

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

IN THE MATTER OF ALLEGED VIOLATIONS OF	)	CAUSE NO. 1V
THE RULES AND REGULATIONS OF THE	)	
COLORADO OIL COMMISSION BY <b>PRESCO, INC.</b> ,	)	DOCKET NO. 0606-OV-07
GARFIELD COUNTY, COLORADO	)	

NOTICE OF ADMINISTRATIVE ORDER BY CONSENT

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

On October 14, 2005, Presco, Inc. ("Presco") notified the COGCC staff of a release at the Battlement Mesa No. 36-23 wellsite located in the SW¼ NE¼ of Section 36, Township 7 South, Range 95 West, 6<sup>th</sup> P.M. The release was an uncontrolled release of drilling mud that daylighted through and impacted a natural spring at the base of the drilling pad. The release occurred during the drilling of the borehole for surface casing. The release flowed downhill and entered Battlement Creek adjacent to the drilling site. The release involved a previously undetected shallow subsurface ground water flow zone that was located within the boulder field in which the wellsite was located. Subsequent cementing of the surface casing on October 15, 2005 at 4:30 a.m. controlled the release and stopped the discharge of drilling mud into the spring and Battlement Creek. On October 14, 2005, COGCC staff collected water samples for laboratory analysis from both the impacted spring and from Battlement Creek approximately 3.5 miles downstream of the release location.

On November 21, 2005, COGCC staff issued a Notice of Alleged Violation ("NOAV") to Presco citing Rule 209. which requires operators to take precautions to protect water-bearing formations, Rule 317.e., which requires operators to run sufficient surface casing to a depth protective of usable fresh waters, Rule 324A.b., which states that no operator shall perform an act or practice which shall constitute a violation of water quality standards or classifications established by the Water Quality Control Commission for waters of the state, and Rule 906.a., which states that releases of E&P waste, including produced fluids shall be controlled and contained immediately upon discovery. The NOAV abatement or corrective actions required Presco to describe all operational changes that Presco will implement on future drilling operations to mitigate uncontrolled release of E&P fluids from drill sites. The NOAV abatement date was December 29, 2005.

Presco responded to the NOAV on December 16, 2005, presenting both the operator's response to the NOAV and describing corrective actions that Presco will implement on any future well drilling operations including continuation of the water quality monitoring on Battlement Creek which Presco had begun prior to the October 14, 2005 release.

COGCC staff, after review of all records regarding the October 14, 2005, release including analytical laboratory results for water samples collected at the release site and the creek confirmed Presco's previous opinion that the fluid release consisted of fresh water based drilling mud. The analytical laboratory results along with visual observations indicate that the turbidity impact to the creek has dissipated. The COGCC staff has determined that there was no lasting impact of the release to Battlement Creek.

The COGCC staff finds that Presco was not in violation of Rules 209. and 317.e., in that Presco was in the process of setting sufficient surface casing to protect subsurface waters when the release happened. The COGCC finds that Presco is not in violation of Rule 906.a. in that Presco acted timely and responsively in reporting the release to the COGCC staff and in correcting the condition leading to the release.

Presco should be found in violation of Rule 324A.b. for violating Water Quality Control Commission's Basic Standards for Surface Waters (31.11) in that state surface waters shall be free from substances attributable to human-caused point source or nonpoint discharge.

Rule 523. specifies a base fine of One Thousand Dollars (\$1,000) for each violation of Rule 324.A.b. A monetary penalty of One thousand dollars (\$1,000) for violation of Rule 324A.b. should be assessed against Presco in accordance with Rule 523.

On March 15, 2006, COGCC staff issued an Administrative Order by Consent ("AOC") to Presco Inc. for violation of Rule 324A.b., violating the Water Quality Control Commission's Basic Standards for Surface Waters, as described above on the Battlement Mesa No. 36-23 wellsite located

in the SW¼ NE¼ of Section 36, Township 7 South, Range 95 West, 6<sup>th</sup> P.M., proposing a fine of One Thousand dollars (\$1,000) for the violation of the rule. On March 23, 2006, Presco Inc. agreed to and accepted the AOC, including the fine of One Thousand dollars (\$1,000) for the violation of the rule.

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 5, 2006  
Tuesday, June 6, 2006

Time: 10:00 a.m.

Place: Council Chamber  
The Ambulance Building  
304 W. 3rd Street  
Wray, CO 80758

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 Margaret Humecki at (303) 894-2100 ext. 139, 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 22, 2006 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.). **Anyone who files a protest or intervention must be able to participate in a prehearing conference during the week of May 22, 2006.** 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 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 27, 2006