

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. 0710-OV-06
UNIOIL, INC , WELD COUNTY, COLORADO)	

NOTICE OF ADMINISTRATIVE ORDER BY CONSENT

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

On March 15, 2007, Colorado Oil and Gas Conservation Commission ("Commission" or "COGCC") staff received an Application for Permit-to-Drill, Deepen or Operate, Form 2 ("APD") submitted by Unioil, Inc. ("Unioil") a subsidiary of Petroleum Development Corporation, for the Zeiler 23-7U Well (Permit #20071314) located in the NE¼ SW¼ of Section 7, Township 5 North, Range 67 West, 6th P.M.

On March 26, 2007, Conrad Zeiler, the surface owner, contacted COGCC staff and filed a complaint (Complaint #200107707) that Unioil did not fulfill the requirements of Rule 306. for good faith consultation with the surface owner before submitting the APD for the Zeiler 23-7U Well and that the Rule 306. consultation date on the APD was incorrect.

On March 27, 2007, COGCC staff requested that Unioil provide a detailed chronology of all contacts between Unioil and Conrad Zeiler regarding the Zeiler 23-7U Well.

On May 15, 2007, COGCC staff received the chronology of contacts between Unioil and Conrad Zeiler. Examination of the chronology showed that the Rule 306. consultation did not occur on the date indicated on the APD (*i.e.*, January 20, 2007).

Unioil's APD included a copy of its notice required by Rule 305. to surface owner, Zeiler Farms, dated January 20, 2007. The notice indicated Unioil's intent to arrange an onsite consultation to discuss surface damages, rig access, and locations. Therefore, on January 20, 2007, initial Rule 306. consultation does not appear to have occurred.

Unioil acknowledges that the initial date for Rule 306. consultation was not January 20, 2007, as indicated on the APD. Unioil's APD did not contain documentation that consultation requirements under Rule 306. had been completed or waived.

On June 1, 2007, the COGCC staff issued Notice of Alleged Violation #200112308 ("NOAV") to Unioil. The NOAV cited violations of the following COGCC Rules:

- a. Rule 206., for failure to provide accurate and complete reports; and
- b. Rule 306., for failure to confirm that surface owner consultation had been completed or waived before submittal of an APD for approval.

The NOAV required Unioil to submit a letter to the COGCC specifying the correct date on which good faith consultation was completed, describing the reason for the violations, and listing procedures that will be put in place to prevent such violations in the future.

On June 15, 2007, Unioil submitted the letter required by the NOAV.

Unioil agrees to resolve this matter without the necessity of a contested hearing.

Rule 523.a. specifies a base fine of Five Hundred dollars (\$500) per day for violation of Rule 206. and One Thousand dollars (\$1,000) per day for violation of Rule 306.

On August 10, 2007, COGCC staff issued an Administrative Order by Consent ("AOC") to Unioil, Inc. for violation of Rule 206., for failure to provide accurate and complete reports; and Rule 306., for failure to confirm that surface owner consultation had been completed or waived before submittal of an APD for approval for the Zeiler 23-7U Well located in the NE¼ SW¼ of Section 7, Township 5 North, Range 67 West, 6th P.M., proposing a fine of Two Thousand dollars (\$2000.00) for the two rule violations. On August 17, 2007, Unioil Inc. agreed to and

accepted the AOC, including the fine of Two Thousand dollars (\$2000.00).

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: Tuesday, October 2, 2007

Time: 8:00 a.m.

Place: Public Hearing Room
Old Court House
544 Rood Avenue, 2nd Floor
Grand Junction, CO 81501

(Free public parking lot at 6th and White)

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 September 17, 2007, 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 12 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 September 17, 2007.** Pursuant to Rule 503.f., 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
September 4, 2007