



WARNING LETTER # 401856644

11/30/2018

WEST TEXAS OPERATING LLC DBA XTREME ENERGY
COMPANY (# 10560)

MIKE HAHN
mhahn@xeogc.com

PO BOX 2326
VICTORIA, TX 77902

This Warning Letter is to inform you that WEST TEXAS OPERATING LLC DBA XTREME ENERGY COMPANY ("Operator") may be in violation of the rules and regulations of the Colorado Oil and Gas Conservation Commission ("COGCC") and corrective action is required.

COGCC has reasonable cause to believe that 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. 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):

302 Registration for Oil and Gas Operations

Violation Date: 11/30/2018

Violation Discovery Date: 11/30/2018

Description of Alleged Violation: Pursuant to Rule 302.a., prior to commencement of operations subject to the Oil and Gas Conservation Act of the State of Colorado, for purposes of the Act, file a Registration for Oil and Gas Operations, Form 1. Previous Form 1 filed with the COGCC documents the company name as "West Texas Operating LLC dba Xtreme Energy Company." However, documents filed with the Colorado Secretary of State indicate the true company name being "West Texas Operating Company LLC" dba "Xtreme Energy Company."

Required Corrective Action: Operator shall submit a new revised Form 1, which can be found at <https://cogcc.state.co.us/forms/forms.html>, registering the correct company name with current contact information to COGCC by US Mail.





Corrective Action Deadline Date: 12/28/2018

703 Surface Owner Protection

Violation Date: 11/30/2018

Violation Discovery Date: 11/30/2018

Description of Alleged Violation: Operator is receiving this letter because, based on COGCC records, COGCC has reason to believe the Well(s) in the attached table present one or more compliance issues. Operator should review its records to verify if any required financial assurance is outstanding for these wells.

Pursuant to Rule 703., Operator shall provide financial assurance to the Commission, prior to commencing any operations with heavy equipment, to protect surface owners who are not parties to a lease, surface use or other relevant agreement with the operator from unreasonable crop loss or land damage caused by such operations. The determination that crop loss or land damage is unreasonable shall be made by the Commission after the affected surface owner has filed an application in accordance with the 500 Series rules. Financial assurance for the purpose of surface owner protection shall not be required for operations conducted on state lands when a bond has been filed with the State Board of Land Commissioners.

The financial assurance required by this section shall be in the amount of two thousand dollars (\$2,000) per well for non-irrigated land, or five thousand dollars (\$5,000) per well for irrigated land. In lieu of such individual amounts, Operator may submit statewide, blanket financial assurance in the amount of twenty-five thousand dollars (\$25,000). Relief granted by the Commission upon application by a surface owner pursuant to this section may include an order requiring Operator to conduct corrective or remedial action, and any monetary award for unreasonable crop loss or land damage that cannot be remediated or corrected is not limited to the amount of the operator's financial assurance hereunder.

If Operator has failed to provide adequate and acceptable financial assurance for surface owner protection, Operator violated Rule 703.

Required Corrective Action: Operator shall submit an adequate and acceptable form of financial assurance for the amount of \$25,000 for Rule 703 by the Corrective Action Deadline Date. COGCC accepts financial assurance in the form of:

- 1) Surety Bond where the Form 3 Performance Bond is fully executed by the insurance company, or
- 2) Cash financial assurance in the form of a Cashier's check payable to COGCC with a completed and signed Form 3, or
- 3) CD set up as public fund account from an eligible public depository bank.

Corrective Action Deadline Date: 12/28/2018

706 Soil Protection & Plugging and Abandonment

Violation Date: 11/30/2018





Violation Discovery Date: 11/30/2018

Description of Alleged Violation: Operator is receiving this letter because, based on COGCC records, COGCC has reason to believe the Well(s) in the attached table present one or more compliance issues. Operator should review its records to verify if any required financial assurance is outstanding for these wells.

Pursuant to Rule 706., prior to commencing the drilling of a well, Operator shall provide financial assurance to the Commission to ensure the protection of the soil, the proper plugging and abandonment ("P&A") of the well, and the reclamation of the site in accordance with the 300 Series of drilling regulations, the 900 Series of E&P waste management, the 1000 Series of reclamation regulations, and the 1100 Series of flowline regulations.

- a. The financial assurance required by this section shall be in the amount of ten thousand dollars (\$10,000) per well for wells less than three thousand (3,000) feet in total measured depth and twenty thousand dollars (\$20,000) per well for wells greater than or equal to three thousand (3,000) feet in total measured depth.
- b. In lieu of such per-well amount, Operator may submit statewide blanket financial assurance in the amount of sixty thousand dollars (\$60,000) for the drilling and operation of less than one hundred (100) wells, or one hundred thousand dollars (\$100,000) for the drilling and operation of one hundred (100) or more wells.
- c. All oil and gas wells, excluding domestic gas wells, with financial assurance posted prior to May 1, 2009 for federal land and April 1, 2009 for all other land, as well as all new domestic gas wells, must have financial assurances in compliance with this Rule 706 in place on July 1, 2009. Under Rule 502.b. (1), an operator may seek a variance from these financial assurance requirements under appropriate circumstances.

If Operator has failed to provide an adequate and acceptable form of financial assurance for soil protection and P&A, Operator violated Rule 706.

Required Corrective Action: Operator shall submit an adequate and acceptable form of financial assurance for the amount of \$60,000 for Rule 706 by the Corrective Action Deadline Date. COGCC accepts financial assurance in the form of:

- 1) Surety Bond where the Form 3 Performance Bond is fully executed by the insurance company, or
- 2) Cash financial assurance in the form of a Cashier's check payable to COGCC with a completed and signed Form 3, or
- 3) CD set up as public fund account from an eligible public depository bank.

Corrective Action Deadline Date: 12/28/2018





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 Representative: Martha Ramos

Title: Financial Assurance Super

Phone Num: (303) 894-2100x5123

Email: martha.ramos@state.co.us

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

Failure to Comply with Warning Letter:

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

Disclaimers:

If the alleged violation(s) in this Warning Letter are the subject of previously issued Notice(s) of Alleged Violation ("NOAV") or Enforcement Order(s) ("Order"), Operator's obligations and the corrective actions and deadlines in such NOAV or Order stand and are not affected by this Warning Letter.

If issued in error, the Enforcement Unit reserves the right to rescind this Warning Letter prior to the COGCC Representative's receipt of Operator's notice and evidence of completion of the Corrective Action.

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

Sincerely,

Martha Ramos
Financial Assurance Super

Attachments

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

Document Number Description

401856821	WARNING LETTER DOCUMENTATION
401856846	WARNING LETTER DOCUMENTATION
401856847	WARNING LETTER DOCUMENTATION
401856866	WARNING LETTER CERTIFIED MAIL RECEIPT

Total Attach: 4 Files

