



COLORADO

**Oil & Gas Conservation
Commission**

Department of Natural Resources

1120 Lincoln Street, Suite 801
Denver, CO 80203

WARNING LETTER #2193027

October 21, 2015

Alan Ennis
Yates Petroleum Company
105 South 4th Street
Artesia, NM 88210

E-Mail: alane@yatespetroleum.com

PO 12-12
API Number: 081-06904
Facility ID: 223537
Location ID: 313081
SWNW, Section 12, Township 9N, 91W Range, Moffat County

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 a rule, regulation, or order of the Commission, or of a 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 Yates Petroleum Company (Yates) to implement corrective actions for the condition identified below.

As cited in a September 23, 2015 inspection report (Document #673402472, Attachment A), Yates performed a Mechanical Integrity Test (MIT) at API 081-06904 on January 22, 2015

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



(Document #1726926, Attachment B), but failed to submit a Form 42 Field Operations Notice at least ten (10) days prior to conducting the MIT, violating Rules 316B. and 316C.f.

How to Comply with this Warning Letter:

Within thirty (30) days of the issuance of this Warning Letter, Yates shall submit a written explanation describing how its procedures will be changed to prevent recurrence of Rules 316B. and 316C.f. Form 42 Field Operations Notice violations. Yates shall timely submit Form 42 Field Operations Notices to COGCC at least ten (10) days prior to conducting all future MITs.

Corrective Action Deadline Date: November 20, 2015

Failure to Comply with Warning Letter:

If Yates 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,

Steven Mah - NOAV Specialist For

David Andrews
Engineering Supervisor – Western Region
David.Andrews@state.co.us
Phone: 970-625-2497 x1

Enclosures:

Attachment A – Document #673402472
Attachment B – Document #1726926



FORM INSP Rev 05/11	State of Colorado Oil and Gas Conservation Commission 1120 Lincoln Street, Suite 801, Denver, Colorado 80203 Phone: (303) 894-2100 Fax: (303) 894-2109		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">DE</td> <td style="width: 25%;">ET</td> <td style="width: 25%;">OE</td> <td style="width: 25%;">ES</td> </tr> </table>	DE	ET	OE	ES
DE	ET	OE	ES				

Inspection Date: 09/23/2015

Document Number: 673402472

Overall Inspection: **ACTION REQUIRED**

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection <input type="checkbox"/>
<u>223537</u>	<u>313081</u>	<u>313081</u>	<u>Waldron, Emily</u>	2A Doc Num: _____

Operator Information:

OGCC Operator Number: 97810

Name of Operator: YATES PETROLEUM CORPORATION

Address: 105 SOUTH 4TH ST

City: ARTESIA State: NM Zip: 88210

- THIS IS A FOLLOW UP INSPECTION
- FOLLOW UP INSPECTION REQUIRED
- NO FOLLOW UP INSPECTION REQUIRED
- INSPECTOR REQUESTS FORM 42 WHEN CORRECTIVE ACTIONS ARE COMPLETED

Contact Information:

Contact Name	Phone	Email	Comment
Andrews, Dave		david.andrews@state.co.us	
Crisler, duane	307-382-4005	dcrisler@yatespetroleum.com	

Compliance Summary:

QtrQtr: SWNW Sec: 12 Twp: 9N Range: 91W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
12/05/2014	673401514	PR	SI	ALLEGED VIOLATION			Yes
11/27/2012	669300280			SATISFACTORY	I		No
06/15/2012	662300606	PR	SI	ACTION REQUIRED			No
06/15/2011	200320157	PR	PR	SATISFACTORY			No
07/19/1999	500154843	PR	PR			Fail	No

Inspector Comment:

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status
223537	WELL	PR	10/03/1996	GW	081-06904	PO 12-12	SI <input checked="" type="checkbox"/>

