

BEFORE THE OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

IN THE MATTER OF ALLEGED VIOLATIONS OF THE ) CAUSE NO. 1V  
RULES AND REGULATIONS OF THE COLORADO OIL )  
AND GAS CONSERVATION COMMISSION BY TEXAS ) ORDER NO. 1V-397  
TEA OF COLORADO LLC DBA TEXAS TEA LLC, ) DOCKET NO. 1207-OV-06  
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**

**Van Scoyk #1 Well**

1. On September 24, 1984, Texas American Oil Corporation spud the Van Scoyk #1 Well ("Van Scoyk Well") (API No. 05-001-08516), located in the SE¼ SE¼ of Section 22, Township 1 South, Range 67 West, 6<sup>th</sup> P.M. The Van Scoyk Well was subsequently conveyed to Devon Energy Corporation on May 1, 1988; to L.P. Moore, Inc. on April 1, 1991; to Baldwin Pump & Supply Inc. on April 6, 1993; to KKB Energy LLC on June 1, 1996; and to its current owner Texas Tea on October 27, 1998.

2. On July 6, 2010, COGCC Staff issued Notice of Alleged Violation ("NOAV") #200259563 to Texas Tea for the following alleged rule violations:

a. Rule 210.b.(2), which requires within 60 days after the installation of a battery, a permanent sign shall be located at the battery. At the option of the operator, or at the request of local emergency response authorities, the sign may be placed at the intersection of the lease access road with a public, farm or ranch road if the referenced battery is readily apparent from such location. Such sign, which shall be no less than 3 square feet and no more than 6 square feet, shall provide: the name of the operator; a phone number at which the operator can be reached at all times; a phone number for local emergency services (911 where available); the lease name or well name(s) associated with the battery; the public road used to access the site; and the legal location, including the quarter-quarter section. In lieu of providing the legal location on the permanent sign, it may be stenciled on a tank in characters visible from 100 feet.

b. Rule 319.b.(3), which requires a well which has ceased production or injection and is incapable of production or injection shall be abandoned within 6 months thereafter unless the time is extended by the Director upon application by the owner. The application shall indicate why the well is temporarily abandoned and future plans for utilization. In the event the well is covered by a blanket bond, the Director may require an individual plugging bond on the temporarily abandoned well. Gas storage wells are to be considered active at all times unless physically plugged.

c. Rule 326.b.(1), which requires a mechanical integrity test ("MIT") to be performed on each shut-in well within 2 years of the initial shut-in date. A MIT shall be performed on each shut-in well on 5 year intervals from the date the initial MIT was performed. If, at any time, surface equipment is removed or the well becomes incapable of production, a MIT must be performed within 30 days.

d. Rule 603.j., which requires all locations, including wells and surface production facilities, shall be kept free of the following: equipment, vehicles, and supplies not necessary for the use on that lease; weeds; rubbish, and other waste material.

e. Rule 906.a., which requires spills/releases of E&P waste, including produced fluids, to be controlled and contained immediately upon discovery to protect the environment, public health, safety, and welfare, and wildlife resources. Impacts resulting from spills/release shall be investigated and cleaned up as soon as practicable. The Director may require additional activities to prevent or mitigate threatened or actual significant adverse environmental impacts on any air, water, soil, or biological resource, or to the extent necessary to ensure compliance with the concentration levels in COGCC Rules Table 910-1, with consideration to Water Quality Control Commission ("WQCC") ground water standards and classifications.

The NOAV (#200259563) required the following abatement or corrective actions to be taken by Texas Tea: 1) remove any 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; 4) place signs on well and battery site; and 5) produce, plug, or MIT the well. These actions were required to have been completed by August 31, 2010.

