

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

IN THE MATTER OF ALLEGED VIOLATIONS	)	CAUSE NO. 1V
OF THE RULES AND REGULATIONS OF THE	)	
COLORADO OIL AND GAS CONSERVATION	)	DOCKET NO. 0805-OV-04
COMMISSION BY <b>CHEVRON U.S.A., INC.</b> ,	)	
RIO BLANCO COUNTY, COLORADO	)	

NOTICE OF ADMINISTRATIVE ORDER BY CONSENT

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

On March 28, 2006, the Colorado Oil and Gas Conservation Commission ("COGCC" or "Commission") approved an Application for Permit-to-Drill ("APD"), submitted by Chevron USA, Inc. or its affiliate ("Chevron") for the Associated Unit A #4X Well (API #05-103-10722-00) located in the NE¼ NE¼ of Section 14, Township 2 North, Range 103 West, 6<sup>th</sup> P.M. On March 27, 2007, the APD expired.

On February 7, 2007, prior to expiration of the APD, Chevron re-filed an APD for the Associated Unit A #4X Well, which was approved by the COGCC on April 10, 2007.

On April 1, 2007, Chevron drilled the Associated Unit A #4X Well, between the expiration of the APD and the approval of the re-filed APD. COGCC staff became aware of the issue when Chevron submitted its Drilling Completion Report, Form 5, after the well was drilled.

On September 10, 2007, COGCC staff issued a Notice of Alleged Violation ("NOAV") for the Associated Unit A #4X Well, citing Rule 303., commencing operations without a valid permit.

The NOAV required Chevron to submit written documentation by October 10, 2007 to explain the reasons for the violation and the procedures that would be implemented to prevent future violations.

On October 18, 2007, Chevron submitted a written response to the NOAV, explaining that on February 13, 2007, prior to drilling the well, Chevron had received approval from the U.S. Department of Interior, Bureau of Land Management for an extension to its federal drilling permit; Chevron's drilling department scheduled the spudding rig without realizing it had not received the COGCC's approval of the re-filed APD.

In order to prevent future violations, Chevron implemented a tracking system showing permit filing dates, expiration dates and extensions as needed. Communications between the drilling department and the operations department were enhanced. In addition, Chevron plans to submit re-filed APDs 12 weeks before an APD expiration date and to obtain approval before it schedules the spudding rig.

To date, Chevron has not had any additional violations of Rule 303. that resulted in commencing operations without a valid permit.

Rule 523.c. specifies a base fine of One Thousand dollars (\$1,000) per day for each violation of Rule 303. It appears that the violation was a one-time occurrence and 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 One Thousand dollars (\$1,000) which takes into consideration the mitigating factor that Chevron has demonstrated a history of compliance with COGCC rules, regulations and orders.

On March 6, 2008, COGCC staff issued an Administrative Order by Consent ("AOC") to Chevron USA, Inc. for violation of Rule 303., for commencing operations without a valid permit on the Associated Unit A #4X Well located in the NE¼ NE¼ of Section 14, Township 2 North, Range 103 West, 6<sup>th</sup> P.M., proposing a fine of One Thousand dollars (\$1,000.00) for violation of the rule. On March 18, 2008, Chevron USA, Inc. agreed to and accepted the AOC, including the fine of One Thousand dollars (\$1,000.00).

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: Thursday, May 8, 2008

Friday, May 9, 2008

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 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 April 24, 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 April 28, 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 accordance with the practices of the Commission, should no protests or interventions be filed in this matter by **April 24, 2008, the Applicant may request that an administrative hearing be scheduled during the week of April 28, 2008.** In the alternative, pursuant to Rule 511.b., if the matter is uncontested, the applicant may request, and the Director may recommend approval on the basis of the merits of the verified application and the supporting exhibits.

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 4, 2008