

State of Colorado
Oil and Gas Conservation Commission

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NOTICE OF ALLEGED VIOLATION - ISSUED

Per Rule 522, the Director has reasonable cause to believe that a violation of the Act, or of any Commission rule, order, or permit has occurred, the Director will require the operator to remedy the violation and may commence an enforcement action seeking penalties by issuing a Notice of Alleged Violation (NOAV). Per Rule 523, an operator who violates the Act, or a Commission rule, order, or permit may be subject to a penalty imposed by Commission order.

OPERATOR INFORMATION

OGCC Operator Number: 10144

Name of Operator: XOG OPERATING LLC

Address: P O BOX 352

City: MIDLAND State: TX Zip: 79702

Contact Name and Telephone:

Name: JIMMY SLAYDEN

Phone: (432) 683-3171 Fax: ()

Email: jslayden@xogoperating.com

Well Location, or Facility Information (if applicable):

API Number: 05-077-08221-00

Facility or Location ID:

Name: ALSTATT

Number: 1

QtrQtr: NWSW

Sec: 15

Twp: 9S

Range: 103W

Meridian: 6

County: MESA

ALLEGED VIOLATION

Rule: 319.b.(1)

Rule Description: Temporary Abandonment - Notice Required

Initial Discovery Date:

Was this violation self-reported by the operator? No

Date of Violation:

Approximate Time of Violation:

Was this a discrete violation of obvious duration? No

Description of Alleged Violation:

Pursuant to Rule 319.b.(1), a well may be temporarily abandoned (TA), after passing a successful mechanical integrity test per Rule 326, upon approval of the Director, for a period not to exceed six months provided the hole is cased or left in such a manner as to prevent migration of oil, gas, water or other substance from the formation or horizon in which it originally occurred. TA wells also require submission to COGCC of an annual Form 4 - Sundry Notice, requesting continued TA status. Multiple COGCC records indicate that the well is TAed. Although the Operator has filed multiple, annual Form 4s requesting continued TA status, the last was filed August 27, 2012 (Doc. No. 2515769). Operator failed to file any additional, annual Form 4s requesting continued TA status after that date. Warning Letter #2193207 was issued to Operator on February 4, 2016, and required corrective action to resolve the delinquent Sundry Notice, Form 4, request for continued TA status issue within 30 days of the issuance of that letter. Operator failed to respond to the warning letter and file subsequent annual Form 4s requesting continued TA status, violating Rule 319.b.(1).

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 04/30/2016

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

Immediately submit a Sundry Notice, Form 4, as required by Rule 319.b.(1), to request continued temporarily abandoned status stating the reason for temporary abandonment and stating plans for future operation.

Rule: 326.c.(2)

Rule Description: MIT - Temporarily Abandoned Wells - Performance of Subsequent Tests

Initial Discovery Date:

Was this violation self-reported by the operator? No

Date of Violation:

Approximate Time of Violation:

Was this a discrete violation of obvious duration? No

Description of Alleged Violation:

Pursuant to Rules 326.c.(1) and (2), Operator is required to perform a mechanical integrity test (MIT) on temporarily abandoned (TA) wells within 30 days of temporarily abandoning the well and then at five (5) year intervals after an initial successful MIT. COGCC records indicate that a successful MIT was performed on the well May 21, 2010 (Doc. No. 1171249). A follow-up MIT was not performed on or before May 21, 2015. Therefore, COGCC staff has reason to believe the Alstatt #1 well, API 05-077-08221, (Well) is past due for performance of an MIT. Warning Letter #2193207 was issued to Operator on February 4, 2016, and required corrective action to resolve the delinquent MIT by April 30, 2016. On March 23, 2016, the Operator attempted to perform an MIT on the Well. (Doc. No. 675202646). The Well would not hold pressure, failing the MIT and indicating a lack of mechanical integrity. As of July 14, 2016, the Operator has not conducted an MIT for the Well, violating Rules 326.c.(2).

