2008	200192773	PR	PR	ACTION REQUIRED			Yes
12/06/2007	200123277	PR	PR	SATISFACTORY			No
06/05/2003	200039978	PR	PR	SATISFACTORY		Pass	No
01/25/1996	500153337	PR	PR			Pass	No

Inspector Comment:

Environmental inspection related to erosion on the eastern side of the produced water pits and reclamation of a salt impacted area south of the southwest produced water pit. All of the pits were observed containing water. Maintenance of the eastern pit berms has not been performed and no erosion control BMPs have been installed on the pit berms. Weed control should be performed in the reclamation area south of the SW produced water pit.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status	
100570	PIT	AC			-	CLIFF UNIT (RICE LEASE)	EI	<input checked="" type="checkbox"/>
100571	PIT	AC			-	CLIFF UNIT (RICE LEASE)	EI	<input checked="" type="checkbox"/>
116281	PIT	AC			-	RICE	EI	<input checked="" type="checkbox"/>
219789	WELL	PR	08/01/2014	OW	075-07216	RICE 2	EI	<input checked="" type="checkbox"/>

Equipment:

Location Inventory

--

Special Purpose Pits: _____	Drilling Pits: _____	Wells: _____	Production Pits: _____
Condensate Tanks: _____	Water Tanks: _____	Separators: _____	Electric Motors: _____
Gas or Diesel Mortors: _____	Cavity Pumps: _____	LACT Unit: _____	Pump Jacks: _____
Electric Generators: _____	Gas Pipeline: _____	Oil Pipeline: _____	Water Pipeline: _____
Gas Compressors: _____	VOC Combustor: _____	Oil Tanks: _____	Dehydrator Units: _____
Multi-Well Pits: _____	Pigging Station: _____	Flare: _____	Fuel Tanks: _____

Location

Lease Road:

Type	Satisfactory/Action Required	comment	Corrective Action	Date

Signs/Marker:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Emergency Contact Number (S/AR): _____ Corrective Date: _____

Comment: _____

Corrective Action: _____

Good Housekeeping:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Spills:

Type	Area	Volume	Corrective action	CA Date

Multiple Spills and Releases?

Fencing/:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Equipment:

Type:	#	Satisfactory/Action Required:	Date:

Venting:

Yes/No	Comment

Flaring:

Type	Satisfactory/Action Required

Corrective Action: _____ Correct Action Date: _____

Predrill		
Location ID: <u>219789</u>		
Lease Road Adeq.: _____	Pads: _____	Soil Stockpile: _____
S/AR: _____		
Corrective Action: _____	Date: _____	CDP Num.: _____
Form 2A COAs:		
S/AR: _____ Comment: <input style="width: 90%;" type="text"/>		
CA: <input style="width: 90%;" type="text"/>		Date: _____
Wildlife BMPs:		
S/AR: _____ Comment: <input style="width: 90%;" type="text"/>		
CA: <input style="width: 90%;" type="text"/>		Date: _____
Comment: <input style="width: 90%;" type="text"/>		
Staking:		
On Site Inspection (305):		
<u>Surface Owner Contact Information:</u>		
Name: _____	Address: _____	
Phone Number: _____	Cell Phone: _____	
<u>Operator Rep. Contact Information:</u>		
Landman Name: _____	Phone Number: _____	
Date Onsite Request Received: _____	Date of Rule 306 Consultation: _____	
Request LGD Attendance: _____		
<u>LGD Contact Information:</u>		
Name: _____	Phone Number: _____	Agreed to Attend: _____
<u>Summary of Landowner Issues:</u>		
<input style="width: 90%; height: 20px;" type="text"/>		
<u>Summary of Operator Response to Landowner Issues:</u>		
<input style="width: 90%; height: 20px;" type="text"/>		
<u>Onsite Inspection Memorandum Summarizing Discussions at Inspection as Attachment:</u>		
<input style="width: 90%; height: 20px;" type="text"/>		

Facility				
Facility ID: <u>100570</u>	Type: <u>PIT</u>	API Number: <u>-</u>	Status: <u>AC</u>	Insp. Status: <u>EI</u>
Facility ID: <u>100571</u>	Type: <u>PIT</u>	API Number: <u>-</u>	Status: <u>AC</u>	Insp. Status: <u>EI</u>
Facility ID: <u>116281</u>	Type: <u>PIT</u>	API Number: <u>-</u>	Status: <u>AC</u>	Insp. Status: <u>EI</u>
Facility ID: <u>219789</u>	Type: <u>WELL</u>	API Number: <u>075-07216</u>	Status: <u>PR</u>	Insp. Status: <u>EI</u>

Environmental		
Spills/Releases:		
Type of Spill: _____	Description: _____	Estimated Spill Volume: _____
Comment: <input style="width: 90%;" type="text"/>		

Corrective Action: _____ Date: _____
 Reportable: _____ GPS: Lat _____ Long _____
 Proximity to Surface Water: _____ Depth to Ground Water: _____

Water Well: _____ Lat _____ Long _____
 DWR Receipt Num: _____ Owner Name: _____ GPS : _____

Field Parameters: _____

Sample Location: _____

Emission Control Burner (ECB): _____
 Comment: _____
 Pilot: _____ Wildlife Protection Devices (fired vessels): _____

Reclamation - Storm Water - Pit

Interim Reclamation:
 Date Interim Reclamation Started: _____ Date Interim Reclamation Completed: _____
 Land Use: _____
 Comment: _____

1003a. Waste and Debris removed? _____
 CM _____
 CA _____ CA Date _____

Unused or unneeded equipment onsite? _____
 CM _____
 CA _____ CA Date _____

Pit, cellars, rat holes and other bores closed? _____
 CM _____
 CA _____ CA Date _____

Guy line anchors marked? _____
 CM _____
 CA _____ CA Date _____

1003b. Area no longer in use? _____ Production areas stabilized ? _____

1003c. Compacted areas have been cross ripped? _____

1003d. Drilling pit closed? _____ Subsidence over on drill pit? _____

Cuttings management: _____

1003e. Areas no longer needed for drilling or subsequent operations for have been re-vegetated to 80% of pre-existing? _____
 Production areas have been stabilized? _____ Segregated soils have been replaced? _____

RESTORATION AND REVEGETATION

Cropland

Top soil replaced _____ Recontoured _____ Perennial forage re-established _____

Non-Cropland

Inspector Name: YOUNG, ROB

Top soil replaced _____ Recontoured _____ 80% Revegetation _____
 1003 f. Weeds Noxious weeds? _____
 Comment: _____
 Overall Interim Reclamation _____

