

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 |) | DOCKET NO. 180100033 |
| COLORADO OIL AND GAS CONSERVATION |) | TYPE: ENFORCEMENT |
| COMMISSION BY SRC ENERGY INC, WELD |) | ORDER NO. 1V-654 |
| COUNTY, COLORADO |) | |

ADMINISTRATIVE ORDER BY CONSENT

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

FINDINGS

1. SRC Energy Inc. ("SRC") (Operator No. 10311) is the operator of record of the SRC Union A-5CHZ (API No. 123-37398) ("Union Well") and the SRC Bestway B-2-11-14NCHZM (API No. 123-34641) ("Bestway Well") located in Weld County, Colorado.

Union Well

2. On March 28, 2013, Synergy Resources Corporation, now operating as SRC, submitted a Form 2, Application for Permit to Drill, for the Union Well (Doc No. 400397110).

3. Synergy originally permitted the Union Well as the "SRC Union 11HZC." On January 10, 2014, SRC filed Sundry Notice No. 400537596 requesting a change of location for the well and to change the well name to "Union SRC A-5CHZ."

4. On January 28, 2014, COGCC Staff approved Sundry No. 400537596 with a condition of approval reciting the COGCC requirement that SRC run open-hole resistivity and gamma logs "to describe the stratigraphy of the entire well bore and to adequately verify the setting depth of surface casing and aquifer coverage."

5. On June 12, 2017, SRC submitted a Form 5, Drilling Completion Report, for the Union Well. (Doc. No. 400671186) According to the Form 5, SRC spud the Union Well on April 14, 2014, reached total depth on April 26, 2014, and set casing on April 28, 2014.¹

6. SRC did not run open-hole resistivity and gamma logs on the Union Well, the last well drilled on the Union pad.

¹ SRC submitted this Form 5 as part of the Compliance Plan in Order 1V-603, therefore submission and review did not conform to standard timelines under Rule 308A (COGCC Form 5. Drilling Completion Report).

7. On August 17, 2017, Commission Staff issued a Notice of Alleged Violation (“NOAV”) (No. 401371832) to SRC citing a violation of the following COGCC Rules of Practice and Procedure, 2 CCR 404-1 (“Rule” or “Rules”) Rule 317.p. (Requirement to Log Well) for failing to run open-hole and resistivity logs on the Union Well.

Bestway Well

8. The Bestway Well is located within the Greater Wattenberg Area (“GWA”) as defined in Rule 318A (GWA Special Well Location, Spacing and Unit Designation Rule).

9. On February 7, 2017, SRC submitted Form 5, Drilling Completion Report, (Doc. No. 400906473) and Form 5A, Completed Interval Report, (Doc. No. 400954046) for the Bestway Well. From these submissions, Staff learned that:

- a. On June 12, 2015, SRC spud the Bestway Well;
- b. On October 25, 2015, SRC finished fracture stimulation of the Niobrara Formation; and
- c. On November 13, 2015, SRC reported first production from the Bestway Well.²

10. SRC did not complete subsequent groundwater sampling between six and 12 months of first production from the Bestway Well on November 13, 2015, as required by Rule 318A.f. (Groundwater Baseline Sampling and Monitoring).

11. On August 17, 2017, Commission Staff issued NOAV No. 401378585 to SRC citing a violation of COGCC Rule 318A.f. (Groundwater Baseline Sampling and Monitoring) for failing to timely conduct groundwater sampling after first production of the Bestway Well.

12. On August 31, 2017, SRC submitted its answer to NOAV No. 401378585 reporting that it conducted post-completion groundwater sampling from a water well near the Bestway Well on August 16, 2017. The results of that testing are uploaded on the COGCC’s COGIS Database under Sample Site ID 754209, Sample ID 559549.

13. Following factual investigation and legal review of the violations alleged in NOAV Nos. 401378585 and 401371832, Hearing Staff now asserts SRC has committed a one-day violation of Rule 317.p. at the Union Well and a one-day violation of Rule 318A.f. at the Bestway Well.

