



Kerr-McGee Oil & Gas Onshore LP

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October 20, 2016

By Email and Courier

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Secretary of the Commission
Colorado Oil & Gas Conservation Commission
1120 Lincoln Street
Suite 801
Denver, Colorado 80203

Re: *Notice of Alleged Violation No. 401103776—Answer to NOAV*

Ladies and Gentlemen:

I am writing on behalf of Kerr-McGee Oil & Gas Onshore LP (“Kerr-McGee”) in response to the Colorado Oil & Gas Conservation Commission (COGCC or Commission) Notice of Alleged Violation referenced above (the “NOAV”), which was received by Kerr-McGee by mail on September 26, 2016.

The NOAV alleges that Kerr-McGee did not submit a Completed Interval Report, Form 5A within 30 days after a formation was temporarily abandoned (TA). Additionally, the NOAV alleges that Kerr-McGee failed to submit accurate Form 7 production reports rendering the producing formations as TA rather than Shut-In (SI) from July 2014 to present. Finally, the NOAV alleges that Kerr-McGee did not file the required Form 4 Sundry Notices requesting continued TA status in January 2015 and again in January 2016.

Kerr-McGee respectfully asks the COGCC to consider the information set forth in this letter, including Kerr-McGee’s self-disclosure of the alleged violation, and not to impose a penalty on Kerr-McGee.

In early 2016, Kerr-McGee verbally self-reported to the COGCC Engineering Supervisor the failure to submit the required Form 5A Completed Interval report and Form 4 Sundry Notices for the Rocky Mountain Fuel 8-6U well (the “Well”) that had been previously TA. Upon self-reporting, Kerr-McGee took action to bring the Well into compliance with COGCC rules by filing the required Form 5A to depict the correct well status.

Furthermore, on May 20, 2016, Kerr-McGee requested an exception to Rule 326.c.(3) (isolation device set greater than 100 feet above highest open perforation) from the COGCC Engineering department so that compliance with Rule 326.c. could be achieved ahead of the July 2, 2016 mechanical integrity test (MIT) due date (two years post-TA operations). Kerr-McGee did not receive COGCC approval for this variance to Rule 326.c. (3) until August 8, 2016. Had COGCC

approval been received shortly after the request was made in May, the execution of the MIT would have occurred on or before the due date of July 2, and the Form 4 sundry notice requesting COGCC extended TA approval would have been filed shortly thereafter. To date, the required Form 5A was submitted on July 22, 2016, the Form 7 revised report was submitted on September 29, 2016, the Form 21 for completed MIT was submitted on October 14, 2016 and the Form 4 Sundry Notice requesting continued TA status was filed on October 19, 2016.

Mitigating Factors

Kerr-McGee has taken prompt action to ensure compliance. Kerr-McGee revised the internal procedures for complying with COGCC filing requirements for wells in TA status and reviewed Rules 308B, 309 and 319.b with applicable Kerr-McGee staff. In particular, Kerr-McGee's Regulatory department will work closely with Kerr-McGee's Production Engineering and Production Accounting departments to proactively identify wells that enter TA status, review the proposed timelines for wells to be in TA status and file Form 5A Completed Interval Reports, Form 4 Sundry Notices and Form 7 Monthly Reports of Operations in accordance with the COGCC applicable rules pertaining to wells in TA status.

Going forward, at the request of COGCC Engineering Supervisor, Diana Burn, Kerr-McGee will conduct MITs and then submit the Form 4 Sundry Notices requesting extended TA status (if wells are at the Rule 326 two year SI date) rather than submit multiple COGCC filings for the MIT/TA event.

The NOAV states that penalties for violations will be calculated pursuant to Rule 523, with daily penalties accruing pursuant to Section 34-60-121(1) C.R.S. Kerr-McGee asks that this violation be resolved without penalties based on the factors discussed in this letter, and Kerr-McGee's demonstrated history of compliance with Commission rules, orders and permits.

Please contact Andy Lytle at 720-929-6100 if you have any questions regarding this information. Representatives of Kerr-McGee are available to meet with the Commission to discuss resolution of this matter.

Sincerely,
Kerr-McGee Oil & Gas Onshore LP



Andy Lytle
Regulatory Affairs Supervisor

cc: Barbara Westerdale