Final Reclamation/ Abandoned Location:
 Date Final Reclamation Started: _____ Date Final Reclamation Completed: _____
 Final Land Use: _____
 Reminder: _____
 Comment: _____
 Well plugged _____ Pit mouse/rat holes, cellars backfilled _____
 Debris removed _____ No disturbance /Location never built _____
 Access Roads Regraded _____ Contoured _____ Culverts removed _____
 Gravel removed _____
 Location and associated production facilities reclaimed _____ Locations, facilities, roads, recontoured _____
 Compaction alleviation _____ Dust and erosion control _____
 Non cropland: Revegetated 80% _____ Cropland: perennial forage _____
 Weeds present _____ Subsidence _____
 Comment: _____
 Corrective Action: _____ Date _____
 Overall Final Reclamation _____ Well Release on Active Location Multi-Well Location

Storm Water:						
Loc Erosion BMPs	BMP Maintenance	Lease Road Erosion BMPs	Lease BMP Maintenance	Chemical BMPs	Chemical BMP Maintenance	Comment

S/A/V: _____ Corrective Date: _____
 Comment: _____
 CA: _____

Pits: NO SURFACE INDICATION OF PIT

COGCC Comments		
Comment	User	Date
Some BMPs have been installed just north of the wellhead to prevent erosion. The eastern pit berms, have not had any maintenance or erosion control BMPs installed.	young	05/06/2016

Attached Documents
 You can go to COGCC Images (<https://cogcc.state.co.us/weblink/>) and search by document number:

Document Num	Description	URL
678200457	INSPECTION APPROVED	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3850262
678200458	Oil stained soil at the wellhead	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3850246
678200459	Erosion control BMPs foreground,	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3850247

678200460	Water bars require maintainance	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3850248
678200461	Erosion from SE corner of SE produced water pit	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3850249
678200462	View N of east side of sothern pit	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3850250
678200463	Erosion on east side of southern pit	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3850251
678200464	View E of erosion at flowline crossing drainage	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3850252
678200466	Pit berm erosion	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3850253
678200467	View N across E berm of northern pit	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3850254
678200468	Erosion from NE corner of NE pit	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3850255
678200469	View S toward wellhead across E pit berms	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3850256
678200470	View W across reclaimed area S of SW PW pit	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3850257
678200471	Broadleaf weeds that should be controlled	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3850258
678200472	View N at SW corner of S PW pit	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3850259
678200473	Area of soil with missing or stressed vegetation within reclamation area	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3850260
678200474	Animal burrow in SE corner of SW PW pit	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3850261

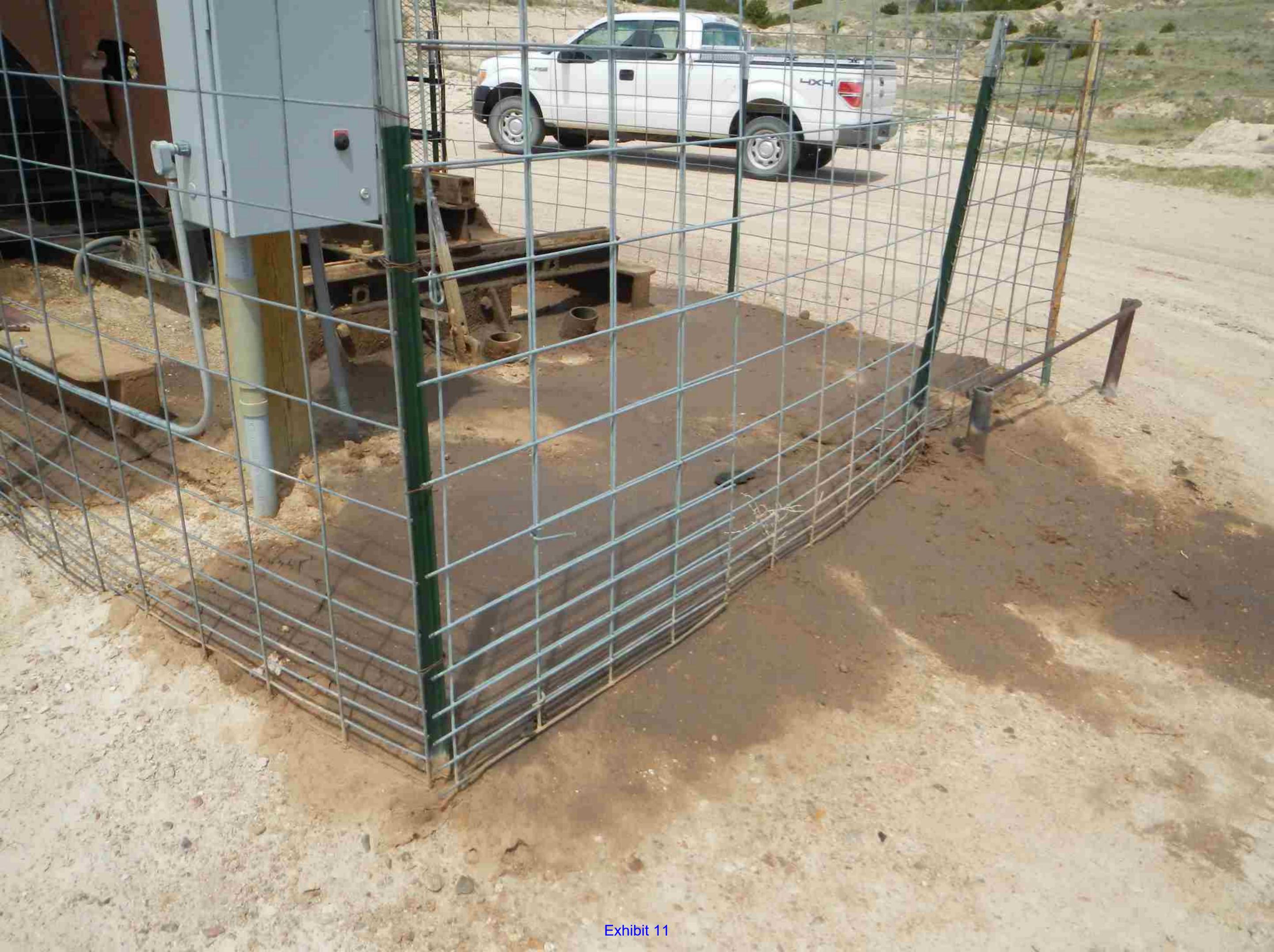


Exhibit 11













Exhibit 11



Exhibit 11





Exhibit 11















*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 10352
Name of Operator: CM PRODUCTION LLC
Address: 390 UNION BLVD SUITE 620 ATTN: JOHN TEFF
City: LAKEWOOD State: CO Zip: 80228
Company Representative: JOHN TEFF

