

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. 161200550
COMMISSION BY PETROHUNTER OPERATING) TYPE: ENFORCEMENT
COMPANY, RIO BLANCO COUNTY, COLORADO) ORDER NO. 1V-608

ORDER FINDING VIOLATION

The Colorado Oil and Gas Conservation Commission ("Commission"), having reviewed the administrative record and being fully advised on the premises, enters this Order Finding Violation ("OFV") against PetroHunter Operating Company ("PetroHunter Operating") (Operator No. 10200) pursuant to the Rules and Regulations of the Colorado Oil and Gas Conservation Commission, 2 CCR 404-1 ("Rule" or "Rules"), and finds and states as follows:

LEGAL AND FACTUAL FINDINGS

A. BMU-2750 Well (NOAV No. 401140160)

1. Section 34-60-121– Violation of a Commission Enforcement Order

On December 16, 2013, the COGCC entered Order No. 1V-443 which, among other things, required PetroHunter Operating to perform a Mechanical Integrity Test ("MIT") on the BMU-2570 Well on or before December 31, 2013. (Exhibit 1 – Order No. 1V-443). If the well failed the MIT, PetroHunter Operating was ordered to "provide the Director a detailed plan for either the repair of the wells, or the plugging and abandoning of the wells, by January 31, 2014." (Id.). COGCC records indicate that an MIT was not performed on the well pursuant to Order No. 1V-443. (Exhibit 2 – COGCC MIT Records, as of 11/15/2016). On January 27, 2014, PetroHunter Operating filed a perfunctory Form 6 (Notice of Intent to Abandon) (Doc. No. 2089610). (Exhibit 3 – Form 6 NOI). The Form 6 did not contain sufficient detail and COGCC Staff has been unable to approve the form despite numerous requests to PetroHunter for additional information. (Id.) Section 34-60-121(1)(a), C.R.S. states "Any operator that violates this article, any rule or order of the commission, or any permit is subject to a penalty of not more than fifteen thousand dollars for each act of violation per day that such violation continues." (Exhibit 4 - Section 34-60-121(1)(a)). PetroHunter Operating's failure to perform an MIT on the well and failure to file a detailed plan to repair or plug the well are violations of Order No. 1V-443 and §34-60-121(1)(a), C.R.S.

2. Rule 210.b.(1) – Signage, Wellhead

Pursuant to Rule 210.b.(1), PetroHunter Operating was required to install a sign at the BMU-2570 Well wellhead identifying the Well and providing its legal location, including

the quarter-quarter section. (Exhibit 5 – Rule 210). Inspections tabulated below, documented that PetroHunter Operating failed to install the required signage. Inspection No. 2 in Table 1 below, required PetroHunter Operating to install a sign at the wellhead by September 12, 2014, but to date PetroHunter Operating has failed to complete this corrective action, violating Rule 210.b.(1). in violation of Rule 210.b.(1). (Exhibit 7).

Table 1
Inspection Reports at BMU-2750 Well

| Inspection Reference No. | Inspection Date | Document No. | Exhibit No. |
|--------------------------|--------------------|--------------|-------------|
| 1 | September 22, 2016 | 675102953 | 6 |
| 2 | August 12, 2014 | 675100304 | 7 |
| 3 | October 22, 2015 | 680100249 | 8 |

3. Rule 210.b.(2) – Signage, Tank Battery

Pursuant to Rule 210.b.(2), PetroHunter Operating was required to install a sign at the BMU-2570 Well tank battery containing: A. Name of operator; B. A phone number at which the operator can be reached at all times; C. A phone number for local emergency services (911 where available); D. The lease name or well name(s) associated with the battery; E. The public road used to access the site; and F. the legal location, including the quarter-quarter section. (Exhibit 5). Inspection No. 2 in Table 1 above, required PetroHunter Operating to install a sign at the tank battery by September 12, 2014, but to date PetroHunter Operating has failed to complete this corrective action, violating Rule 210.b.(2).

4. Rule 210.d. – Tank Labeling

Pursuant to Rule 210.d., PetroHunter Operating was required to install labels on two tanks at the BMU-2570 Well tank battery containing: A. Name of operator; B. Operator's emergency contact telephone number; C. Tank capacity; D. Tank contents; and E. National Fire Protection Association (NFPA) Label. (Exhibit 5). Inspection No. 2 in Table 1 above, required PetroHunter Operating to install tank labels by September 12, 2014, but to date PetroHunter Operating has failed to complete this corrective action, violating Rule 210.d.

