

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. 1309-OV-24
COMMISSION BY <b>SUNDANCE ENERGY INC.</b> ,	)	
WELD COUNTY, COLORADO	)	ORDER NO. 1V-440

**ADMINISTRATIVE ORDER BY CONSENT**

(Pursuant to Rule 522.b.(3) of the Rules and Regulations of the  
Colorado Oil and Gas Conservation Commission, 2 CCR 404-1)

**FINDINGS**

1. On July 21, 2013 Sundance Energy Inc. ("Sundance") spud the Hornung #11-28 Well ("Well") (API# 05-123-37371) in the NW ¼, NW ¼, Section 28, Township 4 North, Range 68 West, 6<sup>th</sup> P.M., Weld County.
2. A Condition of Approval on the Form 2- APD required Sundance to provide the Commission 48 hours notice prior to moving in and rigging up via a Form 42. Notice of this action was not received by the Commission until July 25, 2013 (OGCC #400455972). Failure to comply with a condition of approval of a permit is a violation of § 34-60-121(1) C.R.S.
3. On July 23, 2013 the Commission received a Complaint (OGCC Document #200383514) concerning noise, odors and lights at the Well.
4. On July 24, 2013 an OGCC inspection supervisor conducted an inspection (OGCC #665400651) of the Well and Location (OGCC ID #432945). No issues concerning odors or lights were observed. A formal noise survey could not be completed due to atmospheric conditions.
5. On July 25, 2013 a follow up inspection (#665400653) was conducted to perform a noise survey. No noise violations were observed. However, the inspector noted the surface location of the Well was less than one and one-half times the rig height from County Roads 5 and 42 and an overhead power line, in violation of Rule 603.a.(1) of the COGCC Rules of Practice and Procedure, 2 CCR 404-1 ("COGCC Rule(s)"). The rig was in place, in violation of COGCC Rule 603.a.(1), for seven days.
6. Subsequently, COGCC staff determined setback distances on Sundance's Form 2A associated with the Well (document no. 400396019) were incorrect. Staff allege providing inaccurate information on a Form 2A is a violation of COGCC Rule 206.

7. Although a noise violation was not observed by COGCC staff, Sundance voluntarily agreed to install a sound barrier to reduce noise during drilling at the Location. Sundance also voluntarily agreed to install mud tracks at the exit from the pad to prevent mud from being carried onto the county road.

8. On August 16, 2013 Commission staff issued Sundance Notice of Alleged Violation No. 200384968 ("NOAV"). The NOAV required the following actions by Sundance:

- that Sundance duly submit and obtain approval of a Form 4 Sundry Notice for relocating the surface locations for Hornung 21-28 Well and the Horning 52-28 Well to ensure Rule 603.a.(1) safety setback distances from County Roads 5 and 42, and overhead power line are met and effect such relocation pursuant to the approved Sundry Notice;
- that Sundance meet with the COGCC and the Complainant to discuss Sundance's plans for mitigating impact of its operations on the Complainant's adjacent property; and
- that Sundance submit to the OGCC a written report containing a root cause analysis concerning the alleged violations noted and including a plan to ensure data submitted to the COGCC is accurate, and a process for reviewing and completing all required conditions of approval.

Staff proposed a penalty of \$26,000 for the alleged violations specified above.

9. COGCC Rule 523 (Procedure for Assessing Fines) specifies a maximum base fine of \$1,000 for each day of violation of § 34-60-121(1) C.R.S. and COGCC Rule 603. COGCC Rule 523.a.(3) specifies the maximum penalty for any single violation shall not exceed \$10,000 regardless of the number of days of such violation, unless the violation results in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare or the environment, none of which circumstances occurred in this matter.

10. On August 23, 2013, Sundance met with COGCC and the Complainant as required by the NOAV. In that meeting, Sundance committed to adhere to the following voluntary best management practices during completion activities and, as applicable, during production from the Location:

- Use of a "dustless" sand transfer system during hydraulic fracture stimulation;
- Install a second sound barrier, to be located along County Road 5;

- Use of a plastic spill containment barrier under hydraulic fracture mixing truck;
- Use variable drive type separators;
- Use low profile water and oil tanks; and
- To plant and maintain trees to serve as visual barrier around two sides of the Location, in addition to trees required on third side of pad under surface use agreement in order to minimize visual impact on the Complainant's property.