Date Notice Issued:
11/25/2015

COGCC Representative: Axelson John Phone Number: 303 894-2100 X5115

THE FOLLOWING ALLEGED VIOLATION WAS FOUND BY THE COGCC REPRESENTATIVE FOR THE SITE LISTED

Date of Alleged Violation: _____ **Approximate Time of Violation:** _____
Description of Alleged Violation:
On May 18, 2015, COGCC entered Order No. 1V-507 (the "AOC") between the COGCC and CM Production LLC ("CM"). Form 27 conditions of approval (Document #'s 1761421 and 1761422) from January 2015, which were incorporated by reference into the AOC, required CM to actively treat oily waste and file semi-annual progress reports for the land treatment of the waste at the SJ Warren site (API # 05-121-07034) and Oliver Warren site (API # 05-121-07039) no later than April 30th and October 31st of each year. The consequence for failure to submit the semi-annual progress reports by the due dates was to immediately dispose all oily waste off site at an appropriate disposal facility. COGCC never received progress reports from CM, violating the AOC. These deficiencies were noted in a letter dated June 18, 2015 (Document # 2314844). Recent inspections (Document #'s 679500069 and 679500080) indicate that CM has not actively treated the oily waste at the SJ Warren and Oliver Warren locations, violating the AOC. The AOC also required CM to "complete all surface reclamation including installation of stormwater and erosion control measures and seeding of the impacted areas at the Rice site (API # 05-075-07216) no later than May 31, 2015." A recent inspection (Document # 678200277) indicates that while some of the reclamation work was completed, CM has not completed the required erosion control work, violating the AOC. Operation of two of the three unlined production pits (Facilities ID #'s 100570 and 100571) continues to cause impacts to the adjacent drainage, which by definition constitutes waters of the state.

Act, Order, Regulation, Permit Conditions Cited:
§ 34-60-121(1) C.R.S. (violation of Order No. 1V-507)

Abatement or Corrective Action Required to be Performed by Operator:*

WARREN: CM shall immediately remove all oily waste at the SJ Warren and Oliver Warren locations and properly dispose in accordance with Rule 907.e. CM shall provide a supplemental report referencing the related remediation project and include waste transportation and disposal documentation in accordance with Rule 907.b.(2). The report shall verify that the estimated 2,500 cubic yards of waste at the Oliver Warren site and 500 cubic yards of waste at the SJ Warren site were properly disposed. CM shall reclaim the surface at both locations that was disturbed by the land treatment areas and the pit closure excavations. CM shall include photo documentation of the surface restoration with the report and submit it to COGCC by December 18, 2015.

RICE: CM shall immediately discontinue use of two of the three, the northern most pit Facility ID #100570 and the eastern most pit Facility ID #100571, unlined produced water pits at the Rice Location as follows. CM shall submit a Form 27 for COGCC prior approval to properly close the two unlined produced water pits no later than December 18, 2015. With the Form 27 submittal, CM shall include a surface reclamation plan to properly reclaim all disturbed areas from pit closure and impacted areas including the area south of the southwest produced water pit (Facility ID #116281) and the adjacent drainage. CM shall stabilize all disturbed locations to stop ongoing soil erosion at the location, maintain stormwater controls, and control weeds throughout the pit closure and surface reclamation project. All work shall be completed by no later than June 30, 2016.

Abatement or Corrective Action to be Completed by (date): 12/18/2015

* Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

TO BE COMPLETED BY OPERATOR - When alleged violation is corrected, sign this notice and return to above address:
Company Representative Name: _____ Title: _____
Signature: _____ Date: _____
Company Comments: _____

*** THIS NOTICE CONSTITUTES A SEPARATE NOTICE OF ALLEGED VIOLATION FOR EACH VIOLATION LISTED ***
PENALTY
Penalties for violations alleged in this NOAV will be calculated pursuant to Rule 523. with daily penalties accruing pursuant to Section 34-60-121(1), C.R.S.

ANSWER
Pursuant to Rule 522.d.(2). the operator must file an Answer to this NOAV within 28 days of its receipt. or a default judgment may be entered. Hard-copy answers are filed with the Commission Secretary at the Commission's Denver office and should also be emailed to dnr_cogccenforcement@state.co.us.

Signature of COGCC Representative: [Signature] Date: 11/25/15 Time: _____
Resolution Approved by: _____ Date: _____



COLORADO

**Oil & Gas Conservation
Commission**

Department of Natural Resources

1120 Lincoln Street, Suite 801
Denver, CO 80203

CM Production LLC
Attn: John Teff
390 Union Blvd., Suite 620
Lakewood, CO 80228

November 24, 2015

Via Certified Mail and Email to johnt@cmproductionllc.com

Re: Commission Order No. 1V-507 – Notice and Demand for Payment

Dear Sir:

On May 18, 2015, the Colorado Oil and Gas Conservation Commission (“COGCC”) entered Order No. 1V-507 between the COGCC and CM Production LLC (“CM”) (the “AOC”).

The Form 27 conditions of approval (Doc. Nos. 1761421 and 1761422) from January, 2015, which were incorporated by reference into the AOC, required CM to file semi-annual progress reports no later than April 30th and October 31st of each year. The COGCC has never received a progress report from CM. These deficiencies were noted in a letter dated June 18, 2015 (Doc. No. 2314844). Recent inspections (Doc. Nos. 679500069 and 679500080) indicate that CM has not actively treated the oily waste at the SJ Warren and Oliver Warren locations.

The AOC also required CM to “complete all surface reclamation including installation of stormwater and erosion control measures and seeding of the impacted areas [at the Rice Location] no later than May 31, 2015.” A recent inspection (Doc. No. 678200277) indicates that while some of the reclamation work was completed, CM has not completed any of the required erosion control work.

Enclosed you will find a Notice of Alleged Violation pertaining to these violations of the AOC, which are ongoing until addressed by CM.

Paragraph 2.b. (page 6) of the AOC subjects CM to a penalty of \$60,000, \$15,000 of which was suspended on the condition that CM comply with the requirements specified in the AOC. If CM fails to comply, the AOC stated that “the suspension will be lifted,

P 303.894.2100 F 303.894.2109 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



and the remaining \$15,000 penalty will become due upon demand by the Director, without further action by the Commission.”

