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

IN THE MATTER OF ALLEGED VIOLATIONS)	CAUSE NO. 1V
OF THE RULES AND REGULATIONS OF THE)	DOCKET NOS. 180300131
COLORADO OIL AND GAS CONSERVATION)	TYPE: ENFORCEMENT
COMMISSION BY URSA OPERATING)	ORDER NO. 1V-657
COMPANY LLC , GARFIELD COUNTY,)	
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. Ursa Operating Company LLC ("Ursa") (Operator No. 10447) is the operator of record for the Monument Ridge B Well, API No. 05-045-22893, in Garfield County, Colorado (the "Well").

2. On August 15, 2015, the Colorado Oil and Gas Conservation Commission ("COGCC" or "Commission") approved Ursa's Form 2, Application for Permit to Drill ("APD") (Doc. No. 400852877) for the Well. The Commission approved Ursa's Form 2 and issued an Authorized Permit to Drill subject to Commission Spacing Order No. 440-58, entered on August 25, 2009 (Doc. No. 1940711), regarding development of a 240-acre unit covering the NW ¼ and W ½ NE ¼ of Section 17, Township 7 South, Range 95 West.

3. Order No. 440-58 included a 100-foot setback from the boundaries of the spacing unit (Order No. 440-58). Ursa's approved top of productive zone and bottom hole location footages of 132 feet from the north line and 1,975 feet from the west line of Section 17 complied with this setback.

4. On March 9, 2010, the Commission entered Commission Spacing Order No. 440-59 (Doc. No. 2553048), which required a 100-foot setback from the boundaries of a 320-acre unit covering the S ½ of Section 8, Township 7 South, Range 95 West.

5. Ursa filed Form 5, Drilling Completion Report, with the Commission on February 1, 2017 (Doc. No. 401195123). In its Form 5, Ursa reported that the Well was spud October 13, 2016, and the bottom hole location was 152 feet from the north line and 2,017 feet from the west line of Section 17.

6. Ursa filed Form 5A, Completed Interval Report, with the Commission on March 29, 2017 (Doc. No. 401195160). In its Form 5A, Ursa reported that the Well was fracture stimulated from February 12, 2017, through March 1, 2017, and first produced on March 6, 2017 (*Id.*). Ursa also reported that the top of the productive zone was at



4,931 feet measured depth, 21 feet from the south line, and 2,481 feet from the west line of Section 8, Township 7 South, Range 95 West (*Id.*). The Well's completed interval extends from Section 8 into Section 17, meaning that the Well was producing from two different units, at less than 100 feet from the respective unit boundaries.

7. By producing the Well from two different units at less than 100 feet from the respective unit boundaries, Ursa violated Order Nos. 440-58 and 440-59.

8. By producing the Well from two different units at less than 100 feet from the respective unit boundaries, Ursa violated the requirements of its authorized APD.

9. On April 12, 2017, Commission Staff issued Notice of Alleged Violation No. 401257007 ("NOAV") to Ursa, alleging violations of Order Nos. 440-58 and 440-59, and Ursa's APD.

10. On May 10, 2017, Ursa submitted an answer to the NOAV (Doc. No. 442832), acknowledging that Ursa encroached into an established spacing unit. In its answer, Ursa stated that following an April 12, 2017, meeting with Commission Staff, Ursa would establish a wellbore-specific spacing unit. On April 13, 2017, Ursa submitted a spacing application for a wellbore-specific spacing unit to the Commission. Following receipt of the NOAV, Ursa suspended revenue disbursement pending resolution of the acknowledged encroachment to assure that no revenue would be misallocated to either of the spacing units, both of which are operated by Ursa.

11. Following Staff's meeting with Ursa on April 12, 2017, Ursa undertook an internal review of all wells in the area to determine whether similar subsurface encroachments existed. Following this review, Ursa modified its internal review processes to ensure that similar subsurface encroachments do not occur in the future.

12. Pursuant to § 34-60-121(1), C.R.S., any operator that violates any rule or order of the commission, or any permit, is subject to a penalty of not more than \$15,000 for each act of violation per day that such violation continues.

13. Following a factual investigation and legal review of the violations alleged in the NOAVs, the Hearings Staff now asserts Ursa has violated Commission Orders 440-58 and 440-59, and its APD. For penalty purposes, these independent violations have been consolidated into a single violation of § 34-60-121(1), C.R.S.