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 04/30/2016

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

Operator shall immediately schedule and complete either MIT testing of the Well or plugging and abandonment of API 05-077-08221. Rule 316B requires notice to the Director on a Form 42 at least ten (10) days prior to conducting an MIT and submission of MIT results on a Form 21, within thirty (30) days after the test. A pressure chart shall accompany this Form 21 report. Rule 311 requires Operator to submit a Form 6, Notice of Intent to Abandon and secure Director approval prior plugging and abandonment of a well and to submit a Form 6, Subsequent Report of Abandonment, within 30 days after plugging and abandonment of the well has been completed.

Rule: 326.f

Rule Description: All Wells Shall Maintain Mechanical Integrity

Initial Discovery Date:

Was this violation self-reported by the operator? No

Date of Violation:

Approximate Time of Violation:

Was this a discrete violation of obvious duration? No

Description of Alleged Violation:

Pursuant to Rules 326.f.(1) and (2), all wells are required to maintain mechanical integrity. When an operator learns that a well lacks mechanical integrity, through a mechanical integrity test (MIT) or other means, the well shall be repaired or plugged and abandoned within six months. If the well is non-compliant with the MIT testing deadlines set forth in 326.b.(1) and 326.c.(1), the Operator will not be given an additional six months to repair or plug the well in the event of an unsuccessful test. On March 23, 2016, the Operator attempted to perform an MIT on the Well. (Doc. No. 675202646). The Well would not hold pressure, failing the MIT and indicating a lack of mechanical integrity. As of July 14, 2016, the well has not been repaired or plugged and abandoned.

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 07/14/2016

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

Operator must immediately either: 1.) Repair the Well and pass an MIT. Operator must submit all COGCC Forms required for the work including Form 4 Sundry Notice for Repair of the well and Form 42 for Notice of MIT. Or, 2) Plug and abandon the Well. Operator must submit all COGCC Forms required for the work including Form 6-Intent to Abandon, Form 42 Notification of Plugging, and Form 6-Subsequent Report of Abandonment.

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 judgement 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_cogccenforecment@state.co.us.

NOAV ISSUED

NOAV Issue Date: 07/14/2016

COGCC Representative Signature:

COGCC Representative: Andrew Stone

Title: Engineering Tech

Email: andrewg.stone@state.co.us

Phone Num: (303) 894-2100x5188

CORRECTIVE ACTION COMPLETED

Rule: 319.b.(1)

Rule Description: Temporary Abandonment - Notice Required

Corrective Action Start Date: _____

Corrective Action Complete Date: _____

Has corrective action for this violation been performed as required? Yes

Description of Actual Corrective Action Performed by Operator

Form 4 submitted as required.

Rule: 326.c.(2)

Rule Description: MIT - Temporarily Abandoned Wells - Performance of Subsequent Tests

Corrective Action Start Date: _____

Corrective Action Complete Date: _____

Has corrective action for this violation been performed as required? Yes

Description of Actual Corrective Action Performed by Operator

Well repairs completed and appropriate subsequent form filed.

Rule: 326.f

Rule Description: All Wells Shall Maintain Mechanical Integrity

Corrective Action Start Date: _____

Corrective Action Complete Date: _____

Has corrective action for this violation been performed as required? Yes

Description of Actual Corrective Action Performed by Operator

Well repairs completed and appropriate subsequent form filed.

FINAL RESOLUTION

Cause #: 1V

Order #: 601

Docket #: 161000381

Enforcement Action: Administrative Order of Consent

Final Resolution Date: 10/24/2016

Final Resolution Comments:

Resolved by Order No. 1V-601.

ATTACHMENT LIST

View Attachments in Imaged Documents on COGCC website (<http://ogccweblink.state.co.us/>) - Search by Document Number.

<u>Document Number</u>	<u>Description</u>
401078776	NOAV COVER LETTER
401078777	NOAV CERTIFIED MAIL RECEIPT
401078918	NOAV ISSUED
401079393	NOAV IN PROCESS
401085574	NOAV OPERATOR ANSWER

Total Attach: 5 Files