

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. 0806-OV-14
<b>PETROLEUM DEVELOPMENT CORPORATION,</b>	)	
YUMA COUNTY, COLORADO	)	

NOTICE OF ADMINISTRATIVE ORDER BY CONSENT

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

On October 31, 2001, the Colorado Oil and Gas Conservation Commission ("COGCC" or "Commission") approved a Form 33, Injection Well Permit Application, for the Gardner (SWD) 12-26 Well (API #05-125-08247) located in the SW¼ NW¼ of Section 26, Township 1 North, Range 45 West, 6<sup>th</sup> P.M. The Form 33 authorized a maximum surface injection pressure of 582 pounds per square inch ("psi").

On November 15, 2007, COGCC's production group informed COGCC's engineering group that Petroleum Development Corporation ("PDC") had reported a surface injection pressure of 639 psi for September 2007. This pressure was significantly higher than PDC's reported pressure of 487 psi for August 2007. The September 2007 surface injection pressure of 639 psi also exceeded the maximum authorized surface injection pressure of 582 psi, despite PDC's efforts to keep the pressure below 582 psi by installing a pressure relief valve and a bypass valve in June 2007. In a letter from PDC to COGCC dated January 4, 2008, PDC explained that the bypass valve was sized incorrectly, which did not allow for sufficient flow to provide adequate pressure relief.

On November 19, 2007, COGCC staff was on location at the Gardner (SWD) 12-26 Well and witnessed a surface injection pressure of 685 psi. COGCC staff recommended that PDC discontinue injection, except for fluids taken on a vacuum, until the problem was resolved.

On November 19, 2007, COGCC staff issued a Notice of Alleged Violation ("NOAV") for the Gardner (SWD) 12-26 Well, citing Rule 325.c.(7), failure to inject at pressures less than the maximum injection pressure, as set by the Director. The NOAV required that PDC submit a written report to summarize PDC's actions which resulted in the alleged violation and PDC's plan to correct the problem. The NOAV had an abatement or corrective action deadline of December 20, 2007, which was extended by COGCC staff to January 4, 2008.

PDC ceased injection into the Gardner (SWD) 12-26 Well on November 20, 2007. PDC re-perforated the well, treated the well, performed a step-rate injection test, and installed a new 600 psi Murphy kill switch in December 2007. Based on the results of the step-rate injection test, it appears that the formation fracture gradient was never exceeded. Therefore, no material escaped from the well as a result of exceeding the maximum injection pressure, and neither the wellbore nor the surrounding formations were ever placed in jeopardy. Regardless, PDC knowingly injected above the maximum authorized surface injection pressure of 582 psi in September 2007.

PDC submitted a written response to the NOAV on January 4, 2008, which documented work on the Gardner (SWD) 12-26 Well from June 2007 through December 2007. The written response also requested an increase of the maximum authorized surface injection pressure to 912 psi, based on the results of the step-rate injection test, which was approved by the COGCC staff on January 8, 2008.

With due consideration given to PDC's response to the NOAV, PDC should be found in violation of Rule 325.c.(7), failure to inject at pressures less than the maximum injection pressure, as set by the Director.

Rule 523.c. specifies a base fine of One Thousand dollars (\$1,000) per day for each violation of Rule 325. It appears that the violation occurred for a period of more than ten (10) days but did not result in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare.

The parties agree to a fine of Six Thousand dollars (\$6,000) due to the following mitigating factors:

- a) PDC demonstrated prompt, effective and prudent response to the violation;
- b) PDC cooperated with the COGCC with respect to the violation;

c) PDC made a good faith effort to comply with applicable requirements prior to the COGCC learning of the violation (PDC installed the pressure relief valve and bypass valve in June 2007); and

d) The cost of correcting the violation reduced or eliminated any economic benefit to PDC.

On April 3, 2008, COGCC staff issued an Administrative Order by Consent ("AOC") to Petroleum Development Corporation for violation of Rule 325.c.(7), for failure to inject at pressures less than the maximum injection pressure, as set by the Director, for the Gardner (SWD) 12-26 Well located in the SW¼ NW¼ of Section 26, Township 1 North, Range 45 West, 6<sup>th</sup> P.M., proposing a fine of Six Thousand dollars (\$6,000.00) for violation of the rule. On April 9, 2008, Petroleum Development Corporation agreed to and accepted the AOC, including the fine of Six Thousand dollars (\$6,000.00).

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, June 10, 2008  
Wednesday, June 11, 2008

Time: 8:30 a.m.

Place: Two Rivers Convention Center  
159 Main Street, *Colorado River Room*  
Grand Junction, CO 81501

Directions: <http://www.tworiversconvention.com/>

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 27, 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 May 27, 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, Colorado 80203  
May 9, 2008