

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. 161000378
COMMISSION BY MERRION OIL & GAS)	TYPE: ENFORCEMENT
CORPORATION, SAN MIGUEL COUNTY,)	
COLORADO)	Order No. 1V-615

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. Merrion Oil & Gas Corporation ("Merrion") (Operator No. 56680) is the operator of the Lanier Farms 34-25 well ("Well") (API 05-083-06470) in Montezuma County, Colorado.
2. On August 21, 2015, COGCC Staff submitted a Field Inspection Report for the Well (Doc. No. 667700681) in which Staff observed unnecessary and excessive venting from the well and associated production facilities.
3. On August 21, 2015, Merrion ceased excessive venting from the Well.
4. On June 1, 2016, COGCC Staff submitted another inspection of the Well (Doc. No. 685200143) in which Staff observed natural gas flaring through a vertical open flare. COGCC records indicate that Merrion failed to secure an approved Form 4 – Sundry Notice, prior to flaring the Well.
5. On July 15, 2016, COGCC Staff issued NOAV No. 401068072 to Merrion for the following violations of COGCC Rules:
 - a. Rule 912.a. (Venting or Flaring Natural Gas), and
 - b. Rule 912.b. (Venting or Flaring Natural Gas – Notice and Prior Approval Required).
6. On August 1, 2016, Merrion submitted a Form 4 – Sundry Notice, informing the COGCC of its intent to flare the Well (Doc. No. 401086800); Staff approved this Sundry on December 13, 2016.
7. Upon investigation, Merrion identified and reported to COGCC Staff that they had identified historic inaccuracies in its reporting of gas production from the Well and also the Nightingale- Government B-1 well (API 05-081-06132) such that gas

production from these wells was over-reported. At Staff's direction, Merrion has corrected the historical production reporting for these wells dating back to 1999.

8. Following factual investigation and legal review of the violations alleged in the NOAV, Hearing Staff now asserts Merrion has committed the following violations:

- a. One 1-day violation of Rule 912.a. for unnecessary and excessive venting at the Lanier Farm Well; and
- b. One 61-day violation of Rule 912.b. for flaring the Lanier Farms Well without prior COGCC approval.

Rule No.	Days of Violation	Start Date	End Date	Class	Impact	Daily Base Penalty	Total Penalty
912.a.	1	8/21/2015	8/21/2015	3	Minor	\$5,000	\$5,000
912.b.	61	6/1/2016	8/1/2016	2	Minor	\$2,500	\$42,600
TOTAL:							\$47,600
SETTLEMENT DISCOUNT (10%)							-\$4,760
FINAL PENALTY:							\$42,840

9. Pursuant to Rule 523 and the Commission's Enforcement and Penalty Policy, Hearings Staff calculated a penalty of \$42,840 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. Rule 912.a.:
 - i. Calculated days of violation begins on the day Staff notified Merrion of the violation, being August 21, 2015, and ends on the day Merrion ceased venting, being August 21, 2015;
 - ii. Class 3;
 - iii. Minor impact;
 - iv. Daily base penalty of \$5,000;
- c. Rule 912.b.:
 - i. Calculated days of violation begins on June 1, 2016, the day Inspection No. 685200143 was issued, and ends on August 1, 2016, the day Merrion submitted the required Form 4 – Sundry Notice;

ii. Class 2;

1. The Enforcement Guidance and Penalty Policy classifies Rule 912 as a Class 3 Rule. However, Staff reclassified Rule 912.b. as a Class 2 Rule for the purposes of this penalty calculation, because the flaring portion of this subpart does not have the same potential impacts as a violation of the venting subparts. This reclassification does not create or impact any substantive or procedural rights;

iii. Minor impact;

iv. Daily base penalty of \$2,500;

- d. No aggravating or mitigating factors; no pattern of violation; and 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 Merrion request that the Commission approve the Order set forth below.

RECOMMENDED this 1st day of February, 2017.

OIL AND GAS CONSERVATION COMMISSION OF
THE STATE OF COLORADO

By


David A. Beckstrom, Enforcement Officer

AGREED TO AND ACCEPTED this 13th day of February, 2017.

MERRION OIL AND GAS CORPORATION

By 

Signature of Authorized Company Representative

Ryan Davis
Print Signatory Name

Operations Manager
Title

ORDER

HAVING CONSIDERED the Agreement between the Director and Merrion Oil and Gas Corporation to resolve the NOAV, the COMMISSION ORDERS:

1. Merrion is found in violation of Rules 912.a. and 912.b. as described above.
2. Merrion is assessed a penalty of \$42,840.
3. Merrion will pay \$21,420, via certified funds, within 30 days after this approved AOC is mailed by the Commission.
 - a. The remaining \$21,420 will be suspended pending Merrion's statewide compliance with Rules 309, 912.a., 912.b., and 805.b.(3) at all wells it operates for a period of two years from the date this AOC is approved by the Commission.
4. If Merrion fails to comply with Rules 309, 912.a., 912.b., and 805.b.(3) at any well it operates within two years of the date this AOC is approved by the Commission, the suspended penalty will be revoked. Upon revocation, the suspended portion of the penalty will be due within 30 days after notification from the Director, without any further action from the Commission.
5. This AOC does not relieve Merrion from undertaking and completing abatement or corrective actions that may be required by the Notice of Alleged Violation described in Finding No. 5, above, or any amendments or modifications thereto specified by the COGCC Staff.
6. This Order is effective as of the date it is mailed by the Commission. It constitutes final agency action for purposes of judicial review.

7. 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 20th day of March, 2017 as of the 20th day of March, 2017.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By  _____
Julie Murphy, Secretary

CERTIFICATE OF MAILING

On March 22nd, 2017, a true and accurate copy of Commission Order 1V- 615 was mailed by first-class mail return receipt requested to the following:

Merrion Oil & Gas Corporation
Attn: Philana Thompson
610 Reilly Avenue
Farmington, NM 87401

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Margaret Humecki