



WARNING LETTER # 401226145

03/06/2017

GUNNISON ENERGY LLC (# 10515)

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HOTCHKISS 12-90 1-34 (API# 051-06074)
 SWSE, 1, 12S, 90W, GUNNISON

This Warning Letter is to inform you that GUNNISON ENERGY LLC (“Operator”) may be in violation of the rules and regulations of the Colorado Oil and Gas Conservation Commission (“COGCC”) and corrective action is required.

The COGCC has reasonable cause to believe that the Operator has committed one or more violations 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. The Operator is required to comply with this Warning Letter by the **Corrective Action Deadline Date(s)** to resolve the alleged violation(s). 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.

Alleged Violation(s) and Required Corrective Action(s):

308B Completed Interval Report
<p><u>Description of Alleged Violation:</u> Operator is receiving this letter because, based on COGCC records, COGCC has reason to believe the above referenced Well presents one or more compliance issues. Operator should review its records to verify if any Form 5A, Completed Interval Reports, are outstanding for this Well.</p> <p>Pursuant to Rule 308B., Operator is required to submit a Form 5A, Completed Interval Report, within 30 days after a formation is temporarily or permanently abandoned. If a completed interval has been abandoned, by any means, in the above referenced Well and has not been reported on a Form 5A, Operator is in violation of Rule 308B.</p> <p><u>Required Corrective Action:</u> If Operator failed to submit a Form 5A, Completed Interval Report, to disclose abandonment or downhole isolations in the Well, then Operator shall submit a Form 5A, Completed Interval Report, to disclose this information.</p>





Corrective Action Deadline Date: 04/07/2017

309 Operator's Monthly Production Report

Description of Alleged Violation: Operator is receiving this letter because, based on COGCC records, COGCC has reason to believe the above referenced Well presents one or more compliance issues. Operator should review its records to verify if any Form 7, Monthly Reports of Operations, are missing, inaccurate, or incomplete for this Well.

Pursuant to Rule 309, Operator is required to submit Form 7, Monthly Reports of Operations, for all existing oil and gas wells that are not plugged and abandoned, within 45 days after the end of each month. Operator is required to report each formation that is completed in a well every month from the time that it is completed until one month after abandonment. If Operator has failed to file Form 7, Monthly Reports of Operations, or has filed incomplete or inaccurate information for the above referenced Well, then Operator is in violation of Rule 309.

Required Corrective Action: If Operator failed to file Form 7, Monthly Reports of Operations, or has filed incomplete or inaccurate information for the Well, then Operator shall submit all delinquent reports or correct any incomplete or inaccurate reports.

Corrective Action Deadline Date: 04/07/2017

319.b Temporary Abandonment

Description of Alleged Violation: Operator is receiving this letter because, based on COGCC records, COGCC has reason to believe the above referenced Well presents one or more compliance issues. Operator should review its records to verify if this is a temporarily abandoned well past due for a Mechanical Integrity Test (MIT).

Pursuant to Rule 319.b., Operator is required to conduct an MIT and receive Director approval prior to temporary abandonment (TA) of a well. COGCC Rule 100 defines a well as temporarily abandoned if the well becomes incapable of production (for example, through the removal of necessary production equipment or a well that has all downhole completed intervals isolated with a plug set above the highest perforation). Any well incapable of production should have a well status of TA in filings with COGCC, including the Form 7, Monthly Reports of Operations. COGCC Rules DO NOT permit placing a well back on production to fulfill, or in lieu of, the requirements to conduct an MIT. If the above referenced Well is TA but Operator has not conducted a successful MIT, as required by Rules 319.b. and Rule 326.c., and/or requested Director approval for TA status, then Operator is in violation of Rule 319.b. and 326.c.

Required Corrective Action: If the Well is TA but Operator has not conducted a successful MIT, then Operator shall conduct a successful MIT on the Well or plug and abandon the Well.

Additionally, if the Well is TA but Operator has not submitted a request for Director approval for TA status, or if Operator has previously received approval but has not submitted an annual Form 4, Sundry Notice, Operator shall submit a Form 4, Sundry Notice, requesting TA status or continued TA status for the Well and stating the method by which the Well is closed to atmosphere and plans for future operation.