14. The Commission's factual investigation revealed that the violation resulted in no actual harm whatsoever, and resulted in no threat of harm whatsoever, to public health, safety, welfare, the environment, or wildlife.

15. The Commission's factual investigation revealed that as a result of numerous meetings with Garfield County and the Battlement Mesa Community, Ursa moved a proposed pad under an existing surface use agreement, settling instead on the Monument Ridge B Pad location, which was further away from the Grand Valley Middle



School. Ursa did this at an additional cost of well over \$300,000. Moving this pad was undertaken by Ursa in order to protect the health, safety and welfare of the community. At the same time, moving the pad location made it more challenging to reach certain bottom holes, including the Monument Ridge B Pad wells herein. This same difficulty arose for the remaining wells hereunder, due to the limited pad locations in and around the community.

16. The Commission's factual investigation revealed that in order to minimize impacts to the community, Ursa expended significant amounts of money and effort to 1) locate the pad from which the Well was drilled as far as possible from Grand Valley Middle School, and 2) reduce the number of total pads in the area from 14 to 4. By Ursa moving this pad, it had the actual effect of mitigating impacts of Ursa's operations on the community, including public health, safety, welfare, the environment and wildlife. However, in order to locate its pad for the Well where it did, Ursa had to use a very long, shallow-inclination directional wellbore to reach the location for the Well. The length and inclination of such wellbore was a significant contributing factor to the location of two stages of the Well at less than 100 feet from the unit boundaries.

17. Therefore, the Commission's factual investigation revealed that Ursa successfully mitigated impacts of its operations on the community, including public health, safety, welfare, the environment and wildlife, but in doing so, inadvertently caused a subsurface encroachment to a spacing unit boundary, which encroachment posed no actual harm or even threat of harm to public health, safety, welfare, the environment and wildlife.

18. Pursuant to Rule 523 and the Commission's Enforcement and Penalty Policy, Hearings Staff calculated a penalty of \$29,600 for this violation.

Days of Violation	Start Date	End Date	Class, Impact	Daily Base Penalty	Total Penalty
38	03/06/2017	04/13/2017	2, Minor	\$2,500	\$37,000
Settlement Discount (20 Percent)					(\$7,400)
Total Penalty					\$29,600

19. The penalty calculation is based on the following:

- Application of the Duration Matrix from the COGCC Enforcement Guidance and Penalty Policy, January 2015 (corrected April 8, 2015);
- A start date of March 6, 2017, the date Ursa completed the Well in violation of the permit, and an end date of April 13, 2017, the date Ursa submitted its spacing application for a wellbore-specific spacing unit;
- Class 2, minor impact;
- Daily base penalty of \$2,500;
- Offered settlement discount of 20 percent (\$7,400);
- Consolidation of violations;
- No mitigating or aggravating factors;
- No pattern of violation; and

- i. No gross negligence or knowing and willful misconduct.

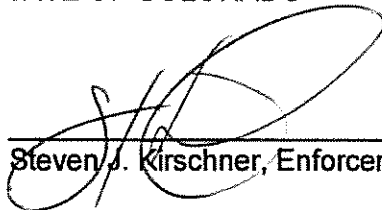
AGREEMENT

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

RECOMMENDED this 6th day of March, 2018.

OIL AND GAS CONSERVATION COMMISSION OF
THE STATE OF COLORADO

By


Steven J. Kirschner, Enforcement Officer

AGREED TO AND ACCEPTED this 6th day of March, 2018.

URSA OPERATING COMPANY LLC

By


Signature of Authorized Representative

DON SIMPSON
Print Signatory Name

SVP BUSINESS DEV. & LAND
Title

ORDER

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

1. Ursa is found in violation of § 34-60-121(1), C.R.S.
2. Ursa is assessed a total penalty of \$29,600 for the violations described above.

3. Ursa will pay \$29,600 by certified check within 30 days after this approved AOC is mailed by the Commission.

4. Ursa has already conducted a review of all currently producing wells to determine whether any of these wells have similarly encroached into established setbacks. The Commission will not pursue enforcement against Ursa for any subsurface setback violations, whether known or unknown, existing as of the date of this Order.

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.

===== *g.s.*
ENTERED this 22 day of March, 2018 as of the 20 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- 657 was mailed by first-class mail return receipt requested to the following:

Ursa Operating Company LLC
1050 17th Street #1700
Denver, CO 80265


Margaret Humecki