Equipment: Location Inventory

Special Purpose Pits: _____	Drilling Pits: _____	Wells: _____	Production Pits: _____
Condensate Tanks: _____	Water Tanks: _____	Separators: _____	Electric Motors: _____
Gas or Diesel Mortors: _____	Cavity Pumps: _____	LACT Unit: _____	Pump Jacks: _____
Electric Generators: _____	Gas Pipeline: _____	Oil Pipeline: _____	Water Pipeline: _____
Gas Compressors: _____	VOC Combustor: _____	Oil Tanks: _____	Dehydrator Units: _____
Multi-Well Pits: _____	Pigging Station: _____	Flare: _____	Fuel Tanks: _____

Location

Inspector Name: Waldron, Emily

Lease Road:				
Type	Satisfactory/Action Required	comment	Corrective Action	Date
Access	ACTION REQUIRED	Road is overgrown with little gravel or compaction. Erosion beginning to occur.	Maintain road to be in a reasonable condition, accessible and easily located.	10/30/2015

Signs/Marker:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
TANK LABELS/PLACARDS	SATISFACTORY	All three tanks contain label reading "Permanently closed container date closed 8/21/2014."		
WELLHEAD	SATISFACTORY			
BATTERY	SATISFACTORY			

Emergency Contact Number (S/AV): SATISFACTORY Corrective Date: _____

Comment: 307-382-4005

Corrective Action: _____

Good Housekeeping:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
STORAGE OF SUPL	ACTION REQUIRED	Tanks labeled as permanently out of use for over 12 months.	Remove all equipment not necessary for production of this lease.	10/30/2015
WEEDS	ACTION REQUIRED	Noxious weeds seeded out on location.	Implement and maintain a weed control program.	10/30/2015

Spills:				
Type	Area	Volume	Corrective action	CA Date
<input type="checkbox"/> Multiple Spills and Releases?				

Fencing/:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
TANK BATTERY	SATISFACTORY			
SEPARATOR	SATISFACTORY			
WELLHEAD	SATISFACTORY			

Equipment:					
Type	#	Satisfactory/Action Required	Comment	Corrective Action	CA Date
Deadman # & Marked	4	SATISFACTORY			
Horizontal Heater Treater	1	SATISFACTORY	40.75421, - 107.55827		
Bird Protectors		SATISFACTORY			

Facilities: New Tank Tank ID: _____

Inspector Name: Waldron, Emily

Contents	#	Capacity	Type	SE GPS
PRODUCED WATER	1	300 BBLS	STEEL AST	,
S/AV: SATISFACTORY	Comment:			
Corrective Action:				Corrective Date:
<u>Paint</u>				
Condition	Adequate			
Other (Content)	_____			
Other (Capacity)	_____			
Other (Type)	_____			
<u>Berms</u>				
Type	Capacity	Permeability (Wall)	Permeability (Base)	Maintenance
Earth	Adequate			Adequate
Corrective Action				Corrective Date
Comment				
Facilities: <input type="checkbox"/> New Tank Tank ID: _____				
Contents	#	Capacity	Type	SE GPS
CONDENSATE	2	300 BBLS	STEEL AST	40.754060,-107.558450
S/AV: SATISFACTORY	Comment:			
Corrective Action:				Corrective Date:
<u>Paint</u>				
Condition	Adequate			
Other (Content)	_____			
Other (Capacity)	_____			
Other (Type)	_____			
<u>Berms</u>				
Type	Capacity	Permeability (Wall)	Permeability (Base)	Maintenance
Earth	Adequate			Adequate
Corrective Action				Corrective Date
Comment				
Venting:				
Yes/No	Comment			
NO				
Flaring:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Predrill

Location ID: 223537

Site Preparation:

Lease Road Adeq.: _____ Pads: _____ Soil Stockpile: _____

S/AV: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Stormwater:

Comment: _____

Staking:

On Site Inspection (305):

Surface Owner Contact Information:

Name: _____ Address: _____

Phone Number: _____ Cell Phone: _____

Operator Rep. Contact Information:

Landman Name: _____ Phone Number: _____

Date Onsite Request Received: _____ Date of Rule 306 Consultation: _____

Request LGD Attendance: _____

LGD Contact Information:

Name: _____ Phone Number: _____ Agreed to Attend: _____

Summary of Landowner Issues:

Summary of Operator Response to Landowner Issues:

Onsite Inspection Memorandum Summarizing Discussions at Inspection as Attachment:

Facility

Facility ID: 223537 Type: WELL API Number: 081-06904 Status: PR Insp. Status: SI

Idle Well

Purpose: Shut In Temporarily Abandoned Reminder: _____

S/AV: _____ CA Date: _____

CA: _____

Comment: MIT performed on 1/22/2015, document number 200416752, with no Form 42 10 day notice submitted.

