

State of Colorado
Oil and Gas Conservation Commission

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Date Issued:
09/12/2019
Date Resolved:

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: 10071
Name of Operator: HIGHPOINT OPERATING CORPORATION
Address: 555 17TH ST STE 3700
City: DENVER State: CO Zip: 80202

Contact Name and Telephone:
Name: MATT BARBER
Phone: (303) 312-8188 Fax: ()
Email: mbarber@hpres.com

Well Location, or Facility Information (if applicable):

API Number: 05- - -00 Facility or Location ID: 436165
Name: RSU Anschutz Fed Number: 4-62-2_1 SWNW
QtrQtr: SWNW Sec: 2 Twp: 4N Range: 62W Meridian: 6
County: WELD

ALLEGED VIOLATION

Rule: 308A
Rule Description: Drilling Completion Report

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 308A.b., Operator is required to submit a Final Drilling Completion Report ("Form 5") within 60 days of rig release after drilling, sidetracking, or deepening a well to total depth (or within 60 days of such rig release after the last well drilled in continuous, sequential drilling of multiple wells on a pad). The Final Form 5 shall include the information indicated in Rule 308A.b.(2).
On June 6, 2019, COGCC Staff conducted an audit ("Audit") of Operator's records for the well(s) ("Well") at the subject location ("Pad"), and determined that Operator triggered the 60 day reporting window by releasing the rig, and that Operator
A) Submitted a Form 5 for the Well, but required information was missing or inaccurate such that it could not be processed; and/or
B) Did not submit a Form 5 for the Well by the end of the 60 day reporting window.
Operator failed to submit a Final Form 5 containing all required information within 60 days after drilling the Well, violating Rule 308A.b.

Abatement or Corrective Action Required to be Performed by Operator: _____ Corrective Action Due Date: 10/11/2019

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 demonstrate to COGCC that all Form 5s for all wells at the Pad have been submitted and that each Form 5 either is already approved, or is complete and accurate and is ready for final COGCC review.

Operator shall also include documentation of implementation of an internal procedure for timely compliance with Rule 308A.

By the due date, Operator shall submit such Answer by email to the following:

- dnr_cogccenforcement@state.co.us
- sabrina.trask@state.co.us
- diana.burn@state.co.us

Rule: 308B

Rule Description: Completed Interval Report

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 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. Pursuant to the 100 series rules, date of first production marks the date of completion.

On June 6, 2019, COGCC Staff conducted an audit ("Audit") of Operator's records for the well(s) ("Well") at the subject location ("Pad"), and determined that Operator triggered the 30 day reporting window by producing a newly completed formation at the Well ("Interval"), and that Operator

- A) Submitted a Form 5A for the Interval, but required information was missing or inaccurate such that it could not be processed; and/or
- B) Did not submit a Form 5A for the Interval by the end of the 30 day reporting window.

Operator failed to submit a Form 5A containing all required information within 30 days after completing the Interval, violating Rule 308B.

Abatement or Corrective Action Required to be Performed by Operator: _____ Corrective Action Due Date: 10/11/2019

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 demonstrate to COGCC that all Form 5As for all wells at the Pad have been submitted and that each Form 5A either is already approved, or is complete and accurate and is ready for final COGCC review.

Operator shall also include documentation of implementation of an internal procedure for timely compliance with Rule 308B.

By the due date, Operator shall submit such Answer by email to the following:

- dnr_cogccenforcement@state.co.us
- sabrina.trask@state.co.us
- diana.burn@state.co.us

Rule: 309

Rule Description: Operator's Monthly Report of Operations

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 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.

On June 6, 2019, COGCC Staff conducted an audit ("Audit") of Operator's records for the well(s) ("Well") at the subject location ("Pad"), and determined that Operator has completed a Well that have not been abandoned, and that Operator

- A) Submitted Form 7 reporting for the Well, but required information was missing or inaccurate; and/or
- B) Is delinquent on Form 7 reporting for at least one month for the Well.

