



COLORADO

Oil & Gas Conservation
Commission

Department of Natural Resources

1120 Lincoln Street, Suite 801
Denver, CO 80203



02465104

WARNING LETTER

August 22, 2014

10383-- SOVEREIGN OPERATING COMPANY LLC
ATTN: THOMAS METZGER, CEO
C/O STEPHANIE CLASEN, DESIGNATED AGENT
E-MAIL: sclasen@bsegllc.com
475 17TH STREET #1200, DENVER, CO 80202
API : # 009-06162 Well Name: Hefley A 1
County: BACA #009, Field: STONINGTON- #79650
Location: NWN 30 31S 42W 6 PM Lat/Long: 37.32046/-102.19268

This Warning Letter is to inform you that the oil and gas facility or the oil and gas operations listed above may be in violation of the rules and regulations of the Colorado Oil and Conservation Commission ("COGCC") and correction action is required.

There is reasonable cause to believe that a violation of the Oil and Gas Conservation Act, or of any rule, regulation, or order of the Commission, or of any permit issued by the Commission, has occurred. The Operator's compliance with this Warning Letter is required to resolve these alleged violations. This document requires the Operator to timely respond to the COGCC and to comply with directives as listed by the **Corrective Action Deadline Date**. Failure to do so will result in the issuance of a Notice of Alleged Violation and initiation of enforcement proceedings in which COGCC will seek monetary penalties for the alleged violations pursuant to § 34-60-121, C.R.S. and Rule 523, COGCC Rules of Practice and Procedure, 2 CCR 404-1.

The COGCC requires **SOVEREIGN OPERATING COMPANY LLC** to implement corrective action(s) for the conditions identified below. The listed well(s) are out of compliance with COGCC Rule 326.b.1 for Mechanical Integrity Tests (MIT) of Shut-In (SI) Wells.

SI Wells. Rule 326.b.1 requires that SI wells pass an MIT within two (2) years of the initial shut-in date and then at five (5) year intervals after an initial successful MIT.

P 303.894.2100 F 303.894.2109 www.colorado.gov/cogcc

Commissioners: Thomas L. Compton - Chairman, Richard Alward, John H. Benton, DeAnn Craig,
James W. Hawkins, Tommy Holton, Andrew L. Spielman, Mike King, Dr. Larry Wolk

John W. Hickenlooper, Governor | Mike King, Executive Director, DNR | Matthew J. Lepore, Director



The Hefley A 1 API# 009-06162 the well has not produced since July 2012, which meets criteria as an inactive well. The well lacks a current MIT, which makes this well out of compliance. It is the operator's responsibility to maintain well integrity and compliance to COGCC rules. COGCC Identified the well out of compliance on 8/01/2014 and made note the Operator requested extension to date of MIT because the well is located in crop field and the farmer's request he be allowed to harvest crop prior to well being accessed. On 8/14/2014, COGCC granted the Operator an extension; specifying the Operator complete the MIT on or before October 31st, 2014 and reminded the Operator it is their responsibility to know when this well is accessible and to plan accordingly in order to remain in compliance.

How to Comply with this Warning Letter:

With respect to the listed well(s), your options for returning the well to compliance are to: pass an MIT, or plug and abandon the well. To comply with Rules 319/326: submit a COGCC Form 42 followed by a Form 21; or file a Form 6 – Well Abandonment Report as a Notice of Intent to Abandon for approval prior to performing the work and a second Form 6 – Well Abandonment Report as a Subsequent Report of Abandonment upon completion. You must also return the NOAV with the "To Be Completed By Operator" section filled out and signed by a company representative, detailing the steps taken to comply with the NOAV. For additional information and guidance please see the COGCC's MIT Policy, available at <http://cogcc.state.co.us>

Corrective Action Deadline Date: October 31st, 2014

Failure to Comply with Warning Letter:

If SOVEREIGN OPERATING COMPANY LLC fails to perform required corrective actions, COGCC will issue a Notice of Alleged Violation and seek penalties pursuant to § 34-60-121, C.R.S. and Rule 523, COGCC Rules of Practice and Procedure, 2 CCR 404-1. (Please note that the COGCC's penalty authority was recently increased to a maximum of \$15,000 per day and penalties are no longer capped at a maximum of \$10,000 per violation.)

If you have any questions about this Warning Letter, please contact the COGCC representative below.

Sincerely,



Leigh Bradshaw
Engineering Technician
P 303.894.2100 x5187
leigh.bradshaw@state.co.us

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

*Sovereign Operating Company
 Attn: Thomas Metzger
 c/o Stephanie Clasen
 475 17th Street #1200
 Denver, CO. 80202*

COMPLETE THIS SECTION ON DELIVERY

- A. Signature X
- B. Received by (Printed Name) Agent
 Addressee
- C. Date of Delivery
- D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type

- Certified Mail®
- Registered
- Insured Mail
- Priority Mail Express™
- Return Receipt for Merchandise
- Collect on Delivery

4. Restricted Delivery? (Extra Fee) Yes

2. **7014 0510 0002 0093 7896**

PS Form 3811, July 2013

Domestic Return Receipt

CERTIFIED MAIL™

STATE OF COLORADO

DEPARTMENT OF NATURAL RESOURCES
 Oil & Gas Conservation Commission
 1120 Lincoln Street, Suite 801
 Denver, Colorado 80203-2136



7014 0510 0002 0093 7896

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*Sovereign Operating Company LLC
 Attn: Thomas Metzger, CEO
 c/o Stephanie Clasen, designated Agent
 475 17th Street #1200
 Denver, CO 80202*