

State of Colorado
Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80203
Phone: (303) 894-2100 Fax: (303) 894-2109



Document Number:
401781569

Date Issued:
10/05/2018

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: 10459
Name of Operator: EXTRACTION OIL & GAS INC
Address: 370 17TH STREET SUITE 5300
City: DENVER State: CO Zip: 80202

Contact Name and Telephone:

Name: MATT OWENS
Phone: (720) 557-8300 Fax: ()
Email: mowens@extractionog.com

Well Location, or Facility Information (if applicable):

API Number: 05-001-06628-00 Facility or Location ID:
Name: AYLOR, MABEL Number: 1
QtrQtr: SESE Sec: 20 Twp: 1S Range: 67W Meridian: 6
County: ADAMS

ALLEGED VIOLATION

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 Rule 326.b., EXTRACTION OIL & GAS INC ("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. COGCC Rules do not permit placing a well back on production to fulfill, or in lieu of, the requirements to conduct an MIT.

COGCC Staff had reason to believe Operator had committed one or more violations of COGCC Rules, and issued Warning Letter No. 401547726 to Operator on February 16, 2018, requiring Operator to conduct MIT or plug and abandon delinquent wells by June 30, 2018.

On September 27, 2018, COGCC Staff conducted an audit ("Audit") of Operator's records for the well(s) in the attached table ("Well"). The Audit included reviewing records such as Operator's Form 7 Monthly Reports of Operations and Field Inspection Reports filed by COGCC Staff after inspecting the Well to determine the dates the Well was SI, and the COGCC database to determine whether Operator reported MIT(s) for the Well. Through this Audit, COGCC Staff determined that at least one Well in the attached table was overdue for performance of an MIT on a SI well.

Operator failed to conduct timely MIT(s) for at least one SI Well, violating Rule 326.b.

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 Mechanical Integrity Testing and MIT reporting for all its wells in Colorado. Operator shall submit a detailed report to COGCC which shows the following information for each of its wells which has been without hydrocarbon production for at least one month starting 24 months prior to September 27, 2018. Operator shall email a copy of this report as an unlocked (editable) spreadsheet to the COGCC Enforcement email address indicated in the Answer section below.

- (1.) API and Well name
- (2.) SI or TA status by month, for each month the Well was SI or TA (or other status, if appropriate)
- (3.) Date of last MIT ("n/a" if no MIT performed for that Well)
- (4.) Due date of next required MIT, according to Rules 319 and 326. If the Well is delinquent on required MIT as of NOAV issuance, indicate the due date of the most recent missed MIT.
- (5.) Date Operator has scheduled to resolve the delinquency (such as by MIT or plug and abandon), if applicable. ("n/a" if the Well is not delinquent; "none" if Well is delinquent, but Operator has not yet scheduled operations to resolve the delinquency)
- (6.) (If TA) Whether Operator is current on the Form 4 TA Sundry submittal required by Rule 319.b.(1) & (3).

- A proposed compliance plan to resolve all delinquencies identified in Operator's audit. The proposed compliance plan will be subject to modification by the COGCC Engineering unit.

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 Rule 326.f., all wells shall maintain mechanical integrity, and EXTRACTION OIL & GAS INC ("Operator") shall repair or plug and abandon ("P&A") any non-injection well which lacks mechanical integrity, as determined through a Mechanical Integrity Test ("MIT") or other means. If Operator has not performed the MIT within the required timeframes in Rules 326.b.(1) and 326.c.(1), Operator will not be given an additional six months to make repairs or P&A the Well in the event of an unsuccessful test.

COGCC Staff had reason to believe Operator had committed one or more violations of COGCC Rules, and issued Warning Letter No. 401547726 to Operator on February 16, 2018, ("Warning Letter"), requiring Operator to conduct required MIT or plug and abandon delinquent wells by June 30, 2018.

On August 27, 2018, Operator submitted an MIT Report (Document No. 401745644, "Form 21") documenting a failed MIT performed on July 20, 2018, on the Mabel Aylor (API No. 001-06628, "Well"). The Well was included in the table of delinquent wells attached to the Warning Letter, and was subject to the June 30, 2018, corrective action due date.

On September 27, 2018, COGCC Staff conducted an audit ("Audit") of Operator's records for the Well. Through this Audit, COGCC Staff determined that Operator had not conducted MIT on the Well within the required timeframes in Rules 326.b.(1) and 326.c.(1) or by the corrective action deadline given by the Warning Letter. COGCC Staff further determined that, as of September 27, 2018, Operator had not submitted any of the forms required prior to making repairs or P&A (e.g., Forms 6 or 42).

The Well failed the MIT performed on July 20, 2018, after the required timeframes, meaning Operator was required to make repairs or P&A the Well without an allowance of six months from the date of the unsuccessful test. Two months after the unsuccessful test, Operator had neither performed repairs/P&A, nor requested COGCC approval for plans to perform such actions, violating Rule 326.f.

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 07/20/2018

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 Mechanical Integrity Testing and MIT reporting for all its wells in Colorado. Operator shall submit a detailed report to COGCC which shows the following information for each of its wells which has been without hydrocarbon production for at least one month starting 24 months prior to September 27, 2018. Operator shall email a copy of this report as an unlocked (editable) spreadsheet to the COGCC Enforcement email address indicated in the Answer section below.

- (1.) API and Well name
- (2.) SI or TA status by month, for each month the Well was SI or TA (or other status, if appropriate)
- (3.) Date of last MIT ("n/a" if no MIT performed for that Well)
- (3.a.) Pass/Fail results of last MIT.
- (4.) Due date of next required MIT, according to Rules 319 and 326. If the Well is delinquent on required MIT as of NOAV

issuance, indicate the due date of the most recent missed MIT.

(5.) Date Operator has scheduled to resolve the delinquency (such as by MIT or plug and abandon), if applicable. ("n/a" if the Well is not delinquent; "none" if Well is delinquent, but Operator has not yet scheduled operations to resolve the delinquency)

(5.a.) (If last MIT was Failed) Length of time (in calendar days) Well lacked mechanical integrity: starting with the date of the failed MIT (or the date of discovery of lacking mechanical integrity, if prior to the MIT); and ending with the date the well was repaired or P&A, or the date of Operator's audit if the Well still lacks mechanical integrity.

(6.) (If TA) Whether Operator is current on the Form 4 TA Sundry submittal required by Rule 319.b.(1) & (3).

- A proposed compliance plan to resolve all delinquencies identified in Operator's audit, including an aggressive repair/P&A schedule for all wells lacking mechanical integrity. The proposed compliance plan will be subject to modification by the COGCC Engineering unit.

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: 10/05/2018

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>
401783932	NOAV COVER LETTER
401783933	NOAV CERTIFIED MAIL RECEIPT
401783935	NOAV DOCUMENTATION

Total Attach: 3 Files