5. Rule 603.f. - Weeds and Rubbish

Pursuant to Rule 603.f., PetroHunter Operating is required to keep the BMU-2570 Well location clear of weed, rubbish, and other waste material. (Exhibit 9 – Rule 603.f.). During Inspection 1 in Table 1 above, COGCC staff observed that PetroHunter Operating failed to control weeds and vegetation inside and on the tank battery berm, production equipment and wellhead. (Exhibit 6). Additionally, COGCC staff observed insulation/metal sheeting had blown off a tank and onto nearby grazing grounds. (Id.). The landowner reported that cattle and horses were injuring themselves on the rubbish. (Id.). To date PetroHunter Operating has failed to implement and maintain a weed control program and remove rubbish from the BMU-2570 Well Location, violating Rule 603.f. (Id.).

6. Rule 309 – Monthly Reports of Operations

Pursuant to Rule 309, PetroHunter Operating is required to submit Form 7s (Operator's Monthly Reports of Operations) for all existing oil and gas wells that are not plugged and abandoned within 45 days after the end of each month. (Exhibit 10 – Rule 309). PetroHunter Operating is required to report each formation that is completed in a well every month from the time that it is completed until one month after abandonment. (Id.). PetroHunter Operating failed to submit Form 7s (Operator's Monthly Reports of Operations) for the BMU-2570 Well from January, 2014 to present, violating Rule 309. (Exhibit 11 – Form 7 Reporting for the BMU-2570 Well).

B. Anderson 6-16 Well (NOAV No. 401140347)

1. Rule 309 – Monthly Reports of Operations

Pursuant to Rule 309, PetroHunter Operating is required to submit Form 7s (Operator's Monthly Reports of Operations) for all existing oil and gas wells that are not plugged and abandoned within 45 days after the end of each month. (Exhibit 10) PetroHunter Operating is required to report each formation that is completed in a well every month from the time that it is completed until one month after abandonment. (Id.). PetroHunter Operating failed to submit Form 7 Monthly Reports of Operations for the Anderson 6-16 Well from January, 2014 to present, violating Rule 309. (Exhibit 12 – Form 7 Reporting for the Anderson 6-16 Well).

2. Rule 326.f. – Lack of Mechanical Integrity

Pursuant to Rule 326.f., PetroHunter Operating was obligated to repair or plug and abandon wells lacking mechanical integrity within six months of discovery of the lack of integrity. (Exhibit 13 – Rule 326). COGCC records indicate that PetroHunter Operating never completed the Anderson 6-16 Well. (Exhibit 12). PetroHunter Operating reported the Well as WO (Waiting on Completion) from April 2007 through December 2013, at which time PetroHunter stopped submitting Form 7s (Operator's Monthly Report of Operations). (Id.). During inspections in Table 2 below, COGCC Staff observed a measured pressure of 1,750 psi on the wellhead of the Anderson 6-16 Well indicating a potential lack of mechanical integrity due to a leak in the casing. PetroHunter Operating was given notice of a potential mechanical integrity issue with the Well through Document No. 675102943 (Exhibit 16) and Document No. 675101904 (Exhibit 15), but there is no record of PetroHunter Operating repairing or plugging and abandoning the well to date, violating Rule 326.f. (Exhibit 16 – COGCC MIT Records, as of 11/21/2016).

Table 2
Inspection Reports at Anderson 6-16 Well

| Inspection Reference No. | Inspection Date | Document No. | Exhibit No. |
|--------------------------|--------------------|--------------|-------------|
| 1 | September 21, 2016 | 675102943 | 14 |
| 2 | October 2, 2015 | 675101904 | 15 |
| 3 | October 22, 2015 | 675100569 | 22 |
| 4 | September 29, 2016 | 685100074 | 23 |

