

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

IN THE MATTER OF ALLEGED VIOLATIONS OF THE
RULES AND REGULATIONS OF THE COLORADO OIL
AND GAS CONSERVATION COMMISSION BY
REED OPERATING COMPANY INC.,
MOFFAT COUNTY, COLORADO

CAUSE NO. 1
ORDER NO. IV-195

ADMINISTRATIVE ORDER BY CONSENT

FINDINGS

1. On October 28, 1999 a surface owner complaint was received alleging housekeeping and safety violations for the Shefstead-Ninker #1 Well located in the E½ SE¼ of Section 4, Township 6 North, Range 91 West, 6th PM. On October 28, 1999 an inspection was conducted by Colorado Oil and Gas Conservation Commission ("COGCC") staff on the well finding unnecessary equipment, thirty-eight (38) drums of waste material and junk stored on location. In addition, stairs leading to the production tank were not safely be attached to the tank resulting in the potential to cause personal injury. Further, noxious weeds were present on the site.

2. On November 22, 1999 COGCC staff issued a Notice of Alleged Violation ("NOAV") to Reed Operating Company Inc. ("Reed") for keeping unnecessary equipment on location and for storing thirty-eight (38) drums of waste material and junk on location. The NOAV cited violation of Rules 602.b. and 603.g. which state that potentially dangerous conditions shall be remedied as soon as practical and that all locations shall be kept free of equipment, supplies, weeds and other waste material. The NOAV had an abatement deadline of January 1, 2000. To date the location has not been cleaned up or made safe and is in continuing violation of Rules 602.b. and 603.g.

3. During the well inspection on October 28, 1999 COGCC staff found a water flow from the bradenhead indicating the well had not been properly cemented to isolate fresh water aquifers. On November 22, 1999 staff issued an NOAV to Reed for failure to protect the aquifer citing violations of Rules 317.f. and g. which state the casing shall be cemented in a manner sufficient to protect all fresh water. The NOAV had an abatement deadline of March 1, 2000. To date the aquifer has not been protected by remedial cementing and the well is in continuing violation of Rules 317.f. and g.

4. A monetary penalty of One Thousand dollars for violation of Rules 602.b. and 603.g. and One Thousand dollars for violation of Rules 317.f. and g., for a total fine of Two Thousand dollars (\$2,000) should be assessed against Reed Operating Company Inc. for these violations in accordance with Rule 523.a.

5. Reed Operating Company Inc. should clean up the location as specified in the NOAV's and should protect the aquifer either by squeeze cementing or plugging and abandoning the well within thirty (30) days of the date this Administrative Order by Consent is agreed to and accepted.

RECOMMENDED ORDER

NOW, THEREFORE IT IS ORDERED, that Reed Operating Company Inc. shall be found in violation of Rules 602.b., 603.g., 317.f. and 317.g. for the Shefstead-Ninker #1 Well and site located in the E½ SE¼ of Section 4, Township 6 North, Range 91 West, 6th PM.

IT IS FURTHER ORDERED, that Reed Operating Company Inc. shall clean up the location as specified in the above-referenced NOAV's and shall protect the aquifer either by squeeze cementing or plugging and abandoning the Shefstead-Ninker #1 Well within thirty (30) days of the date this Administrative Order by Consent is agreed to and accepted.

IT IS FURTHER ORDERED, that Reed Operating Company Inc. shall be assessed a total fine of Two Thousand dollars (\$2,000) for the above violations, payable within thirty (30) days of the date this order is approved by the Commission.

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

IT IS FURTHER ORDERED, that 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 2nd day of May, 2000, as of May 2, 2000.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By Morris Bell
Morris Bell, Hearing Officer

Dated at Ste. 801
1120 Lincoln St.
Denver, CO 80203
May 2, 2000

AGREED TO AND ACCEPTED THIS 17 DAY OF May, 2000.

REED OPERATING COMPANY INC.

By Robert Palmer
Title Agent