

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. 180100034
COMMISSION BY <b>DONNELLY CASING AND</b>	)	TYPE: ENFORCEMENT
<b>PULLING CO</b> , LOGAN COUNTY, COLORADO	)	ORDER NO. 1V-659

**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. Donnelly Casing And Pulling Co. ("Donnelly Casing") (Operator No. 24775) is the operator of record of the McConley #1-A well, API No. 05-075-09163 ("Well") located in Logan County, Colorado.

2. On July 13, 2015, COGCC Staff inspected and reviewed records pertaining to the Well and observed that the Well and its Location were not in compliance with COGCC Rules of Practice and Procedure, 2 CCR 404-1 ("Rules") for signage and management of weeds and waste materials. (Document No. 680300043).

3. On October 3, 2016, COGCC Staff conducted a follow-up inspection and observed that the compliance issues from the July 13, 2015 inspection remained unresolved (Document No. 680301194).

4. On May 10, 2017, COGCC staff issued a Warning Letter to Donnelly for failure to register with the Utility Notification Center of Colorado (Document No. 401279542).

5. Based on a records review by COGCC Staff, it has also been determined that the Well is overdue for a Mechanical Integrity Test (MIT), as the Well has been reported as shut-in since June 2015, and is delinquent on submission of Form 7, Monthly Reports of Operations, dating back to April 2016.

6. On November 3, 2017, COGCC Staff issued NOAV No. 401449214 to Donnelly for violations related to the non-compliance described above. The NOAV cited violations of the following Rules:

- a. Rule 210.b. (Signs and Markers) for failure to provide signage with emergency contact information at the Well.
- b. Rule 309 (Monthly Reports of Operations) for failure to submit Monthly Reports of Operations since March 2016.

- c. Rule 326 (Mechanical Integrity Testing) for failure to timely complete Mechanical Integrity Testing of the Well.
- d. Rule 603.f. (Removal of trash and unused equipment) for failure to manage and remove weeds and waste materials.
- e. Rule 1102.d. (Utility Notification Center of Colorado Registration) for failure to obtain membership with Colorado 811.

7. Jacqueline Donnelly is and has been the principal of Donnelly Casing since the time of her husband's death in 2010. Ms. Donnelly has been responsive to correspondence and notices from COGCC Staff. An NOAV Answer was received from Ms. Donnelly on December 11, 2017.

8. Ms. Jacqueline Donnelly verifies that, other than the Well, neither she personally nor Donnelly Casing has any additional oil and gas operations in Colorado or any other jurisdictions.

9. Following factual investigation and legal review of the violations alleged in the NOAV, Hearing Staff now asserts Donnelly Casing has committed a 497 day violation of Rules 210.b. 309, 603.f. and 1102 and a 291 day violation of Rule 326.

Rule No.	Days of Violation	Start Date	End Date	Class	Impact	Daily Base Penalty	Penalty
210.b.	497	11/7/2016	3/19/2018	2	Minor	\$2,500	\$63,470
309	497	11/7/2016	3/19/2018	1	Minor	\$200	\$4,308
326	291	6/1/2017	3/19/2018	2	Minor	\$2,500	\$57,050
603.f.	497	11/7/2016	3/19/2018	2	Minor	\$2,500	\$63,470
1102	497	11/7/2016	3/19/2018	2	Minor	\$2,500	\$63,470
TOTAL PENALTY							\$251,523

10. Pursuant to Rule 523 and the Commission's Enforcement and Penalty Policy, Hearings Staff calculated a penalty of \$251,523 for these violations. The penalty calculation is based on the following:

- a. Rule 210.b.;
  - i. Violation commenced on November 7, 2016 (one year prior to NOAV service date) and ended on March 19, 2018 (the hearing date);
  - ii. Class 2, minor impact;
  - iii. Daily base penalty of \$2,500;
- b. Rules 309;
  - i. Violation commenced on November 7, 2016 (one year prior to NOAV service date) and ended on March 19, 2018 (the hearing date);
  - ii. Class 1, minor impact;
  - iii. Daily base penalty of \$200;
- c. Rule 326;

- i. Violation commenced on June 1, 2017, two years after the McConley Well was reported as shut-in, and ended on March 19, 2018 (the hearing date);
    - ii. Class 2, minor impact;
    - iii. Daily base penalty of \$2,500;
  - d. Rule 603.f.;
    - i. Violation commenced on November 7, 2016 (one year prior to NOAV service date) and ended on March 19, 2018 (the hearing date);
    - ii. Class 2, minor impact;
    - iii. Daily base penalty of \$2,500;
  - e. Rule 1102;
    - i. Violation commenced on November 7, 2016 (one year prior to NOAV service date) and ended on March 19, 2018 (the hearing date);
    - ii. Class 2, minor impact;
    - iii. Daily base penalty of \$2,500;
  - f. Application of the Duration Matrix from the COGCC Enforcement Guidance and Penalty Policy January 2015 (corrected 4/8/2015);
  - g. No aggravating factors;
  - h. No mitigating factors;
  - i. No pattern of violation; and
  - j. No gross negligence or knowing and willful misconduct.