Environmental

Spills/Releases:

Type of Spill: _____ Description: _____ Estimated Spill Volume: _____

Inspector Name: Waldron, Emily

Comment: _____

Corrective Action: _____ Date: _____

Reportable: _____ GPS: Lat _____ Long _____

Proximity to Surface Water: _____ Depth to Ground Water: _____

Water Well: _____ Lat _____ Long _____

DWR Receipt Num: _____ Owner Name: _____ GPS : _____

Field Parameters: _____

Sample Location: _____

Emission Control Burner (ECB): _____

Comment: _____

Pilot: _____ Wildlife Protection Devices (fired vessels): _____

Reclamation - Storm Water - Pit

Interim Reclamation:

Date Interim Reclamation Started: _____ Date Interim Reclamation Completed: _____

Land Use: _____

Comment: _____

1003a. Debris removed? _____ CM _____
CA _____ CA Date _____

Waste Material Onsite? _____ CM _____
CA _____ CA Date _____

Unused or unneeded equipment onsite? _____ CM _____
CA _____ CA Date _____

Pit, cellars, rat holes and other bores closed? _____ CM _____
CA _____ CA Date _____

Guy line anchors removed? _____ CM _____
CA _____ CA Date _____

Guy line anchors marked? _____ CM _____
CA _____ CA Date _____

1003b. Area no longer in use? _____ Production areas stabilized ? _____

1003c. Compacted areas have been cross ripped? _____

1003d. Drilling pit closed? _____ Subsidence over on drill pit? _____

Cuttings management: _____

1003e. Areas no longer needed for drilling or subsequent operations for have been re-vegetated to 80% of pre-existing? _____

Production areas have been stabilized? _____ Segregated soils have been replaced? _____

RESTORATION AND REVEGETATION

Cropland

Top soil replaced _____ Recontoured _____ Perennial forage re-established _____

Inspector Name: Waldron, Emily

Non-Cropland

Top soil replaced _____ Recontoured _____ 80% Revegetation _____

1003 f. Weeds Noxious weeds? _____

Comment: _____

Overall Interim Reclamation

Final Reclamation/ Abandoned Location:

Date Final Reclamation Started: _____ Date Final Reclamation Completed: _____

Final Land Use: _____

Reminder: _____

Comment: _____

Well plugged _____ Pit mouse/rat holes, cellars backfilled _____

Debris removed _____ No disturbance /Location never built _____

Access Roads Regraded _____ Contoured _____ Culverts removed _____

Gravel removed _____

Location and associated production facilities reclaimed _____ Locations, facilities, roads, recontoured _____

Compaction alleviation _____ Dust and erosion control _____

Non cropland: Revegetated 80% _____ Cropland: perennial forage _____

Weeds present _____ Subsidence _____

Comment: _____

Corrective Action: _____ Date _____

Overall Final Reclamation _____ Well Release on Active Location Multi-Well Location

Storm Water:

Loc Erosion BMPs	BMP Maintenance	Lease Road Erosion BMPs	Lease BMP Maintenance	Chemical BMPs	Chemical BMP Maintenance	Comment

S/AV: **ACTION REQUIRED** Corrective Date: **10/30/2015**

Comment: No stormwater BMPs apparent. Large, approx 4 ft dep and 3 ft wide erosional gully leaving location on north side. Gully has noxious weeds growing in it. Sediment and weeds being carried off of location. Access road is overgrown with rills forming.

CA: A stormwater plan utilizing appropriate and necessary BMPs shall be installed and maintained to prevent the migration of soil on pad, access roads and interim reclamation area. BMPs shall prevent site degradation from potential spills and/or releases from stored materials and equipment.