Pursuant to Commission Order No. 1V-507, this letter constitutes written notice and demand for payment of the \$15,000 suspended penalty due under the AOC. Moreover, Order No. 1V-507 requires payment of an *additional* \$15,000 penalty on or before December 18, 2015. Therefore, the COGCC demands a \$30,000 payment on or before December 18, 2015.

Sincerely,



Matthew J. Lepore
Director

Enclosure

CC: Kirk Mueller, via email at kirk.mueller@dgsllaw.com.





02193055

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CM Production LLC
Attn: John Teff
390 Union Blvd., Suite 620
Lakewood, CO 80228

PS Form 3800, August 2006

See Reverse for Instructions



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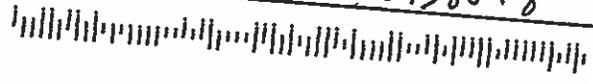
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State of Colorado – COGCC
Attn: Steven Mah
1120 Lincoln Street, Suite 801
Denver, CO 80203-2136

RECEIVED
DEC 03 2015
COGCC

NOAV: 200438048



SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> ■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. ■ Print your name and address on the reverse so that we can return the card to you. ■ Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature <input checked="" type="checkbox"/> B. Shihli <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p>
<p>1. Article Addressed to:</p> <div style="border: 1px solid black; padding: 5px; margin: 5px 0;">  CM Production LLC Attn: John Teff 390 Union Blvd., Suite 620 Lakewood, CO 80228 </div>	<p>B. Received by (Printed Name) _____ C. Date of Delivery <u>11/30/15</u></p>
<p>2. Article Number (Transfer from service label)</p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>
<p>PS Form 3811, July 2013</p>	<p>3. Service Type <input type="checkbox"/> Certified Mail® <input type="checkbox"/> Priority Mail Express™ <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> Collect on Delivery</p>
<p>Domestic Return Receipt</p>	<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p> <p style="text-align: center;">7011 3500 0000 8456 0552</p>

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

IN THE MATTER OF ALLEGED VIOLATIONS OF) CAUSE NO. 1V
THE RULES AND REGULATIONS OF THE)
COLORADO OIL AND GAS CONSERVATION) DOCKET NO. 160100080
COMMISSION BY **CM PRODUCTION LLC**, IN)
LOGAN AND WASHINGTON COUNTIES,) TYPE: ENFORCEMENT
COLORADO)

WAIVER AND ACCEPTANCE OF SERVICE

I, Roger L. Freeman, am counsel for CM Production LLC ("CM Production"). I am authorized to accept service on behalf of CM Production.

I have received the Notice and Application for Hearing in Docket No. 160100080 and hereby accept service of the foregoing on behalf of CM Production as if the document had been formally served upon CM Production in accordance with the Colorado Oil and Gas Conservation Act, C.R.S. § 34-60-101, *et seq.*, and the Colorado Oil and Gas Conservation Commission Rules of Practice and Procedure, 2 CCR 404-1.

Date: 12/11/15

By: 
Roger L. Freeman, Esq.
Davis Graham & Stubbs, LLP
Counsel for CM Production LLC

Accounting Line Description	Document Record Date	AP FY	Vendor Name	Debit Amount	Credit Amount	Amount
1V-507 CM Production LLC	06/17/2015	12 2015	CM Production LLC	0.00	-10,000.00	(10,000.00) X
1V-507 CM Production LLC	08/19/2015	2 2016	CM Production LLC	0.00	-10,000.00	(10,000.00) X
1V-507 CM Production LLC	10/27/2015	4 2016	CM Production LLC	0.00	-10,000.00	(10,000.00) X
1V-5507 CM Production LLC	12/21/2015	6 2016	CM Production LLC	0.00	-15,000.00	(15,000.00) X
					-45,000.00	(45,000.00)
Total Number of Transactions						4

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

IN THE MATTER OF ALLEGED VIOLATIONS OF) CAUSE NO. 1V
THE RULES AND REGULATIONS OF THE)
COLORADO OIL AND GAS CONSERVATION) DOCKET NO. 1305-OV-08
COMMISSION BY **LONE PINE GAS, INC.**,) ORDER NO. IV-412
JACKSON COUNTY, COLORADO)

ADMINISTRATIVE ORDER BY CONSENT (AOC)

(Pursuant to Rule 522.b.(3) of the Rules and Regulations of the
Colorado Oil and Gas Conservation Commission, 2 CCR 404-1)

FINDINGS

1. Lone Pine Gas, Inc. ("Lone Pine") operates from the Margaret Spaulding Location (Location No. 324634) in Jackson County, Colorado (the "Location"). The Location includes the Margaret Spaulding Centralized Tank Battery (Facility No. 427281); three wells including the Margaret Spaulding # 4 (API # 05-057-06031), Margaret Spaulding # 4-B (API # 05-057-06047), and Margaret Spaulding # 14 (API # 05-057-06108); and six pits (Facility Nos. 112265 through 112269, and 115241).

2. On or about September 27, 2010, the COGCC issued Notice of Alleged Violation ("NOAV") No. 200272892 ("2010 NOAV") to Lone Pine for the following alleged violations:

a. Rule 324A.b, which requires operators to take precautions to prevent significant adverse environmental impacts to air, water, soil, or biological resources to the extent necessary to protect public health, safety and welfare.

b. Rule 326.b.(1) which states that a mechanical integrity test shall be performed on each shut-in well within two (2) years of the initial shut in date.

c. Rule 902 which requires pits to be constructed and operated to protect public health, safety, and welfare and the environment, including soil, waters of the state, and wildlife, from significant adverse environmental, public health, or welfare impacts from E&P waste; requires two feet of freeboard inside pits; and requires maintaining pits in clean condition.

d. Rule 906.a. which requires operators to control, contain and clean up spills immediately.

e. Rule 907c.(1) which requires operators to treat produced water before placement in a pit so as to prevent crude oil and condensate from entering the pit.

Corrective actions required by the 2010 NOAV included: 1) perform mechanical integrity test on #4-B; 2) remove oil from all pits; 3) net pits as necessary; 4) incorporate procedures to avoid hydrocarbons from entering waters of the state; 5) clean or replace pit liners.

3. On December 20, 2011, COGCC staff inspected the Margaret Spaulding 14 well (API 05-057-06108). Upon inspection, COGCC staff observed missing tank labels, downstream discharge of crude oil into a stream, a separator that appeared not to be working, and oil in pits at the Margaret Spaulding 14 well (See Inspection Report at Document No. 662300067). COGCC staff also discovered a spill that occurred December 15, 2011 and had not been reported as required by Rule 906.

