

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 ORR ENERGY LLC, WELD)	ORDER NO. 1V-
COUNTY, COLORADO)	DOCKET NO. 1106-OV-10

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. Rule 303.b. of the Colorado Oil and Gas Conservation Commission ("Commission" or "COGCC") provides in part that "a request to recomplete or deepen a well to a different reservoir, or to sidetrack a well, shall be filed on an Application for Permit-to-Drill ("APD"), Form 2, . . . along with a Sundry Notice, Form 4, detailing the work, and a wellbore diagram."

2. Orr Energy LLC ("Orr") drilled the following wells (listed in Finding No. 3, below) to the Dakota or "J" Sand Formations pursuant to an approved APD issued by the COGCC. Each well was drilled at a location authorized by Rule 318.a. for all Cretaceous Age Formations, including the Codell Formation.

3. Without first filing for an APD, or submitting a Sundry Notice, Form 4, Orr went up-hole in each of the seven wells and recompleted each in the Codell Formation. The wells (referred to collectively as, the "Wells") and the dates of their completions in the Codell Formation are as follows:

Well Name/Number	Date of Codell Completion
Lowe #31-34	October 2, 2007
Lowe #31-85	October 7, 2007
Lowe #31-24D	October 2, 2007
South #6-21D	February 19, 2008
South #6-22D	February 21, 2008
South #6-23D	February 25, 2008
South #6-24D	February 27, 2008

4. In April 2008, Orr filed a Completed Interval Report, Form 5A, with the Commission for each such well indicating that it had re-completed each well in the Codell formation.

5. On October 8, 2008, COGCC Staff issued Notice of Alleged Violation ("NOAV") #200196368 to Orr for its operations at the wells. Said NOAV cited a violation of Rule 303.b. for each well.

The NOAV required Orr to file an APD, Form 2, for the recompletion, and a Sundry Notice, Form 4, detailing the work done and an updated wellbore diagram, by November 10, 2008. Further, Orr was to submit written documentation as to what occurred, why, and what procedures would be implemented to prevent similar occurrences in the future.

6. Rule 523. specifies a base fine of One Thousand dollars (\$1,000) for each day of violation of Rule 303.b. 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.

7. COGCC Staff believes that Orr should be found in violation of Rule 303.b. for its operations at the Wells, due to its completions of the Wells in the Codell Formation without an approved APD. Base fines should be levied as compiled in the table below:

Well Name/Number	Fine Amount
Lowe #31-34	\$1,500
Lowe #31-85	\$1,500
Lowe #31-24D	\$1,500
South #6-21D	\$1,500
South #6-22D	\$1,500
South #6-23D	\$1,500
South #6-24D	\$1,500
Total Base Fines	\$10,500

8. Pursuant to Rule 523.d., mitigation of 23.8% was applied to the total base fine in recognition of the following factors:

- As is provided for by Rule 523.d.(2), Orr demonstrated a prompt, effective and prudent response to the violations upon issuance of the NOAV,
- Under Rule 523.d.(3), Orr cooperated with the Commission with respect to the violations, and
- Under Rule 523.d.(7), Orr has demonstrated a history of compliance with Commission, regulations and orders.

9. Orr should be assessed a total adjusted fine of Eight Thousand dollars (\$8,000.00) for the Rule violation described above at the Wells.

10. Orr does not admit to the alleged violations but agrees to pay the total fine set forth in Finding No. 9 to resolve this matter without the necessity of a contested hearing before the Commission.

ORDER

NOW, THEREFORE, IT IS ORDERED, that Orr shall be found in violation of the following Rule at the Wells:

a. Rule 303.b., which provides that a request to recomplete a well to a different reservoir shall be filed on an APD, Form 2, along with a Sundry Notice, Form 4, detailing the work, and an updated wellbore diagram.

IT IS FURTHER ORDERED, that Orr shall be assessed a total adjusted fine of **Eight Thousand dollars (\$8,000.00)** for the Rule violation 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 Orr 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 Orr 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 _____ day of June, 2011.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By: _____
Robert Willis, COGCC Enforcement Officer

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

AGREED TO AND ACCEPTED this 29 day of June, 2011.

ORR ENERGY LLC
By: [Signature]
Signature of Authorized Company Representative
Fel Orr
Print Signatory Name
Manager
Title

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This cause came on for hearing before the Commission on the _____ day of _____, 20 __, in _____, Colorado, for the approval of this Administrative Order by Consent.

ENTERED this _____ day of _____, 20 __, as of the _____ day of _____, 20 __.

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