

State of Colorado
Oil and Gas Conservation Commission

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Date Issued:
11/16/2016
Date Resolved:

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: 10495
Name of Operator: LILIS ENERGY INC
Address: 216 16TH STREET STE 1350
City: DENVER State: CO Zip: 80202

Contact Name and Telephone:

Name: Kevin Nanke
Phone: (303) 395-2910 Fax: ()
Email: knanke@lilisenergy.com

Well Location, or Facility Information (if applicable):

API Number: 05-039-06608-00 Facility or Location ID:
Name: COGGINS Number: 10-34
QtrQtr: SWSE Sec: 10 Twp: 6S Range: 64W Meridian: 6
County: ELBERT

ALLEGED VIOLATION

Rule: 309

Rule Description: Operator's Monthly Production Report

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 309, Lilis Energy Inc (Operator) is required to submit Form 7 Monthly Reports of Operations for all existing oil and gas wells that are not plugged and abandoned. 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. Warning Letter #2193070 was issued to Operator on December 14, 2015 and required corrective action to resolve any delinquent Form 7 monthly reporting issues within 30 days of the issuance of that letter. Operator failed to submit delinquent Form 7 Monthly Reports of Operations for Coggins #10-34, API 039-06608, (Well) from December 2014 to August 2016, violating Rule 309.

Abatement or Corrective Action Required to be Performed by Operator: Corrective Action Due Date: 01/13/2016

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

Operator shall immediately submit Form 7 reports for the Well for December 2014 to August 2016. Operator shall also immediately submit all the additional delinquent reports identified in the attached Delinquent Monthly Production Reports chart.

Rule: 326.b

Rule Description: Shut-in Wells

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.b.(1) and (2), Operator is required to perform a mechanical integrity test (MIT) on shut in (SI) wells within two

(2) years of the initial shut in date and then at five (5) year intervals after an initial successful MIT. Based on Operator's Form 7 Monthly Reports of Operations stating the well has been SI since January 2013, COGCC staff has reason to believe the Coggins #10 -34, API 039-06608, (Well) is past due for performance of an MIT. Warning Letter #2193070 was issued to Operator on December 14, 2015 and required corrective action to resolve the delinquent MIT by April 30, 2016. To date Operator has not conducted an MIT for the Well, violating Rules 326.b.(1) and (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 an MIT or plug and abandon the Well. 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. If the Well has an unsuccessful MIT, Rule 326.f. requires the Operator to make repairs or plug and abandon the well without additional time, because this Well is past the testing timeframe prescribed by Rule 326.b. 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.

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_cogccenforecmnt@state.co.us.

NOAV ISSUED

NOAV Issue Date: 11/16/2016

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: 309

Rule Description: Operator's Monthly Production Report

Corrective Action Start Date:

Corrective Action Complete Date: 12/02/2016

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

Description of Actual Corrective Action Performed by Operator

Operator submitted delinquent Form 7s on December 2, 2016.

Rule: 326.b

Rule Description: Shut-in Wells

Corrective Action Start Date:

Corrective Action Complete Date: 04/14/2017

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

Description of Actual Corrective Action Performed by Operator

Operator successfully plugged and abandoned the Well on April 14, 2017.

FINAL RESOLUTION

Cause #: 1V

Order #: 632

Docket #: 170300022

Enforcement Action: Administrative Order of Consent

Final Resolution Date: 05/01/2017

Final Resolution Comments:

Resolved via Order Number 1V-632, entered on May 1, 2017.

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>
401150792	NOAV COVER LETTER
401150793	NOAV CERTIFIED MAIL RECEIPT
401151000	NOAV RESOLUTION DOCUMENTATION
401151012	NOAV ISSUED
401151034	NOAV IN PROCESS
401166975	NOAV OPERATOR ANSWER

Total Attach: 6 Files