4. On or about December 22, 2011, the COGCC issued NOAV No. 200334881 ("2011 NOAV") to Lone Pine for the following alleged violations:

a. Rule 210.d, which requires operators to label all tanks with a capacity of ten barrels or greater with the name of the operator, operator's emergency information, tank capacity, tank contents, and a National Fire protection Association (NFPA) label.

b. Rule 324A.b. which requires operators to take precautions to prevent violations to water quality classifications or standards.

c. Rule 907.c.(1), (described above)

d. Rule 912.b., which requires approval from the Director of a Sundry Notice, Form 4, before flaring or venting gas from a well except for gas flared or vented during an upset condition, well maintenance, well stimulation flowback, purging operations, or a productivity test.

The NOAV required that Lone Pine correct or abate the alleged rule violations by performing the following corrective actions: 1) cease operations until it can be demonstrated that the produced water can be treated in a way that prevents free product from accumulating in the two pits and in the discharge stream; 2) install signs at

the tank battery to comply with Rule 210.b.; 3) label all tanks per Rule 210.d.; and 4) submit sundry notices for venting of gas pursuant to Rule 912.b. Abatement and corrective actions were to be taken on or before December 31, 2011.

5. On January 17, 2012, Lone Pine submitted a Spill Report (Document No. 2222207). This report stated that Lone Pine would continue to remove oil from the surfaces and banks of two pits, and after the spring melt, the affected vegetation would be evaluated and corrective action taken as needed.

6. Lone Pine initiated remediation by excavating hydrocarbon contaminated soil from a pit that is not part of its produced water treatment system pursuant to an approved Form 27 (Document No. 1949125). Excavated contaminated soil remains on site, pending appropriate treatment or disposal. The approved Form 27 also requires a groundwater sampling and monitoring program.

7. Lone Pine has agreed to eliminate the use of pits to treat produced water at the Location.

8. Lone Pine has been cited for alleged violations related to its surface water discharge permit by the Colorado Department of Public Health and Environment, Water Quality Control Division (CDPHE-WQCD). The accepted long-term compliance solution for the CDPHE-WQCD alleged violations includes the elimination of the surface water discharge and pursue underground injection options for produced water.

BASE PENALTY CALCULATION

9. Rule 523. specifies a base penalty of \$500 for each day of violation of Rule 210.d., and \$1,000 for each day of violation of Rules 324A.b.; 326.b.(1); 902; 906.a.; 907.c.(1), and 912.b. Rule 523.a.(3) specifies that "the maximum penalty for any single violation shall not exceed \$10,000 regardless of the number of days of such violation," unless the violation results in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare or the environment. Staff alleges significant adverse impact on public health, safety or welfare or the environment by reason of ongoing operational difficulties in preventing oil or condensate from reaching the pit system, and oil staining of Spring Gulch and Hell Creek for lasting several months after the December 2011 spill episode.

10. Lone Pine violated Rules 210.d.; 324A.a; 324A.b.; 326.b.(1); 902; 906.a.; 907.c.(1); and 912.b. as described above. For purposes of calculating a penalty, Staff begins with the assumption that alleged violations of Rule 210.d and Rule 326.b.(1) do

not involve significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare or the environment. Staff alleges violations of Rule 324A.a.; Rule 324A.b.; Rule 902; Rule 906.a.; Rule 907.c.(1); and Rule 912.b involve significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare or the environment. For settlement purposes, and to avoid the costs of preparing for and adjudicating a contested hearing, the Commission proposes and Lone Pine agrees to the following penalty, subject to all of the terms and conditions of this AOC, including but not limited to the suspension thereof under Paragraph 7 of the Order below:

<i>Rule Violation</i>	<i>Penalty Amount/Violation</i>
210.d.	\$ 5,000
324A.a.& 324A.b.	\$ 40,000
326.b.(1)	\$ 5,000
902	\$ 30,000
906.a	\$ 30,000
907.c.	\$ 30,000
912.b.	\$ 10,000
Total Penalty	\$150,000

11. Lone Pine does not admit to the violations, findings of fact, base penalty calculation or legal determinations contained herein, but agrees not to contest the same in any proceeding to enforce the terms of this AOC. Lone Pine fully reserves its right to contest the same in any future action or proceeding other than a proceeding to enforce this AOC.

12. Pursuant to the Memorandum of Agreement ("MOA") dated February 15, 2000 between the COGCC and the CDPHE-WQCD, COGCC staff has consulted with CDPHE-WQCD staff concerning the terms of this AOC as required by the MOA.

ORDER

NOW, THEREFORE, IT IS ORDERED, that:

1. Lone Pine violated of Rules 210.d.; 324A.a.; 324A.b.; 326.b.(1); 902; 906.a.; 907.c.(1); and 912.b. as described above.

2. Hydrocarbon contaminated soil excavated from a pit and stockpiled on the Location shall be treated or disposed of by September 1, 2013, pursuant to an approved Form 27.

3. Use of water treatment pits for produced water or other exploration and production waste from the Location shall cease by November 1, 2013.

4. The former water treatment pits shall be decommissioned to Table 910-1 standards pursuant to an approved Form 27 by July 1, 2014.

5. Groundwater sampling shall be continued according to an approved Form 27.

6. Form 4 - Sundry Notice for venting of gas, pursuant to Rule 912.b., shall be submitted by June 21, 2013.

7. Lone Pine shall pay a penalty of \$150,000, payment of which is suspended until July 1, 2014. If the corrective actions required pursuant to paragraphs 2 through 6 of this Order have been satisfactorily and timely completed, the penalty shall be vacated. If the required corrective actions are not satisfactorily and timely completed, the penalty shall be due in full thirty calendar days following written notice from the Director.

8. The Commission, pursuant to Commission Rule 709, shall retain Lone Pine's financial assurance instruments until such time as the Director determines that a successor-in-interest has filed satisfactory replacement financial assurance.

9. Compliance dates specified in this Order may be extended by the Director only for good cause, as determined at the Director's discretion, upon request by Lone Pine or its successor. In the event of an extension of the compliance dates, the date through which the suspension of the penalty provided for in Paragraph 7 shall likewise be extended to reflect the new compliance dates.

10. Payment of the penalty pursuant to this AOC does not relieve Lone Pine or its successor from its obligation to complete corrective actions set forth in the NOAVs. Lone Pine or its successor remains responsible for complying with this AOC in the event of any subsequent sale of the Location.

