

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. 170500003
COLORADO OIL AND GAS CONSERVATION)	TYPE: ENFORCEMENT
COMMISSION BY HRM RESOURCES II, LLC,)	
WELD & ELBERT COUNTIES, COLORADO)	ORDER NO. 1V-638

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. HRM Resources II, LLC ("HRM Resources") (Operator No. 10548) is the operator of the Victor State 1 well (API No. 05-123-10339) in Weld County ("Victor State Well") and the Canyon Energy State Alberta 36-24 well (API No. 05-039-06641) in Elbert County ("Canyon Energy Well").

The Victor State Well

2. In April 2013, HRM Resources shut-in the Victor State Well.
3. On December 15, 2016, Colorado Oil and Gas Conservation Commission ("COGCC") Staff issued Warning Letter No. 2193081 to HRM Resources, which required corrective action to resolve the delinquent mechanical integrity test ("MIT") at the Victor State Well by April 30, 2016.
4. On April 8, 2016, HRM Resources submitted a Form 6, Notice of Intent to Abandon the Victor State Well (Document No. 401024775).
5. On September 2, 2016, HRM Resources submitted a Form 6, Subsequent Report of Abandonment that reported the Victor State Well was plugged on May 19, 2016 (Document #401103725).

The Canyon Energy Well

6. In December 2012, HRM Resources shut-in the Canyon Energy Well.
7. On February 2, 2016, COGCC Staff issued Warning Letter #2193162 to HRM Resources and required corrective action to resolve the delinquent MIT at the Canyon Energy Well by April 30, 2016.
8. On October 31, 2016, HRM Resources submitted Form 6, Notice of Intent to Abandon the Canyon Energy Well (Document No. 401138438).

9. On November 29, 2016, HRM Resources plugged the Canyon Energy Well (Document No. 401153993).

10. On October 27, 2016 COGCC Staff issued NOAV Nos. 401081025 and 401081037 to HRM Resources for a violation of COGCC Rules of Practice and Procedure, 2 C.C.R. 404-1 ("Rule" or "Rules") 311 at the Victor State Well and violations of Rule 326 at the Victor State and Canyon Energy Wells.

Violations

11. Pursuant to Rules 326.b.(1) and (2), HRM Resources is required to perform a MIT on shut in wells within two (2) years of the initial shut in date and then at five (5) year intervals after an initial successful MIT.

12. HRM Resources failed to timely perform a MIT on the Victor State and Canyon Energy Wells.

13. Pursuant to Rule 311, HRM Resources is required to submit a Form 6, Subsequent Report of Abandonment, within 30 days after plugging and abandonment of the well has been completed.

14. HRM failed to timely submit a Form 6, Subsequent Report of Abandonment.

15. On October 27, 2016 COGCC Staff issued NOAV Nos. 401081025 and 401081037 to HRM Resources for violations of COGCC Rules of Practice and Procedure, 2 C.C.R. 404-1 ("Rule" or "Rules").

16. Following a factual investigation and legal review of the violations alleged in the NOAV, the Hearings Staff now asserts HRM Resources has committed the following violations:

- a. Rule 311 (COGCC Form 6, Well Abandonment Report) at the Victor State Well for the failure to timely submit a Form 6, Subsequent Report of Abandonment; and
- b. Rule 326.b. (Mechanical Integrity Testing/Shut-In Wells) at the Victor State and Canyon Energy Wells for the failure to timely conduct a MIT.

17. Pursuant to Rule 523 and the Commission's Enforcement and Penalty Policy, Hearings staff calculated a penalty of \$85,751 for this violation. The penalty calculation is based on the following:

NOAV	Rule No.	Class	Impact	Daily Base Penalty	Start Date	End Date	Days of Violation	Total Penalty
401081025	326.b.	2	Minor	\$2,500	11/1/2015	10/31/2016	419	\$61,830
401081037	326.b.	2	Minor	\$2,500	11/1/2015	4/8/2016	159	\$50,450
401081037	311	1	Minor	\$200	6/20/2016	9/2/2016	74	\$3,134
INITIAL PENALTY								\$114,334
Settlement Discount (-25%)								-\$28,583
FINAL PENALTY								\$85,751

a. NOAV NO. 401081025 - Rule 326.b.:

- i. Calculated days of violation limited by one-year statute of limitations (§34-60-115, C.R.S.) starting one year prior to issuance of NOAV No. 401080125 and ending on October 31, 2016, when HRM Resources submitted the Form 6, Notice of Intent to Abandon the Canyon Energy Well;
- ii. Class 2, minor impact;
- iii. Daily base penalty of \$2,500;

b. NOAV NO. 401081037 - Rule 326.b.:

- i. Calculated days of violation limited by one-year statute of limitations (§34-60-115, C.R.S.) starting one year prior to issuance of NOAV No. 401080125 and ending on April 8, 2016, when HRM Resources submitted the Form 6, Notice of Intent to Abandon the Victor State Well;
- ii. Class 2, minor impact;
- iii. Daily base penalty of \$2,500;

c. NOAV NO. 401081037 - Rule 311:

- i. Calculated days of violation starting June 20, 2016 when the Form 6, Subsequent Report of Abandonment, was due and ending on September 2, 2016, when HRM Resources submitted the delinquent Form 6;
- ii. Class 1, minor impact;
- iii. Daily base penalty of \$200;

d. Application of the Duration Matrix from the COGCC Enforcement Guidance and Penalty Policy January 2015 (corrected 4/8/2015);

- e. Application of a 50% discount for settlement and to bring the penalty into an amount commensurate with similar resolutions of numerous delinquent MIT issues; and
- f. No aggravating factors, mitigating factors, pattern of violation, gross negligence, or knowing and willful misconduct.

