

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

IN THE MATTER OF ALLEGED VIOLATIONS OF ) CAUSE NO. 1V  
THE RULES AND REGULATIONS OF THE COLORADO )  
OIL AND GAS CONSERVATION COMMISSION BY **DOLPHIN** ) DOCKET NO. 1109-OV-26  
**ENERGY CORPORATION**, GARFIELD COUNTY, COLORADO )

NOTICE OF ORDER FINDING VIOLATION HEARING

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

Pursuant to Rule 522.c., the Colorado Oil and Gas Conservation Commission ("Commission" or "COGCC") Staff will apply to the Commission at its September 19, 2011 hearing for an Order Finding Violation ("OFV") against Dolphin Energy Corporation ("Dolphin") (Operator No. 10118).

General Operations

On September 13, 2010, COGCC Staff issued a Notice of Alleged Violation ("NOAV") #1662333 to Dolphin for its general operations. Said NOAV cited violations for COGCC Rule 706.b.

Said NOAV required Dolphin to provide the COGCC with an additional financial assurance of \$30,000 for blanket plugging by October 13, 2010.

The COGCC Staff requests that Dolphin be found in violation of **Rule 706.b.** for failure to provide the COGCC with an additional financial assurance bond.

Biscuit Ranch BRO3-03B

On June 10, 2006, Dolphin spud the Biscuit Ranch BRO3-03B Well (API No. 05-045-12306), located in the NE¼ NW¼ of Section 3, Township 6 South, Range 93 West, 6<sup>th</sup> P.M. The well has been listed as waiting on completion since April 3, 2008.

On March 1, 2011, COGCC Staff issued NOAV #200298467 to Dolphin for its operation at the Biscuit Ranch BRO3-03B Well for an alleged violation of COGCC Rules 319.b.(3), 326.b.(1), and 326.d.

Abatement or corrective actions found in the NOAV required Dolphin to contact COGCC Staff within 30 days providing a schedule to perform the following work: (1) put the well on production; (2) pass a MIT to maintain temporarily abandoned status; or (3) plug and abandon the well. Abatement or corrective action was required to be completed by September 1, 2011.

The COGCC Staff requests that Dolphin be found in violation of **Rules 319.b.(3), 326.b.(1), and 326.d.** for its failure to provide the COGCC with an application for temporarily abandoned status, and failure to perform a mechanical integrity test at the Biscuit Ranch BRO3-03B Well.

Biscuit Ranch #10-31D

On December 5, 2005, Dolphin spud the Biscuit Ranch #10-31D Well (API No. 05-045-11424), located in the NW¼ SE¼ of Section 31, Township 5 South, Range 92 West, 6<sup>th</sup> P.M., and completed the well for production in the Williams Fork Formation. The well has been listed as shut in since July 24, 2006.

On March 1, 2011, COGCC Staff issued NOAV #200298465 to Dolphin for an alleged violation of Rules 319.b.(3), 326.b.(1) and 326.d. for its operation of the Biscuit Ranch #10-31D Well.

Abatement or corrective actions found in the NOAV required Dolphin to contact COGCC Staff within 30 days providing a schedule to perform the following work: (1) put the well on production; (2) pass a MIT to maintain temporarily abandoned status; or (3) plug and abandon the well. Abatement or corrective action was required to be completed by September 1, 2011.

The COGCC Staff requests that Dolphin be found in violation of **Rules 319.b.(3), 326.b.(1) and 326.d.** for its failure to provide the COGCC with an application for temporarily abandoned status and failure to perform a mechanical integrity test at the Biscuit Ranch #10-31D Well.

Mulvihill 15-32D

On December 28, 2005, Dolphin spud the Mulvihill 15-32D Well (API No. 05-045-11710), located in the SW¼ SE¼ of Section 32, Township 5 South, Range 92 West, 6<sup>th</sup> P.M. The completed interval in this well was plugged back, and the well has been temporarily abandoned since July 27, 2006.

On March 1, 2011, COGCC Staff issued NOAV #200298469 to Dolphin for its operation at the Mulvihill 15-32D Well for an alleged violation of COGCC Rules 319.b.(3), 326.b.(1), and 326.d.