3. Rule 905 – Pit Closure

Pursuant to Rule 905, PetroHunter Operating is required to close the pit associated with the Anderson 6-16 Well (Facility No. 417551) (“Pit”) in accordance with an approved Site Investigation and Remediation Workplan submitted on a Form 27. (Exhibit 17 – Rule 905). PetroHunter Operating set the production casing for the Anderson 6-16 Well on February 7, 2007 and did not drill any additional wells on the pad. (Exhibit 18 – Anderson, Form 5; Exhibit 19 – Anderson Location Scout Card). On October 3, 2008, PetroHunter Operating received an approved Pit Permit (Doc No. 2606871) for the Pit as a lined production pit on the Anderson 6-16 Well Location (Location ID No. 336505) (the “Anderson Location”). (Exhibit 20 – Anderson Pit Permit). PetroHunter Operating never reported the Anderson 6-16 Well, or any well on the Pad, as producing. (Id.). On February 25, 2011, COGCC approved PetroHunter Operating’s Form 27 (Doc No. 2315609) to close the Pit as Remediation Project No. 5611. (Exhibit 21 – Anderson Form 27). During Inspection Nos. 2 and 3 in Table 2 above, COGCC Staff observed that the Pit remained open or had been reopened without a permit. To date, PetroHunter Operating has not demonstrated closure of the Pit in accordance to Rule 905. During Inspection No. 4, COGCC Environmental Staff observed that no progress was made toward the Pit closure, the Pit was still open, and there was evidence that livestock had been in the pit, violating Rule 905. (Exhibit 23).

4. Rules 208 and 1004 – Final Reclamation

Pursuant to Rules 208 and 1004, Operator must properly plug and abandon wells that are no longer used or useful and must complete final reclamation of the oil and gas location upon the plugging and abandonment of a well. (Exhibit 24 – Rule 208; Exhibit 25 – Rule 1004). Currently there are several general reclamation issues at the Anderson Location including but not limited to: stormwater erosion, weeds, debris, and an unreclaimed open pit. (Exhibits 14 and 15). All current reclamation issues would be resolved upon conducting final reclamation and passing the final reclamation standards. There are no valid Form 2s (Applications for Permit to Drill), producing wells, or wells capable of production on the Anderson Location operated by PetroHunter Operating. (Exhibit 19). The only well drilled on the Anderson Location is the Anderson 6-16 Well and Staff believes it has never been used and is not currently useful. (Id.) PetroHunter Operating set the production casing for the Well on February 7, 2007 (Doc. No. 1807828) (Exhibit 18) and reported the Well as waiting on completion (“WO”) from April 2007 through December 2013, at which time PetroHunter Operating stopped submitting Form 7s (Operator’s Monthly Report of

Operations). (Exhibit 12). Because Staff believes the Well has never been used and is not currently useful, PetroHunter Operating must plug and abandon the Well and commence final reclamation of the Anderson Location.

Given the status of the Anderson Well and Location, Rules 208 and 1004 provide for the authority for the Commission to order PetroHunter Operating to plug and abandon the Anderson 6-16 Well and reclaim the Anderson Location.

C. Additional Financial Assurance (NOAV No. 401139533)

1. Rule 707 – Inactive Wells

The 100-Series Rules define an “Inactive Well” as “any shut-in well from which no production has been sold for a period of twelve (12) consecutive months...” (Exhibit 26 – Inactive Well Definition). According to COGCC records, PetroHunter Operating operates five inactive wells as described in Table 3.

Table 3
PetroHunter Operating Inactive Wells

| Well Name | API No. |
|-------------------------|--------------|
| BMU-2570 Well | 05-103-10001 |
| Buckskin Mesa Unit-2571 | 05-103-09995 |
| Buckskin Mesa Unit-2574 | 05-103-10062 |
| Buckskin Mesa Unit-2575 | 05-103-10091 |
| BMU-2520 | 05-103-10230 |

PetroHunter Operating has \$60,000 in a blanket plugging bond. Four of the inactive wells are over 3,000 feet deep and require \$20,000 financial assurance. One of the inactive wells is less than 3,000 feet deep and thus requires \$10,000 in financial assurance. The total required financial assurance for the five inactive wells is \$90,000. With \$60,000 in financial assurance in place, PetroHunter Operating is obligated to post an additional \$30,000 in financial assurance in order to comply with the requirements of Rule 707.a. (Exhibit 27 – Rule 707; Exhibit 28 – Affidavit of Deborah Lutz). On August 30, 2016, COGCC issued warning letter #2503801 giving PetroHunter Operating until September 30, 2016, to comply with the requirements of Rule 707.a. (Exhibit 29 – Financial Assurance Warning Letter). PetroHunter Operating failed to comply with the warning letter.

D. Enforcement Proceedings

NOAV No. 401140160

1. On November 1, 2016, COGCC Staff issued NOAV No. 401140160 to PetroHunter Operating for violations of Section 34-60-121(1), C.R.S., and Rules 210.b. (two instances), 210.d., 309, and 603.f. at the BMU-2570 Well. (Exhibit 30 – NOAV Service

Packet). The NOAV was properly served upon PetroHunter Operating via certified mail at its address on file with the COGCC pursuant to Rule 302. (Id.).