² SRC submitted these forms as part of the Compliance Plan in Order IV-603, therefore submission and review did not conform to standard timelines under Rule 308A (COGCC Form 5, Drilling Completion Report) and 308B (COGCC Form 5A, Completed Interval Report).

| NOAV | Rule No. | Days of Violation | Start Date | End Date | Class/ Impact | Daily Base Penalty | Total Penalty |
|---------------|----------|-------------------|------------------------|------------|---------------|--------------------|---------------|
| 401371832 | 317.p. | 1 | 4/27/2014 ³ | 4/28/2014 | 2/ Minor | \$2,500 | \$2,500 |
| 401378585 | 318A.f. | 1 | 11/12/2016 | 11/13/2016 | 2/ Minor | \$2,500 | \$2,500 |
| TOTAL PENALTY | | | | | | | \$5,000 |

14. Pursuant to Rule 523 and the Commission's Enforcement and Penalty Policy, Hearings Staff calculated a penalty of \$5,000 for these violations. The penalty calculation is based on the following:

- a. Rule 317.p.:
 - i. One day violation ending on date casing was set for the Union Well, April 28, 2014, being the last time that open-hole logs could be run;
 - ii. Class 2, minor impact;
 - iii. Daily base penalty of \$2,500;
- b. Rule 318A.f.:
 - i. One day violation ending on November 14, 2016, being the last day that samples could be taken in accordance with Rule 318A.f.;
 - ii. Class 2, minor impact;
 - iii. Daily base penalty of \$2,500;
- c. No aggravating or mitigating factors; and
- d. No pattern of violation, gross negligence, or knowing and willful misconduct.

AGREEMENT

WHEREAS, the parties recognize that future SRC violations of Rule 317.p. will result in a penalty calculation commensurate with the costs of conducting and reporting required logs.

NOW, THEREFORE, based on the Findings and pursuant to Rule 522.e.(1) and the Commission's Enforcement and Penalty Policy, the Director and SRC request that the Commission approve the Order set forth below.

³ SRC submitted this Form 5 as part of the Compliance Plan in Order 1V-603, therefore submission and review did not conform to standard timelines under Rule 308A (COGCC Form 5, Drilling Completion Report).

RECOMMENDED this 9th day of January, 2018.

OIL AND GAS CONSERVATION COMMISSION OF
THE STATE OF COLORADO

By 
David A. Beckstrom, Assistant Attorney General

AGREED TO AND ACCEPTED this ____ day of January, 2018.

SRC ENERGY INC.

By 
Signature of Authorized Company Representative

David Kulmann
Print Signatory Name

Director of Governmental & Regulatory Affairs
Title

ORDER

HAVING CONSIDERED the Agreement between the Director and SRC Energy Inc. to resolve the NOAV, the COMMISSION ORDERS:

1. SRC is found in violation of Rules 317.p. and 318A.f. as described above.
2. SRC is assessed a penalty of \$5,000.
3. SRC will pay \$5,000 within 30 days after this approved AOC is mailed by the Commission.
4. SRC will perform cased hole neutron and gamma ray logs, or other petrophysical log(s) approved by the COGCC, on at least one well on the Union Pad and submit the same to the COGCC via a Form 4, Sundry Notice, no later than February 28, 2018.
5. Compliance dates specified in this Order may be extended only for good cause, as determined at the Director's sole discretion. A request for extension 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. Failure to pay the penalty or perform any corrective actions by the above deadlines is an independent violation that may be subject to additional penalties.

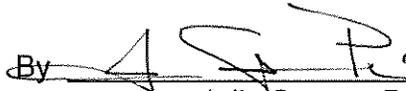
7. This Order is effective as of the date it is mailed by the Commission. It constitutes final agency action for purposes of judicial review.

8. 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 30th day of JAN, 2018 as of the 29th day of January, 2018.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 
Julie Spence Prine, Secretary

CERTIFICATE OF MAILING

On February 7th, 2018, a true and accurate copy of Commission Order 1V- 654 was mailed by first-class mail return receipt requested to the following:

SRC Energy Inc.
Attn: Dave Kulmann
1675 Broadway, Ste. 2600
Denver, CO 80202


Margaret Humecki