



OUTCOME NOTICE for WARNING LETTER # 401738828

04/18/2019

CRESTONE PEAK RESOURCES OPERATING LLC (# 10633)

David Stewart
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1801 CALIFORNIA STREET #2500
DENVER, CO 80202

Re: Warning Letter # 401738828
Date Issued 08/21/2018

HALEY 32-22 (API# 123-19719)
SWNE, 22, 2N, 68W, WELD

This Outcome Notice is to inform you of the status of the violation(s) alleged in the above referenced Warning Letter.

Alleged Violation(s) and Required Corrective Action(s):

309 Operator's Monthly Report of Operations

Violation Date: 08/21/2018

Violation Discovery Date: 08/21/2018

Description of Alleged Violation: Operator is receiving this letter because, based on COGCC records, COGCC has reason to believe the Well(s) indicated above and/or in the attached table presents one or more compliance issues. Operator should review its records to verify if any Monthly Reports of Operations ("Form 7"), are missing, inaccurate, or incomplete for this Well.

Pursuant to Rule 309., Operator is required to submit Form 7 for all existing oil and gas wells that are not plugged and abandoned, within 45 days after the end of each month. 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.

If Operator failed to file Form 7, Monthly Reports of Operations, or has filed incomplete or inaccurate information for the Well, then Operator violated Rule 309.

Required Corrective Action: If Operator failed to file Form 7, Monthly Reports of Operations, or has filed incomplete or inaccurate information for the Well, then Operator shall submit all delinquent reports or correct any incomplete or inaccurate reports.

Corrective Action Deadline Date: 11/30/2018

Corrective Action Performed by Operator

Description: The Form 7 reporting was updated and there are no further actions required.



Completion Date: 04/18/2019

319.b Temporary Abandonment

Violation Date: 08/21/2018

Violation Discovery Date: 08/21/2018

Description of Alleged Violation: Operator is receiving this letter because, based on COGCC records, COGCC has reason to believe the Well(s) indicated above and/or in the attached table presents one or more compliance issues. Operator should review its records to verify if this is a temporarily abandoned (“TA”) well past due for a Mechanical Integrity Test (“MIT”).

Pursuant to Rule 319.b., Operator is required to conduct an MIT and receive Director approval prior to temporary abandonment of a well. COGCC Rule 100 defines a well as temporarily abandoned 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). Any well incapable of production should have a well status of TA in filings with COGCC, including the Form 7, Monthly Reports of Operations. COGCC Rules DO NOT permit placing a well back on production to fulfill, or in lieu of, the requirements to conduct an MIT.

If the above referenced Well is TA but Operator has not conducted a successful MIT, as required by Rules 319.b. and Rule 326.c., and/or Operator has not requested Director approval for TA status, then Operator is in violation of Rule 319.b.

Required Corrective Action: If the Well is TA but Operator has not conducted a successful MIT, then Operator shall conduct a successful MIT on the Well or plug and abandon the Well.

Additionally, if the Well is TA but Operator has not submitted a request for Director approval for TA status, or if Operator has previously received approval but has not submitted an annual Form 4, Sundry Notice, Operator shall submit a Form 4, Sundry Notice, requesting TA status or continued TA status for the Well and stating the method by which the Well is closed to atmosphere and plans for future operation.

Rule 316B. requires notice to the Director on a Form 42, Field Operations Notice, at least ten (10) days prior to conducting an MIT and submission of MIT results (successful or not) on a Form 21, within thirty (30) days after the test. If an MIT is not witnessed by COGCC staff, a pressure chart must accompany this Form 21 report.

If the Well lacks mechanical integrity, Rule 326.f. requires the Operator to make repairs or plug and abandon within the timeframe prescribed by Rule 326.f.1.

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.

Corrective Action Deadline Date: 11/30/2018

Corrective Action Performed by Operator



Description: The well was plugged and there are no further actions required to obtain compliance.

Completion Date: 04/18/2019

326 Mechanical Integrity Testing

Violation Date: 08/21/2018

Violation Discovery Date: 08/21/2018

Description of Alleged Violation: Operator is receiving this letter because, based on COGCC records, COGCC has reason to believe the Well(s) indicated above and/or in the attached table presents one or more compliance issues. Operator should review its records to verify if this is a shut-in (“SI”) or temporarily abandoned (“TA”) well past due for a Mechanical Integrity Test (“MIT”).

Pursuant to Rule 326.b., Operator is required to conduct an MIT on SI wells within two 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. If the above referenced Well has been SI for over two years and Operator has not conducted an initial MIT or is SI and has not had an MIT for over five years after the initial MIT, then Operator is in violation of Rule 326.b.

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 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. If the above referenced Well has been TA for over thirty days and Operator has not conducted an initial MIT or is TA and has not had an MIT for over five years after the initial MIT, then Operator is in violation of Rule 326.c.

Required Corrective Action: If the Well is SI or TA but Operator has not conducted an initial MIT or a follow-up five year MIT, then Operator shall conduct an MIT on the Well or plug and abandon the Well.

Rule 316B requires notice to the Director on a Form 42, Field Operations Notice at least ten (10) days prior to conducting an MIT and submission of MIT results (successful or not) on a Form 21, within thirty (30) days after the test. If an MIT is not witnessed by COGCC staff, a pressure chart must accompany this Form 21 report.

If the Well lacks mechanical integrity, Rule 326.f. requires the Operator to make repairs or plug and abandon within the timeframe prescribed by Rule 326.f.1.

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.

Corrective Action Deadline Date: 11/30/2018

Corrective Action Performed by Operator

Description: The well was plugged per the Form 6-Subsequent (document#401837423).

Completion Date: 10/31/2018



Outcome of Warning Letter # 401738828: No Further Action Required

Form 7 reporting is current. The Form 4-TA request and Mechanical Integrity Test are no longer required as the well was plugged per the Form 6-Subsequent (document#401837423).

Other Violations:

If COGCC has reasonable cause to believe that CRESTONE PEAK RESOURCES OPERATING LLC has additional violations not addressed through the above referenced Warning Letter, the COGCC may 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. COGCC may or may not elect to issue Warning Letters for additional instances of non-compliance based on the guidance of the COGCC Enforcement Guidance and Penalty Policy (Corrected 4/8/2015) and COGCC Rules.

Sincerely,

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Attachments

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

<u>Document Number</u>	<u>Description</u>
401738828	WARNING LETTER OUTCOME NOTICE
401738849	WARNING LETTER CERTIFIED MAIL RECEIPT
401738850	WARNING LETTER ISSUED
401738851	WARNING LETTER IN PROCESS

Total Attach: 4 Files