3. On January 9, 2012, COGCC Staff issued NOAV #200336458 to Texas Tea for the alleged violations at the same well: 1) Rule 319.b.(1); 2) Rule 319.b.(3); and 3) Rule 326.b.(1). These violations repeat three of the five violations identified in NOAV #200259563 issued July 6, 2010. NOAV #200336458 required the following abatement or corrective actions to be taken by Texas Tea: 1) submit a Form 4 to request an extended temporarily abandoned (“TA”) status if the well was TA. This action was required to be completed by February 8, 2012. Further, Texas Tea was to: 1) put the well on production and submit Operator’s Monthly Report of Operations; 2) pass a mechanical integrity test (“MIT”) to maintain shut-in (“SI”) or TA status, notify COGCC 10 days prior to the MIT, and submit a Form 21 within 30 days after the MIT; or 3) plug and abandon the well; and 4) perform a Bradenhead test and report the results on Form 17. These actions were required to have been completed by March 9, 2012.

4. Rule 523. specifies a base fine of \$500 for each day of violation of Rule 210.b.(2), a base fine of \$1,000 for each day of violation of Rule 319.b.(3), a base fine of \$1,000 for each day of violation of Rule 326.b.(1), a base fine of \$1,000 for each day of violation of Rule 603.j. and a base fine of \$1,000 for each day of violation of Rule 906.a. Rule 523.a.(3). specifies that “the maximum penalty for any single violation shall not exceed Ten Thousand dollars (\$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.

5. Texas Tea violated **Rule 210.b.(2)** because it failed to place a sign on the battery site in compliance with the Rule. The COGCC Staff has calculated a base fine of **\$5,000** for the violation of Rule 210.b.(2).

6. Texas Tea violated **Rule 319.b.(3)** because it failed to file a sundry notice of the well’s temporarily abandoned status. The COGCC Staff has calculated a base fine of **\$10,000** for the violation of Rule 319.b.(3).

7. Texas Tea violated **Rule 326.b.(1)** because it failed to produce, plug or MIT the well. The COGCC Staff has calculated a base fine of **\$10,000** for the violation of Rule 326.b.(1).

8. Texas Tea violated **Rule 603.j.** because it failed to control weeds on the well and battery site. The COGCC Staff has calculated a base fine of **\$10,000** for the violation of Rule 603.j.

9. Texas Tea violated **Rule 906.a.** because it failed to remove oil saturated soil from the well and battery sites. The COGCC Staff has calculated a base fine of **\$10,000** for the violation of Rule 906.a.

10. Base fines for the Van Scoyk #1 Well are as summarized follows:

<b>Rule Violations</b>	<b>Base Fine</b>
Rule 210.b.(2)	\$5,000
Rule 319.b.(3)	\$10,000
Rule 326.b.(1)	\$10,000
Rule 603.j.	\$10,000
Rule 906.a.	\$10,000
<i>Total Base Fines for the Van Scoyk #1 Well (NOAV 200259563 and NOAV 200336458)</i>	<b>\$45,000</b>

## Pace #2 Well

11. On June 4, 1976, Brownlie, Wallace, Armst and Bander spud the Pace #2 Well (the "Pace Well") (API No. 05-123-08720), located in the NW¼ SE¼ of Section 17, Township 2 North, Range 67 West, 6<sup>th</sup> P.M. The Pace Well was subsequently conveyed to Texas Tea on December 14, 1998, to Colorado Oil & Gas Corporation on July 1, 2001, and then back to its current owner Texas Tea on June 1, 2003.

12. On November 22, 2010, COGCC Staff issued NOAV #200284706 to Texas Tea for the following alleged rule violations:

a. Rule 210.d., which requires all tanks with a capacity of 10 barrels or greater to be, by September 1, 2009, labeled or posted with the following information: name of operator; operator's emergency contact telephone number; tank capacity; tank contents; and National Fire Protection Association ("NFPA") Label.

b. Rule 604.a.(4), which requires berms or other secondary containment devices to be constructed around crude oil, condensate, and produced water tanks to provide secondary containment devices and all containment areas to be sufficiently impervious to contain any spilled or released material.

c. Rule 902.d., which requires that where 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, operators shall install appropriate netting or fencing.

The NOAV required the following abatement or corrective actions to be taken by Texas Tea: 1) label tanks per Rule 210.d.; 2) repair berms to be in compliance with Rule 604.a.(4); 3) cover openings in concrete vault to comply with Rule 902.d.; and 4) submit a *Site Investigation and Remediation Workplan*, Form 27, describing proposed actions to verify that soil concentrations of organic compounds in soils within the berm and around the concrete vault are in compliance with concentration levels specified in Table 910-1 of the 900 Series Rules. These actions were required to have been completed by January 15, 2011.

