

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-20
COMMISSION BY AXIA ENERGY LLC , MOFFAT)	ORDER NO. 1V-419
COUNTY, COLORADO)	

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

History

1. On August 31, 2012, Axia Energy LLC ("Axia") spud the Bulldog 5-31H-790 Well (API No. 05-081-07727-01) ("Well"), located in Lot 6, Section 5, Township 7 North, Range 90 West, 6th P.M. Site specific conditions of approval were imposed on the approval of the Form 2A - Oil and Gas Location Assessment (Doc. 400255568) and on the approval of Axia's Form 15 - Earthen Pit Permit (Doc. 400306819).

2. COGCC Staff inspected the Well location and the Bulldog 5-31H-790 Completion Pit (Facility No. 429725) ("Pit") on December 10, 2012 (Doc. 669300286) and December 12, 2012 (Doc. 669300288). The Pit was re-inspected on January 9, 2013, (Doc. 667100022) after a January 3, 2013, explosion and fire at the Pit.

NOAV and Alleged Violations

3. On April 13, 2013, COGCC Staff issued an Amended Notice of Alleged Violation ("NOAV") No. 200375865 to Axia Energy LLC for its operations at the Pit. The following alleged rule violations from the NOAV are pursued in this Administrative Order by Consent (AOC):

a. Rule 902.c (Pit Rules) which provides that any accumulation of oil or condensate in a pit shall be removed within twenty-four (24) hours of discovery.

b. Rule 902.d (Pit Rules) which requires operators to install appropriate netting or fencing where it is necessary to protect public health, safety and welfare or to prevent significant adverse environmental impacts resulting from access to a pit by wildlife, migratory birds, domestic animals, or members of the general public.

c. Rule 903 (Pit Permitting/Reporting) which requires operators to submit an accurate Earthen Pit Report and comply with conditions of permit approval that may include additional terms, provisions, or requirements that are necessary to protect the waters of the state, public health, or the environment;

d. Rule 906.a (Spills and Releases) which requires that spills/releases of E&P waste, including produced fluids, shall be controlled and contained immediately upon discovery to protect the environment, public health, safety, and welfare, and wildlife resources, and shall be investigated and cleaned up as soon as practicable;

e. Rule 907. (Management of Exploration & Production Waste – Operator Obligations) requires produced water to be treated prior to placement in a production pit to prevent crude oil and condensate from entering the pit.

Calculation of Base Fine

4. Rule 523.c specifies a maximum base fine of \$1,000 for each day of violation of all Rules cited in the NOAV. Rule 523.a.(3) 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 significant adverse impact in this case.

5. Alleged violations of Rule 902.c, Rule 902.d, Rule 903, Rule 906, and Rule 907, are included in the fine calculation as single, 10-day violations. The fine calculation pursuant to Rule 523 is summarized in the following table:

Rule Number	Rule Name	Days of Violation	Base Fine per day	Base Fine
902.c	Pits- Removal of Accumulated Oil within 24 hours	10	\$ 1,000	\$ 10,000
902.d	Pit -Wildlife Netting	10	\$ 1,000	\$ 10,000
903	Pit Permitting	10	\$ 1,000	\$ 10,000
906	Spills and Releases	10	\$ 1,000	\$ 10,000
907	Management of E&P Waste	10	\$ 1,000	\$ 10,000
TOTAL				\$ 50,000

6. Pursuant to Rule 523, the base fine for the cited alleged Rule violations is \$ 50,000.

Settlement Terms

7. Pursuant to Commission Rule 522.b.(3), the Director proposes and Axia agrees to settle the NOAV with a penalty payment of \$50,000 payable within 30 days this Order is mailed by the Commission.

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

9. Axia, or its successors or assigns, shall remain responsible for complying with this AOC, in the event of any subsequent sale of the Well.

10. Axia agrees to the findings of this AOC only for the purpose of expeditiously resolving the matter without a contested hearing. Pursuant to Rule 522.c.(3), entering into this AOC by Axia shall not be construed as an admission of the alleged violations. Axia 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 that:

1. Axia Energy LLC agrees to pay a penalty for the alleged violations of Rules 902.c, 902.d, 903., 906., and 907. for its operations at the Bulldog 5-31H Completion Pit and Well.

2. Axia is assessed a total penalty of \$ 50,000 for the Rule violations described above.

3. Payment of the \$50,000 penalty is due not more than 30 days after this Order is mailed by the Commission.

4. Payment of the fine pursuant to this AOC shall not relieve Axia from its obligations to complete remaining corrective actions set forth in the NOAV, as may be amended or modified by COGCC Staff.

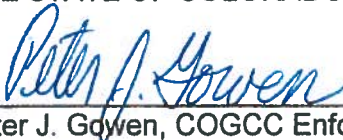
5. Entry of this Order constitutes final agency action for purposes of judicial review 30 days after the date this order is mailed by the Commission.

6. This Order is effective immediately.

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


RECOMMENDED this 15th day of August, 2013.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 
Peter J. Gowen, COGCC Enforcement Officer

AGREED TO AND ACCEPTED this 16TH day of August, 2013.

AXIA ENERGY LLC

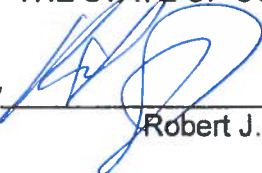
By: 
Signature of Authorized Axia Representative
THOMAS W DYK
Print Signatory Name
CEO
Title of Signatory

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This Administrative Order by Consent was heard by the Commission on the 16th day of, September 2013, and approved.

ENTERED this 9th day of October, 2013, as of the 16th day of September, 2013.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 
Robert J. Frick, Secretary