

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

IN THE MATTER OF ALLEGED VIOLATIONS OF THE) CAUSE NO. 1V
RULES AND REGULATIONS OF THE COLORADO)
OIL AND GAS CONSERVATION COMMISSION BY) DOCKET NO. 171000765
TAYLOR* WILLIAM M, LA PLATA COUNTY,)
COLORADO) TYPE: ENFORCEMENT
ORDER NO. 1V-647

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") against Taylor* William M ("Taylor") (Operator No. 10353) pursuant to the Rules and Regulations of the Colorado Oil and Gas Conservation Commission, 2 C.C.R. 404-1 ("Rule" or "Rules"), and finds and states as follows:

LEGAL AND FACTUAL FINDINGS

A. Rule 1102 – Utility Notification Center of Colorado Membership

Taylor is the Operator of record of the Hall #1 well (API 05-067-05343) ("Hall #1") in La Plata County, Colorado. (Exhibit 1 – Well Information).

Rule 1102.d. states, "As to any pipelines over which the Commission has jurisdiction, each operator shall become a member of the Utility Notification Center of Colorado and participate in Colorado's One Call notification system, the requirements of which are established by §9-1.5-101., C.R.S. et seq."

A review of COGCC records (Exhibit 2 – Inspection 685200281 and Photos), and consultation with the Utility Notification Center of Colorado ("Colorado 811"), reveals that Taylor, at its Hall #1 well location, has pipelines subject to Commission jurisdiction but has not become a member of Colorado 811, (Exhibit 3 – Colorado 811 Correspondence). On May 22, 2017, COGCC Staff issued Taylor Warning Letter #401289784 to demand compliance with Rule 1102.d., but Taylor failed to respond, (Id.)

Based on the foregoing, the Commission finds that Taylor has violated Rule 1102.d.

B. Rule 210.b. – Signs and Markers

Rule 210.b. states that the permanent signs for a well or associated battery shall provide, "a phone number at which the operator can be reached at all times."

A review of COGCC records reveals the signage for the Hall #1 well and battery does not contain a phone number at which Taylor can be reached at all times, (Exhibit 2

– Inspection 685200281 and Photos and Exhibit 4 – Inspection 685200389 and Photos).

Based on the foregoing, the Commission finds that Taylor has violated Rule 210.b.

C. Rule 309.a. – Monthly Reports of Operations

Rule 309.a. states, “Operators shall report all existing oil and gas wells that are not plugged and abandoned on the Operator’s Monthly Report of Operations, Form 7, within 45 days after the end of each month.”

A review of COGCC records reveals that Taylor has not submitted a Form 7, Monthly Reports of Operations, for any month since November 2015, (Exhibit 1 – Well Info).

Based on the foregoing, the Commission finds that Taylor has violated Rule 309.a.

D. Rule 326.b. – Mechanical Integrity Testing

Rule 326.b. states that “A mechanical integrity test shall be performed on each shut-in well within two years of the initial shut-in date.”

A review of COGCC records reveals the Hall #1 well is past-due for an MIT. Taylor’s Form 7, Monthly Report of Operations, reported the well as shut-in starting in June 2015, (Exhibit 1 – Well Information), and an MIT came due, at latest, by June 1, 2017. To date an MIT has not been reported to COGCC, (Id.).

Based on the foregoing, the Commission finds that Taylor has violated Rule 326.b.

E. Rule 605.a.(4) – Berms

Rule 605.a.(4) states that “Berms and secondary containment devices shall be inspected at regular intervals and maintained in good condition.”

A review of COGCC records reveals that the synthetic lining for the berm around the crude oil tank at the Hall #1 well is in disrepair, (Exhibit 2 – Inspection 685200281 and Photos and Exhibit 4 – Inspection 685200389 and Photos).

Based on the foregoing, the Commission finds that Taylor has violated Rule 605.a.(4).

F. Rule 605.d. – Mechanical Conditions

Rule 605.d. states that “All valves, pipes and fittings shall be securely fastened, inspected at regular intervals, and maintained in good mechanical condition.”

A review of COGCC records reveals that on August 17, 2017, COGCC Staff observed an audible gas leak at the Hall #1 well, despite the valves being closed, which

was also observed by FLIR camera, (Exhibit 4 – Inspection 685200389 and Photos).