18. HRM Resources has a backlog of additional wells for which MITs and associated form submittals are required ("Additional Wells"). These wells are identified in Exhibit A.

19. HRM Resources and Commission Staff desire to enter into an agreement to resolve the violations at the Additional Wells, by establishing a compliance agreement in this Order, that if fully implemented, will bring HRM Resources into full compliance with Rule 326 and associated form submittals at the Additional Wells.

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 HRM Resources request that the Commission approve the Order set forth below.

RECOMMENDED this 6 day of June, 2017.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 

Kyle W. Davenport, Asst. Attorney General

AGREED TO AND ACCEPTED this 5 day of June, 2017.

HRM RESOURCES II, LLC

By 

Roger Hutson, President/CEO, HRM Resources II, LLC

ORDER

HAVING CONSIDERED the Agreement between the Director and HRM Resources to resolve the NOAVs, the COMMISSION ORDERS:

1. HRM Resources is found in violation of Rules 311 and 326.b. described above.
2. HRM Resources is assessed a penalty of \$85,751.
3. HRM Resources will pay \$42,876 of the penalty 30 days after this approved AOC is mailed by the Commission.
4. HRM Resources will either conduct MITs or plug and abandon the Additional Wells by the dates specified in Exhibit A.
5. The remaining \$42,875 will be suspended provided HRM Resources meets the deadlines set forth in Exhibit A. If the requirements of this AOC are satisfied, the suspended portion of the penalty will be vacated. If the requirements are not satisfied, the suspended penalty will become due upon demand by the Director without further action by the Commission.
6. HRM Resources will be fully responsible for ongoing compliance as specified in Exhibit A, and in no case later than the last corrective action completion date specified in Exhibit A. COGCC Staff reserves the right to issue NOAVs to HRM Resources and pursue enforcement for violations of COGCC Rules as well as violation of this Order should HRM Resources fail to meet the deadlines set forth in Exhibit A. Should HRM Resources meet the deadlines set forth in Exhibit A, COGCC Staff will not issue NOAVs to HRM Resources for any violations identified in Exhibit A.
7. Compliance dates specified in this Order and the attached Exhibit A 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 14 days prior to the pertinent compliance deadline or as soon as possible if 14 days prior notice is not feasible.
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 14th day of June, 2017 as of the 12th day of June, 2017.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By Peter J. Gowen
Peter Gowen, Acting Secretary

CERTIFICATE OF MAILING

On 06/15/17 a true and accurate copy of Commission Order 1V-638 was mailed by first-class mail return receipt requested to the following:

HRM Resources II, LLC
Attn: Roger Hutson
410 17th Street, Suite 1600
Denver, CO 80202