Abatement or corrective actions found in the NOAV required Dolphin to contact COGCC Staff within 30 days providing a schedule to perform the following work: (1) put the well on production; (2) pass a MIT to maintain temporarily abandoned status; or (3) plug and abandon the well. Abatement or corrective action was required to be completed by September 1, 2011.

The COGCC Staff requests that Dolphin be found in violation of **Rules 319.b.(3), 326.b.(1), and 326.d.** for its failure to provide the COGCC with an application for temporarily abandoned status, and failure to perform a mechanical integrity test at the Mulvihill 15-32D Well.

#### **Arroyo #9-16D**

On or before September 28, 2006, Dolphin set a conductor pipe for the Arroyo #9-16D Well (API No. 05-045-12538), located in the NE¼ SE¼ of Section 16, Township 6 South, Range 92 West, 6<sup>th</sup> P.M., and, subsequently, activities at the well pad were suspended.

On March 1, 2011, COGCC Staff issued NOAV #200298463 to Dolphin for an alleged violation of COGCC Rule 324A.a. for its operation at the Arroyo #9-16D Well.

Said NOAV required Dolphin to cut the conductor pipe four feet below ground surface, fill the conductor pipe with cement, weld the plate on top of the conductor pipe, and backfill to ground level by March 31, 2011.

The COGCC Staff requests that Dolphin be found in violation of **Rule 324A.a.** for its failure to take precautions to prevent significant adverse environmental impacts at the Arroyo #9-16D Well.

#### **Arroyo #9-16C**

On or before September 28, 2006, Dolphin set a conductor pipe for the Arroyo #9-16C Well (API No. 05-045-12981), located in the NE¼ SE¼ of Section 16, Township 6 South, Range 92 West, 6<sup>th</sup> P.M., and, subsequently, suspended activities at this well pad.

On March 1, 2011, COGCC Staff issued NOAV #200298462 to Dolphin for an alleged violation of Rule 324A.a. for its operation at the Arroyo #9-16C Well.

Said NOAV required Dolphin to cut the conductor pipe four feet below ground surface, fill the conductor pipe with cement, weld the plate on top of the conductor pipe, and backfill to ground level by March 31, 2011.

The COGCC Staff requests that Dolphin be found in violation of **Rule 324A.a.** for its failure to take precautions to prevent significant adverse environmental impacts at the Arroyo #9-16C Well.

#### **Arroyo #9-16B**

On or before September 27, 2006, Dolphin set a conductor pipe for the Arroyo #9-16B Well (API No. 05-045-12983), located in the NE¼ SE¼ of Section 16, Township 6 South, Range 92 West, 6<sup>th</sup> P.M., and, subsequently suspended activities at the well pad.

On March 1, 2011, COGCC Staff issued NOAV #200298461 to Dolphin for an alleged violation of Rule 324A.a. for its operation at the Arroyo #9-16B Well.

Said NOAV required Dolphin to cut the conductor pipe four feet below ground surface, fill the conductor pipe with cement, weld the plate on top of the conductor pipe, and backfill to ground level by March 31, 2011.

The COGCC Staff requests that Dolphin be found in violation of **Rule 324A.a.** for its failure to take precautions to prevent significant adverse environmental impacts at the Arroyo #9-16B Well.

#### **Arroyo #9-16A**

On or before September 27, 2006, Dolphin set a conductor pipe for the Arroyo #9-16A Well (API No. 05-045-12982), located in the NE¼ SE¼ of Section 16, Township 6 South, Range 92 West, 6<sup>th</sup> P.M., and, subsequently suspended activities at the well pad.

On March 1, 2011, COGCC Staff issued NOAV #200298459 to Dolphin for an alleged violation of Rule 324A.a. for its operation of the Arroyo #9-16A Well.

Said NOAV required Dolphin to cut the conductor pipe four feet below ground surface, fill the conductor pipe with cement, weld the plate on top of the conductor pipe, and backfill to ground level by March 31, 2011.

The COGCC Staff requests that Dolphin be found in violation of **Rule 324A.a.** for its failure to take precautions to prevent significant adverse environmental impacts at the Arroyo #9-16A Well.

#### **Arroyo- 66S92W**

On July 26, 2010, COGCC Staff issued NOAV #200263734 to Dolphin for its operation at the Arroyo-66S92W Well Pad (Facility No. 335477), located in the NE¼ SE¼ of Section 16, Township 6 South, Range 92 West, 6<sup>th</sup> P.M. Said NOAV alleged violations of Rules 1002.b.(2), 1004.a., 1004.d., and 1004.e.