11. Under the State Administrative Procedure Act the Commission considers this order to be final agency action for purposes of judicial review 30 days after the date this order is mailed by the Commission.

12. The provisions contained in the above order shall become effective immediately.

13. Compliance with the provisions of this Order shall constitute full satisfaction of all allegations and corrective actions contained in the referenced NOAVs and any violations alleged by the Commission against Lone Pine known to the Commission as of the date of this Order. Upon compliance with the requirements of this Order, the Commission hereby releases and covenants not take further enforcement action of any kind against Lone Pine as to any regulatory or statutory claims, common law claims or other claims or causes of action arising out of the facts, transactions, or events which were alleged in the NOAV's, this Order or inspection reports as of the date of this Order.

RECOMMENDED this 3rd day of May, 2013.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

Peter J. Gowen
Peter J. Gowen, Enforcement Officer

AGREED AND ACCEPTED this 3rd day of May, 2013.

LONE PINE GAS, INC.

By: Vernetta L. Mickey
Signature of Authorized Company Representative

Vernetta L. Mickey
Print Signatory Name

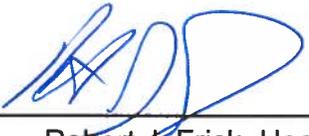
President
Title

=====

The Commission heard this matter on May 6, 2013, and approved this Administrative Order by Consent.

ENTERED this 7th day of May 2013, as of the 6th day of May, 2013.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By  _____
Robert J. Frick, Hearings Manager

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

IN THE MATTER OF ALLEGED VIOLATIONS OF) CAUSE NO. 1V
THE RULES AND REGULATIONS OF THE)
COLORADO OIL AND GAS CONSERVATION) DOCKET NO. 1305-OV-08
COMMISSION BY LONE PINE GAS, INC.,) ORDER NO. 1V-413
JACKSON COUNTY, COLORADO)

STIPULATED ORDER

1. On May 6, 2013, the Colorado Oil and Gas Conservation Commission and Lone Pine Gas, Inc. ("Lone Pine") entered into an Administrative Order by Consent ("Lone Pine AOC" or Order 1V-412) to resolve Notices of Alleged Violations issued by the Commission against Lone Pine on or about September 27, 2010 (NOAV No. 200272892) and on or about December 22, 2011 (NOAV No. 200334881).

2. The NOAVs and Lone Pine AOC relate to Lone Pine's operations at the Margaret Spaulding Location (Location No. 324634) in Jackson County, Colorado (the "Location").

3. Lone Pine intends to sell and CM Production LLC ("CM") intends to buy all or substantially all of Lone Pine's assets at the Location ("Lone Pine Assets"). CM and Lone Pine are currently negotiating a Purchase and Sale Agreement concerning the Lone Pine Assets ("PSA"). In the event CM and Lone Pine do not close their transaction conveying the Lone Pine Assets to CM, this Stipulated Order shall be void *ab initio*.

4. This Stipulated Order is entered into voluntarily between the Commission, Lone Pine and CM.

5. Upon the closing of the transaction conveying the Lone Pine Assets to CM, CM consents and agrees to be jointly and severally liable with Lone Pine for performing all corrective actions required by, and for payment of the penalty imposed under, the Lone Pine AOC.

6. CM has never operated the Lone Pine Assets and has not caused the existing contamination at the Location. Instead, CM has made a business decision to enter into this Stipulated Order and, if necessary, perform the corrective actions required by, and pay the penalty imposed under, the Lone Pine AOC as provided herein.

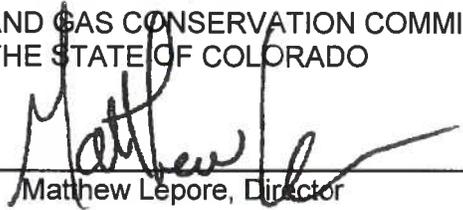
7. CM stipulates and agrees that, upon the closing of the transaction conveying the Lone Pine Assets to CM, the Commission has full authority to enforce the Lone Pine AOC against CM as though the AOC were between the COGCC and CM. CM further waives any claim or defense that the Commission lacks authority to enforce the AOC against CM in full.

8. Compliance with the provisions of the Lone Pine AOC shall constitute full satisfaction of all allegations and corrective actions contained in the referenced NOAVs and any violations alleged by the Commission against Lone Pine known to the Commission as of the date of this Stipulated Order. Upon compliance with the requirements of the Lone Pine AOC, the Commission releases and covenants not take further enforcement action of any kind against Lone Pine as to any regulatory or statutory claims, common law claims or other claims or causes of action arising out of the facts, transactions, or events which were alleged in the

NOAV's, the Lone Pine AOC or inspection reports as of the date of this Stipulated Order.

9. CM shall not be bound by this Stipulated Order unless the Commission enters the Lone Pine AOC in the form attached as Exhibit A.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By: 
Matthew Lepore, Director

Date: 5/7/2013

LONE PINE GAS, INC.

By: 
Signature of Authorized Company Representative

Date: 5/3/13

Vernetta L. Mickey
Print Signatory Name

President
Title

CM PRODUCTION, LLC

By: 
Signature of Authorized Company Representative

Date: 5/3/13

John
Print Signatory Name

TEFF
Print Signatory Name

Business Manager
Title

=====

The Commission heard and approved this matter on the 6th day of May, 2013.

ENTERED this 7th day of May, 2013, as of the 6th day of May, 2013.

OIL AND GAS CONSERVATION COMMISSION OF THE
STATE OF COLORADO

By: 
Robert J. Frick, Secretary

EXHIBIT A
ORDER NO. 1V-413

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

IN THE MATTER OF ALLEGED VIOLATIONS OF) CAUSE NO. 1V
THE RULES AND REGULATIONS OF THE)
COLORADO OIL AND GAS CONSERVATION) DOCKET NO. 1305-OV-08
COMMISSION BY **LONE PINE GAS, INC.**,) ORDER NO. IV-412
JACKSON COUNTY, COLORADO)

ADMINISTRATIVE ORDER BY CONSENT (AOC)

(Pursuant to Rule 522.b.(3) of the Rules and Regulations of the
Colorado Oil and Gas Conservation Commission, 2 CCR 404-1)

FINDINGS

1. Lone Pine Gas, Inc. ("Lone Pine") operates from the Margaret Spaulding Location (Location No. 324634) in Jackson County, Colorado (the "Location"). The Location includes the Margaret Spaulding Centralized Tank Battery (Facility No. 427281); three wells including the Margaret Spaulding # 4 (API # 05-057-06031), Margaret Spaulding # 4-B (API # 05-057-06047), and Margaret Spaulding # 14 (API # 05-057-06108); and six pits (Facility Nos. 112265 through 112269, and 115241).

