

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

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|---|---|----------------------|
| IN THE MATTER OF ALLEGED VIOLATIONS OF |) | CAUSE NO. 1V |
| THE RULES AND REGULATIONS OF THE |) | DOCKET NO. 170500010 |
| COLORADO OIL AND GAS CONSERVATION |) | TYPE: ENFORCEMENT |
| COMMISSION BY KERR-MCGEE OIL & GAS |) | ORDER NO. 1V-631 |
| ONSHORE LP, WELD COUNTY, 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. Kerr-McGee Oil & Gas Onshore LP ("Kerr-McGee") (Operator No. 47120) is the operator of the Rocky Mountain Fuel 8-6U well ("Well") (API 05-123-16104) in Weld County, Colorado.

2. On July 2, 2014, Kerr-McGee set a bridge plug and temporarily abandoned the Well, including all completed formations.

3. Kerr-McGee failed to submit a Form 5A (Completed Interval Report) within 30 days of temporarily abandoning the Well. Kerr-McGee did not submit the requisite Form 5A for the Well until July 22, 2016. (Doc. No. 401082581)

4. Beginning with July 2014, Kerr-McGee submitted Form 7s (Operator's Monthly Reports of Operations) which improperly reported the J Sand, Niobrara, Codell, and Ft. Hays formations as shut-in ("SI"). Kerr-McGee should have reported all completed formations as temporarily abandoned ("TA").

5. Kerr-McGee failed to timely submit a Form 4 (Sundry Notice) requesting Director approval for continued TA status of the Well.

6. On September 23, 2016, Commission Staff issued Notice of Alleged Violation ("NOAV") (No. 401103776) to Kerr-McGee citing violations of the following COGCC Rules of Practice and Procedure, 2 CCR 404-1 ("Rule" or "Rules"):

- a. Rule 308B (COGCC form 5A – Completed Interval Report);
- b. Rule 309 (Operator's Monthly Reports of Operations); and
- c. Rule 319.b.(1) (Temporary Abandonment).

7. On October 13, 2016, Kerr-McGee submitted Form 7s correctly reporting the Well, including all completed formations, as TA.

8. On October 19, 2016, Kerr-McGee submitted a Sundry Notice requesting Director approval for continued TA status of the Well. (Doc. No. 401133435)

9. In early 2016, Kerr-McGee verbally informed COGCC Engineering Staff of the failure to submit a large number of Form 5As and Form 4s. Kerr-McGee then took prompt action to file the delinquent Form 5As, Form 7s and Form 4s throughout 2016. In this process, Kerr-McGee identified numerous unproductive wells that it subsequently plugged and abandoned.

10. Following factual investigation and legal review of the violations alleged in the NOAV, Hearing Staff now asserts Kerr-McGee has committed the following violations:

- a. One 297-day violation of Rule 308B for failing to submit a Form 5A reporting the completed formations of the Well as temporarily abandoned within 30 days after temporarily abandoning the Well on July 2, 2014;
- b. One 380-day violation of Rule 309 for failing to properly report the completed formations of the Well as TA from July 2014; and
- c. One 386-day violation of Rule 319.b. for failing to submit a Sundry requesting continued TA status of the Well within 6 months of temporarily abandoning the Well.

11. Pursuant to Rule 523 and the Commission's Enforcement and Penalty Policy, Hearings Staff calculated a total penalty of \$39,410 for these violations. The penalty calculation is based on the following:

| Rule No. | Days of Violation | Start Date | End Date | Class | Impact | Daily Base Penalty | Total Penalty |
|----------------|-------------------|------------|------------|-------|--------|--------------------|---------------|
| 308B | 297 | 9/29/2015 | 7/22/2016 | 2 | Minor | \$2,500 | \$57,350 |
| 309 | 380 | 9/29/2015 | 10/13/2016 | 1 | Minor | \$200 | \$4,163 |
| 319.b. (1) | 386 | 9/29/2015 | 10/19/2016 | 1 | Minor | \$200 | \$4,170 |
| SUBTOTAL | | | | | | | \$65,683 |
| Discount (40%) | | | | | | | -\$26,273 |
| TOTAL PENALTY | | | | | | | \$39,410 |

a. Rule 308B:

- 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. 401103776 and ending on July 22, 2016, when Kerr-McGee submitted the delinquent Form 5A;


- ii. Class 2, minor impact;
- iii. Daily base penalty of \$2,500;
- b. Rule 309:
 - 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. 401103776 and ending on October 13, 2016, when Kerr-McGee submitted corrective Form 7s;
 - ii. Class 1, minor impact;
 - iii. Daily base penalty of \$200;
- c. Rule 319.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. 401103776 and ending on October 16, 2016, when Kerr-McGee submitted the delinquent Sundry Notice requesting continued TA status;
 - 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 40% discount for settlement and mitigating factors under Rule 523.c.(3)B (2) - prompt and effective response, because of those findings in Paragraph 9 above; and
- f. No aggravating factors, mitigating factors, pattern of violation, 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 Kerr-McGee request that the Commission approve the Order set forth below.

RECOMMENDED this 21 day of April, 2017.


OIL AND GAS CONSERVATION COMMISSION OF
THE STATE OF COLORADO

By 

Kyle W. Davenport, Assistant Attorney General

AGREED TO AND ACCEPTED this 24 day of April, 2017.

KERR-MCGEE OIL & GAS ONSHORE LP

By 

Signature of Authorized Company Representative
Andy Lytle

Print Signatory Name
Regulatory Manager

Title

ORDER

HAVING CONSIDERED the Agreement between the Director and Kerr-McGee Oil & Gas Onshore LP to resolve the NOAV, the COMMISSION ORDERS:

1. Kerr-McGee is found in violation of Rules 308B, 309, and 319.b.(1) as described above.
2. Kerr-McGee is assessed a total penalty of \$39,410.
3. Kerr-McGee will pay \$39,410 within 30 days after this approved AOC is mailed by the Commission.
4. This Order is effective as of the date it is mailed by the Commission. It constitutes final agency action for purposes of judicial review.
5. 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 5th day of May, 2017 as of the 5th day of May, 2017.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By Peter A. Gowen
Peter Gowen, Acting Secretary

CERTIFICATE OF MAILING

On May 4th, 2017, a true and accurate copy of Commission Order 1V- 631 was mailed by first-class mail return receipt requested to the following:

Kerr-McGee Oil & Gas Onshore LP
Attn: Cheryl Light
PO Box 173779
Denver, CO 80217-3779

Kerr-McGee Oil & Gas Onshore LP
Attn: Andy Lytle
PO Box 173779
Denver, CO 80217-3779

Margaret Humecki
Margaret Humecki