

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. 171000550
COLORADO OIL AND GAS CONSERVATION)	TYPE: ENFORCEMENT
COMMISSION BY SCHREIDER & COMPANY,)	ORDER 1V-656
INC., ADAMS AND BACA COUNTIES,)	
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. Schreider & Company, Inc. ("Schreider") (Operator No. 76859) is the operator of the inactive wells listed in Table 1, below.
2. Schreider maintains a \$60,000 statewide blanket plugging bond with the COGCC to cover its statewide operations pursuant to COGCC Rule 706 (Surety ID 1985-0005).
3. On August 31, 2016, COGCC Staff issued Warning Letter No. 2560546 to Schreider citing non-compliance with COGCC Rule 707 (Inactive Wells). The audit leading to the Warning Letter identified seven inactive wells, all with a total measured depth greater than 3,000 feet, resulting in a shortage of \$80,000 in financial assurance for excess inactive wells.
4. The Warning Letter required that Schreider return to compliance with Rule 707 no later than September 30, 2016; Schreider requested and received an extension of this deadline to April 21, 2017. Schreider failed to return to compliance with COGCC Rule 707 by April 21, 2017.
5. On July 11, 2017, COGCC Staff issued Notice of Alleged Violation ("NOAV") (No. 401309814) to Schreider for an alleged violation of COGCC Rules of Practice and Procedure, 2 C.C.R. 404-1 ("Rule" or "Rules") Rule 707 (Inactive Wells) for failing to maintain adequate financial assurance for its excess inactive wells.
6. As of February 21, 2018, Schreider operates four inactive wells in Adams County, all with depths exceeding 3,000 feet, and therefore operates one excess inactive well and thus has a shortage of \$20,000 in financial assurance, pursuant to Rule 707. (See Table 1)

Table 1

Well Name	API	Total Depth (ft)	Last Sales
Gretchen Raglund-2-14	05-001-09005	7,124	June 2015
Cher Skoubo-14-43	05-001-09067	7,140	June 2015
Ivol Ferguson-14-33	05-001-09121	7,160	August 2015
Comanche Creek-3-14	05-001-09487	7,148	June 2015

7. Following factual investigation and legal review of the violations alleged in the NOAV, Hearing Staff now asserts Schreider has committed a 611-day violation of Rule 707.

Rule No.	Days of Violation	Start Date	End Date	Class	Impact	Daily Base Penalty	Total Penalty
707	611	7/16/2016	3/19/2018	2	Minor	\$2,500	\$65,670
TOTAL PENALTY							\$65,670

8. Pursuant to Rule 523 and the Commission's Enforcement and Penalty Policy, Hearings Staff calculated a penalty of \$65,670 for this violation. The penalty calculation is based on the following:

- a. Application of the Duration Matrix from the COGCC Enforcement Guidance and Penalty Policy January 2015 (corrected 4/8/2015);
- b. Calculated days of violation limited by one-year statute of limitations (§34-60-115, C.R.S.) and thus commencing on July 16, 2016;
- c. Violation is ongoing and therefore considered to end on March 19, 2018, being the first day of the hearing at which this matter is to be heard for purposes of penalty calculation;
- d. Class 2 violation, Minor impact;
- e. Daily base penalty of \$2,500;
- f. No aggravating or mitigating factors; and
- g. No pattern of violation, gross negligence, or knowing and willful misconduct.

9. On February 20, 2018, Schreider submitted to the office of the Colorado Attorney General a "COGCC Application for Consideration of Inability to Pay Standard Enforcement Penalty" and supporting documentation as contemplated in the COGCC Enforcement Guidance and Penalty Policy. Documents submitted included financial statements for FY 2015-2017, IRS tax filings for 2016, a summary of financial condition, and a written narrative. The documents submitted sufficiently demonstrate that imposition

of the standard enforcement penalty, as calculated by Hearings' Staff, would be likely to jeopardize Schreider's ability to continue oil and gas operations in Colorado and could cause Schreider to "orphan" its assets, leaving the State with unfunded liability for remediation, plugging, abandonment, and reclamation. The intent of this AOC between Staff and Schreider is to permit Schreider to continue operating its assets and avoid leaving the State with unfunded liability for remediation, plugging, abandonment, and reclamation of orphaned assets.

AGREEMENT

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

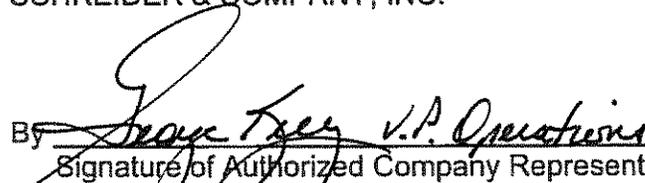
RECOMMENDED this 22nd day of February, 2018.