2. On or about September 27, 2010, the COGCC issued Notice of Alleged Violation ("NOAV") No. 200272892 ("2010 NOAV") to Lone Pine for the following alleged violations:

a. Rule 324A.b, which requires operators to take precautions to prevent significant adverse environmental impacts to air, water, soil, or biological resources to the extent necessary to protect public health, safety and welfare.

b. Rule 326.b.(1) which states that a mechanical integrity test shall be performed on each shut-in well within two (2) years of the initial shut in date.

c. Rule 902 which requires pits to be constructed and operated to protect public health, safety, and welfare and the environment, including soil, waters of the state, and wildlife, from significant adverse environmental, public health, or welfare impacts from E&P waste; requires two feet of freeboard inside pits; and requires maintaining pits in clean condition.

EXHIBIT A
ORDER NO. 1V-413

d. Rule 906.a. which requires operators to control, contain and clean up spills immediately.

e. Rule 907c.(1) which requires operators to treat produced water before placement in a pit so as to prevent crude oil and condensate from entering the pit.

Corrective actions required by the 2010 NOAV included: 1) perform mechanical integrity test on #4-B; 2) remove oil from all pits; 3) net pits as necessary; 4) incorporate procedures to avoid hydrocarbons from entering waters of the state; 5) clean or replace pit liners.

3. On December 20, 2011, COGCC staff inspected the Margaret Spaulding 14 well (API 05-057-06108). Upon inspection, COGCC staff observed missing tank labels, downstream discharge of crude oil into a stream, a separator that appeared not to be working, and oil in pits at the Margaret Spaulding 14 well (See Inspection Report at Document No. 662300067). COGCC staff also discovered a spill that occurred December 15, 2011 and had not been reported as required by Rule 906.

4. On or about December 22, 2011, the COGCC issued NOAV No. 200334881 ("2011 NOAV") to Lone Pine for the following alleged violations:

a. Rule 210.d, which requires operators to label all tanks with a capacity of ten barrels or greater with the name of the operator, operator's emergency information, tank capacity, tank contents, and a National Fire protection Association (NFPA) label.

b. Rule 324A.b. which requires operators to take precautions to prevent violations to water quality classifications or standards.

c. Rule 907.c.(1), (described above)

d. Rule 912.b., which requires approval from the Director of a Sundry Notice, Form 4, before flaring or venting gas from a well except for gas flared or vented during an upset condition, well maintenance, well stimulation flowback, purging operations, or a productivity test.

The NOAV required that Lone Pine correct or abate the alleged rule violations by performing the following corrective actions: 1) cease operations until it can be demonstrated that the produced water can be treated in a way that prevents free product from accumulating in the two pits and in the discharge stream; 2) install signs at

EXHIBIT A
ORDER NO. 1V-413

the tank battery to comply with Rule 210.b.; 3) label all tanks per Rule 210.d.; and 4) submit sundry notices for venting of gas pursuant to Rule 912.b. Abatement and corrective actions were to be taken on or before December 31, 2011.

5. On January 17, 2012, Lone Pine submitted a Spill Report (Document No. 2222207). This report stated that Lone Pine would continue to remove oil from the surfaces and banks of two pits, and after the spring melt, the affected vegetation would be evaluated and corrective action taken as needed.

6. Lone Pine initiated remediation by excavating hydrocarbon contaminated soil from a pit that is not part of its produced water treatment system pursuant to an approved Form 27 (Document No. 1949125). Excavated contaminated soil remains on site, pending appropriate treatment or disposal. The approved Form 27 also requires a groundwater sampling and monitoring program.

7. Lone Pine has agreed to eliminate the use of pits to treat produced water at the Location.

8. Lone Pine has been cited for alleged violations related to its surface water discharge permit by the Colorado Department of Public Health and Environment, Water Quality Control Division (CDPHE-WQCD). The accepted long-term compliance solution for the CDPHE-WQCD alleged violations includes the elimination of the surface water discharge and pursue underground injection options for produced water.

BASE PENALTY CALCULATION

9. Rule 523. specifies a base penalty of \$500 for each day of violation of Rule 210.d., and \$1,000 for each day of violation of Rules 324A.b.; 326.b.(1); 902; 906.a.; 907.c.(1), and 912.b. Rule 523.a.(3) specifies that "the maximum penalty for any single violation shall not exceed \$10,000 regardless of the number of days of such violation," unless the violation results in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare or the environment. Staff alleges significant adverse impact on public health, safety or welfare or the environment by reason of ongoing operational difficulties in preventing oil or condensate from reaching the pit system, and oil staining of Spring Gulch and Hell Creek for lasting several months after the December 2011 spill episode.

10. Lone Pine violated Rules 210.d.; 324A.a.; 324A.b.; 326.b.(1); 902; 906.a.; 907.c.(1); and 912.b. as described above. For purposes of calculating a penalty, Staff begins with the assumption that alleged violations of Rule 210.d and Rule 326.b.(1) do

EXHIBIT A
ORDER NO. 1V-413

not involve significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare or the environment. Staff alleges violations of Rule 324A.a; Rule 324A.b.; Rule 902; Rule 906.a.; Rule 907.c.(1); and Rule 912.b involve significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare or the environment. For settlement purposes, and to avoid the costs of preparing for and adjudicating a contested hearing, the Commission proposes and Lone Pine agrees to the following penalty, subject to all of the terms and conditions of this AOC, including but not limited to the suspension thereof under Paragraph 7 of the Order below:

<i>Rule Violation</i>	<i>Penalty Amount/Violation</i>
210.d.	\$ 5,000
324A.a.& 324A.b.	\$ 40,000
326.b.(1)	\$ 5,000
902	\$ 30,000
906.a	\$ 30,000
907.c.	\$ 30,000
912.b.	\$ 10,000
Total Penalty	\$150,000

11. Lone Pine does not admit to the violations, findings of fact, base penalty calculation or legal determinations contained herein, but agrees not to contest the same in any proceeding to enforce the terms of this AOC. Lone Pine fully reserves its right to contest the same in any future action or proceeding other than a proceeding to enforce this AOC.

12. Pursuant to the Memorandum of Agreement ("MOA") dated February 15, 2000 between the COGCC and the CDPHE-WQCD, COGCC staff has consulted with CDPHE-WQCD staff concerning the terms of this AOC as required by the MOA.