Margaret Humecki
Margaret Humecki

Exhibit A

	API	Well Name	Deadline for Compliance	Resolution Type	Doc #	Resolution Date
1	087-08013	Alissa #1	MIT due 1/1/2016	P&A compl. 3/16/2016. SRA filed 4/13/2016	#401027255	3/16/16
2	081-06632	Battle Mountain 1-29	MIT due 10/1/2015	To be P&A. NIA sbl 4/14/2017	#401259896	6/8/17
3	123-11061	BBR Abbott Farms 22-34	MIT due 9/1/2016	MIT done 2/21/2017	#401224175	2/21/17
4	001-07384	Becker 1-32	SRA due 2/1/2017	P&A compl. 1/12/2017. SRA filed 3/17/2017	#401236543	3/17/17
5	039-06637	Canyon Energy State Alberta 36-23	MIT due 4/1/2016	P&A compl. 12/19/2016. SRA filed 1/6/17	#401179417	1/6/17
6	039-06641	Canyon Energy State Alberta 36-24	MIT due 10/1/2014	P&A compl. 12/19/2016. SRA filed 1/11/17	#401182486	1/11/17
7	039-06646	Canyon Energy State Alberta 36-34	MIT due 4/1/2016	P&A compl. 12/30/2016. SRA filed 1/11/17	#401179605	1/11/17
8	121-10222	Challis Farms 1	MIT due 1/1/2016	P&A compl. 4/20/2017. SRA filed 5/5/17	#401274408	5/5/17
9	123-09495	Clem #1	MIT due 1/1/2017	MIT done 2/23/2017	#401224125	2/23/17
10	081-07358	Counts 22-30	MIT due 10/2015	RTP 11/3/2016		11/3/16
11	121-05438	Cowles #4	TA/Sl Sundry due 2016	TA/Sl Sundry filed on 5/02/2017	#401272361	5/2/17
12	001-06415	Double-USX ZM 17-11	MIT due 12/1/2016	RTP 4/26/2017		4/26/17
13	075-05445	Frasco 1-B	MIT due 12/1/2016	P&A completed 5/5/17. SRA to be filed		6/5/17
14	081-06630	Hedges 1-19	MIT due 2/1/2011*	P&A completed 5/5/17. SRA to be filed		6/5/17
15	123-18019	HSR-Anne State 9-7	MIT due 11/1/2016	MIT done 2/13/2017	#401212828	2/13/17
16	123-12706	Indian Tree 1	TA/Sl Sundry due 2016	P&A compl. 11/2/2016. SRA filed 11/21/16	#401148376	11/21/16
17	123-23262	Indian Tree 32-9	TA/Sl Sundry due 2016	P&A compl. 7/15/2016. SRA filed 8/31/16	#401102564	8/31/16
18	123-23263	Indian Tree 42-9	TA/Sl Sundry due 2016	P&A compl. 7/21/2016. SRA filed 8/12/16	#401102130	9/12/16
19	001-06146	Kunze 1-20	TA/Sl Sundry due 2015	TA/Sl Sundry filed 9/7/2016	#401088688	9/7/2016
20	123-12599	Lucas School 1	TA/Sl Sundry due 2016	P&A compl. 7/28/2016. SRA filed 8/29/16	#401100797	8/29/16
21	123-14000	Lucas School 34-9	TA/Sl Sundry due 2016	P&A compl. 8/3/2016. SRA filed 8/29/16	#401100952	8/29/16
22	123-25602	Lucas School 43-9	TA/Sl Sundry due 2016	P&A compl. 11/8/2016. SRA filed 11/21/16	#401153815	11/21/16
23	001-06958	Martin #1	MIT due 10/1/2015	P&A compl. 4/11/2017. SRA filed 4/20/17	#401263247	4/20/17
24	081-06960	Sand Hills Fed 43-20	MIT due 10/1/2015	To be P&A. NIA sbl 4/14/2017	#401259758	6/30/17
25	081-06592	Sand Hills Federal 1-19	MIT due 10/1/2015	To be P&A. NIA sbl 4/20/2017	#401262011	6/30/17
26	081-06869	Sand Hills Federal 34-29	MIT due 10/1/2015	To be P&A. NIA sbl 4/18/2017	#401262012	6/30/17
27	121-08901	Scheetz 2	MIT due 4/1/2016	To be P&A. NIA sbl 5/9/2017	#401279021	6/30/17
28	123-14927	Seyfried #2	MIT due 10/1/2016	MIT done 2/17/2017	#401214348	2/17/17
29	001-06698	State 1-30	MIT due 8/1/2015	P&A compl. 1/19/2017. SRA filed 3/1/2017	#401221981	3/1/17
30	001-07283	State 4-30	TA/Sl Sundry due 2017	P&A compl. 1/30/2017. SRA filed 2/22/17	#401214694	2/22/17
31	001-09787	State of CO 1-66-36-3225CDH	MIT due 2/7/2016	MIT done 4/6/17. TA/Sl Sundry filed on 5/16/2017	#401284595	5/16/17
32	001-09784	State of CO 1S-66-36-1724BH	MIT due 1/31/2016	MIT done 4/6/17. TA/Sl Sundry filed on 5/16/2017	#401284606	5/16/17
33	001-09786	State of CO 1S-66-36-1724CH	MIT due 2/5/2016	MIT done 4/6/17. TA/Sl Sundry filed on 5/16/2017	#401284618	5/16/17
34	001-09788	State of CO 1S-66-36-3225BH	MIT due 2/12/2016	MIT done 4/6/17. TA/Sl Sundry filed on 5/16/2017	#401284778	5/16/17
35	001-09789	State of CO 1S-66-36-3225CH	MIT due 2/14/2016	MIT done 4/6/17. TA/Sl Sundry filed on 5/16/2017	#401284790	5/16/17
36	001-06276	UPRR Ehn 43-17	TA/Sl Sundry due 2015	TA/Sl Sundry approved 4/11/2017	#401235032	4/11/17
37	001-06094	UPRR Sarden-Ehn 1-17	Braderhead test due 2015. 2016	Form 42/ 48 hr notice filed 5/25/2017	#401292665	5/30/17
38	001-06142	UPRR Sarden-Ehn 2-17	Braderhead test due 2015. 2016	Form 42/ 48 hr notice filed 5/25/2017	#401292663	5/30/17
39	123-10339	Victor State 1	MIT due 3/1/2015. SRA due 6/18/2016.	P&A compl. 5/19/2016. SRA filed 9/2/2016	#401103725	9/2/16
40	123-09245	Weld 1	MIT due 9/1/2014. SRA due 3/25/2016.	P&A compl. 2/24/2016. SRA filed 4/20/2016	#401026799	4/20/16

* Previous operator