

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 TEXAS TEA OF	)	
COLORADO LLC DBA TEXAS TEA LLC,	)	DOCKET NO. 1207-OV-06
ADAMS AND WELD COUNTIES, 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 on July 9, 2012, for an Order Finding Violation ("OFV") against Texas Tea of Colorado LLC DBA Texas Tea LLC ("Texas Tea") (Operator No. 87195).

Van Scoyk #1 Well

On September 24, 1984, Texas American Oil Corporation spud the Van Scoyk #1 Well ("Van Scoyk Well") (API No. 05-001-08516), located in the SE¼ SE¼ of Section 22, Township 1 South, Range 67 West, 6th P.M. The Van Scoyk Well was subsequently conveyed to Devon Energy Corporation on May 1, 1988; to L.P. Moore, Inc. on April 1, 1991; to Baldwin Pump & Supply Inc. on April 6, 1993; to KKB Energy LLC on June 1, 1996; and to its current owner Texas Tea on October 27, 1998.

On July 6, 2010, COGCC Staff issued Notice of Alleged Violation ("NOAV") No. 200259563 to Texas Tea for its operations at the Van Scoyk Well. The NOAV cited violations for Rule 210.b.(2), 319.b.(3), 326.b.(1), 603.j. and 906.a.

NOAV No. 200259563 required the following abatement or corrective actions to be taken by Texas Tea: 1) remove any oil saturated soil from well and battery site; 2) dispose of soil according to the 900 series rules; 3) control weeds on well and battery site; 4) place signs on well and battery site; and 5) produce, plug, or perform a mechanical integrity test ("MIT") on the well. These actions were required to have been completed by August 31, 2010.

On January 9, 2012, COGCC Staff issued NOAV No. 200336458 to Texas Tea for its operations at the Van Scoyk Well. The NOAV cited violations of Rules 319.b.(1), 319.b.(3) and 326.b.(1).

NOAV No. 200336458 required the following abatement or corrective actions to be taken by Texas Tea: 1) submit a Form 4 to request an extended temporarily abandoned ("TA") status if the well was TA. This action was required to be completed by February 8, 2012. Further, Texas Tea was to: 1) put the well on production and submit Operator's Monthly Report of Operations; 2) pass a mechanical integrity test ("MIT") to maintain shut-in ("SI") or TA status, notify COGCC 10 days prior to the MIT, and submit a Form 21 within 30 days after the MIT; or 3) plug and abandon the well; and 4) perform a Bradenhead test and report the results on Form 17. These actions were required to be completed by March 9, 2012.

Rule 523.c. specifies a base fine of Five Hundred dollars (\$500) per day for violations of Rule 210 and One Thousand dollars (\$1,000) per day for violations of Rule 319, 326, 603 and 906. It appears that the violations alleged occurred for a period of more than ten (10) days, however, the violations did not result in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare, including the environment or wildlife resources. Accordingly, the maximum penalty for any single violation shall not exceed Ten Thousand dollars (\$10,000) regardless of the number of days of such violation. COGCC Staff has calculated a base fine of Forty Five Thousand dollars (\$45,000) for violations of these Rules under NOAV No. 200259563 and Thirty Thousand dollars (\$30,000) for violations of these Rules under NOAV No. 200336458.

COGCC Staff requests that Texas Tea be found in violation of Rules 210.b.(2), 319.b.(1), 319.b.(3), 326.b.(1), 603.j. and 906.a. for its operations at the Van Scoyk Well and assessed an appropriate fine.

Pace #2 Well

On June 4, 1976, Brownlie, Wallace, Armst and Bander spud the Pace #2 Well ("Pace Well") (API No. 05-123-08720), located in the NW¼ SE¼ of Section 17, Township 2 North, Range 67 West, 6th P.M. The Pace Well was subsequently conveyed to Texas Tea on December 14, 1998; to Colorado Oil & Gas Corporation on July 1, 2001; and then back to its current owner Texas Tea on June 1, 2003.

On November 22, 2010, COGCC Staff issued NOAV No. 200284706 to Texas Tea for its operations at the Pace Well. The NOAV cited violations for Rules 210.d., 604.a.(4) and 902.d.

The NOAV required the following abatement or corrective actions to be taken by Texas Tea: 1) label tanks per Rule 210.d.; 2) repair berms to be in compliance with Rule 604.a.(4); 3) cover openings in concrete vault to comply with Rule 902.d.; and 4) submit a *Site Investigation and Remediation Workplan*, Form 27, describing proposed actions to verify that soil concentrations of organic compounds in soils within the berm and around the concrete vault are in compliance with concentration levels specified in Table 910-1 of the 900 Series Rules. These actions were required to have been completed by January 15, 2011.

Rule 523.c. specifies a base fine of Five Hundred dollars (\$500) per day for violations of Rule 210 and One Thousand dollars (\$1,000) per day for violations of Rule 604 and 902. It appears that the violation alleged occurred for a period of more than ten (10) days, however, the violations did not result in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare, including the environment or wildlife resources. Accordingly, the maximum penalty for any single violation shall not exceed Ten Thousand dollars (\$10,000) regardless of the number of days of such violation. COGCC Staff has calculated a base fine of Twenty Five Thousand dollars (\$25,000) for violations of these Rules.

COGCC Staff requests that Texas Tea be found in violation of Rules 210.d., 604.a.(4) and 902.d. for its operations at the Pace Well and assessed an appropriate fine.

General Operations

On December 8, 2010, COGCC Staff issued NOAV No. 1662769 for Texas Tea's general operations. The NOAV cited violations of COGCC Rule 706 and 707.

