

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 AND GAS CONSERVATION)	DOCKET NO 0702-OV-02
COMMISSION BY SHELBY RESOURCES LLC,)	
KIOWA COUNTY, COLORADO)	

NOTICE OF CONTINUATION OF ORDER FINDING VIOLATION HEARING

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

On May 13, 1997, the COGCC approved a Change of Operator for the Andrew Jackson #1 Well located in the SW¼ SW¼ of Section 19, Township 18 South, Range 45 West, 6th P.M., recognizing Shelby Resources LLC ("Shelby") as the operator of the Andrew Jackson #1 Well as of October 25, 1996. The well has been shut-in since Shelby became the operator.

On September 10, 1997, Shelby plugged and abandoned the CGA #1-30 Well located in the SW¼ NE¼ of Section 30, Township 18 South, Range 45 West, 6th P.M. The COGCC approved a Well Abandonment Report for the well on October 3, 1997.

On September 25, 2006, COGCC staff inspected the Andrew Jackson #1 Well. The well still exists in shut-in status and is in violation of Rule 319.b.(3) and Rule 326.b.(1).

On September 25, 2006, COGCC staff inspected the CGA #1-30 Well. The well is plugged and abandoned, but site restoration was not complete and the well is in violation of Rule 1004.a.

On October 26, 2006, COGCC staff issued Notices of Alleged Violation ("NOAVs") to Shelby, citing alleged violation of Rules 319.b.(3) and 326.b.(1) for the Andrew Jackson #1 Well, and citing alleged violation of Rule 1004.a. for the CGA #1-30 Well. The NOAVs were mailed certified, return receipt requested.

On November 27, 2006, the NOAVs were returned to the COGCC as unclaimed, unable to forward. The COGCC staff had no indication that Shelby or any of its entities are in existence today. Shelby should be found in violation of Rule 319.b.(3), a well which has ceased production shall be abandoned within six (6) months unless the time is extended by the Director upon application by the owner, and Rule 326.b.(1), a mechanical integrity test shall be performed on each shut-in well within two (2) years of the initial shut-in date, for the Andrew Jackson #1 Well; and Rule 1004.a., all debris, abandoned gathering line risers and flowline risers, and surface equipment shall be removed within three (3) months of plugging a well, for the CGA #1-30 Well.

Rule 523. specifies a base fine of One Thousand dollars (\$1000.00) per day for each violation of Rule 319.b.(3), Rule 326.b.(1), and Rule 1004.a.

A monetary penalty of Three Thousand dollars (\$3,000.00) should be assessed against Shelby in accordance with Rule 523.a., for violation of Rules 319.b.(3), 326.b.(1), and 1004.a.

Shelby should bring the Andrew Jackson #1 Well and the CGA #1-30 Well into compliance with COGCC rules within thirty (30) days of the date the order is approved by the Commission.

Should Shelby not comply with the above, COGCC staff should be authorized to make a claim on the two (2) individual Five Thousand dollar (\$5,000) plugging bonds posted by Shelby in order to plug, abandon, and reclaim the Wells listed above. If the cost of performing this work exceeds the plugging bond amount then the Oil and Gas Conservation and Environmental Response Fund should be used to supplement the total cost of the work.

Should Shelby not comply with the above, COGCC staff should not approve any Applications for Permit-to-Drill, nor approve any Change of Operator, Form 10 for Shelby or any company of which Mr. Jim Waechter is a principal.

On January 26, 2007, after Shelby received the forwarded Notice of Hearing, due to an incorrect address on file with the COGCC, it filed with the Commission a verbal request to continue this matter to the March hearing and the hearing in this matter was continued. On March 6, 2007, this matter was continued to the May hearing to allow Shelby additional time to perform the work due to weather conditions, which prohibited the work from being completed.

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

Date: Thursday, May 10, 2007
Friday, May 11, 2007

Time: 9:00 a.m.

Place: Suite 801, The Chancery Building
1120 Lincoln Street
Denver, Colorado 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 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 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, CO 80203
March 30, 2007