13. Rule 523. specifies a base fine of \$500 for each day of violation of Rule 210.d., a base fine of \$1,000 for each day of violation of Rule 603.a.(4) and a base fine of \$1,000 for each day of violation of Rule 902.d. Rule 523.a.(3). specifies 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.

14. Texas Tea violated **Rule 210.d.** because it failed to label tanks per Rule 210.d. The COGCC Staff has calculated a base fine of **\$5,000** for the violation of Rule 210.d.

15. Texas Tea violated **Rule 604.a.(4)** because it failed to repair berms in compliance with Rule 604.a.(4). The COGCC Staff has calculated a base fine of **\$10,000** for the violation of Rule 604.a.(4).

16. Texas Tea violated **Rule 902.d.** because it failed to cover openings in the concrete vault in compliance with Rule 902.d. The COGCC Staff has calculated a base fine of **\$10,000** for the violation of Rule 902.d.

17. Base fines for the Pace #2 Well are as summarized follows:

<b>Rule Violations</b>	<b>Base Fine</b>
Rule 210.d.	\$5,000
Rule 604.a.(4)	\$10,000
Rule 902.d.	\$10,000
<i>Total Base Fines for the Pace #2 Well</i>	<i>\$25,000</i>

## Adams County #1 and Krogh #2 Wells

18. On August 27, 1982, Texas American Oil Corporation spud the Adams County #1 Well ("Adams County Well") (API No. 05-001-08204), located in the SW $\frac{1}{4}$  SW $\frac{1}{4}$  of Section 14, Township 1 South, Range 67 West, 6th P.M. The Adams County Well was subsequently conveyed to Devon Energy Corporation on May 6, 1998; to L.P. Moore, Inc. on May 15, 1991; to Plenergy Development Ltd. on May 18, 1995; and to its current owner Texas Tea on November 10, 1998.

19. On February 18, 1985, Texas American Oil Corporation spud the Krogh #2 Well ("Krogh Well") (API No. 05-001-08503), located in the NE $\frac{1}{4}$  NE $\frac{1}{4}$  of Section 14, Township 1 South, Range 67 West, 6th P.M. The Krogh Well was subsequently conveyed to Devon Energy Corporation on May 1, 1998; to L.P. Moore, Inc. on April 1, 1991; to Plenergy Development Ltd. on January 1, 1995; and to its current owner Texas Tea on October 27, 1998.

20. On January 9, 2012, COGCC Staff issued NOAV #200336456 to Texas Tea for its operations at the Adams County Well and NOAV #200336457 to Texas Tea for its operations at the Krogh Well for the following alleged rule violations:

a. Rule 319.b.(1), which requires that a well may be temporarily abandoned when completed, upon approval of the Director, for a period not to exceed six (6) months provided the hole is cased or left in such a manner as to prevent migration of oil, gas, water or other substance from the formation or horizon in which it originally occurred. All temporarily abandoned wells shall be closed to the atmosphere with a swedge and valve or packer, or other approved method. If an operator requests temporary abandonment status in excess of six (6) months the operator shall state the reason for requesting such extension and state plans for future operation. A Sundry Notice, Form 4, or other form approved by the Director, shall be submitted annually stating the method the well is closed to the atmosphere and plans for future operation.

b. Rule 319.b.(3), which requires a well which has ceased production or injection and is incapable of production or injection shall be abandoned within 6 months thereafter unless the time is extended by the Director upon application by the owner. The application shall indicate why the well is temporarily abandoned and future plans for utilization. In the event the well is covered by a blanket bond, the Director may require an individual plugging bond on the temporarily abandoned well. Gas storage wells are to be considered active at all times unless physically plugged.

c. Rule 326.b.(1), which requires a mechanical integrity test ("MIT") to be performed on each shut-in well within 2 years of the initial shut-in date. A MIT shall be performed on each shut-in well on 5 year intervals from the date the initial MIT was performed. If, at any time, surface equipment is removed or the well becomes incapable of production, a MIT must be performed within 30 days.

