

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

IN THE MATTER OF A BOND CLAIM FOR THE ) CAUSE NO. 1  
BAIERL #2 DOMESTIC GAS WELL OPERATED BY )  
LEONARD YOAST, ROUTT COUNTY, COLORADO ) DOCKET NO. 0812-GA-04

NOTICE OF ADMINISTRATIVE ORDER BY CONSENT

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

On September 16, 1969, Ponka Drilling and Production Company (Operator #71411) submitted an Application for Permit-to-Drill (“APD”) for the Baierl #2 Well (API #05-107-06017) located in the NE¼ SE¼ of Section 25, Township 5 North, Range 88 West, 6<sup>th</sup> P.M. The director of the Colorado Oil and Gas Conservation Commission (“COGCC” or “Commission”) approved the APD.

On December 17, 1969, Ponka Drilling and Production Company began drilling the Baierl #2 Well and reached total depth (4,288 feet) on January 17, 1970.

On January 30, 1970, the well was plugged back to 3,500 feet and completed as an open hole in the Niobrara Formation; the gas produced was not commercial but was used at a local farm house for domestic purposes.

On October 19, 1970, a letter from the COGCC Director to Ponka Drilling and Production Company indicated that Mr. Leonard Yoast (“Mr. Yoast”) had informed the COGCC that he was taking over operation of the Baierl #2 Well.

On March 3, 1970, the COGCC Director instructed Mr. Yoast to provide a \$5,000 plugging bond if he wanted to assume operation of the Baierl #2 Well.

On July 29, 1970, the COGCC received a plugging bond, in the amount of \$5,000, from Mr. Yoast (Operator #98005).

On September 17 and 18, 2007, Mr. Chris Ricks filed two complaints with COGCC staff (“Staff”) related to the polyvinyl chloride (“PVC”) pipeline that runs from the Baierl #2 Well to Mr. Leonard Yoast’s property. According to Mr. Ricks, the PVC pipeline crosses the surface of three owners between the location of the Baierl #2 Well (on Mr. Ricks’ property) and Mr. Yoast’s farm. It delivers natural gas to Mr. Yoast and his relatives’ houses approximately one mile north of the Baierl #2 Well. The PVC pipeline was broken by a bulldozer preparing land for a new fence; Mr. Ricks’ complaint expressed safety concerns for himself and other surface owners because of the existence of the line.

On September 19, 2007, Staff inspected the Baierl #2 Well and its associated pipeline and observed the following violations of COGCC Rules:

| RULE NO.   | DESCRIPTION OF CONDITION(S) CONSTITUTING VIOLATION(S)  |
|------------|--|
| 210        | Illegible sign at gas well   |
| 1101.c.(1) | Inadequate cover over flowline   |
| 1102.a.    | Valves and fittings not maintained, repaired, or replaced to prevent leaks and ensure safe operation |
| 1102.c.    | No installation and maintenance of markers of location of flowline at road crossing                  |
| 1102.d.    | Non-compliance with Colorado One Call notification under §9-1.5-101, C.R.S. <i>et seq.</i>           |

On October 25, 2007, Staff issued Notice of Alleged Violation (“NOAV”) #200119253 to Mr. Yoast for violation of the above described Rules.

Within 30 days of receipt of the NOAV, Mr. Yoast was required to install temporary markers along the PVC pipeline to alert the public of its presence. In addition, the NOAV contained a deadline of July 1, 2008 for the following actions: Install a legible well sign in accordance with Rule 210. Bury the line to a minimum depth of 3 feet or provide the equivalent amount of cover sufficient to prevent damage to the line. Install permanent markers along the route of the line to identify its location. Replace or service and maintain all valves, fittings and pipe that affect safe

and proper operation. Register the line and demonstrate participation in Colorado's One Call Notification System.

On December 6, 2007, Staff re-inspected Mr. Yoast's oil and gas operations and observed that PVC pipeline remained unmarked.

On December 15, 2007, Mr. Yoast indicated he wanted to turn over his plugging bond to the COGCC and "eliminate[ ] all ties to the Baierl [sic] Gas Well #2." Because of a possible inference that the COGCC would indemnify Mr. Yoast "by eliminating" his ties to the Baierl #2 Well, Staff did not accept his first letter. Between December 2007 and May 2008, Staff unsuccessfully attempted to contact Mr. Yoast by telephone to discuss obtaining another letter from him.

On October 20, 2008, Mr. Yoast's daughter, Ms. Lois Caster, contacted the COGCC about Mr. Yoast's original letter. She indicated her father is elderly (88 years old) and sufficiently hard of hearing that he may not have heard the telephone ringing or someone knocking on his front door. Staff explained that a new letter was needed because the first letter was unacceptable.

On October 20, 2008, Ms. Caster sent a facsimile of a second letter from Mr. Yoast. Mr. Yoast said he did not have the ability to plug and abandon the Baierl #2 Well. He asked that the COGCC claim his bond and use the proceeds to plug and abandon the well. The second letter was satisfactory to Staff because it was a request that did not contain any implication of indemnification by COGCC.

To date, the PVC pipeline from the Baierl #2 Well to Mr. Yoast's and his relatives' properties remains unburied and unmarked. It appears to cross property owned by persons other than Mr. Yoast. The line is low pressure (less than 15 pounds per square inch) and, therefore, is not considered by Staff to be a high-risk hazard. The risk, however, is Mr. Yoast's admission that he cannot comply with the NOAV requirements to bury, mark, and maintain the line, and he cannot cover the cost of plugging and abandoning the Baierl #2 Well.

Mr. Yoast and Staff agree that Mr. Yoast's \$5,000 bond should be claimed by the Commission to plug and abandon the Baierl #2 Well and its associated production facilities.

Staff recommends that the Commission authorize and approve Staff's plugging, abandoning, and reclaiming of the Baierl #2 Well and its associated production facilities by making a claim on Mr. Yoast's bond and using monies from the Oil and Gas Conservation and Environmental Response Fund to cover any shortfall between the proceeds of the bond and the actual costs of the approved operations.

On October 27, 2008, staff issued an Administrative Order by Consent ("AOC") to Mr. Leonard Yoast to plug, abandon and reclaim the Baierl #2 Well (API #05-107-06017) located in the NE $\frac{1}{4}$  SE $\frac{1}{4}$  of Section 25, Township 5 North, Range 88 West, 6<sup>th</sup> P.M., and all associated production facilities including the PVC pipeline that delivers natural gas from the Baierl #2 Well to domestic properties located approximately one mile north.

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, December 9, 2008\*  
Wednesday, December 10, 2008\*  
Thursday, December 11, 2008\*

Time: 8:30 a.m.

Place: Terrace Room, Sheraton Hotel  
1550 Court Place  
Denver, CO 80202

\* Please check the Public Announcements at <http://cogcc.state.co.us/> for exact day and location.

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 November 21, 2008, 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 13 copies shall be filed with the Commission. **Anyone who files a protest or intervention must be able to participate in a prehearing conference during the week of November 24, 2008.** 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, CO 80203  
October 31, 2008