

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-15
COMMISSION BY **CAERUS WASHCO LLC**,)
WASHINGTON COUNTY, COLORADO) ORDER NO. 1V-420

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 April 22, 2003, Edward Mike Davis, LLC spud the State #31-22 Well (API No. 05-121-10695), located in the northwest quarter of the northeast quarter of Section 22, Township South, Range 50 West of the 6th P.M. Delta Petroleum Corp. became the operator of the well on August 8, 2003. Teton DJCO LLC (Operator #86610) became the operator of the well on July 1, 2007. Through a bankruptcy reorganization proceeding, Teton DJCO LLC became Caerus WASHCO LLC ("Caerus") on January 22, 2010. Caerus has operated the well since that time.

2. On April 3, 2013, the Colorado Oil and Gas Conservation Commission ("COGCC") received a landowner complaint (Document #200378330) alleging surface impacts related to the oil and gas operations, resulting in surface damage to the landowner's adjacent pasture land. The landowner alleged Caerus's produced water pit had experienced past overflows, most recently in June 2012, resulting in lasting damage to his pasture. He also requested the location be properly fenced to protect his livestock.

3. On April 19, 2013, a COGCC Environmental Protection Specialist (EPS) performed an inspection in response to the landowner complaint. No release was observed at that time. However, the land adjacent to the west and south sides of the pit was noticeably impacted. An area approximately 200 feet x 200 feet west of the pit was devoid of vegetation, and its appearance was consistent with damage caused by produced water overflow. Windblown sand from the unstabilized surfaces surrounding the water pit and tank battery covered an area approximately 140 feet x 200 feet south of the water pit.

4. The EPS observed and photographed numerous other rule violations during the same inspection. The EPS observed: a) junk, trash and unused equipment stored on location; b) an inadequately maintained lease road; c) equipment leaking and dripping oil onto the ground; d) widespread accumulations of oily waste; e) inadequate or nonexistent secondary containment; f) inadequate labels on tanks and separators; g)

missing covers on vents and stacks to prevent wildlife entry; h) no stormwater controls and widespread stormwater and wind erosion impacts; i) improper management of exploration and production (E & P) waste; and j) general bad housekeeping.

5. On April 22, 2013, COGCC Staff issued Notice of Alleged Violation ("NOAV") No. 200378586 to Caerus. The alleged violations considered in this AOC include: 324A.a., 603.j., 604.a.(4), 604.d., 902.a., 902.b. 902.d. 906.a., 906.b.(1), 906.c. 906.e.(1), 907.a.(1), 907.e., 1002.a.(3), 1002.c., 1002.f., and 1002.f.(3)(A)(vi).

6. Rule 523 (Procedure for Assessing Fines) specifies a maximum base fine of \$500 for each day of violation of Rule 210.d., and a base fine of \$1,000 for each day of violation of all other cited rules. Rule 523.a.(3) further provides that 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. Staff does not allege these factors in this case.

7. Pursuant to Commission Rule 522.b.(3), the Director proposes and Caerus agrees to settle the NOAV as follows:

a. Caerus will pay a penalty of \$ 70,000.00 within 30 days of the approval of this Order by the Commission.

b. Caerus will provide training to employees and subcontractor employees regarding COGCC spill reporting requirements, spill remediation, E & P waste management, and good housekeeping practices. Caerus will provide the COGCC Staff a copy of an outline of the written training program and targeted employees and contractors prior to the training.

8. Failure by Caerus to fully pay the fine and provide training to their employees as required by this Order will result in additional enforcement action and an additional fine.

9. Payment of the fine pursuant to this AOC does not relieve the operator from its obligations to complete the corrective actions detailed in the NOAV, as may be amended or modified by COGCC Staff.

10. Caerus, or its successors or assigns, will remain responsible for complying with this AOC, in the event of any subsequent sale of the Well.

11. Caerus agrees to the findings of this AOC only for the purpose of expeditiously resolving the matter without a contested hearing. Pursuant to Rule 522.b.(3), entering into this AOC by Caerus is not an admission of the alleged violations. Caerus fully reserves its right to contest the same in any future action or proceeding other than a proceeding to enforce this AOC.

ORDER

NOW, THEREFORE, THE COMMISSION ORDERS:

1. Caerus will pay a total fine of \$70,000 for the Rule violations set forth above, payable within 30 days of the approval of this Order by the Commission.
2. Payment of the fine pursuant to this AOC does not relieve Caerus from its ongoing obligations to complete remaining corrective actions set forth in the NOAV, as may be amended or modified by COGCC Staff. Failure to satisfactorily complete the corrective actions or pay all fines will result in future enforcement action and other remedies as authorized by law by the Commission.
3. Caerus will provide training to employees and subcontractor employees regarding COGCC spill reporting requirements, spill remediation, E & P waste management, and good housekeeping practices. Caerus will provide the COGCC Staff a copy of an outline of the written training program and targeted employees and contractors prior to the training. Caerus will implement this training within 90 days of Caerus's signing of this AOC.
4. Caerus, or its successors or assigns, will remain responsible for complying with this AOC, in the event of any subsequent sale of the Well.
5. This Order is effective immediately.

RECOMMENDED this 23rd day of August, 2013.

OIL AND GAS CONSERVATION COMMISSION OF
THE STATE OF COLORADO

By 
Peter Gowen, Enforcement Officer

AGREED TO AND ACCEPTED this 26TH day of August, 2013.

CAERUS WASHCO LLC

By: 
Signature of Authorized Caerus Representative

MATTHEW A. WURTEBACHER
Print Signatory Name

PRESIDENT
Title of Signatory

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The Commission heard and approved this matter on the 28th day of August, October 2013, APR
2013.

ENTERED this 5th day of November, 2013.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 
Robert J. Frick, Secretary