The NOAVs required the following abatement or corrective actions to be taken by Texas Tea: 1) submit a Form 4 for each well to request an extended temporarily abandoned ("TA") status if the wells were TA. This action was required to be completed by February 8, 2012. Further, Texas Tea was to: 1) put the wells on production and submit Operator's Monthly Report of Operations for each well; 2) pass a mechanical integrity test ("MIT") for each well to maintain shut-in ("SI") or TA status, notify COGCC 10 days prior to each MIT, and submit a Form 21 for each well within 30 days after a MIT; or 3) plug and abandon the wells; and 4) perform Bradenhead tests for each well and report the results on Form 17. These actions were required to be completed by March 9, 2012.

21. Rule 523.c. specifies a base fine of One Thousand dollars (\$1,000) per day for violations of Rule 319 and 326. It appears that the violation alleged occurred for a period of more than ten (10) days, however, the violations did not result in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare, including the environment or wildlife resources. Accordingly, the maximum penalty for any single violation shall not exceed Ten Thousand dollars (\$10,000) regardless of the number of days of such violation.

22. Texas Tea violated **Rule 319.b.(1)** because it failed to obtain Director's approval to continue temporarily abandoned status of the well for longer than six months. The COGCC Staff has calculated a base fine of **\$10,000** for the violation of Rule 316.b.(1).

23. Texas Tea violated **Rule 319.b.(3)** because it failed to file a sundry notice of the well's temporarily abandoned status. The COGCC Staff has calculated a base fine of **\$10,000** for the violation of Rule 319.b.(3).

24. Texas Tea violated **Rule 326.b.(1)** because it failed to produce, plug or MIT the well. The COGCC Staff has calculated a base fine of **\$10,000** for the violation of Rule 326.b.(1).

25. Base fines for the Adams County #1 Well and Krogh #2 Well are as summarized follows:

<b>Rule Violations</b>	<b>Base Fine</b>
Rule 319.b.(1)	\$10,000
Rule 319.b.(3)	\$10,000
Rule 326.b.(1)	\$10,000
<i>Subtotal Base Fines for the Adams County #1 Well</i>	<i>\$30,000</i>
Rule 319.b.(1)	\$10,000
Rule 319.b.(3)	\$10,000
Rule 326.b.(1)	\$10,000
<i>Subtotal Base Fines for the Krogh #2 Well</i>	<i>\$30,000</i>
<i>Total Base Fines for Adams County #1 and Krogh #2 Wells</i>	<i>\$60,000</i>

**General Operations**

26. On December 8, 2010, COGCC Staff issued NOAV #1662769 to Texas Tea for the following alleged rule violations:

a. Rule 706., which requires an operator to provide financial assurance, in the amount of \$10,000 per well less than 3,000 feet in total measured depth and \$20,000 per well for wells in excess of 3,000 feet in total measured depth, to Commission to ensure the protection of soil, the proper plugging and abandonment of the well, and the reclamation of the site in accordance with the 300-Series of drilling regulations, the 900-Series of exploration and production waste management regulations, the 1000-Series of reclamation regulations, and the 1100-Series of flowline regulations.

b. Rule 707., which requires that when an operator's inactive well count exceeds such operator's financial assurance amount divided by \$10,000 for inactive wells less than 3,000 feet in total measured depth or \$20,000 for inactive wells greater than or equal to 3,000 feet in total measured depth, such additional wells shall be considered "excess in active wells." For each excess inactive well, an operator's required financial assurance amount under Rule 706 shall be increased by \$10,000 for inactive wells less than 3,000 feet in total measured depth or \$20,000 for inactive wells greater than or equal to 3,000 feet in total measured depth.

Operators shall identify and list any shut-in or temporarily abandoned wells on their monthly production/injection report. In addition, when equipment is removed from a well so as to render it temporarily abandoned, operators shall file a Sundry Notice, Form 4, with the Commission within 30 days describing such activity.

