

*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 10352
Name of Operator: CM PRODUCTION LLC
Address: 390 UNION BLVD SUITE 620 ATTN: JOHN TEFF
City: LAKEWOOD State: CO Zip: 80228
Company Representative: JOHN TEFF

Date Notice Issued:

11/25/2015

COGCC Representative: Axelson John Phone Number: 303 894-2100 X5115

THE FOLLOWING ALLEGED VIOLATION WAS FOUND BY THE COGCC REPRESENTATIVE FOR THE SITE LISTED

Date of Alleged Violation:

Approximate Time of Violation:

Description of Alleged Violation:
On May 18, 2015, COGCC entered Order No. 1V-507 (the "AOC") between the COGCC and CM Production LLC ("CM"). Form 27 conditions of approval (Document #'s 1761421 and 1761422) from January 2015, which were incorporated by reference into the AOC, required CM to actively treat oily waste and file semi-annual progress reports for the land treatment of the waste at the SJ Warren site (API # 05-121-07034) and Oliver Warren site (API # 05-121-07039) no later than April 30th and October 31st of each year. The consequence for failure to submit the semi-annual progress reports by the due dates was to immediately dispose all oily waste off site at an appropriate disposal facility. COGCC never received progress reports from CM, violating the AOC. These deficiencies were noted in a letter dated June 18, 2015 (Document # 2314844). Recent inspections (Document #'s 679500069 and 679500080) indicate that CM has not actively treated the oily waste at the SJ Warren and Oliver Warren locations, violating the AOC. The AOC also required CM to "complete all surface reclamation including installation of stormwater and erosion control measures and seeding of the impacted areas at the Rice site (API # 05-075-07216) no later than May 31, 2015." A recent inspection (Document # 678200277) indicates that while some of the reclamation work was completed, CM has not completed the required erosion control work, violating the AOC. Operation of two of the three unlined production pits (Facilities ID #'s 100570 and 100571) continues to cause impacts to the adjacent drainage, which by definition constitutes waters of the state.

Act, Order, Regulation, Permit Conditions Cited:
§ 34-60-121(1) C.R.S. (violation of Order No. 1V-507)

Abatement or Corrective Action Required to be Performed by Operator:*

WARREN: CM shall immediately remove all oily waste at the SJ Warren and Oliver Warren locations and properly dispose in accordance with Rule 907.e. CM shall provide a supplemental report referencing the related remediation project and include waste transportation and disposal documentation in accordance with Rule 907.b.(2). The report shall verify that the estimated 2,500 cubic yards of waste at the Oliver Warren site and 500 cubic yards of waste at the SJ Warren site were properly disposed. CM shall reclaim the surface at both locations that was disturbed by the land treatment areas and the pit closure excavations. CM shall include photo documentation of the surface restoration with the report and submit it to COGCC by December 18, 2015.

RICE: CM shall immediately discontinue use of two of the three, the northern most pit Facility ID #100570 and the eastern most pit Facility ID #100571, unlined produced water pits at the Rice Location as follows. CM shall submit a Form 27 for COGCC prior approval to properly close the two unlined produced water pits no later than December 18, 2015. With the Form 27 submittal, CM shall include a surface reclamation plan to properly reclaim all disturbed areas from pit closure and impacted areas including the area south of the southwest produced water pit (Facility ID #116281) and the adjacent drainage. CM shall stabilize all disturbed locations to stop ongoing soil erosion at the location, maintain stormwater controls, and control weeds throughout the pit closure and surface reclamation project. All work shall be completed by no later than June 30, 2016.

Abatement or Corrective Action to be Completed by (date): 12/18/2015

* Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

TO BE COMPLETED BY OPERATOR - When alleged violation is corrected, sign this notice and return to above address:

Company Representative Name: Title:
Signature: Date:
Company Comments:


*** THIS NOTICE CONSTITUTES A SEPARATE NOTICE OF ALLEGED VIOLATION FOR EACH VIOLATION LISTED ***

PENALTY

Penalties for violations alleged in this NOAV will be calculated pursuant to Rule 523, with daily penalties accruing pursuant to Section 34-60-121(1), C.R.S.

ANSWER

Pursuant to Rule 522.d.(2), the operator must file an Answer to this NOAV within 28 days of its receipt, or a default judgment may be entered. Hard-copy answers are filed with the Commission Secretary at the Commission's Denver office and should also be emailed to dnr_cogccenforcement@state.co.us.

Signature of COGCC Representative:  Date: 11/25/15 Time:
Resolution Approved by: Date:



COLORADO

**Oil & Gas Conservation
Commission**

Department of Natural Resources

1120 Lincoln Street, Suite 801
Denver, CO 80203

CM Production LLC
Attn: John Teff
390 Union Blvd., Suite 620
Lakewood, CO 80228

November 24, 2015

Via Certified Mail and Email to johnht@cmproductionllc.com

Re: Commission Order No. 1V-507 – Notice and Demand for Payment

Dear Sir:

On May 18, 2015, the Colorado Oil and Gas Conservation Commission (“COGCC”) entered Order No. 1V-507 between the COGCC and CM Production LLC (“CM”) (the “AOC”).

The Form 27 conditions of approval (Doc. Nos. 1761421 and 1761422) from January, 2015, which were incorporated by reference into the AOC, required CM to file semi-annual progress reports no later than April 30th and October 31st of each year. The COGCC has never received a progress report from CM. These deficiencies were noted in a letter dated June 18, 2015 (Doc. No. 2314844). Recent inspections (Doc. Nos. 679500069 and 679500080) indicate that CM has not actively treated the oily waste at the SJ Warren and Oliver Warren locations.

The AOC also required CM to “complete all surface reclamation including installation of stormwater and erosion control measures and seeding of the impacted areas [at the Rice Location] no later than May 31, 2015.” A recent inspection (Doc. No. 678200277) indicates that while some of the reclamation work was completed, CM has not completed any of the required erosion control work.

Enclosed you will find a Notice of Alleged Violation pertaining to these violations of the AOC, which are ongoing until addressed by CM.

Paragraph 2.b. (page 6) of the AOC subjects CM to a penalty of \$60,000, \$15,000 of which was suspended on the condition that CM comply with the requirements specified in the AOC. If CM fails to comply, the AOC stated that “the suspension will be lifted,

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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



and the remaining \$15,000 penalty will become due upon demand by the Director, without further action by the Commission.”

Pursuant to Commission Order No. 1V-507, this letter constitutes written notice and demand for payment of the \$15,000 suspended penalty due under the AOC. Moreover, Order No. 1V-507 requires payment of an *additional* \$15,000 penalty on or before December 18, 2015. Therefore, the COGCC demands a \$30,000 payment on or before December 18, 2015.

Sincerely,



Matthew J. Lepore
Director

Enclosure

CC: Kirk Mueller, via email at kirk.mueller@dgsllaw.com.

