

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)	DOCKET NO. 0506-OV-05
DELTA PETROLEUM CORPORATION,)	
WASHINGTON COUNTY, COLORADO)	

NOTICE OF ADMINISTRATIVE ORDER BY CONSENT

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

In May of 1985, the Church #4 Well located in the NW¼ NE¼ of Section 25, Township 3 South, Range 51 West, 6th P.M. was drilled and completed by Central Operating, Inc.

On May 24, 1985, the Colorado Oil and Gas Conservation Commission ("COGCC") approved the Application for Permit to Use Earthen Pit, Form 15 submitted by Central Operating, Inc.

On November 12, 2003, the COGCC approved the Certification of Clearance and/or Change of Operator, Form 10 from Central Operating, Inc. to Delta Petroleum Corporation ("Delta") with an effective date of November 1, 2003.

On February 3, 2005, COGCC staff conducted a field inspection of the Church #4 Well and associated tank battery facility. Produced water was observed being transported from the Hickert lease via truck and unloaded into the Church #4 earthen pit. The Hickert #41C-18349 tank battery is located in the NE¼ NE¼ of Section 18, Township 3 South, Range 49 West, 6th P.M.

On February 4, 2005, COGCC environmental staff placed a telephone call and notified Delta to immediately cease the transfer of produced water from the Hickert lease to the Church #4 earthen pit.

On February 8, 2005, a Notice of Alleged Violation ("NOAV") was issued to Delta. The NOAV cited violations of Rule 704., operating a centralized E&P waste management facility without the required financial assurance; Rule 907.a.(1), failure to ensure that E&P waste is properly stored, handled, transported, treated, recycled or disposed to prevent threatened or actual significant adverse environmental impacts; Rule 907.b., off-site disposal of E&P waste at a facility not authorized by the COGCC; Rule 907.c., disposing of produced water in an unauthorized manner; and Rule 908., operating a centralized E&P waste management facility without COGCC approval. Corrective action included the submittal of all water hauling tickets from off-site sources of produced water. Corrective action also included the submittal of short term and long term disposal plans for produced water from the Hickert, Daisy, and Yakutat leases. Per return receipt, the NOAV was accepted by Delta on February 14, 2005.

On February 28, 2005, the required submittals as set forth in the NOAV were received by the COGCC. According to information provided, between December 2, 2004 and February 4, 2005, over 17,000 barrels of produced water was transferred from various facilities on the Hickert lease to the Church #4 earthen pit. Additionally, approximately 180 barrels of gel water and 80 barrels of produced water were transferred from the Daisy lease to the Church #4 earthen pit. The Daisy lease facilities are located in Sections 29 and 30, Township 3 South, Range 49 West, 6th P.M. Also, 60 barrels of produced water and 60 barrels of oil and water were transferred from the Christianson tank battery to the Church #4 earthen pit. The Christianson tank battery is located in the NE¼ NW¼ of Section 12, Township 3 South, Range 50 West, 6th P.M.

Based on the above findings, COGCC staff recommends that Delta Petroleum Corporation should be found in violation of Rules 907.a.(1), 907.b., 907.c., and 908. for failure to ensure that E&P waste is properly stored, handled, transported, treated, recycled or disposed to prevent threatened or actual significant adverse environmental impacts; for off-site disposal of E&P waste at a facility not authorized by the COGCC; for disposing of produced water in an unauthorized manner; and for operating a centralized E&P waste management facility without COGCC approval.

Rule 523. specifies a base fine of One Thousand dollars (\$1,000.00) per day for each violation of Rules 907.a. (1), 907.b., 907.c., and 908., and a base fine for violations of the Oil and Gas Conservation Act shall be determined by the Commission at its discretion.

A monetary penalty of Four Thousand dollars (\$4,000.00) should be assessed against Delta Petroleum Corporation, in accordance with Rule 523.a., for violation of Rules 907.a.(1), 907.b., 907.c., and 908.

The following mitigating factors were considered in reducing the recommended fine amount by One Thousand dollars (\$1,000.00) per mitigating factor, for a total of Two Thousand dollars (\$2,000.00) fine reduction: Rule 523.d.(2), the violator demonstrated prompt, effective and prudent response to the violation, and Rule 523.d.(3), the violator cooperated with the Commission with respect to the violation.

On April 7, 2005, COGCC staff issued an Administrative Order by Consent ("AOC") to Delta Petroleum Corporation for the violation of Rules 704., 907.a., 907.b., 907.c. and 908., failure by Delta Petroleum Corporation of operating a centralized E&P waste management facility without the required financial assurance, failure to ensure that E&P waste is properly stored, handled, transported, treated, recycled or disposed to prevent threatened or actual significant adverse environmental impacts, off-site disposal of E&P waste at a facility not authorized by the COGCC, disposing of produced water in an unauthorized manner and operating a centralized E&P waste management facility without COGCC approval for the Church #4 Well located in the NW¼ NE¼ of Section 25, Township 3 South, Range 51 West, 6th P.M. On April 22, 2005, Delta Petroleum Corporation agreed to and accepted the AOC, including a fine of Two Thousand Dollars (\$2,000).

NOTICE IS HEREBY GIVEN, that the oil and Gas Conservation Commission of the State of Colorado, pursuant to the above, has scheduled the above-entitled matter for hearing on:

Date: Monday, June 6, 2005
Time: 9:00 a.m.
Place: Suite 801, The Chancery Building
1120 Lincoln Street
Denver, CO 80203

In accordance with the Americans with Disabilities Act, if any party requires special accommodations as a result of a disability for this hearing, please contact Angie Gipson at (303) 894-2100 ext. 113, prior to the hearing and arrangements will be made.

Pursuant to said hearing in the above-entitled matter at the time and place aforesaid, or at any adjourned meeting, the Commission will enter such orders as it deems appropriate to protect the health, safety and welfare of the public and to prevent the waste of oil and gas, either or both, in the operations of said field, and to carry out the purposes of the statute.

In accordance with Rule 509., any interested party desiring to protest the granting of the application or to intervene on the application should file with the Commission a written protest or intervention no later than May 16, 2005, briefly stating the basis of the protest or intervention. Such interested party shall, at the same time, serve a copy of the protest or intervention to the person filing the application. An original and nine (9) copies shall be filed with the Commission (Rule 503.f.). Pursuant to Rule 503.e., if a party who has received notice under Rule 503.b. wishes to receive further pleadings in the above-referenced matter, that party must file a protest or intervention in accordance with these rules. In accordance with the practices of the Commission, should no protests or interventions be filed in this matter by May 16, 2005.

IN THE NAME OF THE STATE OF COLORADO

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
April 29, 2005