Based on the foregoing, the Commission finds that Taylor has violated Rule 605.d.

G. Enforcement Proceedings

On September 7, 2017, Staff issued Taylor a Notice of Alleged Violation (“NOAV”), Document #401395045. Staff attempted to serve the NOAV at the address Taylor has on file with the Commission pursuant to Rule 302 but it was refused by the recipient on September 11, 2017, (Exhibit 5 – NOAV 401395045 and Mail Receipts). Note that despite this refusal, Rule 521.f. states that “Service of certified mail on an operator is perfected under this Rule at the earliest of: . . . (3) Five days after mailing.”

On September 20, 2017, this matter was noticed for hearing on October 30-31, 2017, (Exhibit 6 – Notice of Hearing). Taylor and United States Fidelity & Guaranty Company (who holds Taylor’s financial assurance) were properly served with the Notice of Hearing via certified mail at the addresses they have filed with the COGCC pursuant to Rule 302, (Id.). Taylor refused receipt of the Notice of Hearing on September 28, 2017, (Id.).

Due notice of the time, place, and purpose of the hearing has been given in all respects, as required by law. (Exhibit 7 – Proofs of Publication).

Hearing Officer Hazelton held an initial prehearing conference in this matter on September 28, 2017, (Exhibit 8 – CMO and Correspondence). Staff appeared at the prehearing conference. Taylor did not appear at the prehearing conference. Taylor was notified of the prehearing conference and provided a copy of Staff’s proposed Case Management Order in advance via email, (Id.). The mailing address and electronic mail addresses used to attempt to contact Taylor were both provided in Taylor’s June 15, 2015, Form 1, submission to COGCC, (Exhibit 9 – Operator Information).

Under the Case Management Order, the parties were ordered to submit prehearing statements and exhibits no later than October 13, 2017. (Exhibit 8 – CMO and Correspondence). Staff timely submitted its Prehearing Statement and Exhibits. Taylor did not submit a prehearing statement or exhibits.

Under the Case Management Order, the parties were ordered to submit a proposed order for Commission consideration no later than October 13, 2017. (Exhibit 10). Staff timely submitted a proposed order. Taylor did not.

Under the Case Management Order, the parties were ordered to submit any objections to prehearing statement, witnesses, or exhibits no later than October 18, 2017. (Exhibit 8 – CMO and Correspondence). Taylor did not submit any objections to Staff’s Prehearing Statement, witnesses, or exhibits.

No person representing Taylor appeared at the October 30, 2017, hearing on this matter.

H. Penalty Calculation

Based on the foregoing, the Commission finds that Taylor has committed the following violations and calculates the following penalties:

Rule	Class, Impact	Days of Violation	Total Penalty
1102.d.	2, Mod	161	\$126,650
210.b.	2, Min	161	\$50,550
309.a.	1, Min	413	\$4,203
326.b.	2, Min	151	\$50,050
605.a.(4)	2, Min	161	\$50,550
605.d.	2, Mod	74	\$370,000
		Total:	\$652,003

Pursuant to Rule 523 and the Commission's Enforcement and Penalty Policy, the Commission calculates a penalty of \$652,003 for these violations. The penalty calculation is based on the following:

- a. Rule 1102.d.:
 - i. Taylor violated Rule 1102.d. by failing to become a member with Colorado 811.
 - ii. Staff determined that this violation resulted in a moderate impact.
 - iii. Violation of a Class 2 Rule, with a moderate impact, results in a daily penalty of \$5,000.
 - iv. The violation commenced on May 22, 2017 (the Warning Letter issuance date), and continued through October 30, 2017 (the hearing date).
 - v. Application of the Duration Matrix ("Duration Matrix") from the COGCC Enforcement Guidance and Penalty Policy January 2015 (corrected 4/8/2015).
- b. Rule 210.b.:
 - i. Taylor violated Rule 210.b. by failing to maintain proper signage for the Hall #1 well and battery, specifically by failing to list a phone number at which the Operator can be reached at all times.
 - ii. Staff determined that these violations resulted in minor impacts.
 - iii. Violation of a Class 2 Rule, with a minor impact, results in a daily penalty of \$2,500.
 - iv. The violation commenced May 22, 2017 (the inspection date), and continued through October 30, 2017 (the hearing date).
 - v. Application of the Duration Matrix ("Duration Matrix") from the COGCC Enforcement Guidance and Penalty Policy January 2015 (corrected 4/8/2015).