11. On January 9, 2018, Donnelly Casing submitted information to the office of the Colorado Attorney General documenting Donnelly Casing's claim of inability to pay as contemplated in the COGCC Enforcement Guidance and Penalty Policy. Though the documents submitted did not fully satisfy the requirements in the COGCC Policy, the submitted documents do support Donnelly Casing's claim that it does not have the ability to pay the standard enforcement penalty, as calculated by Hearings' Staff.

#### 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 Donnelly Casing request that the Commission approve the Order set forth below.

RECOMMENDED this 8th day of March, 2018.

OIL AND GAS CONSERVATION COMMISSION OF  
THE STATE OF COLORADO

*Steven Mah*

By \_\_\_\_\_  
Steven Mah, Enforcement Officer

AGREED TO AND ACCEPTED this 19<sup>th</sup> day of March, 2018.

DONNELLY CASING PULLING CO.

By *Jacqueline Donnelly, Principal*  
Jacqueline Donnelly, Principal

ORDER

HAVING CONSIDERED the Agreement between the Director and Donnelly Casing and Pulling Co. to resolve the NOAV, the COMMISSION ORDERS:

1. Donnelly Casing is found in violation of Rules 210.b., 309, 326, 603.f., and 1102.
2. Donnelly Casing will be assessed a penalty of \$251,523.
3. Based on the finding that Donnelly Casing is unable to pay the penalty calculated by Hearings Staff, Donnelly will pay \$20,000 within 30 days after this Order is mailed by the Commission.
4. The remaining \$231,523 of the assessed penalty is suspended. If Donnelly Casing fails pay the penalty described in Paragraph 3 or comply with Paragraph 5 of this Order, the Director may require Donnelly Casing to pay the suspended penalty of \$231,523 without further action from the Commission.
5. Within 30 days after this Order is mailed by the Commission, Donnelly Casing is hereby ordered to return to compliance with the Act and Rules, including, but not limited to:
  - a. Donnelly Casing shall install signage at the Well location that includes emergency contact information.

- b. Donnelly Casing shall submit delinquent Form 7, Monthly Reports of Operations.
- c. Donnelly Casing shall immediately perform a successful MIT of the Well.
- d. Donnelly Casing shall bring the Well location into compliance with the good housekeeping practices required by Rule 603.f.
- e. Donnelly Casing shall immediately seek and obtain membership with Colorado 811.

6. If Donnelly Casing fails to pay the penalty or return to compliance, as required under Paragraph 5 of this Order, within 30 days after this Order is mailed by the Commission, the Director shall take the following actions:

- a. Suspend Donnelly Casing's Form 10s, Certificates of Clearance, for Donnelly Casing's wells, and withhold the issuance of any new drilling or oil and gas location permits, until Donnelly Casing 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 Donnelly Casing's Operator Number (Operator No. 24775), rescind Donnelly Casing's Form 1 (Document No. 738463), and revoke Donnelly Casing's right to conduct oil and gas operations in Colorado, until Donnelly Casing demonstrates at a Commission hearing that Donnelly Casing has brought all violations cited in the Order into compliance, any penalty assessed has been paid, and that re-instating Donnelly Casing's Form 1 will not threaten to or actually create significant adverse impacts to public welfare or the environment;
- c. Foreclose Donnelly Casing's existing financial assurance (Surety ID 2003-0046) 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 Donnelly Casing. 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 Donnelly Casing, foreclosed financial assurance can be used to repay those funds; and/or
- d. Require Donnelly Casing, 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.

7. If Donnelly Casing fails to pay the penalty or return to compliance within 30 days after this Order is mailed by the Commission, the Director is authorized, but not required, to take any or all of the following actions:

- a. Declare Donnelly Casing'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 Donnelly Casing;
- c. Claim all equipment, saleable product, and appurtenances related to Donnelly Casing'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.

8. Donnelly Casing, or its successors or assigns, shall pay any unpaid portion of the penalty if Donnelly Casing is revived or recapitalized or there is a sale of these properties by Donnelly Casing.

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

10. 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 Donnelly Casing, the Director will confer with the Commission regarding expenditure of Emergency Response appropriation funds at the earliest practical opportunity.

11. The following will not affect Donnelly Casing'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 Donnelly Casing's oil and gas operations. Donnelly Casing 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. Donnelly Casing 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, Donnelly Casing's successors or assigns will be responsible for completing those corrective actions at Donnelly Casing's former oil and gas locations.

12. Upon the Director's notice of a claim as described above, Donnelly Casing 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.

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

14. Compliance dates specified in this Order may only be extended for good cause, as determined at the Director's sole discretion. A request for extension must be made, in writing, at least 30 days prior to the pertinent compliance deadline or as soon as possible if 30 days prior notice is not feasible.

15. 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 2<sup>nd</sup> day of May, 2018 as of the 30<sup>th</sup> day of April, 2018.


OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

By   
Julie Spence Prine, Secretary

CERTIFICATE OF MAILING

On May 17<sup>th</sup>, 2018, a true and accurate copy of Commission Order 1V- 659 was mailed by first-class mail return receipt requested to the following:

Donnelly Casing Pulling Co  
Attn: Jaqueline Donnelly  
Box 791  
Sterling, CO 80751-0791

  
Margaret Humecki