

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: 16520

Name of Operator: CHEMCO INC

Address: 6970 SOUTH HOLLY CIR STE 206

City: CENTENNIAL State: CO Zip: 80112

Contact Name and Telephone:

Name: GRAY H NEHER

Phone: (303) 771-7777 Fax: ()

Email: gh.neher@chemco-og.com

Well Location, or Facility Information (if applicable):

API Number: 05-061-06084-00

Facility or Location ID: _____

Name: MUIR E J

Number: 1

QtrQtr: SWNE Sec: 35

Twp: 18S

Range: 45W

Meridian: 6

County: KIOWA

ALLEGED VIOLATION

Rule: 319.b

Rule Description: Temporary Abandonment

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:

COGCC Rule 100 defines a well as temporarily abandoned ("TA") 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).

Pursuant to Rule 319.b., Chemco Inc ("Operator") is required to abandon ("P&A") within six months a TA well unless the well passes successful Mechanical Integrity Tests ("MIT") per the frequency specified in Rule 326. Pursuant to Rule 326.c, Operator is required to conduct an MIT

on TA wells within thirty (30) days of temporarily abandoning the well, and then at five (5) year intervals after the 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.

Pursuant to Rules 316B., 316C.f., and 326.c., Operator shall notify COGCC in writing by Field Operations Notice ("Form 42") at least 10 days in advance of an MIT. Pursuant to Rule 316B., Operator shall report the results of any MIT on Mechanical Integrity Test ("Form 21") within 30 days after the test. Pursuant to Rule 311., prior to P&A a well, Operator shall submit and receive COGCC approval of a Well Abandonment Report--Notice of Intent ("Form 6-N"); and within 30 days after P&A, Operator shall file the Well Abandonment Subsequent Report ("Form 6-S") with the COGCC.

On June 30, 2017, COGCC Staff conducted an inspection of Operator's Muir E J #1 (API No. 05-061-06084, "Well"), and wrote the following comment to Operator in the associated Field Inspection Report (No. 679902700): "Well is TA at time of inspection. Casing was dead. Tubing was dead. Passing MIT due 4/4/18." On August 9, 2018, COGCC Staff conducted a follow-up inspection of the

Well, and wrote the following comment to Operator in the associated Field Inspection Report (No. 692600071): "Well is TA at time of inspection. Extension granted on 4/4/18 to have the well plugged or successful MIT by 10/4/18."

On November 20, 2018 , COGCC Staff conducted an audit of Operator's records for the Well, and determined that Operator had not reported performing, or intent to perform, MIT or P&A for the Well.

Operator failed to conduct timely MIT on the Well, violating Rule 326.c. Operator failed to timely P&A the Well, violating Rule 319.b.

Abatement or Corrective Action Required to be Performed by Operator: _____ Corrective Action Due Date: 12/26/2018

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:

(A.) 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 November 20, 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).

(B.) 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.

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: 11/27/2018

COGCC Representative Signature: _____



COGCC Representative: Kira Gillette

Title: NOAV Specialist

Email: kira.gillette@state.co.us

Phone Num: (email)

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>
401851110	NOAV COVER LETTER

Total Attach: 2 Files