

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

IN THE MATTER OF ALLEGED VIOLATIONS OF THE RULES AND) CAUSE NO. 1V
REGULATIONS OF THE COLORADO OIL AND GAS)
CONSERVATION COMMISSION BY GRYNBERG PETROLEUM) ORDER NO. 1V-367
CO., MOFFAT 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

1. On or about December 17, 2008, Grynberg Petroleum Co. ("Grynberg") (Operator No. 36200), Jack J. Grynberg, owner and operator, spud the Hiawatha State #4-3 Well (API No. 05-081-07313) (the "Well"), which is located in the NW¼ SE¼ of Section 3, Township 11 North, Range 101 West, 6th P.M.

2. On November 9, 2009, Colorado Oil and Gas Conservation Commission ("COGCC" or "Commission") Staff (the "Staff") conducted a routine inspection of the Well site. The inspection report states that oil was observed on the surface of the pit located on the Well pad, that the pit had less than two feet of freeboard and fluids had breached the containment walls of the pit and were pooled up on the surface of the Well pad, and that the pit liner was in disrepair, or was missing at the corner of the pit.

3. On November 9, 2009, COGCC Staff issued Notice of Alleged Violation ("NOAV") #200221984 for alleged violations of the following COGCC rules:

a. Rule 902.b., which requires pits to be constructed, monitored, and operated to provide a minimum of two feet of freeboard at all times between the top of the pit wall at its point of lowest elevation and the fluid level of the pit;

b. Rule 902.c., which provides that any accumulation of oil or condensate in a pit shall be removed within 24 hours of discovery. A Form 15 pit permit may be revoked by the Director and the Director may require that the pit be closed if an operator repeatedly allows more than de minimis amounts of oil or condensate to accumulate in a pit;

c. Rule 904.b.(2), which provides that all pit lining systems shall be designed, constructed, installed, and maintained in accordance with the manufacturers' specifications and good engineering practices; and

d. Rule 906.a., which requires that spills or 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. Impacts resulting from spills/releases shall be investigated and cleaned up as soon as practicable.

The NOAV required certain abatement or corrective actions to be taken by the operator by November 27, 2009.

4. In November 2010, COGCC Staff again inspected the Well and they believed that Grynberg had not complied with the abatement or corrective actions set forth in the NOAV.

5. Rule 523. specifies a base fine of One Thousand dollars (\$1,000) for each day of violation of Rules 902.b., 902.c., 904.b.(2), and 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, which do not apply here. The COGCC Staff asserted the following.

6. Grynberg should be found in violation of Rules 902.b., 902.c., 904.b.(2), and 906.a., for its oil and gas operations at the Well and pay a fine as prescribed by Rule 523. Further, Grynberg should be ordered to complete abatement or corrective actions set forth in the NOAV, as may be amended or modified by Staff.

7. Grynberg violated **Rule 902.b.** because it failed to construct, monitor, and operate to provide a minimum of two feet of freeboard at all times between the top of the pit wall at its point of lowest elevation and the fluid level of the pit. In accordance with Rule 523., the base fine is Ten Thousand dollars (\$10,000) for the violation of Rule 902.b. under these circumstances.

8. Grynberg violated **Rule 902.c.** because it failed to remove an accumulation of oil or condensate in a pit within 24 hours of discovery. Further, a Form 15 pit permit may be revoked by the

Director and the Director may require that the pit be closed if an operator repeatedly allows more than de minimis amounts of oil or condensate to accumulate in a pit. In accordance with Rule 523., the base fine is Ten Thousand dollars (\$10,000) for the violation of Rule 902.c. under these circumstances.

9. Grynberg violated **Rule 904.b.(2)** because it failed design, construct, install, and maintain a pit lining system in accordance with the manufacturers' specifications and good engineering practices. In accordance with Rule 523., the base fine is Ten Thousand dollars (\$10,000) for the violation of Rule 904.b.(2) under these circumstances.

10. Grynberg violated Rule 906.a. because it failed to control and contain, immediately upon discovery, spills or releases of E&P waste, including produced fluids, on the Well pad immediately upon discovery to protect the environment, public health, safety, and welfare. Impacts resulting from spills/releases shall be investigated and clean up as soon as practicable. In accordance with Rule 523., the base fine is Ten Thousand dollars (\$10,000) for the violation of Rule 904.b.(2) under these circumstances.