2. NOAV No. 401140160 directed PetroHunter Operating to immediately:
 - a. Perform a successful MIT of the BMU-2570 Well or amend Doc. # 2089610 providing a sufficiently detailed plan to repair or plug the well to comply with Order No. 1V-443. Should PetroHunter Operating amend Doc. # 2089610, repair or plugging must occur immediately after Staff approval;
 - b. Install a sign at the wellhead to comply with Rule 210.b.(1);
 - c. Install a sign at the tank battery to comply with Rule 210.b.(2);
 - d. Install tank labels containing the information required by rule to comply with Rule 210.d.;
 - e. Submit delinquent Form 7s (Operator's Monthly Reports of Operations) for January, 2014 to present to comply with Rule 309; and
 - f. Implement and maintain a weed control program and remove rubbish from the BMU-2570 Well Location to comply with Rule 603.f.

3. To date, PetroHunter Operating has taken no action to comply with the corrective actions listed in NOAV No. 401140160.

NOAV No. 401140347

4. On November 1, 2016, COGCC Staff issued NOAV No. 401140347 to PetroHunter Operating for violations of Rules 1004, 208, 308B, 309, 326.d, 326.f., and 905 at the Anderson 6-16 Well and Anderson Location. (Id.). The NOAV was properly served upon PetroHunter Operating via certified mail at its address on file with the COGCC pursuant to Rule 302. (Id.).

5. NOAV No. 401140347 directed PetroHunter Operating to immediately:
 - a. Close the Pit in accordance to the approved Site Investigation and Remediation Workplan (Doc. No. 2315609) to comply with Rule 905;
 - b. Plug and abandon the Anderson 6-16 Well in accordance with Rule 319;
 - c. Submit a form 5A (Completed Interval Report) to comply with Rule 308B if the Anderson 6-16 Well has been completed;
 - d. Submit all delinquent Form 7s (Operator's Monthly Reports of Operations) for January 2014 to present; and
 - e. Plug and abandon the Anderson 6-16 Well in compliance with Rule 319 and complete final reclamation of the Anderson Location, as required by Rule 1004, in order to comply with Rule 208.

6. To date, PetroHunter Operating has taken no action to comply with the corrective actions listed in NOAV No. 401140347.

NOAV No. 401139533

7. On November 1, 2016, COGCC Staff issued NOAV No. 401139533 to PetroHunter Operating for a violation of Rule 707. (Id.). The NOAV was properly served upon PetroHunter Operating via certified mail at its address on file with the COGCC pursuant to Rule 302. (Id.).

8. NOAV No. 401139533 directed PetroHunter Operating to immediately post \$30,000 in financial assurance or submit an alternative plan to comply with Rule 707.

9. To date, PetroHunter Operating has taken no action to comply with the corrective actions listed in NOAV No. 401139533.

Notice and Application for Mandatory Hearing

10. This matter was noticed for hearing on November 2, 2016. (Exhibit 31 – Notice of Hearing). PetroHunter Operating was properly served with the Notice of Hearing via certified mail at its address on file with the COGCC pursuant to Rule 302. (Id.).

11. COGCC Staff also attempted to reach PetroHunter Operating by emailing the NOAVs and Notice of Hearing to all email addresses on file with the COGCC. (Exhibit 32 – Emails of Notice of Hearing). COGCC Staff also emailed the NOAVs and Notice of Hearing to PetroHunter Energy Corporation's bankruptcy counsel. (Id.).

Prehearing Matters

12. A prehearing conference was held on November 14, 2016 at the COGCC's office. (Exhibit 33 – Case Management Order). Staff appeared at the prehearing conference. (Id.). PetroHunter Operating did not appear at the prehearing conference. (Id.). PetroHunter Operating was notified of the prehearing conference in advance via email. (Exhibit 34 – Email Notification of Prehearing Conference).

13. Under the Case Management Order, the parties were ordered to submit prehearing statements and exhibits no later than November 22, 2016. (Exhibit 33). Staff timely submitted its Prehearing Statement and Exhibits. PetroHunter Operating did not submit a prehearing statement or exhibits.

