

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

IN THE MATTER OF ALLEGED VIOLATIONS OF THE RULES AND REGULATIONS OF THE COLORADO OIL AND GAS CONSERVATION COMMISSION BY <b>GRYNBERG PETROLEUM CO.</b> , MOFFAT COUNTY, COLORADO	)	CAUSE NO. 1V
	)	
	)	DOCKET NO. 1102-OV-06
	)	

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 Deep #4-36 Well (API No. 05-081-07427) (the "Well"), which is located in the SW¼ SW¼ of Section 36, Township 12 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 found two pits at the site. The pit on the west side of the pad had a streamer strung over the pit in an "X" pattern, with the streamer below the surface of the water in the center of the pit and hydrocarbons on the surface of the pit. The pit liner was in disrepair at the southeast corner and the edge of the pit liner was loose and not secured by the 12-inch trench surrounding the pit. The pit has less than two feet of freeboard on the north side, and the fence was knocked down in places around the pit. The second pit at the site is approximately 100 feet by 160 feet and was observed to have hydrocarbons on the surface. The second pit had holes in the liner and the fencing around the pit was knocked down along the south side. Further, hydrocarbon-stained soil was observed at the southwest corner of the second pit, along with standing oil inside the perimeter of the pit fencing. The Well site had trash, loose fittings, and fence posts lying on the ground, and hydrocarbon-stained soil was observed around a frac tank sitting next to the west pit. Unmarked guy line anchors were observed at the Well site, and there were no signs at the entrance to the site or at the wellhead.

On November 9, 2009, COGCC Staff issued Notice of Alleged Violation ("NOAV") #200221962 for alleged violations of the following COGCC rules:

- a. Rule 210.b.(1), which requires operators, within 60 days after completion of a well, to locate a permanent sign at the well head to identify the well and provide its legal location;
- b. Rule 603.j., which requires operators to keep all oil and gas locations free from equipment, vehicles, and supplies not necessary for use on the lease; weeds; rubbish, and other waste material;
- 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 902.d., which requires operators to install appropriate netting or fencing to a pit to protect public health, safety and welfare or to prevent significant adverse environmental impacts resulting from access to pit by wildlife, migratory birds, domestic animals, or members of the general public;
- f. 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; and
- g. 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.

The NOAV required certain abatement or corrective actions to be taken by the operator by November 27, 2009. The actions required Grynberg to: (1) remove all hydrocarbons from the surface of both pits on the Well site within 24 hours of notification, (2) maintain fluid levels in both pits at no less than two feet of freeboard, (3) complete repairs, or closures, of both pits on Well site, and provide written documents on action taken to COGCC by November 20, 2009.

Rule 523. specifies a base fine of One Thousand dollars (\$1,000) for each day of violation of Rules 603.j., 902.b., 902.c., 902.d., 904.b.(2), and 904.c.(1)., and a base fine of Five Hundred dollars (\$500) for each day of violation of Rule 210.b.(1). 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 210.b.(1), 603.j., 902.b., 902.c., 902.d., 904.b.(2), and 904.c.(1)., 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: Monday, May 16, 2011  
Tuesday, May 17, 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 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  
May 4, 2011

Grynberg Address of Record:  
Jack J. Grynberg  
5299 DTC Blvd., Suite 500  
Greenwood Village, CO 80111