- c. Rule 309.a.:
 - i. Taylor violated Rule 309.a. by failing to file Operator's Monthly Report of Operations, Form 7, for any month after November 2015.
 - ii. Staff determined that this violation resulted in a minor impact.
 - iii. Violation of a Class 1 Rule, with a minor impact, results in a daily penalty of \$200.
 - iv. The violation commenced on February 14, 2016 (45 days after December 31, 2015), and continued through October 30, 2017 (the hearing date), though for penalty calculation purposes a penalty was imposed only back to September 12, 2016 (one year prior to NOAV service date).
 - v. Application of the Duration Matrix ("Duration Matrix") from the COGCC Enforcement Guidance and Penalty Policy January 2015 (corrected 4/8/2015).
- d. Rule 326.b.:
 - i. Taylor violated Rule 326.b. by failing to perform an MIT on the Hall #1 by June 1, 2017 (two years after shut-in).
 - ii. Staff determined that these violations resulted in minor impacts.
 - iii. Violation of a Class 2 Rule, with a minor impact, results in a daily penalty of \$2,500.
 - iv. The violations commenced on the dates indicated above, and continued through October 30, 2017 (the hearing date).
 - v. Application of the Duration Matrix ("Duration Matrix") from the COGCC Enforcement Guidance and Penalty Policy January 2015 (corrected 4/8/2015).
- e. Rule 605.a.(4):
 - i. Taylor violated Rule 605.a.(4) by failing to maintain a berm at the Hall #1 in good condition since May 22, 2017 (the inspection date).
 - ii. Staff determined that these violations resulted in minor impacts.
 - iii. Violation of a Class 2 Rule, with a minor impact, results in a daily penalty of \$2,500.
 - iv. The violations commenced on the dates indicated above, and continued through October 30, 2017 (the hearing date).
 - v. Application of the Duration Matrix ("Duration Matrix") from the COGCC Enforcement Guidance and Penalty Policy January 2015 (corrected 4/8/2015).

- f. Rule 605.d.:
 - i. Taylor violated Rule 605.d. by failing to keep the Hall #1 well in good mechanical condition since August 17, 2017 (the inspection date), specifically by failing to repair the audible gas leak identified in the inspection.
 - ii. Staff determined that these violations resulted in moderate impacts.
 - iii. Violation of a Class 2 Rule, with a moderate impact, results in a daily penalty of \$5,000.
 - iv. The violations commenced on the dates indicated above, and continued through October 30, 2017 (the hearing date).
- g. No aggravating factors;
- h. No mitigating factors; and
- i. No gross negligence or knowing and willful misconduct.

ORDER

NOW, THEREFORE, the COMMISSION ORDERS:

1. Taylor is found in violation of Rules 1102.d., 210.b., 309.a., 326.b., 605.a.(4), and 605.d. as described above.
2. Taylor is ordered to pay a \$652,003 penalty, by certified check, within 35 days after this Order is mailed by the Commission.
3. Taylor is hereby ordered to return to compliance with the Act and Rules, including, but not limited to:
 - a. Taylor shall immediately seek and obtain membership with Colorado 811.
 - b. Taylor shall immediately update signage to include a phone number by which the Operator can be reached at any time.
 - c. Taylor shall immediately submit delinquent Form 7, Monthly Reports of Operations.
 - d. Taylor shall immediately perform a successful MIT of the Hall #1 well.
 - e. Taylor shall immediately maintain the berm around the Hall #1 crude oil tank to bring it back into good repair.
 - f. Taylor shall immediately return the Hall #1 well to good mechanical condition.
4. If Taylor fails to pay the penalty or return to compliance within 35 days of mailing of the approved Order Finding Violation, the Director shall take the following actions:

- a. Suspend Taylor's Form 10s, Certificates of Clearance, for Taylor's wells, and withhold the issuance of any new drilling or oil and gas location permits, until Taylor demonstrates to the satisfaction of the Director that it has brought all violations cited in the Order into compliance and that any penalty assessed has been paid;
 - b. Terminate Taylor's Operator Number (Operator No. 10353), rescind Taylor's Form 1 (Document No. 2559143), and revoke Taylor's right to conduct oil and gas operations in Colorado, until Taylor demonstrates at a Commission hearing that Taylor has brought all violations cited in the Order into compliance, any penalty assessed has been paid, and that re-instating Taylor's Form 1 will not threaten to or actually create significant adverse impacts to public welfare or the environment;
 - c. Foreclose Taylor's existing financial assurance (Surety ID 2010-0184) and claim both the principal and any accrued, but undisbursed, interest that may exist and use those funds to remediate conditions that threaten to cause, or that actually cause, significant environmental impacts at non-federal and non-tribal wells and locations formerly operated by Taylor. To the extent COGCC Staff has already expended Oil and Gas Conservation and Environmental Response Funds at non-federal and non-tribal wells and locations formerly operated by Taylor, foreclosed financial assurance can be used to repay those funds; and/or
 - d. Require Taylor, and its successors or assigns, to comply with the Order and repay any funds expended by the Commission from the Oil and Gas Conservation and Environmental Response Fund for any work undertaken by COGCC Staff.
5. If Taylor fails to pay the penalty or return to compliance within 35 days of mailing of the approved Order Finding Violation, the Director is authorized, but not required, to take any or all of the following actions:
- a. Declare Taylor's wells "Orphaned Wells", as defined in the 100-Series Rules;
 - b. Use funds from the Oil and Gas Conservation and Environmental Response Fund to investigate, prevent, monitor, or mitigate conditions that threaten to cause, or that actually cause, significant adverse environmental impacts at non-federal and non-tribal wells and locations formerly operated by Taylor;
 - c. Claim all equipment, saleable product, and appurtenances related to Taylor's oil and gas operations at its wells as property of the Commission, provided that any proceeds from the disposition of the assets will be credited to the cost of plugging and abandonment of the Well and/or the Oil and Gas Conservation and Environmental Response Fund.

6. At the Director's request, Taylor will assign equipment, saleable product, and appurtenances related to Taylor's oil and gas operations to the Commission or a third party to be determined by the Director.

7. In the event the Director determines, in the Director's discretion and consistent with the Director's independent determination of operational priorities, that there is a need to use the Commission's Emergency Response appropriation (Long Bill), which is funded by the Oil and Gas Conservation and Environmental Response Fund, to remediate conditions that threaten to cause, or that actually cause, significant environmental impacts at wells or locations formerly operated by Taylor, the Director will confer with the Commission regarding expenditure of Emergency Response appropriation funds at the earliest practical opportunity.

8. The following will not affect Taylor's obligations under this Order: (1) a change in ownership, corporate status, or partnership status; or (2) a conveyance of title or other interest relating to Taylor's oil and gas operations. Taylor will give written notice of this Order to any purchaser, successor, or assignee prior to transferring ownership or title to its oil and gas operations. Taylor will give written notice to the Director prior to any change in title, ownership, or status. If there are outstanding corrective actions at the time of a change in title or ownership, Taylor's successors or assigns will be responsible for completing those corrective actions at Taylor's former oil and gas locations.

9. Upon the Director's notice of a claim as described above, Taylor will not remove, transfer, or dispose of any equipment, saleable product, or appurtenances related to its oil and gas operations, unless permission is granted by the Director.

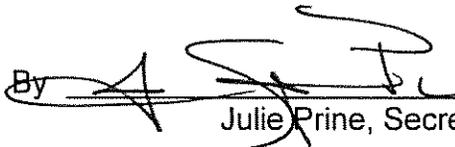
10. This Order is effective as of the date it is mailed by the Commission. It constitutes final agency action for purposes of judicial review.

11. 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 1 day of Nov, 2017, as of the 30th day of October, 2017.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By  _____
Julie Prine, Secretary

CERTIFICATE OF MAILING

On 11/06, 2017, a true and correct copy of the foregoing *Order Finding Violation* was sent by certified mail, return receipt requested, to the following:

Taylor* William M
Attn: Sandra Taylor
2016 Cherry Road
Springfield, IL 62704


Margaret Humecki