

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)	ORDER NO. 1V-410
COMMISSION BY TEXAS TEA OF COLORADO)	DOCKET NO. 1305-OV-11
LLC DBA TEXAS TEA LLC, ADAMS AND WELD)	
COUNTIES, 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

1. On November 15, 2012, the Commission approved an Administrative Order by Consent ("2012 AOC") with Texas Tea of Colorado LLC dba Texas Tea LLC ("Texas Tea") (Operator No.87195). The 2012 AOC found Texas Tea in violation of 21 Rules at four different wells and for general operations. The 2012 AOC imposed a structured fine of \$110,000, with \$40,000 payable according to a Compliance Schedule, and \$70,000 suspended, pending timely performance of the Compliance Schedule. If the Compliance Schedule was fully performed on time, the suspended portion of the fine would be vacated. If the Compliance Schedule was not fully performed on time, the suspended portion of the fine would become payable upon 30 days notice from the Director.

2. The dates of the 2012 AOC Compliance Schedule were administratively amended by agreement of the parties on December 7, 2012.

3. The AOC Compliance Schedule also required among other things, the following:

- Texas Tea shall pay \$10,000 of the mandatory fine of \$40,000 by January 14, 2013. The remaining \$30,000 of the mandatory fine shall be paid no later than March 15, 2013.
- Texas Tea shall either plug, produce, or perform mechanical integrity tests (MIT's) on the following wells no later than March 15, 2013, consistent with Rule 326: 1) Van Scoyk #1 Well; 2) Adams County #1 Well; and 3) Krogh #2 Well. This must include Bradenhead tests and reported results on Form 17 for each well.
- Texas Tea must at the Van Scoyk #1 Well site: 1) remove oil saturated soil from well and battery sites; 2) dispose of soil according to the 900 Series

rules; 3) control weeds on well and battery site; and 4) place signs on well and battery site. This work must be completed by January 15, 2012.

- Texas Tea must provide an additional \$20,000 financial assurance pursuant to Rule 707 for excessive inactive wells by April 15, 2013. Alternatively, Texas Tea may either plug or produce one more well.

Texas Tea is delinquent on: 1) the payment of the \$30,000 fine payment due March 15, 2013; 2) MIT's on the Van Scoyk #1 Well; Adams County #1 Well; and Krogh #2 Well; 3) housekeeping requirements at the Van Scoyk #1 Well; and 4) providing the additional financial assurance pursuant to Rule 707 for excessive inactive wells.

4. Rule 525.a provides: if the Commission determines, after a hearing, that an operator failed to perform any required corrective action/abatement or failed to comply with a cease and desist order issued by the Director or the Commission with regard to violation of a permit provision, the Commission may issue an order suspending, modifying or revoking a permit or permits authorizing the operation.

5. Rule 525.b provides whenever the Commission or the Director has evidence that an operator is responsible for a pattern of violation of any provision of the Act, or of any rule, permit or order of the Commission, the Commission may after hearing find that a knowing and willful pattern of violation exists, in which case it may issue an order to prohibit the issuance of any new permits to such operator.

6. Section 34-60-106 (1)(i) C.R.S. authorizes the Commission to require Certificates of Clearance for the transportation and delivery of oil and gas or any product, and Rule 312.(f)(3) authorizes the Commission to cancel certificates of clearance.

7. Commission Staff seeks an Order pursuant to Rule 525 finding Texas Tea responsible for a pattern of violation of Commission rules and finding Texas Tea has failed to perform requirements of the AOC. The staff application seeks all remedies authorized by statute and rule, including the possible revocation of Texas Tea's Certificate of Clearance (Form 10), pursuant to Rule 312.f.(3).

8. Notice of this matter was issued and served April 3, 2013, as required by law.

9. As of the date this matter was heard by the Commission, Texas Tea remains non-compliant with the Compliance Schedule from the 2012 AOC as described in paragraph 3 above.

10. The parties agree that Texas Tea has failed to comply with corrective actions imposed by a Commission order issued pursuant to § 34-60-121(4) C.R.S., and thus the Commission is authorized by § 34-60-121(6) C.R.S. to suspend or revoke permits related to the violations covered by the 2012 AOC.

11. The parties agree that the 21 violations covered by the 2012 AOC from July 2010 to February 2012, and the ongoing failure to comply with the 2012 AOC Compliance Schedule constitute a pattern of violation as applied in § 34-60-121(7) C.R.S. and Rule 525.

12. The parties agree to resolve this matter through this AOC for purposes of avoiding a contested hearing in this matter.

ORDER

NOW, THEREFORE, IT IS ORDERED, that:

1. Texas Tea's operating permits for the following wells are hereby suspended as of the effective date of this Order:

Van Scoyk #1	API No. 05-001-08516
Pace #2	API No. 05-123-08720
Adams County #1	API No. 05-001-08204
Krogh #2	API No. 05-001-08503

Texas Tea shall continue with operations at these wells only for the purpose of bringing them into compliance with applicable well permits and the 2012 AOC.

2 Texas Tea's Certificate of Clearance is hereby revoked as of the effective date of this Order. Until such time as the Director reinstates its Certificate of Clearance, Texas Tea is not authorized to transport produced hydrocarbons from any of its permitted wells and locations within Colorado.

3. Once Texas Tea is in compliance with the 2012 AOC to the satisfaction of the Director and all applicable fines have been paid, the Director shall reinstate the permits and the Texas Tea Certificate of Clearance.

4. Commission Staff shall approve no permits for Texas Tea, until such time as the Director is satisfied that Texas Tea has fully performed all requirements of this Order and Order No. 1V-397. Permits necessary for Texas Tea compliance with this Order and Order No. 1V-397 are exempt from this prohibition.

5. Any unpaid portion of the fine imposed by Order No, 1V-397 shall be paid by the effective date of this Order.

6. Nothing in this Order shall relieve Texas Tea from undertaking and completing abatement or corrective actions as required by Order No. 1V-397.

7. Texas Tea, or its successors or assigns, remains responsible for complying with this Order and the 2012 AOC, in the event of any subsequent sale of property.

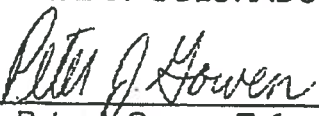
8. Under the State Administrative Procedure Act the Commission considers this order to be final agency action for purposes of judicial review within 30 days after the date this Order is mailed by the Commission.

9. This Order shall become effective 30 days from the date this Order is approved by the Commission.

10. 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 April, 2013.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 
Peter J. Gowen, Enforcement Officer

AGREED TO AND ACCEPTED this 23 day of April, 2013.

TEXAS TEA OF COLORADO LLC dba TEXAS
TEA LLC

By 
Signature of Authorized Company Representative

BOB PARKER
Print Signatory Name

MANAGER
Title

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The Commission heard and approved this Order on the 6th day of May, 2013.

ENTERED this 7th day of May, 2013, as of the 6th day of May, 2013.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 
Robert J. Frick, Secretary