Pits: NO SURFACE INDICATION OF PIT

Attached Documents

You can go to COGCC Images (<https://cogcc.state.co.us/webblink/>) and search by document number:

Document Num	Description	URL
673402489	Inspection Photos	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3691703

ACTION REQUIRED

ANY ACTION REQUIRED items listed on this report indicate that the oil and gas facility or the oil and gas operations listed on the report may be in violation of the rules and regulations of the Colorado Oil and Conservation Commission (“COGCC”) and corrective 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 Inspection Report 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. (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.)

FORM

21

Rev
08/14

State of Colorado

Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80203
Phone: (303) 894-2100 Fax: (303) 894-2109

Document Number:

1726926

Date Received:

01/27/2015

MECHANICAL INTEGRITY TEST

1. Duration of the pressure test must be a minimum of 15 minutes.
2. An original pressure chart must accompany this report if this test was not witnessed by an OGCC representative. Injection well tests must be witnessed by an OGCC representative.
3. For production wells, test pressures must be at a minimum of 300 psig.
4. New injection wells must be tested to maximum requested injection pressure.
5. For injection wells, test pressures must be at least 300 psig or average injection pressure, whichever is greater.
6. A minimum 300 psi differential pressure must be maintained between the tubing and tubing/casing annulus pressure.
7. Do not use this form if submitting under provisions of Rule 326.a(1)B. or C.
8. Written OGCC notification must be provided 10 days prior to the test via Form 42, Field Operations Notice
9. Packers or bridge plugs, etc., must be set within 100 feet of the perforated interval to be considered a valid test.

Complete the Attachment

Checklist

OP OGCC

OGCC Operator Number: 97810	Contact Name: Duane Crisler	Pressure Chart		
Name of Operator: YATES PETROLEUM CORPORATION	Phone: (307) 382-4005	Cement Bond Log		
Address: 105 SOUTH 4TH ST		Tracer Survey		
City: ARTESIA State: NM Zip: 88210 Email: dcrisler@yatespetroleum.com		Temperature Survey		
API Number: 05-081-06904	OGCC Facility ID Number: 223537	Inspection Number		
Well/Facility Name: PO	Well/Facility Number: 12-12			
Location QtrQtr: SWNW Section: 12 Township: 9N Range: 91W Meridian: 6				

SHUT-IN PRODUCTION WELL INJECTION WELL Last MIT Date: 11/27/2012 12:00:00 AM

Test Type:

Test to Maintain SI/TA status 5-Year UIC Reset Packer

Verification of Repairs Annual UIC TEST

Describe Repairs or Other Well Activities: _____

Wellbore Data at Time of Test				Casing Test	
Injection Producing Zone(s)	Perforated Interval	Open Hole Interval		Use when perforations or open hole is isolated by bridge plug or cement plug; use if cased-hole only with plug back total depth.	
	5914-5946			Bridge Plug or Cement Plug Depth	
Tubing Casing/Annulus Test					
Tubing Size:	Tubing Depth:	Top Packer Depth:	Multiple Packers?		
2.875	5864	5829	<input type="checkbox"/>		

Test Data (Use -1 for a vacuum)

Test Date	Well Status During Test	Casing Pressure Before Test	Initial Tubing Pressure	Final Tubing Pressure
01-22-2015	SHUT -IN	100	700	710
Casing Pressure Start Test	Casing Pressure - 5 Min.	Casing Pressure - 10 Min.	Casing Pressure Final Test	Pressure Loss or Gain
1008	1008	1008	1008	0

Test Witnessed by State Representative? OGCC Field Representative _____

I hereby certify all statements made in this form are, to the best of my knowledge, true, correct, and complete.

Signed: _____ Print Name: Duane Crisler
Title: Production Superintendent Email: dcrisler@yatespetroleum.com Date: 1/22/2015

Based on the information provided herein, this Notice (Form 21) complies with COGCC Rules and applicable orders and is hereby approved.

COGCC Approved: Benitez, Asnoldo Date: 2/24/2015

CONDITIONS OF APPROVAL, IF ANY:

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General Comments

<u>User Group</u>	<u>Comment</u>	<u>Comment Date</u>
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Total: 0 comment(s)