Said NOAV required Dolphin to: (1) plug and abandon the conductors and backfill cellars; (2) reclaim the well site and access road; and, (3) implement stormwater and erosion control best management practices ("BMPs") and maintain BMPs until final reclamation is complete. Said NOAV required Dolphin to submit a Form 4 Sundry Notice with a reclamation plan and schedule by August 26, 2010. Said NOAV also required Dolphin to initiate reclamation by August 30, 2010 and complete reclamation within 12 months.

The COGCC Staff requests that Dolphin be found in violation of **Rules 1002.b.(2), 1004.a., 1004.d., and 1004.e.** for its failure to preserve the topsoil of the disturbed areas during the excavation process, failure to properly plug and abandon four conductors which remain on location, and failure to properly reclaim and re-vegetate the disturbed areas affected by drilling or subsequent operations at the Arroyo-66S92W well site.

#### **Mulvihill-65S92W**

On July 26, 2010, COGCC Staff issued NOAV #200263733 to Dolphin for its operation at the Mulvihill-65S92W Well Pad (Facility No. 335691), located in the SW¼ SE¼ of Section 32, Township 5 South, Range 92 West, 6<sup>th</sup> P.M. Said NOAV alleged violations of Rules 1002.b.(2), 1002.f(2), 1003.b., 1003.c., 1003.e., and 1003.f.

Said NOAV required Dolphin to: (1) reclaim the well site and lease road; (2) provide adequate BMPs for erosion and sediment control; (3) implement a weed management plan; and, (4) confer with the Garfield County Weed Manager on weed management activities. Said NOAV required Dolphin to initiate interim reclamation by August 26, 2010.

The COGCC Staff requests that Dolphin be found in violation of **Rules 1002.b.(2), 1002.f(2), 1003.b., 1003.c., 1003.e., and 1003.f.** for its failure to: (1) preserve topsoil of the disturbed areas during the excavation process; (2) exercise best management practices to control stormwater and sediment along the access road; (3) reclaim or re-vegetate any of the disturbed areas affected by drilling or subsequent operations; and, (4) keep the location free of noxious weeds on the well pad and along the lease road.

#### **Purkey Ranch-65S92W**

On July 26, 2010, COGCC Staff issued NOAV #200263732 to Dolphin for its operation at the Purkey Ranch- 65S92W Well Pad (Facility No. 335882), located in the SW¼ SW¼ of Section 31, Township 5 South, Range 92 West, 6<sup>th</sup> P.M. Said NOAV alleged violations of Rules 1002.b.(2), 1002.f(2), 1004.a., 1004.c., and 1004.d.

Said NOAV required Dolphin to: (1) reclaim the well site; (2) implement stormwater and erosion control BMPs; and, (3) maintain BMPs until final reclamation is complete. Said NOAV required Dolphin to submit a Form 4 Sundry Notice with a reclamation plan and schedule by August 26, 2010. Said NOAV required Dolphin to initiate reclamation by August 30, 2010 and complete the reclamation within 12 months.

The COGCC Staff requests that Dolphin be found in violation of **Rules 1002.b.(2), 1002.f(2), 1004.a., 1004.c., and 1004.d.** for its failure to: (1) reclaim or re-vegetate any of the disturbed areas affected by drilling or subsequent operations; (2) preserve topsoil of the disturbed areas during the excavation process; and, (3) implement BMPs on location, which resulted in gully and rill erosion along the cut and fill slopes and access road embankments at the Purkey Ranch-65S92W Well Pad.

#### **Biscuit Ranch-65S92W**

On July 26, 2010, COGCC Staff issued NOAV #200263731 to Dolphin for its operation at the Biscuit Ranch-65S92W Well Pad (Facility No. 335714), located in the NW¼ SE¼ of Section 31, Township 5 South, Range 92 West, 6<sup>th</sup> P.M. Said NOAV alleged violations of Rules 303.a(1), 603.j., 1002.b.(1), 1002.e., 1002.f(2), 1003.a., 1003.b., 1003.c., 1003.e., and 1003.f.