Sundance in fact implemented the best management practices described above in connection with the completion of the three wells on location. Sundance will plant the trees during spring 2014.

11. On September 6, 2013, Sundance submitted to the COGCC, as required by the NOAV, a written report containing a root cause analysis concerning the alleged violations noted and including a plan to ensure data submitted to the COGCC is accurate, and a process for reviewing and completing all required conditions of approval.

#### AGREEMENT

NOW, THEREFORE, pursuant to COGCC Rule 522.b.(3), the Director proposes and Sundance agrees to settle the NOAV on the following terms and conditions:

(1) Pursuant to § 34-60-121, C.R.S., and COGCC Rule 523, Sundance shall pay a penalty of \$26,000 not later than 5 business days after Commission approval of this Administrative Order on Consent.

(2) The COGCC staff confirms that Sundance has duly relocated the surface locations for Hornung 21-28 Well and the Hornung 52-28 Well to ensure COGCC Rule 603.a.(1) safety setback distances from County Roads 5 and 42, and overhead power line were met pursuant to a duly filed and approved Form 4 Sundry Notice with new surface locations.

(3) The COGCC staff confirms that Sundance has performed a satisfactory root cause analysis concerning the alleged violations noted and has submitted a written report to the Commission that includes a plan to ensure data submitted to the COGCC is accurate, and a process for reviewing and completing all required conditions of approval.

(4) The COGCC staff confirms that Sundance participated in a meeting with representatives of the Complainant and COGCC staff time to discuss drilling and completion plans, mitigation measures related to dust control, lighting, noise, visual mitigation, traffic control, and emergency response plans. The COGCC staff confirms at that meeting Sundance voluntarily agreed to implement the mitigation measures

described in paragraph 10 of the Findings, and that Sundance did in fact implement such measures during the completion of the wells on location. Sundance agrees to plant trees around three sides of the Location in spring 2014.

(5) Sundance agrees to the findings of this AOC only for the purpose of expeditiously resolving the matter without a contested hearing.

### ORDER

HAVING CONSIDERED the Agreement between the Director and Sundance to resolve the NOAV, the COMMISSION ORDERS:

A. Sundance is found in violation of § 34-60-121(1), C.R.S., for failing to comply with the condition of approval of its Form 2A requiring 48 hours notice prior to moving in and rigging up. This violation continued for four days. Sundance violated COGCC 206 by providing inaccurate setback measurements on the Form 2A associated with the Well (document no. 400396019). This violation continued for one day. Sundance violated COGCC Rule 603.a(1) setback requirements with respect to County Road 5, County Road 42, and from overhead power lines. Each of the violations of COGCC Rule 603.a.(1) continued for seven days.

B. Pursuant to § 34-60-121, C.R.S., and Rule 523, COGCC Rules of Practice and Procedure, 2 CCR 404-1, Sundance shall pay a penalty of \$26,000 not later than 5 business days after this Administrative Order on Consent is approved by the Commission.

C. Sundance timely performed all of the corrective actions required pursuant to the NOAV, as set forth in paragraphs 2, 3, and 4 of the Agreement.

D. This Order is effective immediately upon Commission approval. Entry of this Order constitutes final agency action under § 24-4-106 of the State Administrative Procedures Act.

///  
///

RECOMMENDED this 31<sup>st</sup> day of October, 2013.

OIL AND GAS CONSERVATION COMMISSION OF THE STATE OF COLORADO

By   
Matthew J. Lepore  
Director

AGREED TO AND ACCEPTED this 31 day of October, 2013.

SUNDANCE ENERGY INC.

By   
Signature of Authorized Company Representative

Grace L. Ford

Print Signatory Name

VP of Exploration & Development

Title

The Commission heard and approved this matter on the 16<sup>th</sup> day of December, 2013.

ENTERED this 16<sup>th</sup> day of December, 2013.

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

By  \_\_\_\_\_  
Robert J. Frick, Secretary