14. Under the Case Management Order, the parties were ordered to submit any objections to prehearing statement, witnesses, or exhibits by no later than November 29, 2016. (Exhibit 33). PetroHunter Operating did not submit any objections to Staff's Prehearing Statement, witnesses, or exhibits.

15. Under the Case Management Order, the parties were ordered to submit a proposed order for Commission consideration by no later than December 1, 2016. (Exhibit 33). Staff timely submitted a proposed order. PetroHunter Operating did not submit a proposed order.

16. No person representing PetroHunter Operating appeared at the December 12, 2016 hearing on this matter.

E. Penalty Calculation

1. Based on the foregoing, the Commission finds that PetroHunter Operating has committed the following violations and calculates the following penalties:

Table 4
Penalty Calculation

| NOAV No. | Well Name | Rule | Old/New Act | Class, Impact | Days of Violation | Total Penalty |
|--------------|---------------|------------|-------------|---------------|-------------------|------------------|
| 401140160 | BMU-2570 | §34-60-121 | Old | NA | 10 | \$10,000 |
| 401140160 | BMU-2570 | 210.b.(1) | New | 2, Min | 401 | \$61,470 |
| 401140160 | BMU-2570 | 210.b.(2) | | | | |
| 401140160 | BMU-2570 | 210.d | | | | |
| 401140160 | BMU-2570 | 603.f | New | 2, Min | 381 | \$61,070 |
| 401140160 | BMU-2570 | 309 | Old | NA | 10 | \$10,000 |
| 401140347 | Anderson 6-16 | 309 | Old | NA | 10 | \$10,000 |
| 401140347 | Anderson 6-16 | 326.f. | New | 2, Mod | 254 | \$140,600 |
| 401140347 | Anderson 6-16 | 905 | Old | NA | 10 | \$10,000 |
| 401139533 | Statewide | 707.a | Old | NA | 10 | \$10,000 |
| TOTAL | | | | | | \$313,140 |

2. Pursuant to Rule 523 and the Commission's Enforcement and Penalty Policy, the Commission calculates a penalty of \$313,140 for these violations. The penalty calculation is based on the following:

- a. Penalties calculated for violations that began prior to the June 6, 2014 effective date of HB 14-1356 are subject to a statutory limit of not more than ten days of violation because there was no significant waste of oil and gas resources, damage to correlative rights, or significant adverse impact on public health, safety, or welfare, including the environment or wildlife resources
- b. BMU-2570 Well:
 - i. Section 34-60-121(1)(a), C.R.S.
 - 1. PetroHunter Operating has violated Section 34-60-121(1)(a), C.R.S. by failing to perform an MIT and/or failing to file a detailed plan to repair or plug the well, violating Order No. 1V-443.
 - 2. The violation began prior to the June 6, 2014 effective date of HB 14-1356 and extend for at least ten days.
 - 3. Daily starting base penalty of \$1,000 per day per violation;
 - ii. Rules 210.b.(1), (2); 210.d.
 - 1. PetroHunter Operating has violated Rule 210.b.(1) by failing to install a sign at the BMU-2570 Well wellhead.

2. PetroHunter Operating has violated Rule 210.b.(2) by failing to install a compliant sign at the BMU-2570 Well tank battery.
3. PetroHunter Operating has violated Rule 210.d by failing to install compliant labels on two tanks at the BMU-2570 Well tank battery.
4. For purposes of calculating the penalty, violations of Rules 210.b.(1); 210.b.(2); and 210.d have been consolidated to a single violation of Rule 210.
5. Current versions of § 34-60-121 C.R.S. and Rule 523 apply.
6. These violations resulted in a minor impact.
7. The violation commenced on September 12, 2014, (the corrective action date specified in Field Inspection # 675100304) and continued through January 4, 2016 (the hearing date), though for penalty calculation purposes a penalty was imposed only back to November 7, 2015 (one year prior to NOAV service date).
8. Application of the Duration Matrix ("Duration Matrix") from the COGCC Enforcement Guidance and Penalty Policy January 2015 (corrected 4/8/2015).

iii. Rule 603.f

1. PetroHunter Operating has violated Rule 603.f by failing to implement and maintain a weed control program and remove rubbish from the BMU-2570 Well.
2. Current versions of § 34-60-121 C.R.S. and Rule 523 apply.
3. This violation resulted in a minor impact.
4. The violation commenced on November 27, 2015, (the corrective action date specified in Field Inspection # 680100249) and continued through January 4, 2016 (the hearing date).
5. Application of the Duration Matrix ("Duration Matrix") from the COGCC Enforcement Guidance and Penalty Policy January 2015 (corrected 4/8/2015).