Operator failed to file Form 7, Monthly Reports of Operations, or has filed incomplete or inaccurate production data for the Well, violating Rule 309.

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 10/11/2019

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 demonstrate to COGCC that all Form 7 reporting for all wells at the Pad have been submitted and that each Form 7 either is already approved, or is complete and accurate and is ready for final COGCC review.

Operator shall also include documentation of implementation of an internal procedure for timely compliance with Rule 309.

By the due date, Operator shall submit such Answer by email to the following:

- dnr_cogccenforcement@state.co.us
- sabrina.trask@state.co.us
- diana.burn@state.co.us

Rule: 34-60-121(1) C.R.S.

Rule Description: Statutory violation

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:

Operator received COGCC approval to drill Well(s) at the subject location ("Pad") pursuant to a COGCC Order ("Spacing Order") (Form 2 Permit, "APD"). The APD approved drilling the Well with specified top of productive zone ("TPZ") and bottom hole location ("BHL") footages compliant with the setback from the unit boundary required by the Spacing Order.

On June 6, 2019, COGCC Staff conducted an audit ("Audit") of Operator's records for the Well, and determined that Operator completed and produced an interval with TPZ and/or BHL footages closer to the unit boundary than allowed by the setback established in the Spacing Order. The completed footages are different from those approved in Operator's APD, and encroach on the setback required by the Spacing Order.

Operator failed comply with the conditions of a COGCC permit and a Commission Spacing Order, violating § 34-60-121.(1)(a), C.R.S.

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 10/11/2019

Proper and timely abatement does not preclude the assessment of penalties and an Order Finding Violation.

Operator shall obtain waivers of the unit boundary setback from the offsetting mineral interest owners. By the corrective action due date, Operator shall request approval of an exception location per Rule 318.c. by submitting an eForm 4 Sundry Notice with an exception location request letter and the waivers attached.

In its Rule 522.d.(2) Answer, due within 28 days of the Operator's receipt of the NOAV, Operator shall include documentation of implementation of an internal procedure to ensure compliance with its COGCC permits as approved, including obtaining timely approval of Sundry for permit modification as appropriate.

By the due date, Operator shall submit such Answer by email to the following:

- dnr_cogccenforcement@state.co.us
- sabrina.trask@state.co.us
- diana.burn@state.co.us

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: 09/12/2019

COGCC Representative Signature: _____

COGCC Representative: Kira Gillette

Title: NOAV Specialist

Email: kira.gillette@state.co.us

Phone Num: (303) EMAIL

CORRECTIVE ACTION COMPLETED

Rule: 308A

Rule Description: Drilling Completion Report

Corrective Action Start Date: _____

Corrective Action Complete Date: _____

Has corrective action for this violation been performed as required? _____

Description of Actual Corrective Action Performed by Operator

Rule: 308B

Rule Description: Completed Interval Report

Corrective Action Start Date: _____

Corrective Action Complete Date: _____

Has corrective action for this violation been performed as required? _____

Description of Actual Corrective Action Performed by Operator

Rule: 309

Rule Description: Operator's Monthly Report of Operations

Corrective Action Start Date: _____

Corrective Action Complete Date: _____

Has corrective action for this violation been performed as required? _____

Description of Actual Corrective Action Performed by Operator

Rule: 34-60-121(1)
C.R.S.

Rule Description: Statutory violation

Corrective Action Start Date: _____ Corrective Action Complete Date: _____

Has corrective action for this violation been performed as required? _____

Description of Actual Corrective Action Performed by Operator

FINAL RESOLUTION

Cause #: _____ Order #: _____ Docket #: _____

Enforcement Action: _____ Final Resolution Date: _____

Final Resolution Comments:

ATTACHMENT LIST

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

| Document Number | Description |
|------------------------|-----------------------------|
| 402174767 | NOAV COVER LETTER |
| 402174768 | NOAV CERTIFIED MAIL RECEIPT |
| 402174935 | NOAV ISSUED |

Total Attach: 3 Files