



COLORADO
Oil & Gas Conservation
Commission

Department of Natural Resources

796 Megan Avenue, Suite 201
Rifle, CO 81650

WARNING LETTER #2056051

EE3, LLC
c/o Petroleum Field Services
Attn: Bryan Troester
7535 Hilltop Circle
Denver, CO 80221

Operator Number: 10450
Contact email: bryan@petro-fs.com
Well Name: Hebron #3-12H
API Number: 05-057-06498
Legal Location: NENE Section 12, Township 7N, Range 81W, 6th P.M.
Jackson County, Colorado

Date: January 14, 2015

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 EE3, LLC ("Operator") to implement corrective action(s) for the conditions identified below.

P 970.625.2497 F 970.625.5682 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



Alleged Violation:

Operator spud the Hebron #3-12H Well on 7/11/2013. Form 2, Application for Permit to Drill, Document Number 400365659, was approved on 2/8/2013. The Form 2 was approved for 800 feet of 9+5/8 inch surface casing and a production casing string with a production casing liner. Following the Form 2 approval, there are no documented requests from the operator or approvals from COGCC staff to change the casing and cement design for the well. COGCC staff finished processing Form 5, Drilling Completion Report today. Form 5 indicates that surface casing was set at a depth of 1,368 feet (71 percent increase compared to the permitted setting depth), and a single 5+1/2 inch production string was run from total depth to surface with no production liner. A Form 4, Sundry Notice, was required for prior approval of both changes.

Operator changed plans that were previously approved by COGCC, but Operator did not seek prior approval for the changes. COGCC's policy, "Clarifications of Procedures for Filing Changes to Applications for Permit-to-Drill," Revised January 18, 2011, specifies that a Form 4 is required for "increasing the depth of the surface casing by twenty percent (20%) or more than the original permitted depth." Removal of a casing string in this case is considered a non-substantive revision (the change did not result in a change of regulatory cement isolation requirements) after approval of the Form 2.

Rule(s), Regulations(s), or Permit Conditions Cited: Rule 301 and Rule 303.d.

How to Comply with this Warning Letter:

Submit a written response to this Warning Letter, specifying how Operator will change its internal procedures to prevent recurrence of this alleged violation.

Corrective Action Deadline Date: February 14, 2015

Failure to Comply with this Warning Letter:

If Operator fails to perform the 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.)

EE3, LLC

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

Sincerely,

David D. Andrews, P.E., P.G.
Engineering Supervisor - Western Region
Email: David.Andrews@state.co.us

Cc: Richard McClure, EE3 LLC
Ruth Hartshorn, EE3 LLC
Jeff Annable, Petroleum Field Services
Ann Stephens, Petroleum Field Services
Paul Gottlob, Integrated Petroleum Technologies
Derek Petrie, Integrated Petroleum Technologies