If Operator agrees to the terms and conditions of the attached COGCC Operator Tolling Agreement and returns the signed document by US Mail or as an electronic mail PDF attachment to the attention of Steven Mah, COGCC NOAV Specialist, by the deadline contained in the Tolling Agreement, then Operator shall have until June 30, 2017 to complete either a successful MIT or plug and abandon the Well. This extension DOES NOT apply to the requirements to submit a Form 4, Sundry Notice; missing, inaccurate, or incomplete Form 7s, Monthly Reports of Operations; or a Form 5A, Completed Interval Report.

Rule 316B requires notice to the Director on a Form 42, Field Operations Notice, at least ten (10) days prior to conducting an MIT and submission of MIT results (successful or not) on a Form 21, within thirty (30) days after the test. If an MIT is not witnessed by COGCC staff, a pressure chart must accompany this Form 21 report.

If the Well lacks mechanical integrity, Rule 326.f. requires the Operator to make repairs or plug and abandon within the timeframe prescribed by Rule 326.f.1.

Rule 311 requires Operator to submit a Form 6, Notice of Intent to Abandon, and secure Director approval prior to 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.

Corrective Action Deadline Date: 04/07/2017

326 Mechanical Integrity Testing

Description of Alleged Violation: Operator is receiving this letter because, based on COGCC records, COGCC has reason to believe the above referenced Well presents one or more compliance issues. Operator should review its records to verify if this is a shut-in (SI) well past due for a Mechanical Integrity Test (MIT).

Pursuant to Rule 326.b., Operator is required to conduct an MIT on SI wells within two years of the initial shut-in date and then at five (5) year intervals after an initial successful MIT. COGCC Rules DO NOT permit placing a well back on production to fulfill, or in lieu of, the requirements to conduct an MIT. If the above referenced Well has been SI for over two years and Operator has not conducted an initial MIT or is SI and has not had an MIT for over five years after the initial MIT, then Operator is in violation of Rule 326.b.

Required Corrective Action: If the Well is SI but Operator has not conducted an initial MIT or a follow-up five year MIT, then Operator shall conduct an MIT on the Well or plug and abandon the Well.

If Operator agrees to the terms and conditions of the attached COGCC Operator Tolling Agreement and returns the signed document by US Mail or as an electronic mail PDF attachment to the attention of Steven Mah, COGCC NOAV Specialist, by the deadline contained in the Tolling Agreement, then Operator shall have until June 30, 2017 to complete either a successful MIT or plug and abandon the well. This extension DOES NOT apply to the requirements to submit a Form 4, Sundry Notice; missing, inaccurate, or incomplete Form 7s, Monthly Reports of Operations; or a Form 5A, Completed Interval





Report.

Rule 316B requires notice to the Director on a Form 42, Field Operations Notice at least ten (10) days prior to conducting an MIT and submission of MIT results (successful or not) on a Form 21, within thirty (30) days after the test. If an MIT is not witnessed by COGCC staff, a pressure chart must accompany this Form 21 report.

If the Well lacks mechanical integrity, Rule 326.f. requires the Operator to make repairs or plug and abandon within the timeframe prescribed by Rule 326.f.1.

Rule 311 requires Operator to submit a Form 6, Notice of Intent to Abandon, and secure Director approval prior to 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.

Corrective Action Deadline Date: 04/07/2017

How to Comply with Warning Letter:

Operator shall complete the Required Corrective Action(s) above within the deadline(s) provided. Upon completion of the Corrective Action(s), Operator shall provide notice and evidence of completion to the COGCC staff identified below by the Corrective Action Deadline Date(s):

COGCC Enforcement: Steven Mah
 Email: Steven.Mah@state.co.us

Title: NOAV Specialist
 Phone Num: (303) 894-2100 x5172

COGCC Representative: Andrew Stone
 Email: andrewg.stone@state.co.us

Title: Engineering Tech
 Phone Num: (303)894-2100x5188

If you have any procedural questions about this Warning Letter, please contact Steven Mah.
 If you have any technical questions about this Warning Letter, please contact the COGCC Representative identified above.

Failure to Comply with Warning Letter:

If the Operator fails to perform Required Corrective Action(s) on or before the Corrective Action Deadline Date(s) stated above the 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.

All well data, rules and forms are available on our website at www.colorado.gov/cogcc.





Sincerely,

Steven Mah for Andrew Stone

Andrew Stone
 Engineering Tech
 (303)894-2100x5188
 andrewg.stone@state.co.us

Attachments

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

Document Number Description

401226426	WARNING LETTER CERTIFIED MAIL RECEIPT
401226427	WARNING LETTER DOCUMENTATION

Total Attach: 2 Files

