

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

IN THE MATTER OF ALLEGED VIOLATIONS OF THE RULES AND	)	CAUSE NO. 1V
REGULATIONS OF THE COLORADO OIL AND GAS	)	
CONSERVATION COMMISSION BY <b>GRYNBERG PETROLEUM</b>	)	DOCKET NO. 1102-OV-07
<b>CO., MOFFAT COUNTY, COLORADO</b>	)	

NOTICE OF ORDER FINDING VIOLATION HEARING

On or about December 17, 2008, Grynberg Petroleum Co. ("Grynberg") (Operator No. 36200), Jack J. Grynberg, owner and operator, spud the Hiawatha State #4-3 Well (API No. 05-081-07313) (the "Well"), which is located in the NW¼ SE¼ of Section 3, Township 11 North, Range 101 West, 6<sup>th</sup> P.M.

On November 9, 2009, Colorado Oil and Gas Conservation Commission ("COGCC" or "Commission") Staff (the "Staff") conducted a routine inspection of the Well site, and observed oil on the surface of the pit located on the Well pad. Further, the pit had less than two feet of freeboard and fluids had breached the containment walls of the pit and were pooled up on the surface of the Well pad. The pit liner was in disrepair, or was missing at the corner of the pit.

On November 9, 2009, COGCC Staff issued Notice of Alleged Violation ("NOAV") #200221984 for alleged violations of the following COGCC rules:

a. Rule 324A.a., which requires an operator to take precautions to prevent significant adverse environmental impacts to air, water, soil, or biological resources to the extent necessary to protect public health, safety and welfare, taking into consideration cost-effectiveness and technical feasibility to prevent the unauthorized discharge or disposal of oil, gas, and exploration and production ("E&P") waste;

b. Rule 902.a., which provides that pits used for exploration and production of oil and gas shall be constructed and operated to protect public health, safety, and welfare and the environment, including soil, waters of the state, and wildlife, from significant adverse environmental, public health, or welfare impacts from E&P waste;

c. Rule 902.b., which requires pits to be constructed, monitored, and operated to provide a minimum of two feet of freeboard at all times between the top of the pit wall at its point of lowest elevation and the fluid level of the pit;

d. Rule 902.c., which provides that any accumulation of oil or condensate in a pit shall be removed within 24 hours of discovery. A Form 15 pit permit may be revoked by the Director and the Director may require that the pit be closed if an operator repeatedly allows more than de minimis amounts of oil or condensate to accumulate in a pit;

e. Rule 904.b.(2), which provides that all pit lining systems shall be designed, constructed, installed, and maintained in accordance with the manufacturers' specifications and good engineering practices;

f. Rule 904.c.(1), which requires, in pertinent part, that pit liner shall cover the bottom and interior sides of the pit with edges secured with at least a twelve inch deep anchor trench around the pit perimeter. The anchor trench shall be designed to secure, and prevent, slippage or destruction of, the liner materials;

g. Rule 906.a., which requires that spills or releases of E&P waste, including produced fluids, shall be controlled and contained immediately upon discovery to protect the environment, public health, safety, and welfare. Impacts resulting from spills/releases shall be investigated and cleaned up as soon as practicable; and

h. Rule 906.b., which requires operators to report spills or releases of E&P waste or produced fluid exceeding five barrels on a Spill/Release Report, Form 19.

The NOAV required certain abatement or corrective actions to be taken by the operator by November 27, 2009.

Rule 523. specifies a base fine of One Thousand dollars (\$1,000) for each day of violation of Rules 324A.a., 902.a., 902.b., 902.c., 904.b.(2), and 904.c.(1), 906.a., and 906.b. 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.

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.

Grynberg should be found in violation of Rules 324A.a., 902.a., 902.b., 902.c., 904.b.(2), and 904.c.(1), 906.a., and 906.b., for its oil and gas operations at the Well and pay a fine as prescribed by Rule 523. Further, Grynberg should be ordered to complete abatement or corrective actions set forth in the NOAV, as may be amended or modified by Staff.

Furthermore, the Commission should find that a knowing and willful pattern of violation exists because Grynberg has failed, for more than one year, to perform the abatement and corrective actions required by the NOAV. Until any fine assessed under this action is paid in full and all required abatement and corrective actions are performed by Grynberg for the Well, 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 Grynberg or any entity of which Jack J. Grynberg is a principal, majority owner, operational or general manager, or in which Mr. Grynberg 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:           Tuesday, February 22, 2011  
                  Wednesday, February 23, 2011

Time:           9:00 a.m.

Place:          The Chancery Building, Suite 801  
                  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 THE NAME OF THE STATE OF COLORADO

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

By \_\_\_\_\_  
Robert A. Willis, Acting Secretary

Dated at Suite 801  
1120 Lincoln Street  
Denver, Colorado 80203  
December 28, 2010

Grynberg Address of Record:  
Jack J. Grynberg  
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Greenwood Village, CO 80111