

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. 1307-OV-14
COMMISSION BY **CHARLES P. DUNNING LLC**,)
WELD COUNTY, COLORADO) ORDER NO. 1V-434

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 August 17, 1995, Peterson Energy Company spud the Shoemaker #4-19 Well (“#4-19 Well”) (API # 05-123-18989), located in the NW ¼, NW ¼, Section 19, Township 9 North, Range 58 West, 6th P.M. in Weld County. On October 1, 2010, the #4-19 Well was transferred to its current operator, Charles P. Dunning LLC (“Dunning”). The well has never been completed and its casing has not been perforated. The well has never produced.

2. On June 30, 1995, Edward Mike Davis, LLC spud the Shoemaker #7-19 Well (“#7-19 Well”) (API #05-123-18970) located in the SW ¼, NE ¼, Section 19, Township 9 North, Range 58 West, 6th P.M. in Weld County. On August 25, 1995, the #7-19 Well was transferred to Peterson Energy Operating, Inc. On October 1, 2010, the #7-19 Well was transferred to Dunning. The #7-19 Well has not produced for approximately six years, during which time it has been shut-in.

3. On March 3, 2013, the COGCC issued notices of alleged violation (“NOAV’s”) No. 200375902 (for the #7-19 Well) and No. 200375903 (for the #4-19 Well) citing alleged violations of COGCC Rules of Practice and Procedure, 2 CCR 404-1 (“Rule” or “Rules”) Rule 319.b and Rule 326.b.(1).

4. The COGCC alleges that Dunning had not requested extension of temporary abandonment status as required by Rule 319.b, or performed mechanical integrity tests as required by Rule 326.b.

5. The NOAV’s required one of the following abatement or corrective actions to be taken by Dunning: 1) plug and abandon the wells; 2) MIT the wells; or 3) produce the well. These actions were required to have been completed by May 5, 2013. As of August 14, 2013 for the #4-19 Well and September 10, 2013 for the #7-19 Well, mechanical integrity tests have now been performed successfully on the Wells.

6. Following a factual investigation and legal review of the violations alleged in the NOAV, Commission Staff asserts Dunning has committed the following violations:

- a. **Rule 319.b** because Dunning failed to request an extension of temporary abandonment status and because Dunning failed to abandon the wells after it had ceased production for six months.
- b. **Rule 326.b.(1)** because Dunning failed to produce, plug, or MIT the wells.

7. Staff and Dunning disagree as to the applicability of Rule 319.b and Rule 326.b to wells that have never been completed.

8. Pursuant to Rule 523 and the Commission's Enforcement and Penalty Policy, Commission staff calculated a penalty of \$20,000 for these violations. Staff does not recommend any adjustments based on aggravating or mitigating factors.

AGREEMENT

NOW, THEREFORE, based on the Findings and pursuant to Rule 522.b.(3) and the Commission's Enforcement and Penalty Policy, the Director proposes and Dunning agrees to settle the NOAV on the following terms and conditions:

- I. The penalty calculation will only be based on violations at the Shoemaker #7-19 Well.
- II. Dunning will be assessed a penalty of \$20,000.
- III. Dunning will pay \$5,000 of the penalty within 30 days and another \$5,000 of the penalty within 60 days of the Commission mailing the Order and penalty invoice.
- IV. The remaining \$10,000 of the penalty will be suspended, pending compliance with both of the following conditions:
 - a. Dunning has no uncorrected violations of any Rule at any Dunning well or location for one year after approval of this Order.
 - b. Dunning will either plug, produce or perform a mechanical integrity test on the Wells before the expiration of five years after the mechanical integrity tests performed on the wells in 2013.
- V. If the two conditions of paragraph IV. are satisfied, the suspended portion of the penalty will be vacated by the Director. If either of the two conditions are violated, the suspended portion of the penalty shall become due 60 days after notice by the Director to Dunning. No further action by the Commission will be necessary regarding the suspended portion of the penalty.

- VI. In the future Dunning will not challenge the applicability of the current language of Rule 319.b. or Rule 326.b. to the Wells.
- VII. For purposes of interpreting paragraph IV.a above, Dunning will be in compliance with this condition if Dunning receives notice of failed inspection or violation and performs the required corrective action within the date specified by Commission staff for completion of the required corrective action.
- VIII. Dunning agrees to the findings of this AOC only for the purpose of expeditiously resolving the matter without a contested hearing.

RECOMMENDED this 11th day of October, 2013.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By Peter J. Gowen
Peter J. Gowen, Enforcement Officer

AGREED TO AND ACCEPTED this 11th day of October, 2013.

CHARLES P. DUNNING LLC

By Charles P. Dunning
Signature of Authorized Company Representative

CHARLES P Dunning
Print Signatory Name

OWNER/OPERATOR
Title

ORDER

HAVING CONSIDERED the Agreement between the Director and Dunning to resolve the NOAV's, the COMMISSION ORDERS:

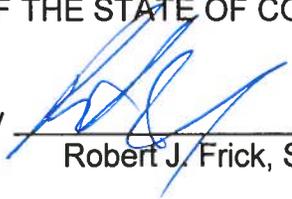
1. Dunning is found in violation of Rule 319.b and Rule 326.b at the Shoemaker #7-19 Well.
2. Dunning will be assessed a penalty of \$20,000.
3. Dunning will pay \$5,000 of the penalty within 30 days and another \$5,000 of the penalty within 60 days of the Commission mailing the Order and penalty invoice.
4. The remaining \$10,000 of the penalty will be suspended, pending compliance with both of the following conditions:
 - a. Dunning has no uncorrected violations of any Rule at any Dunning well or location for one year after approval of this Order.
 - b. Dunning will either plug, produce or perform a mechanical integrity test on the Wells before the expiration of five years after the mechanical integrity tests performed on the wells in 2013.
5. If the two conditions of paragraph 4 above are satisfied, the suspended portion of the penalty will be vacated by the Director. If either of the two conditions are violated, the suspended portion of the penalty shall become due 60 days after notice by the Director to Dunning. No further action by the Commission will be necessary regarding the suspended portion of the penalty.
6. In the future Dunning will not challenge the applicability of the current language of Rule 319.b. or Rule 326.b. to the Wells.
7. For purposes of interpreting paragraph 4.a above, Dunning will be in compliance with this condition if Dunning receives notice of failed inspection or violation and performs the required corrective action within the date specified by Commission staff for completion of the required corrective action.
8. Failure to perform the requirements of this Order may result in additional enforcement action and additional penalties.
9. Entry of this Order constitutes final agency action for purposes of judicial review 30 days after the date this order is mailed by the Commission.
10. The provisions contained in the above order are effective on the date this matter is heard and approved by the Commission.
11. 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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The Commission heard and approved this matter on the 28th day of October, 2013.

ENTERED this 5 day of November, 2013 as of the 28th day of October, 2013.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By  _____
Robert J. Frick, Secretary