27. The NOAV required the following abatement or corrective action to be taken by Texas Tea: provide the COGCC with financial assurance in form of cashier's check payable to COGCC, insurance bond, or certificate of deposit as a public fund account. This action was required to have been completed by January 8, 2011.

28. On February 2, 2012, COGCC Staff issued NOAV #200339488 to Texas Tea for the following alleged rule violations:

a. Rule 309., which requires that each producer or operator of an oil or gas well shall file with the Commission, within forty-five (45) days after the month in which production occurs, a report on Operator's Monthly Production Report, Form 7, containing all information required by said form. In addition, all fluids produced during the initial testing and completion shall be reported on Operator's Monthly Production Report, Form 7 within forty-five (45) days after the month in which testing and completion occurs.

b. Rule 310., which requires that on or before March 1, June 1, September 1 and December 1 of each year, every producer or purchaser, whichever disburses funds directly to each and every person owning a working interest, a royalty interest, an overriding royalty interest, a production payment and other similar interests from the sale of oil or natural gas subject to the charge imposed by §34-60-122(1) (a) C.R.S., 1973, as amended, shall file a return with the Director showing by operator, the volume of oil, gas or condensate produced or purchased during the preceding calendar quarter, including the total consideration due or received at the point of delivery. No filing shall be required when the charge imposed is zero mill (\$0.0000) per dollar value.

29. Rule 523. specifies a base fine of One Thousand dollars (\$1,000) per day for violations of Rule 706, 707, 309 and 310. It appears that the violation alleged occurred for a period of more than ten (10) days, however, the violations did not result in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare, including the environment or wildlife resources. Accordingly, the maximum penalty for any single violation shall not exceed Ten Thousand dollars (\$10,000) regardless of the number of days of such violation.

30. Texas Tea violated **Rule 706.** because it failed to provide the COGCC with the adequate financial assurance. The COGCC Staff has calculated a base fine of **\$10,000** for the violation of Rule 706.

31. Texas Tea violated **Rule 707.** because it failed to provide the COGCC with adequate financial assurance for its excess inactive wells. The COGCC Staff has calculated a base fine of **\$10,000** for the violation of Rule 707.

32. Texas Tea violated **Rule 309.** because it failed to provide the COGCC with production reports for its wells at the time required. The COGCC Staff has calculated a base fine of **\$10,000** for the violation of Rule 309.

33. Texas Tea violated **Rule 310.** because it failed to provide the COGCC with conservation levies at the time required. The COGCC Staff has calculated a base fine of **\$10,000** for the violation of Rule 310.

34. Base fines for the general operations are as summarized follows:

<b>Rule Violations</b>	<b>Base Fine</b>
Rule 706.	\$10,000
Rule 707.	\$10,000
Rule 309.	\$10,000
Rule 310.	\$10,000
<i>Total Base Fines for General Operations</i>	<b>\$40,000</b>

35. Total base fines for all wells and general operations are summarized below:

<b>Well Name/Number</b>	<b>Base Fine</b>
Van Scoyk #1	\$45,000
Pace #2	\$25,000
Adams County #1	\$30,000
Krogh #2	\$30,000
General Operations	\$40,000
<i>Total Base Fines</i>	<b>\$170,000</b>

## Structured Settlement

36. For purposes of settling this matter without a contested hearing, the parties agree to the following:

a. Payment of a total base fine of \$110,000, subject to a portion suspended as provided by subparagraph c below.

b. Payment of the first \$40,000 shall be payable as follows: 1) \$10,000 no later than 30 days from the date this AOC is approved by the Commission; and 2) \$30,000 no later than February 15, 2013.

c. Payment of the remaining \$70,000 is suspended for as long as Texas Tea remains compliant with the Compliance schedule attached as Exhibit A. Should Texas Tea fall out of compliance with the Exhibit A compliance schedule, the suspended portion of the fine shall be payable 30 days from the date Commission staff mails a notice to Texas Tea that the \$70,000 is due and no longer in suspension.

37. If this matter is not resolved by this AOC, COGCC Staff specifically reserves the right to bring this matter for hearing by the Commission. Nothing within this proposed AOC should be construed as the COGCC Staff waiving the right to prosecute any violation described in the NOAV's discussed in this AOC to the fullest extent permitted by law.