iv. Rule 309

1. PetroHunter Operating has violated Rule 309 by failing to submit Form 7 Monthly Reports of Operations for the BMU-2570 Well from January, 2014 to present.
2. The violation began prior to the June 6, 2014 effective date of HB 14-1356 and extended for at least ten days.
3. Daily starting base penalty of \$1,000 per day per violation;

c. Anderson 6-16 Well:

i. Rule 309

1. PetroHunter Operating has violated Rule 309 by failing to submit Form 7 Monthly Reports of Operations for the Anderson 6-16 Well from January 2014 to present.
2. The violation began prior to the June 6, 2014 effective date of HB 14-1356 and extended for at least ten days.
3. Daily starting base penalty of \$1,000 per day per violation.

ii. Rule 326.f.

1. PetroHunter Operating has violated Rule 326.f. by failing to maintain integrity of the wellbore of the Anderson 6-16 Well and for failing to repair or plug and abandon the Well.
2. Current versions of § 34-60-121 C.R.S. and Rule 523 apply.
3. This violation resulted in a minor impact.
4. The violation is ongoing and commenced on April 2, 2016, (six months after the date Staff first discovered the potential lack of integrity) (Exhibit 13).
5. Application of the Duration Matrix ("Duration Matrix") from the COGCC Enforcement Guidance and Penalty Policy January 2015 (corrected 4/8/2015).

iii. Rule 905

1. PetroHunter Operating has violated Rule 905 by failing to properly close the Pit on the Anderson Location.
2. The violation began prior to the June 6, 2014 effective date of HB 14-1356 and extended for at least ten days.
3. Daily starting base penalty of \$1,000 per day per violation.

d. Rule 707:

- i. PetroHunter Operating has violated Rule 707 by failing to submit additional financial assurance from January, 2014 to present.
- ii. The violation began prior to the June 6, 2014 effective date of HB 14-1356 and extend for at least ten days;
- iii. Daily starting base penalty of \$1,000 per day per violation;

e. The Commission finds that no aggravating factors exist;

f. The Commission finds that no mitigating factors exist; and

g. The Commission finds that PetroHunter Operating did not commit gross negligence or knowing and willful misconduct.

F. PetroHunter Operation's Pattern of Violations

1. Pursuant to the Act, if the Commission determines there is "evidence that an operator is responsible for a pattern of violation" of the Act, or Commission rules, orders, or permits, "it may issue an order that prohibits the issuance of any new permits to the operator, suspends any or all of the operator's certificates of clearance, or both." §34-60-121(7), C.R.S.

2. Pursuant to Rule 523.d.(3), the Commission will "consider an operator's history of violations of the Act, or Commission rules, orders, or permits and any other factors relevant to objectively determining whether an operator has engaged in a pattern of violations."

3. Taking into account the violations currently at issue, as well as the confirmed violation of Order No. 1V-443, the Commission finds PetroHunter Operating has engaged in a pattern of violations. The pattern of violation that most prominently marks PetroHunter Operating's compliance history is a complete failure to make any effort to comply with COGCC Rules or Commission Orders.

4. Cumulatively, the Commission finds this pattern indicates an unwillingness, or inability, to comply with COGCC Rules. PetroHunter Operating also failed to comply with an enforcement order. Failing to comply with an enforcement order undermines the entire enforcement program and Staff's efforts to enforce the COGCC Rules statewide.

ORDER

NOW, THEREFORE, the COMMISSION ORDERS:

1. PetroHunter Operating is found in violation of COGCC Rules, and the Act, as listed in Table 4 above.

2. PetroHunter Operating is ordered to pay a \$313,140 penalty, by certified check, within 30 days after this Order is mailed by the Commission.

3. PetroHunter Operating is hereby ordered to return to compliance with the Act and Rules, including, but not limited to:

a. BMU-2570 Well

- i. PetroHunter Operating shall immediately perform a successful MIT of the BMU-2570 Well or amend Doc. # 2089610 providing a sufficiently detailed plan to repair or plug the well to comply with Order No. 1V-443. Should PetroHunter Operating amend Doc. # 2089610, repair or plugging must occur immediately after Staff approval.
- ii. PetroHunter Operating shall immediately install a sign at the wellhead to comply with Rule 210.b.(1).
- iii. PetroHunter Operating shall immediately install a sign at the tank battery to comply with Rule 210.b.(2).

