

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 ) ORDER NO. 1V-305  
EDWARD MIKE DAVIS, LLC, )  
WASHINGTON COUNTY, COLORADO )

ADMINISTRATIVE ORDER BY CONSENT

FINDINGS

1. On June 20, 2005, a Colorado Oil and Gas Conservation Commission ("COGCC") Application for Permit-to-Drill, Form 2 ("APD"), was approved for Edward Mike Davis, LLC ("EMD") to drill the Krause 33-19 Well located in the NW $\frac{1}{4}$  SE $\frac{1}{4}$  of Section 19, Township 3 South, Range 50 West, 6th P.M. As Conditions of Approval ("COA's"), the APD included the following well abandonment requirements if the well was a dry hole: 40 sacks cement from the Dakota base up; 40 sacks cement from Niobrara top up; 40 sacks cement  $\frac{1}{2}$  out,  $\frac{1}{2}$  in surface casing shoe; 10 sacks cement at top of surface casing; cut 4 feet below ground level, weld plate; 5 sacks cement in rat hole and 5 sacks cement in mouse hole.

2. The Krause 33-19 Well was abandoned on July 3, 2005 as a dry hole. EMD complied with the following abandonment requirements in the upper portion of the hole near the surface casing in accordance with the COA's: 40 sacks cement  $\frac{1}{2}$  out,  $\frac{1}{2}$  in surface casing shoe; 10 sacks cement at top of surface casing; cut 4 feet below ground level, weld plate; 5 sacks cement in rat hole and 5 sacks cement in mouse hole. However, as described below, EMD did not set open-hole cement plugs to isolate producing horizons in accordance with the COA's.

3. On September 2, 2005, COGCC staff received EMD's Well Abandonment Report (Subsequent Report of Abandonment), Form 6, for the Krause 33-19 Well, dated August 31, 2005. Form 6 was approved by COGCC staff on December 1, 2005.

4. On December 1, 2005, COGCC staff requested a Drilling Completion Report, Form 5, for the Krause 33-19 Well with a required response date of December 30, 2005. On February 14, 2006, COGCC staff received Form 5 (without logs), dated December 5, 2005. On May 18, 2006, COGCC staff requested copies of the logs shown on Form 5: neutron-density, microlog, triple combo and array induction within thirty (30) days. COGCC staff received copies of the requested logs on May 22, 2006.

5. During COGCC staff's review of Form 5 and the logs, it became apparent that open-hole cement plugs did not comply with the COA's on the APD. Form 5 indicated that the "D" Sand top was at a measured depth of 3927 feet, the "D" Sand bottom was at a measured depth of 3948 feet, the "J" Sand top was at a measured depth of 3970 feet, the "J" Sand bottom was at a measured depth of 3977 feet and the total measured depth for the well was 4214 feet. Based on COGCC staff's review of the array induction log for the Krause 33-19 Well, the Niobrara Formation top was present at a measured depth of approximately 3023 feet.

6. According to Form 6 for the Krause 33-19 Well, EMD set a single 40 sack open-hole cement plug from a depth of 3667 feet to a depth of 3547 feet. This plug isolated the "D" Sand and "J" Sand from the Niobrara Formation, but it did not isolate the Niobrara Formation from the upper portion of the hole, as required by the COA's on the APD. The Niobrara Formation is the shallowest known producing horizon, with four offset wells producing from the Niobrara Formation within a one-mile radius of the Krause 33-19 Well. Also,

based on COGCC staff's review of the neutron-density log for the Krause 33-19 Well, nuisance gas appears to be present in the Niobrara Formation.

7. On May 30, 2006, COGCC staff issued a Notice of Alleged Violation ("NOAV") for the Krause 33-19 Well, citing the following: Rule 301. failure to provide written notice of intention to change plans previously approved, and failure to receive written approval for the change before the work was begun; and Rule 317.i., failure to isolate the shallowest known producing horizon. The NOAV required that EMD submit a written report to show cause why EMD should not be found in violation, subject to fine, and subject to a required re-entry into the Krause 33-19 Well to provide additional cement for Niobrara Formation isolation. The required NOAV response date for the written report was June 30, 2006.

8. On June 5, 2006, COGCC staff received a written response to the NOAV from EMD. EMD's letter documented some inconsistency in COGCC plugging requirements in the vicinity of the Krause 33-19 Well. Two wells within a two-mile radius of the Krause 33-19 Well required plugs above the Niobrara Formation, and two other wells within a two-mile radius of the Krause 33-19 Well did not require plugs above the Niobrara Formation. EMD contended that based on its resistivity data for the Krause 33-19 Well, it would not be productive as a commercial Niobrara Formation well. EMD also contended that, "with mud in the hole and 40 sacks of cement half in and half out of the surface pipe that there is no chance of significant waste of oil and gas resources, damage to correlative rights or a significant adverse impact on public health, safety, or welfare."

9. With due consideration given to EMD's response to the NOAV regarding violation of Rule 317.i., EMD should be found in violation of Rule 301., failure to provide written notice of intention to change plans previously approved and failure to receive written approval for the change before the work was begun.

10. Rule 301. specifies a base fine of One Thousand dollars (\$1,000) per day for each violation of Rule 301.

11. A monetary penalty of One Thousand dollars should be assessed against EMD, in accordance with Rule 523.a.

### ORDER

NOW, THEREFORE, IT IS ORDERED, that Edward Mike Davis, LLC shall be found in violation of Rule 301. failure to provide written notice of intention to change plans previously approved, and failure to receive written approval for the change before the work was begun for the Krause 33-19 Well located in the NW $\frac{1}{4}$  SE $\frac{1}{4}$  of Section 19, Township 3 South, Range 50 West, 6th P.M.

IT IS FURTHER ORDERED, that Edward Mike Davis, LLC shall be assessed a fine of One Thousand dollars (\$1,000.00) payable within thirty (30) days of the date the order is approved by the Commission for violations occurring on the Krause 33-19 Well.

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.

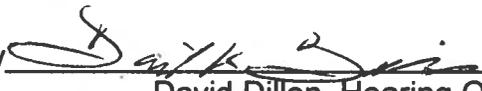
IT IS FURTHER ORDERED, that under the State Administrative Procedure Act the Commission considers this order to be final agency action for

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.

Recommended this 12th day of July, 2006.

OIL AND GAS CONSERVATION COMMISSION

By   
David Dillon, Hearing Officer

Dated at Suite 801  
1120 Lincoln Street  
Denver, Colorado 80203  
July 12, 2006

AGREED TO AND ACCEPTED THIS 18th DAY OF July, 2006.

EDWARD MIKE DAVIS, LLC

By   
Manager  
Title

---

This cause came on for hearing before the Commission at 9:00 a.m. on September 18, 2006, Suite 801, in The Chancery Building, 1120 Lincoln Street, Denver, Colorado, for the approval of this Administrative Order by Consent.

ENTERED this 11th day of October, 2006, as of September 18, 2006.

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

By   
Patricia C. Beaver, Secretary

Dated at Suite 801  
1120 Lincoln Street  
Denver, Colorado 80203  
October 11, 2006