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

39. Texas Tea must execute this AOC no later than October 31, 2012 for it to be presented for approval by the Commission at its November 15, 2012 meeting. Failure by Texas Tea to execute this AOC and deliver it to Commission offices by the close of business on October 31, 2012, shall result in the retraction of this AOC by Commission Staff.

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

41. Texas Tea agrees to the findings of this AOC only for the purpose of expeditiously resolving the matter without a contested hearing. Pursuant to Rule 423.c.(3), entering into this AOC by Texas Tea shall not be construed as an admission of the alleged violations for purposes other than entering this AOC. Texas Tea 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, IT IS ORDERED, that:

1. Texas Tea shall be found in violation of the following Rules at the Van Scoyk #1 Well (API No. 05-001-08516), located in the SE¼ SE¼ of Section 22, Township 1 South, Range 67 West, 6<sup>th</sup> P.M:

- a. Rule 210.b.(2), for failure to place a sign on the battery site.
- b. Rule 319.b.(1), for failure to obtain Director's approval to continue shut-in status of the well for longer than six months.
- c. Rule 319.b.(3), for failure to file a sundry notice of the well's shut-in status.
- d. Rule 326.b.(1), for failure to produce, plug or MIT the well.
- e. Rule 603.j., for failure to control weeds on the well and battery site.
- f. Rule 906.a., for failure to remove oil saturated soil from the well and battery site.

2. Texas Tea shall be found in violation of the following Rules at the Pace #2 Well (API No. 05-123-08720), located in the NW¼ SE¼ of Section 17, Township 2 North, Range 67 West, 6<sup>th</sup> P.M:

- a. Rule 210.d., for failure to label tanks per Rule 210.d.
- b. Rule 604.a.(4), for failure to repair berms in compliance with Rule 604.a.(4).
- c. Rule 902.d., for failure to cover openings in the concrete vault in compliance with Rule 902.d.

3. Texas Tea shall be found in violation of the following Rules at both the Adams County #1 Well (API No. 05-001-08204), located in the SW¼ SW¼ of Section 14, Township 1 South, Range 67 West, 6<sup>th</sup> P.M. and the Krogh #2 Well (API No. 05-001-08503), located in the NE¼ NE¼ of Section 14, Township 1 South, Range 67 West, 6<sup>th</sup> P.M.:

- a. Rule 319.b.(1), for failure to obtain Director's approval to continue shut-in status of the well for longer than six months.
- b. Rule 319.b.(3), for failure to file a sundry notice of the well's shut in status.
- c. Rule 326.b.(1), for failure to produce, plug or MIT the well.

4. Texas Tea LLC is found in violation of the following Rules for its general operations:

- a. Rule 706., for failure to provide financial assurance, in the amount of \$10,000 per well less than 3,000 feet in total measured depth and \$20,000 per well for wells in excess of 3,000 feet in total measured depth, to Commission to ensure the protection of soil, the proper plugging and abandonment of the well, and the reclamation of the site in accordance with the 300-Series of drilling regulations, the 900-Series of exploration and production waste management regulations, the 1000-Series of reclamation regulations, and the 1100-Series of flowline regulations.
- b. Rule 707., for failure to provide the adequate financial assurance for its excessive inactive wells.
- c. Rule 309, for failure to provide production reports at the time required.
- d. Rule 310, for failure to provide conservation levies at the time required.

5. Texas Tea shall be assessed a total fine of \$110,000 for the Rule violations set forth above, payable as follows:

- a. Payment of the first \$40,000 shall be payable as follows: 1) \$10,000 no later than 30 days from the date this AOC is approved by the Commission; and 2) \$30,000 no later than February 15, 2013.
- b. Payment of the remaining \$70,000 is suspended for as long as Texas Tea remains compliant with the Compliance Schedule attached as Exhibit A. Should Texas Tea fall out of compliance with the Exhibit A Compliance Schedule, the suspended portion of the fine shall be payable 30 days from the date Commission staff mails a notice to Texas Tea that the \$70,000 is due and no longer under suspension.