- iv. PetroHunter Operating shall immediately install tank labels containing the information required by rule to comply with Rule 210.d.
 - v. PetroHunter Operating shall immediately submit delinquent Form 7, Monthly Reports of Operations, for January, 2014 to present to comply with Rule 309.
 - vi. PetroHunter Operating shall immediately implement and maintain a weed control program and remove rubbish from the BMU-2570 Well Location to comply with Rule 603.f.
- b. Anderson Location
- i. PetroHunter Operating shall immediately close the Pit in accordance to the approved Site Investigation and Remediation Workplan (Doc. No. 2315609) to comply with Rule 905.
 - ii. PetroHunter Operating shall immediately submit all delinquent Form 7s (Operator's Monthly Reports of Operations) for January 2014 to present.
 - iii. PetroHunter Operating shall immediately plug and abandon the Well in compliance with Rule 319 in order to comply with Rules 208 and complete final reclamation of the Anderson Location, as required by Rule 1004.
- c. PetroHunter Operating shall immediately submit \$30,000 in additional financial assurance.

4. PetroHunter Operating engaged in a pattern of violations, pursuant to Section 34-60-121(7), C.R.S. and Rule 523.d.(3), by failing to comply with Order No. 1V-443 and by repeatedly demonstrating an unwillingness or inability to comply with COGCC Rules.

5. If PetroHunter Operating fails to pay the penalty or return to compliance within 35 days of mailing of the approved Order Finding Violation, the Director is authorized, but not required, to take any or all of the following actions:

- a. Declare PetroHunter Operating's wells "Orphaned Wells," as defined in the 100-Series Rules;
- b. Suspend PetroHunter Operating's Form 10s, Certificates of Clearance, for PetroHunter Operating's wells, and withhold the issuance of any new drilling or oil and gas location permits, until PetroHunter Operating demonstrates to the satisfaction of the Director that it has brought all violations cited in the Order into compliance and any penalty assessed has been paid;
- c. Terminate PetroHunter Operating's Operator Number (No. 10200), rescind PetroHunter Operating's Form 1 (Doc. No. 2501174), and revoke PetroHunter Operating's right to conduct oil and gas operations in Colorado, until PetroHunter Operating demonstrates at

a Commission hearing that PetroHunter Operating has brought all violations cited in the Order into compliance, any penalty assessed has been paid, and that re-instating PetroHunter Operating's Form 1 will not threaten, or actually impact, public health, safety, and welfare, including the environment and wildlife resources;

- d. Foreclose PetroHunter Operating's existing financial assurance (Surety IDs 2010-0145, 2010-0144, and 2006-0156) 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 locations formerly operated by PetroHunter Operating;
- e. Require PetroHunter Operating to repay any funds expended by the Commission from the Oil and Gas Conservation and Environmental Response Fund for any work undertaken by COGCC Staff; and
- f. Claim all equipment, saleable product, and appurtenances related to PetroHunter Operating'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 Oil and Gas Conservation and Environmental Response Fund.

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

7. 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 PetroHunter Operating, the Director will confer with the Commission regarding expenditure of Emergency Response appropriation funds at the earliest practical opportunity.

8. The following will not affect PetroHunter Operating's obligations under this Order: (1) a change in ownership, corporate status, or partnership status; (2) PetroHunter Operating declares bankruptcy and/or is revived or recapitalized; or (3) a conveyance of title or other interest relating to PetroHunter' Operating's oil and gas operations. PetroHunter Operating 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. PetroHunter Operating 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, PetroHunter Operating's successors or assigns will be responsible for completing those corrective actions at PetroHunter Operating's former oil and gas locations.

9. Upon the Director's notice of a claim pursuant to Paragraph 5.f., PetroHunter Operating 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.

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

11. The Commission expressly reserves its right after notice and hearing, to alter, amend, or repeal any and/or all of the above Order.

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ENTERED this 31st day of January, 2017 as of the 30th day of January, 2017.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 
Julie Murphy, Secretary

CERTIFICATE OF MAILING

On February 2nd, 2017, a true and correct copy of the foregoing *Order Finding Violation* was sent by certified mail, return receipt requested, to the following:

PetroHunter Operating Company
Attn: Paul Maniscalco
910 Sixteenth Street, Suite 208
Denver, Colorado 80202



Margaret Humecki