11. COGCC Staff believes that Grynberg should be found in violation of Rules 902.b., 902.c., 904.b.(2), and 906.a. for failing to properly construct and maintain the lined pit on the Well pad, and failing to control and contain the spill of E&P waste on the Well pad and cleaning up the spill as soon as practicable. COGCC Staff believes that the maximum penalty for each rule violation in this matter is Ten Thousand dollars (\$10,000) as is provided for by Rule 523.a.(3). Base fines should be levied as compiled in the table below:

Violation	Base Fine
Rule 902.b.	\$10,000
Rule 902.c.	\$10,000
Rule 904.b.(2)	\$10,000
Rule 906.a.	\$10,000
Total Base Fines	\$40,000

12. Pursuant to Rule 523.d., mitigation of 18.75% was applied to the total base fine in recognition of the following factors:

- As is provided for by Rule 523.d.(2), Grynberg demonstrated a prompt, effective and prudent response to the violations, and
- Under Rule 523.d.(7), Grynberg has demonstrated a history of compliance with Commission rules, regulations and orders.

13. Grynberg should be assessed a total adjusted fine of Thirty Two Thousand, Five Hundred dollars (\$32,500.00) for the Rule violations described above at the Well pad.

14. Grynberg does not admit to the alleged violations but agrees to pay the total fine set forth in Finding No. 13 to resolve this matter without the necessity of an extended contested hearing before the Commission.

ORDER

NOW, THEREFORE, IT IS ORDERED, that Grynberg shall be found in violation of Rules 902.b., 902.c., 904.b.(2), and 906.a. at the Hiawatha State #4-3 Well (APIT No. 05-081-07313) (the "Well"), which is located in the NW¼ SE¼ of Section 3, Township 11 North, Range 101 West, 6th P.M.

IT IS FURTHER ORDERED, that Grynberg shall be assessed a **total adjusted fine of Thirty Two Thousand, Five Hundred dollars (\$32,500.00)**, for the Rule violations set forth above, which shall be payable within thirty (30) days of the date this order is approved by the Commission.

IT IS FURTHER ORDERED that nothing in this AOC shall constitute or be construed as an admission by Grynberg that it committed any violations of any rules of the COGCC or other applicable law.

IT IS FURTHER ORDERED, that 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.

IT IS FURTHER ORDERED, that an application for reconsideration by the Commission of this order is not required prior to the filing for judicial review.

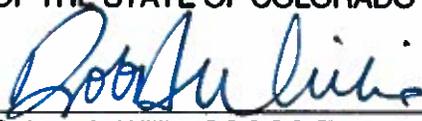
IT IS FURTHER ORDERED, that the provisions contained in the above order shall become effective forthwith.

IT IS FURTHER ORDERED, that Grynberg is fully released from any and all claims for violations of COGCC rules, the Colorado Oil and Gas Conservation Act, or any other rule, law, order, or

directive set out or that could have been set out in the Notice of Alleged Violation or this Administrative Order by Consent.

RECOMMENDED this - 21st - day of July, 2011.

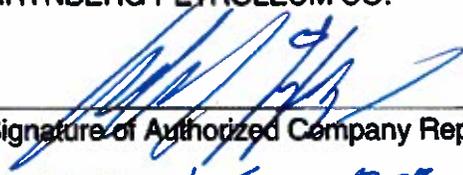
OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By: 
Robert A. Willis, COGCC Enforcement Officer

Dated at Suite 801
1120 Lincoln St.
Denver, Colorado 80203

AGREED TO AND ACCEPTED this 23rd day of July, 2011.

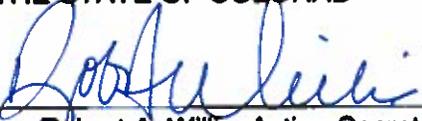
GRYNBERG PETROLEUM CO.

By: 
Signature of Authorized Company Representative
JACK d. GRYNBERG
Print Signatory Name
POB
Title

This cause came on for hearing before the Commission on the 16th day of May, 2011, at The Chancery Building, 1120 Lincoln Street, Suite 801, Denver, Colorado, for the approval of this Administrative Order by Consent.

ENTERED this - 28th - day of July 2011, as of the 16th day of May, 2011.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORAD

By: 
Robert A. Willis, Acting Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203