OIL AND GAS CONSERVATION COMMISSION OF
THE STATE OF COLORADO

By 
David A. Beckstrom, Assistant Attorney General

AGREED TO AND ACCEPTED this 22 day of February, 2018.

SCHREIDER & COMPANY, INC.

By 
Signature of Authorized Company Representative

GEORGE KELLY - V.P.
Print Signatory Name

V.P. OPERATIONS SCHREIDER & Co.
Title

ORDER

HAVING CONSIDERED the Agreement between the Director and Schreider & Company, Inc. to resolve the NOAV, the COMMISSION ORDERS:

1. Schreider is found in violation of Rule 707 as described above.

2. Schreider is assessed a penalty of \$65,670 for this violation.

3. Based on the finding that Schreider is unable to pay the penalty calculated by Hearings Staff, it is hereby ordered that within 30 days of this approved AOC being mailed by the Commission, Schreider will remit \$20,000 in additional blanket plugging financial assurance (the "Additional Financial Assurance") in lieu of \$20,000 of the total \$65,670 penalty. Remittance of such Additional Financial Assurance will increase Schreider's total blanket plugging bond with the COGCC to \$80,000, placing Schreider in compliance with Rule 707 at the time the Additional Financial Assurance is remitted to the COGCC and for so long as Schreider operates four inactive wells or less. COGCC will retain the Additional Financial Assurance pursuant to Commission Rules 701, 702.a., and 709.

4. The remaining \$45,670 penalty is suspended, and will be vacated pursuant to Paragraph 6, pending Schreider's timely remittance of the Additional Financial Assurance and successful completion of the Compliance Plan in Paragraph 5, below.

5. Compliance Plan:

a. No later than July 15, 2018, for each of those wells listed in Table 2, below, Schreider will either i) conduct a successful mechanical integrity test ("MIT") in accordance with Rule 326 and submit a Form 21, evidencing the same; or ii) plug and abandon the well in accordance with Rule 319 (Abandonment). On or before July 31, 2018 and upon completion of the requisite testing or plugging in this Paragraph 5(a), Schreider will submit a Form 4, Sundry Notice, attention to COGCC Engineering Supervisor, Diana Burn, describing how Schreider complied with the requirements set forth in this Paragraph 5(a).

Table 2

Well Name	API	Last Production	MIT Due
Comanche Creek 3-14	05-001-09487	June 2015	6/30/2017
Gretchen Raglund 2-14	05-001-09005	June 2015	6/30/2017
Cher Skoubo 14-43	05-001-09067	July 2015	7/31/2017
Ivol Ferguson 14-33	05-001-09121	August 2015	8/1/2017

b. After the completion of the requisite testing or plugging in Paragraph 5(a), Schreider will maintain compliance with Rule 326 through March 19, 2020.

- c. Schreider will maintain compliance with Rule 707 (Inactive Wells) beginning upon remittance of the Additional Financial Assurance through March 19, 2020.
- d. Additionally, Schreider will maintain compliance with Rule 309 (Operator's Monthly Reports of Operations) beginning in March 2018 through March 19, 2020. For the purposes of this Paragraph 5(d), Schreider will be deemed to breach compliance with Rule 309 only if it fails to timely submit a Form 7 (Operator's Monthly Reports of Operations) for any two consecutive months for any one well it operates.

6. If Schreider timely remits the Additional Financial Assurance set forth in Paragraph 4 and timely and successfully completes the Compliance Plan set forth in Paragraph 5, the suspended penalty of \$45,670 will be automatically and permanently vacated as of March 19, 2020. If Schreider fails to comply with Paragraphs 3 or 5, the Director may require Schreider to pay any outstanding portion of the Additional Financial Assurance and the suspended penalty of \$45,670 described in Paragraph 4 without further action from the Commission. Schreider will pay any unsuspended penalties assessed pursuant to this paragraph within 30 days of the mailing of the Director's demand for payment.

7. 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 21 days prior to the pertinent compliance deadline or as soon as possible if 21 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.

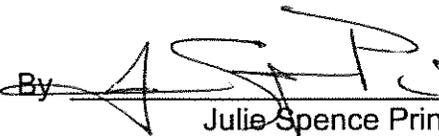
8. This Order is effective as of the date it is mailed by the Commission. It constitutes final agency action for purposes of judicial review.

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

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ENTERED this 22 day of March, 2018 as of the 19th day of March, 2018.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By  _____
Julie Spence Prine, Secretary

CERTIFICATE OF MAILING

On April 2nd, 2018, a true and accurate copy of Commission Order 1V-656 was mailed by first-class mail return receipt requested to the following:

Schreider & Company, Inc.
Attn: George Kelly
240 West Jessup Street
Brighton, CO 80601

Frascona, Joiner, Goodman and Greenstein, P.C.
Attn: Zachary A. Grey, Esq.
4750 Table Mesa Drive
Boulder, CO 80305



Margaret I. Humecki