6. Failure by Texas Tea to comply with the financial assurance requirements of Rule 706 as specified by the Exhibit A Compliance Schedule, will result in the Director revoking Texas Tea's authorization to conduct oil and gas operations in Colorado pursuant to the Colorado Oil and Gas Conservation Act.

7. This Administrative Order by Consent does not relieve Texas Tea from undertaking and completing abatement or corrective actions that may be required by the Notice of Alleged Violations described above, or any amendments or modifications thereto specified by the COGCC Staff.

RECEIVED  
OCT 26 2012  
COGOC

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

9. An application for reconsideration by the Commission of this order is not required prior to the filing for judicial review.

10. The provisions contained in the above order shall become effective immediately.

11. 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 19<sup>th</sup> day of October, 2012.

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

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

AGREED TO AND ACCEPTED this 20 day of October, 2012.

TEXAS TEA OF COLORADO LLC dba TEXAS TEA LLC,

By [Signature]  
Signature of Authorized Company Representative

BOB PARKER  
Print Signatory Name

MANAGER  
Title

EXHIBIT A

Docket No. 1207-OV-06  
Order No. 1V-397

COMPLIANCE SCHEDULE

1. Texas Tea shall pay \$10,000 of the mandatory fine of \$40,000 by December 14, 2012. The remaining \$30,000 of the mandatory fine shall be paid no later than February 15, 2013.
2. Texas Tea must provide full Rule 706 financial assurance compliance of \$60,000 by providing an additional \$10,000 by November 1, 2012, and the remaining \$20,000 by November 30, 2012.
3. Texas Tea must provide an additional \$20,000 financial assurance pursuant to Rule 707 for excessive inactive wells by March 15, 2013. Alternatively, Texas Tea may either plug or produce one more well.
4. Texas Tea shall submit all delinquent Monthly Report of Operations (Form 7) by November 1, 2012.
5. Texas Tea shall submit all past due Oil and Gas Conservation Levy Reports (Form 8) and make required payments of principal and interest by November 1, 2012.
6. Texas Tea shall either plug, produce, or perform mechanical integrity tests (MIT's) on the following wells no later than February 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.
7. At the Van Scoyk #1 Well site, Texas Tea must: 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 December 15, 2012.
8. Texas Tea shall provide "as built" GPS location data for all wells by January 15, 2013.

=====

The Commission heard and approved this matter on the 15<sup>th</sup> day of November, 2012.

ENTERED this 20<sup>th</sup> day of November, 2012, as of the 15<sup>th</sup> day of November, 2012.

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

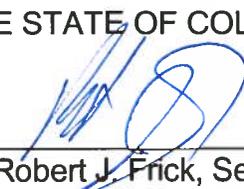
By  \_\_\_\_\_  
Robert J. Frick, Secretary

EXHIBIT A  
Docket No. 1207-OV-06  
Order No. 1V-397

AMENDED AOC COMPLIANCE SCHEDULE  
(Corrected)

1. 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.
2. Texas Tea must provide full Rule 706 financial assurance compliance of \$60,000 by providing an additional \$10,000 by November 1, 2012, another \$10,000 by December 7, 2012, and the remaining \$10,000 by December 30, 2012.
3. 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.
4. Texas Tea shall submit all delinquent Monthly Report of Operations (Form 7) by November 1, 2012.
5. Texas Tea shall submit all past due Oil and Gas Conservation Levy Reports (Form 8) and make required payments of principal and interest by November 1, 2012.
6. 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.
7. At the Van Scoyk #1 Well site, Texas Tea must: 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.
8. Texas Tea shall provide "as built" GPS location data for all wells by February 15, 2013.
9. The February 15, 2013 deadline of paragraph 5.a. of the AOC is amended to read March 15, 2013.

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

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

December 6, 2012

AGREED TO AND ACCEPTED this 7<sup>th</sup> day of December, 2012.

TEXAS TEA OF COLORADO LLC dba TEXAS TEA LLC,

By [Signature]  
Signature of Authorized Company Representative

ROBERT PARKER  
Print Signatory Name

MANAGER  
Title