

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 <b>ENERGY OIL</b>	)	DOCKET NO. 1101-OV-03
<b>AND GAS, INC.</b> , LAS ANIMAS COUNTY, COLORADO	)	

NOTICE OF ORDER FINDING VIOLATION HEARING

On February 20, 2001, Mountain Pacific General, Inc. spud the Garcia #3-5 Well (API No. 05-071-07234) (the "Well"), which is located 1,980 feet FNL and 812 feet FWL in the SW¼ NW¼ of Section 3, Township 34 South, Range 62 West, 6<sup>th</sup> P.M., with 8<sup>5</sup>/<sub>8</sub>-inch surface casing run from the ground surface to a depth of 290 feet below ground surface ("fbgs") and 4½-inch production casing run from ground surface to 1,862 fbgs.

On July 17, 2006, Energy Oil and Gas, Inc. ("Energy Oil and Gas") (Operator No. 100199) submitted a Form 10 as a change of operator for the Well. On April 4, 2008, Energy Oil and Gas completed the Well in the Apishipa, Niobrara, Timpas, and Greenhorn Formations, with perforations from 872 fbgs to 1,726 fbgs.

On November 17, 2009, Colorado Oil and Gas Conservation Commission ("COGCC" or "Commission") Staff discovered that Energy Oil and Gas had been reinjecting gas associated with the oil produced from the Well back into the Apishipa and Timpas Formations, without having first obtained an underground injection control ("UIC") permit, as is required by Rule 325. Acting upon this discovery, COGCC Staff contacted Energy Oil and Gas, and explained that they were not permitted to inject gas back into the formation without a UIC permit, and that Energy Oil and Gas should submit any and all documents required to obtain a UIC permit (specifically, Form 31, Underground Injection Formation Permit Application, Form 33, Injection Well Permit Application, Form 26, Source of Produced Water for Disposal, and all associated attachments). Due to financial difficulties associated with ceasing injection, Energy Oil and Gas was permitted to continue injecting gas into the Well pending the issuance of a UIC permit.

On December 1, 2009, COGCC Staff issued a Notice of Alleged Violation ("NOAV") #200121307 to Energy Oil and Gas for its operations at the Well. Said NOAV cited violations for the following rule:

a. Rule 325.a., which provides, in pertinent part, that no person shall commence the underground disposal of water, or any other fluids, into a Class II well, or any well regulated by the Commission, without having first obtained written authorization for such operations from the Director by filing a Form 31 and Form 33.

Said NOAV required Energy Oil and Gas to submit Forms 31 and 33 and all required attachments to obtain a UIC permit for the Well, and submit written documentation to explain the reasons for the violation and the procedures that would be implemented to prevent future violations, by December 15, 2009.

Rule 523. specifies a base fine of One Thousand dollars (\$1,000) for each day of violation of Rules 325.a. 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.

Energy Oil and Gas should be found in violation of Rules 325.a., for its oil and gas operations at the Well, and ordered to complete abatement or corrective actions set forth in the NOAVs, as may be amended or modified by Staff.

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, January 13, 2011  
                    Friday, January 14, 2011

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 December 30, 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 January 3, 2011.** If the matter is uncontested, the matter may be placed before the Commission for its review and approval.

IN THE NAME OF THE STATE OF COLORADO

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

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

Dated at Suite 801  
1120 Lincoln Street  
Denver, Colorado 80203  
December 7, 2010

Operator Address of Record:  
Duane Bacon  
Energy Oil and Gas, Inc.  
P.O. Box 910  
Niwot, CO 80544