The NOAV required the following abatement or corrective action to be taken by Texas Tea: provide the COGCC with financial assurance in form of cashier's check payable to COGCC, insurance bond, or certificate of deposit as a public fund account. This action was required to have been completed by January 8, 2011.

On February 2, 2012, COGCC Staff issued NOAV No. 200339488 for Texas Tea's general operations. The NOAV cited violations of COGCC Rule 309 and 310.

The NOAV required the following abatement or corrective action to be performed by Texas Tea: submit all delinquent production reports and submit all delinquent conservation levy with principle and appropriate interest payments by March 3, 2012.

Rule 523.c. specifies a base fine of One Thousand dollars (\$1,000) per day for violations of Rule 706, 707, 309 and 310. It appears that the violation alleged occurred for a period of more than ten (10) days, however, the violations did not result in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare, including the environment or wildlife resources. Accordingly, the maximum penalty for any single violation shall not exceed Ten Thousand dollars (\$10,000) regardless of the number of days of such violation. COGCC Staff has calculated a base fine of Twenty Thousand dollars (\$20,000) for violations of these Rules under NOAV No. 1662769 and Twenty Thousand dollars (\$20,000) for violations of these Rules under NOAV No. 200339488.

COGCC Staff requests that Texas Tea be found in violation of Rules 706, 707, 309 and 310, for its general operations, assessed an appropriate fine, and be ordered to submit all delinquent production reports and all delinquent conservation levy payments, including principle and interest.

Adams County #1 and Krogh #2 Wells

On August 27, 1982, Texas American Oil Corporation spud the Adams County #1 Well ("Adams County Well") (API No. 05-001-08204), located in the SW¼ SW¼ of Section 14, Township 1 South, Range 67 West, 6th P.M. The Adams County Well was subsequently conveyed to Devon Energy Corporation on May 6, 1998; to L.P. Moore, Inc. on May 15, 1991; to Plenergy Development Ltd. on May 18, 1995; and to its current owner Texas Tea on November 10, 1998.

On February 18, 1985, Texas American Oil Corporation spud the Krogh #2 Well ("Krogh Well") (API No. 05-001-08503), located in the NE¼ NE¼ of Section 14, Township 1 South, Range 67 West, 6th P.M. The Krogh Well was subsequently conveyed to Devon Energy Corporation on May 1, 1998; to L.P. Moore, Inc. on April 1, 1991; to Plenergy Development Ltd. on January 1, 1995; and to its current owner Texas Tea on October 27, 1998.

On January 9, 2012, COGCC Staff issued NOAV No. 200336456 to Texas Tea for its operations at the Adams County Well and NOAV No. 200336457 to Texas Tea for its operations at the Krogh Well. The NOAVs cited violations for Rules 319.b.(1), 319.b.(3) and 326.b.(1).

The NOAVs required the following abatement or corrective actions to be taken by Texas Tea: 1) submit a Form 4 for each well to request an extended temporarily abandoned ("TA") status if the wells were TA. This action was required to be completed by February 8, 2012. Further, Texas Tea was to: 1) put the wells on production and submit Operator's Monthly Report of Operations for each well; 2) pass a mechanical integrity test ("MIT") for each well to maintain shut-in ("SI") or TA status, notify COGCC 10 days prior to each MIT, and submit a Form 21 for each well within 30 days after a MIT; or 3) plug and abandon the wells; and 4) perform Bradenhead tests for each well and report the results on Form 17. These actions were required to be completed by March 9, 2012.

Rule 523.c. specifies a base fine of One Thousand dollars (\$1,000) per day for violations of Rule 319 and 326. It appears that the violation alleged occurred for a period of more than ten (10) days, however, the violations did not result in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare, including the environment or wildlife resources. Accordingly, the maximum penalty for any single violation shall not exceed Ten Thousand dollars (\$10,000) regardless of the number of days of such violation. COGCC Staff has calculated a base fine of Thirty Thousand dollars (\$30,000) for violations of these Rules for each of the Adams County #1 and Krogh #2 Wells.

Texas Tea failed to comply with NOAV Nos. 200336456 and 200336457, or show meaningful progress toward compliance, COGCC Staff therefore requests that Texas Tea be found in violation of Rules 319.b.(1), 319.b.(3) and 326.b.(1). for its operations at the Adams County #1 and Krogh #2 Wells and assessed an appropriate fine.

NOTICE IS HEREBY GIVEN, pursuant to: 1) the general jurisdiction granted to the Oil and Gas Conservation Commission of the State of Colorado (Commission) under § 34-60-105 C.R.S.; 2) specific powers granted pursuant to § 34-60-106 C.R.S.; 3) the Colorado Administrative Procedures Act at § 24-4-105 C.R.S.; and 4) the Commission's Series 500 Rules at 2CCR 404-1, that the Commission has scheduled the above-entitled matter for hearing on:

Date: Monday, July 9, 2012
Tuesday, July 10, 2012

Time: 9:00 a.m.

Place: COGCC Offices
1120 Lincoln Street, 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.

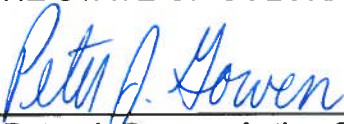
Pursuant to said hearing in the above-entitled matter at the time and place aforesaid, or at any adjourned meeting, the Commission will enter such orders as it deems appropriate to

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 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 June 25, 2012, 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 June 25, 2012.** 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 
Peter J. Gowen, Acting Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203
June 13, 2012

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