

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

IN THE MATTER OF ALLEGED VIOLATIONS OF THE RULES	)	CAUSE NO. 1V
AND REGULATIONS OF THE COLORADO OIL AND GAS	)	
CONSERVATION COMMISSION BY <b>KINDER MORGAN CO2</b>	)	DOCKET NO. 1009-OV-09
<b>COMPANY</b> , MONTEZUMA COUNTY, COLORADO	)	

NOTICE OF ADMINISTRATIVE ORDER BY CONSENT HEARING

On March 12, 2003, the Colorado Oil and Gas Conservation Commission ("COGCC" or "Commission") approved an Application for Permit-to-Drill ("APD"), submitted by Kinder Morgan CO2 Company, LP ("Kinder Morgan") for the Sand Canyon #10 Well (API No. 05-083-06604) (the "Well"), which is located in the SW¼ NW¼ of Section 8, Township 35 North, Range 18 West, N.M.P.M.

On October 6, 2002, Kinder Morgan drilled the Well, which was not approved by the COGCC until March 12, 2003. The COGCC Staff became aware of the issue when a delinquent Form 5 drilling completion report was received on July 3, 2007.

As of July 3, 2007, Kinder Morgan was also delinquent in submitting a Drilling Completion Report and Interval Completion Report. The COGCC Staff became aware of this violation at the same time it discovered Kinder Morgan had drilled without a permit.

On November 2, 2007, COGCC Staff issued a Notice of Alleged Violation ("NOAV") #200121305 to Kinder Morgan for its operations at the Well. Said NOAV cited violations for the following rules:

a. Rule 303.a., which requires an operator to file with the Director an application on Form 2 for a Permit-to-Drill, pay a filing and service fee established by the Commission, and obtain the Director's approval before commencement of operations with heavy equipment for the drilling or re-entry of any well;

b. Rule 308A., which requires an operator to transmit to the Director a Drilling Completion Report, Form 5, within thirty (30) days of the setting of production casing, the plugging of a dry hole, the deepening or sidetracking of a well, or any time the wellbore configuration is changed; and

c. Rule 308B., which requires an operator to submit a Completed Interval Report, Form 5A, within thirty (30) days of completing a formation (successful or not), when a formation is temporarily abandoned or permanently abandoned, for a recompletion, reperforation or restimulation, or when a formation is commingled.

Said NOAV required Kinder Morgan to submit an Interval Completion Report, Form 5A, and submit written documentation to explain the reasons for the violation and the procedures that would be implemented to prevent future violations by November 30, 2007.

Kinder Morgan should be found in violation of Rules 303.a., 308A., and 308B. for its operations at the Sand Canyon #10 Well, which is located in the SW¼ NW¼ of Section 8, Township 35 North, Range 18 West, N.M.P.M.

Rule 523. specifies a base fine of Five Hundred (\$500) dollars for each day of violation of Rules 308A., and 308B., and a base fine of One Thousand dollars (\$1,000) for each day of violation of Rule 303. Rule 523.a.(3) specifies that "the maximum penalty for any single violation shall not exceed Ten Thousand dollars (\$10,000) regardless of the number of days of such violation," unless the violation results in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare or the environment.

In summary, Kinder Morgan should be found in violation of Rules 303.a., 308A., and 308B. as described herein, and that the parties have agreed to a **total adjusted fine of Two Thousand dollars (\$2,000)**, which takes into consideration the mitigation factor that Kinder Morgan has demonstrated a history of compliance with COGCC rules, regulations and orders and instituted several new procedures to prevent these types of violations from recurring in their future operations.

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, September 16, 2010  
Friday, September 17, 2010

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. 5139, 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 1, 2010, 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 September 6, 2010.** Pursuant to Rule 503.g., 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 \_\_\_\_\_  
Carol Harmon, Secretary

Dated at Suite 801  
1120 Lincoln Street  
Denver, Colorado 80203  
August 25, 2010

Kinder Morgan Address of Record:  
Coy Bryant, Production Manager  
Kinder Morgan CO2 Company. LP  
17801 Highway 491  
Cortez, CO 81321