



WARNING LETTER # 402026756

05/01/2019

L B EXPLORATION INC (# 10594)
MICHAEL PETERMANN
lbexploration@hbcomm.net

2135 2ND ROAD
HOLYROOD, KS 67450

WOOTTEN 2-21-2246 (API# 099-06913)
NWNE, 21, 22S, 46W, PROWERS

This Warning Letter is to inform you that L B EXPLORATION INC (“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):

308B Completed Interval Report

Violation Date: 04/02/2019

Violation Discovery Date: 04/02/2019

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 Form 5A, Completed Interval Reports, are outstanding for the Well.

Pursuant to Rule 308B., Operator is required to submit a Completed Interval Report (“Form 5A”), within 30 days after a formation is completed (successful or not); temporarily or permanently abandoned; recompleted, reperforated, or restimulated; or commingled. Operator shall include on the Form 5A details of fracturing, acidizing, or other similar treatment, including the volumes of all fluids involved.

If a formation in the Well has been completed, abandoned, recompleted, reperforated, restimulated, or commingled, and has not been reported on a Form 5A within 30 days of such activity, Operator violated Rule 308B.



Required Corrective Action: Operator shall submit any delinquent forms, notices, or reports; and correct any incomplete or inaccurate reports. Operator shall send an email to the COGCC Representative indicated below, confirming that all required Form 5As are submitted, accurate, and up-to-date; and detailing an internal procedure for timely compliance with Rule 308B. in the future. Operator shall reference this Warning Letter document number in the subject of the email.

Corrective Action Deadline Date: 05/01/2019

309 Operator's Monthly Report of Operations

Violation Date: 04/02/2019

Violation Discovery Date: 04/02/2019

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.a, 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 the well every month from the month it is spud until it has been reported for one month as abandoned. 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.

Pursuant to Rule 309.b., Operator is required to report the volume of specific fluids injected into a Class II Underground Injection Control well on a Form 7, within 45 days after the end of each month. The specific Class II fluids on Form 7 are produced fluids and any gas or fluids used during enhanced recovery unit operations; including produced water and fluids recovered during drilling, casing cementing, pressure testing, completion, workover, and formation stimulation of all oil and gas wells including production, exploration, injection, service and monitoring wells. Injection of any other Class II fluids requires separate volume reporting on a Form 14, as described in Rule 316A.

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: Operator shall submit any delinquent forms, notices, or reports; and correct any incomplete or inaccurate reports. Operator shall send an email to the COGCC Representative indicated below, confirming that all required Form 7s are submitted, accurate, and up-to-date; and detailing an internal procedure for timely compliance with Rule 309. in the future. Operator shall reference this Warning Letter document number in the subject of the email.

Corrective Action Deadline Date: 05/01/2019

317.p Requirement to Log Well

Violation Date: 04/02/2019

Violation Discovery Date: 04/02/2019

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 present one or



more compliance issues. Operator should review its records to verify if any open hole well logs are missing, inaccurate, or incomplete for the Well(s).

Pursuant to Rule 317.p., for all new drilling operations, Operator is required to run a resistivity log with gamma-ray or other petrophysical log(s) approved by the Director that adequately describe the stratigraphy of the wellbore. Operator shall run a cement bond log on all production casing or, in the case of a production liner, the intermediate casing, when these casing strings are run. Operator shall submit these logs and all other logs run with the Drilling Completion Report (“Form 5”). Open-hole logs or equivalent cased-hole logs shall be run at depths that adequately verify the setting depth of surface casing and any aquifer coverage.

According to the Form 5 submitted by Operator on 3/11/2015 (Document No. 400780430), the WOOTTEN 2-21-2246 (API No. 05-099-06913 the “Well”) a cement bond log was not performed. If Operator failed to run a cement bond log with gamma-ray for the Well(s), Operator violated Rule 317.p.

Required Corrective Action: Operator shall submit any delinquent logs, forms, notices, or reports; and correct any such that are incomplete or inaccurate. Operator shall send an email to the COGCC Representative indicated below, including an explanation of how in the future Operator will ensure that cement bond logging will occur as required by Rule 317.p. Operator shall also include documentation of process corrections to ensure required logs are run and timely submitted with any subsequent Form 5 reports.

Corrective Action Deadline Date: 05/01/2019

319.b Temporary Abandonment

Violation Date: 04/02/2019

Violation Discovery Date: 04/02/2019

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.



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Department of Natural Resources

1120 Lincoln Street, Suite 801
Denver, CO 80203

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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: 06/30/2019

326.b Shut-in Wells

Violation Date: 05/01/2019

Violation Discovery Date: 05/01/2019

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: 06/30/2019

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: Ryan Daigle
Email: ryan.daigle@state.co.us

Title: Eastern Engineering Tech
Phone Num: (303) 894-2100x5168

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,

Ryan Daigle
Eastern Engineering Tech

Attachments

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



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Document Number **Description**

<u>Document Number</u>	<u>Description</u>

Total Attach: 0 Files