Said NOAV required Dolphin to: (1) remove the drilling equipment and associated materials; (2) provide adequate BMPs for erosion and sediment control; and (3) reclaim all well pads, the borrow excavation site, and associated roads in accordance with COGCC Rule 1003. Said NOAV also required Dolphin to implement a weed management plan and confer with the Garfield county Weed Manager on weed management activities. Said NOAV required Dolphin to initiate interim reclamation by August 26, 2010.

The COGCC Staff requests that Dolphin be found in violation of **Rules 303.a(1), 603.j., 1002.b.(1), 1002.e., 1002.f(2), 1003.a., 1003.b., 1003.c., 1003.e., and 1003.f.** for its failure to: (1) properly permit an additional well pad and borrow excavation site; (2) remove used drilling equipment and associated debris; (3) preserve topsoil of the disturbed areas during excavation; (4) implement adequate BMPs to minimize erosion, site degradation, and transport of sediments off-site; (5) implement interim reclamation or re-vegetation on any of the disturbed areas affected by drilling or subsequent operations; and (6) control noxious weeds at the Biscuit Ranch-65S92W Well Pad.

#### **Biscuit Ranch-66S93W**

On July 26, 2010, COGCC Staff issued NOAV #200263730 to Dolphin for its operation at the Biscuit Ranch-66S93W Well Pad (Facility No. 324370), located in the NE¼ NW¼ of Section 3, Township 6 South, Range 93 West, 6<sup>th</sup> P.M. Said NOAV alleged violations of Rules 1002.b.(1), 1003.a., 1003.b., 1003.c., 1003.e., and 1003.f.

Said NOAV required Dolphin to: (1) reclaim the well site and lease road in accordance with COGCC Rule 1003; (2) implement a weed management plan; and (3) confer with the Garfield County Weed Manager on weed management activities. Said NOAV required Dolphin to initiate interim reclamation by August 26, 2010.

The COGCC Staff requests that Dolphin be found in violation of **Rules 1002.b.(1), 1003.a., 1003.b., 1003.c., 1003.e., and 1003.f.** for its failure to: (1) preserve topsoil of the disturbed areas during the excavation process; (2) reclaim or re-vegetate any of the disturbed areas affected by drilling or subsequent operations; and (3) control noxious weeds at the Biscuit Ranch-66S93W Well Pad.

Further, COGCC Staff may request that any and all bonds posted by Dolphin be claimed by the Commission and that the proceeds of such bonds be used to offset expenses associated with the plugging and abandonment of the wells listed above and reclamation of the well sites in accordance with COGCC rules.

Furthermore, Rule 525.b. provides that whenever the Commission or the Director has evidence that an operator is responsible for a pattern of violation of any provision of the Oil and Gas Conservation Act (§34-60-101, *et seq.*) (the "Act"), or of any rule, permit or order of the Commission, the Director shall issue a notice to the operator to appear for a hearing before the Commission. If the Commission finds after such hearing, that a knowing and willful pattern of violation exists, it may issue an order which shall prohibit the issuance of any new permits to the operator.

The COGCC Staff requests that the Commission should find that a knowing and willful pattern of violation exists because Dolphin has failed, for more than one year, to perform the abatement and corrective actions required by various Notices of Alleged Violation ("NOAVs"). Until the fine assessed under this application is paid in full and all required abatement and corrective actions are performed by Dolphin, the Director should not approve any application for permit-to-drill, any Certificate of Clearance and/or Change of Operator, Form 10, or other permit for conducting oil and gas operations for Dolphin or any entity of which Cecil D. Gritz is a principal, majority owner, operational or general manager, or in which Mr. Gritz otherwise exercises control.

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: Monday, September 19, 2011  
Tuesday, September 20, 2011

Time: 9:00 a.m.

Place: City & County of Broomfield  
City & County Building – Council Chambers  
One DesCombes Drive  
Broomfield, Colorado 80020

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 2, 2011, 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 2, 2011.**

IN THE NAME OF THE STATE OF COLORADO

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

By  \_\_\_\_\_

Robert A. Willis, Enforcement Officer

Dated at Suite 801  
1120 Lincoln Street  
Denver, Colorado 80203  
August 24, 2011

Dolphin Operating Address of Record:  
Dolphin Energy Corporation  
1700 Lincoln Street, Suite 4000  
Denver, CO 80203