

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: 10633
Name of Operator: CRESTONE PEAK RESOURCES OPERATING LLC
Address: 1801 CALIFORNIA STREET #2500
City: DENVER State: CO Zip: 80202
Contact Name and Telephone:
Name: David Stewart
Phone: (303) 774-3909 Fax: ()
Email: david.stewart@crestonepr.com

Well Location, or Facility Information (if applicable):

API Number: 05- -00 Facility or Location ID: 305447
Name: Woolley-Sosa-Becky Number: 7H-E168
QtrQtr: SWNW Sec: 7 Twp: 1N Range: 68W Meridian: 6
County: WELD

ALLEGED VIOLATION

Rule: 34-60-121(1)
CRS-b
Rule Description: Statutory Violation - Permit Violation
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 COGCC Conditions of Approval ("COAs") in Crestone Peak Resources Operating LLC ("Operator")'s Form 4 Sundry Notices for the Wells located at the Woolley-Becky /7H-E168 well pad (ID No. 305447, "Location") (see attached table for Well API Nos. and Form 4 Document Nos.), Operator was required to perform Bradenhead tests according to the following schedule and submit the Bradenhead test report ("Form 17") within 10 days of each test: 1) Within 60 days of rig release and prior to stimulation and 2) If a delayed completion, 6 months after rig release and prior to stimulation; 3) Within 30 days after first production, as reported on Form 5A. See attached table for Well-specific rig release date, hydraulic stimulation date, and the consequent date by which Operator was required to perform BH testing on each affected Well at this Location. Operator failed to perform Bradenhead testing within 60 days of rig release and prior to stimulation, violating Operator's Form 4 COAs and § 34-60-121.(1)(a), C.R.S.

Abatement or Corrective Action Required to be Performed by Operator: Corrective Action Due Date: 06/15/2018

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

In its Rule 522.d.(2) Answer, due within 28 days of the Operator's receipt of the NOAV, Operator shall provide the following to COGCC:
- Operator shall perform an audit of its Bradenhead testing and reporting for all its wells in Colorado, and submit a list identifying all late or missed tests, and all late or missed forms.
- If a missed Bradenhead test can still be performed (e.g., if stimulation has already occurred, the test due within 60 days of rig release can no longer be performed to qualify as the pre-stimulation test), Operator shall perform the Bradenhead test and submit the required notifications and reporting.
- Operator shall submit all delinquent Form 17 reports.

- Operator shall detail an explanation of how Operator will ensure that future Bradenhead testing required by COGCC Rules and COAs is timely performed, noticed, and reported.

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_cogccenforcement@state.co.us.

NOAV ISSUED

NOAV Issue Date: 05/18/2018

COGCC Representative Signature: _____



COGCC Representative: Kira Gillette

Title: NOAV Specialist

Email: kira.gillette@state.co.us

Phone Num: (303) 894-2100

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> |
|------------------------|-----------------------------|
| 401645624 | NOAV COVER LETTER |
| 401645625 | NOAV CERTIFIED MAIL RECEIPT |
| 401645626 | NOAV DOCUMENTATION |

Total Attach: 3 Files