ORDER

NOW, THEREFORE, IT IS ORDERED, that:

1. Lone Pine violated of Rules 210.d.; 324A.a.; 324A.b.; 326.b.(1); 902; 906.a.; 907.c.(1); and 912.b. as described above.

EXHIBIT A
ORDER NO. 1V-413

2. Hydrocarbon contaminated soil excavated from a pit and stockpiled on the Location shall be treated or disposed of by September 1, 2013, pursuant to an approved Form 27.

3. Use of water treatment pits for produced water or other exploration and production waste from the Location shall cease by November 1, 2013.

4. The former water treatment pits shall be decommissioned to Table 910-1 standards pursuant to an approved Form 27 by July 1, 2014.

5. Groundwater sampling shall be continued according to an approved Form 27.

6. Form 4 - Sundry Notice for venting of gas, pursuant to Rule 912.b., shall be submitted by June 21, 2013.

7. Lone Pine shall pay a penalty of \$150,000, payment of which is suspended until July 1, 2014. If the corrective actions required pursuant to paragraphs 2 through 6 of this Order have been satisfactorily and timely completed, the penalty shall be vacated. If the required corrective actions are not satisfactorily and timely completed, the penalty shall be due in full thirty calendar days following written notice from the Director.

8. The Commission, pursuant to Commission Rule 709, shall retain Lone Pine's financial assurance instruments until such time as the Director determines that a successor-in-interest has filed satisfactory replacement financial assurance.

9. Compliance dates specified in this Order may be extended by the Director only for good cause, as determined at the Director's discretion, upon request by Lone Pine or its successor. In the event of an extension of the compliance dates, the date through which the suspension of the penalty provided for in Paragraph 7 shall likewise be extended to reflect the new compliance dates.

10. Payment of the penalty pursuant to this AOC does not relieve Lone Pine or its successor from its obligation to complete corrective actions set forth in the NOAVs. Lone Pine or its successor remains responsible for complying with this AOC in the event of any subsequent sale of the Location.

11. Under the State Administrative Procedure Act the Commission considers this order to be final agency action for purposes of judicial review 30 days after the date this order is mailed by the Commission.

EXHIBIT A
ORDER NO. 1V-413

12. The provisions contained in the above order shall become effective immediately.

13. Compliance with the provisions of this Order shall constitute full satisfaction of all allegations and corrective actions contained in the referenced NOAVs and any violations alleged by the Commission against Lone Pine known to the Commission as of the date of this Order. Upon compliance with the requirements of this Order, the Commission hereby releases and covenants not take further enforcement action of any kind against Lone Pine as to any regulatory or statutory claims, common law claims or other claims or causes of action arising out of the facts, transactions, or events which were alleged in the NOAV's, this Order or inspection reports as of the date of this Order.

RECOMMENDED this ____ day of May, 2013.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

Peter J. Gowen, Enforcement Officer

AGREED AND ACCEPTED this _____ day of May, 2013.

LONE PINE GAS, INC.

By: _____
Signature of Authorized Company Representative

Print Signatory Name

Title

EXHIBIT A
ORDER NO. 1V-413

=====

The Commission heard this matter on May 6, 2013, and approved this Administrative Order by Consent.

ENTERED this _____ day of May 2013, as of the 6th day of May, 2013.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By _____
Robert J. Frick, Hearings Manager

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

IN THE MATTER OF ALLEGED VIOLATIONS OF) CAUSE NO. 1V
THE RULES AND REGULATIONS OF THE)
COLORADO OIL AND GAS CONSERVATION) DOCKET NO. 160100080
COMMISSION BY CM PRODUCTION LLC, LOGAN)
AND WASHINGTON COUNTIES, COLORADO) TYPE: ENFORCEMENT

AFFIDAVIT OF MARTHA RAMOS

I, Martha Ramos, Financial Assurance Supervisor for the Colorado Oil and Gas Commission ("COGCC") declare under oath and penalty of perjury that the information stated below is true and accurate to the best of my knowledge, information and belief:

- 1) I am the COGCC staff person primarily responsible for monitoring compliance with the COGCC Rules regarding financial assurance.
- 2) If an operator were to post financial assurance with the COGCC I would be aware of it.
- 3) To date, CM Production LLC ("CM") (Operator No. 10352) has failed to comply with Order No. 1V-569 by posting financial assurance in the amount of \$210,000 pursuant to Rule 707.a.
- 4) To date, CM has failed to comply with Order No. 1V-569 by posting financial assurance in the amount of \$200,000 pursuant to Rule 702.a.

Further Affiant sayeth not.



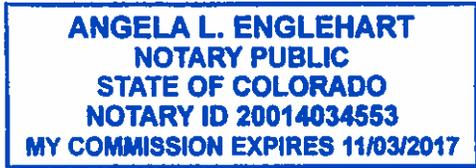
Martha Ramos
Financial Assurance Supervisor

Subscribed and sworn to before me in the City and County of Denver, State of Colorado,
this 12 day of May, 2016.

Witness my hand and official seal.



Notary Public





COLORADO

Oil & Gas Conservation Commission

Department of Natural Resources

1120 Lincoln Street, Suite 801
Denver, CO 80203

CM Production LLC
Attn: John Teff
390 Union Blvd., Suite 620
Lakewood, CO 80228

April 7, 2016

Via Certified Mail and email to johnt@cmproductionllc.com

Re: **Commission Order 1V-569 - Notification of Demand for Payment**

Mr. Teff,

On March 7, 2016, the Colorado Oil and Gas Conservation Commission entered Order 1V-569, Order Finding Violation and Denying CM's Application ("Order"), against CM Production LLC ("CM") (Operator No. 10352).

The Order required CM to "post a \$210,000 bond within 30 days of the approval of this Order" (*i.e.*, on or before April 6, 2016). (Para. 7, Pg. 13). The Order suspended a \$64,510 penalty pending the timely posting of the \$210,000 bond. (*Id.*) The Order provided that, upon CM's failure to timely post the bond, the Director may demand payment of the suspended penalty, which will be due within 10 days of notification from the Director and without further action by the Commission. (*Id.*)

Pursuant to Order 1V-569, this letter constitutes written notice and demand for payment in full of the \$64,510 suspended penalty. Payment of the \$64,510 is due within 10 days of the date of this letter (*i.e.*, on or before **Sunday, April 17, 2016**). Should you have any questions, please contact Jeremy Ferrin.

Sincerely,

Matthew J. Lepore,
Director

P 303.894.2100 F 303.894.2109 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

