

May 12, 2016

Peter Gowen
Enforcement Supervisor
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203
dnr_cogccenforcement@state.co.us

Re: Notice of Alleged Violation No. 401027413
Received by Williford Resources, LLC on April 15, 2016

Dear Mr. Gowen:

Pursuant to Colorado Oil and Gas Conservation Commission ("Commission") Rule 522.d.2, Williford Resources, LLC ("Williford") submits this response to Notice of Alleged Violation No. 401027413 ("NOAV") regarding the alleged violation of the Commission's venting rules at the Dye-Hard #1 well (API No. 05-067-05446) ("Well").

The NOAV alleges one regulatory violation of Commission Rule 912.b. in the unauthorized venting of gas beyond flowback and productivity testing without prior Commission approval at the Well. The NOAV also requires Williford to maintain the Well's shut-in status and cease venting gas from the Well and associated equipment.

The Well utilizes an artificial lift/rod-pump method to produce oil and associated gas from the Dakota Formation. As with any rod-pumped oil well, the volume of gas and its downhole pressure must be carefully controlled to maintain consistent production. This is primarily accomplished by venting, flaring or connecting the well to a gas gathering system. If excessive gas is prevented from escaping the wellbore, the casing pressure increases resulting in a gas-locked pump. When this occurs, production from the well ceases and operating costs increase dramatically.

Williford originally transferred and sold the Well's casinghead gas to the gas gathering system operated by Red Mesa Holdings/O&G LLC ("Red Mesa") ("Red Mesa Gathering System"). In 2015, Red Mesa declared bankruptcy and the gathering system was shut down. Williford expected that the successor to the Red Mesa Gathering System, Atom Petroleum, LLC ("Atom") and Hoshi Energy, LLC ("Hoshi"), would operate the gathering system. However, Atom and Hoshi have been ordered to cease all oil and gas operations including operation of the Red Mesa Gathering System. There are no other active gas gathering systems within five miles of the Well's location.

The Well was placed back on production in the beginning of March 2016, after being shut in over the winter months. With the Red Mesa Gathering System closure, venting of the associated casinghead gas from the Well became necessary for production. Williford estimates that approximately 1 mcf per day was vented from the Well. On March 17, 2016, upon Commission inspection, Williford immediately closed the Well's casing valve and de-activated pumping unit. Williford also shut-in all of its producing wells in the area.

Williford has completed the corrective actions mandated by the NOAV and believes that no adverse impact to public health, safety, or welfare, including the environment or wildlife resources resulted from these events. Assessing a substantial penalty under these circumstances would result in a penalty that is disproportionately large in light of the lack of any actual or threatened impact. Moreover, on April, 14, 2016, Williford filed 48 Form 4 Sundry Notices with the Commission, requesting permission to vent gas from its producing wells, including the Well. Those Form 4 Sundry Notices were approved by the Commission on April 22, 2016.

Additionally, penalty mitigation factors listed in Rule 523.d apply to the alleged violations. First, Williford has fully cooperated with the Commission regarding this matter; Williford has communicated by telephone and electronic mail on a number of occasions with Mark Weems of the Commission staff prior to the NOAV's issuance. Second, the cost of correcting the violations has eliminated any economic benefit for Williford, and Williford is currently working with the Southern Ute Indian Tribe, Environmental Protection Agency and Commission Staff on a long term plan for operating these wells which may include the use of enclosed combustion or connection to alternate gathering systems; thus, Williford will not benefit economically from the alleged violations. Third, Williford has a history of compliance with Commission rules, regulations, and orders, and Williford is implementing internal procedures to help ensure that similar reporting irregularities do not recur in the future.

In contrast, the penalty aggravation factors listed in Rule 523.d are inapplicable: the alleged violations did not involve recalcitrance or recidivism; they have not resulted in or threatened adverse impacts on public health, safety, or welfare, correlative rights, public or private property, or wildlife and they yielded no economic benefit. Thus, there are no aggravating factors to offset or diminish the mitigating factors that apply here.

Accordingly, the amount of any penalty should be decreased to account for these mitigating factors and to reflect that Williford has cooperated with the Commission, derived no economic benefit, and demonstrated a good compliance history. This further decrease is appropriate to ensure that any penalty assessed against Williford is both just and appropriate under the circumstances.

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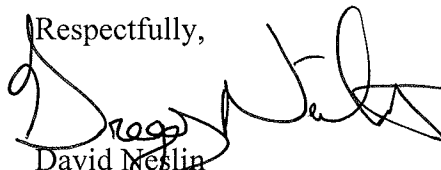
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Thank you for your consideration of this Response to the NOAV. Williford will continue to cooperate with Commission and is available to meet with you to conclude this matter.

Williford Resources, LLC
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Respectfully,

A handwritten signature in black ink, appearing to read "David Neslin", written over the printed name.

David Neslin

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for

Davis Graham & Stubbs LLP

Attorneys for Williford Resources, LLC

cc: A. Hearne Williford