

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: 10633

Name of Operator: CRESTONE PEAK RESOURCES OPERATING LLC

Address: 1801 CALIFORNIA STREET #2500

City: DENVER State: CO Zip: 80202

Contact Name and Telephone:

Name: DAVID STEWART

Phone: (303) 774-3909 Fax: ()

Email: david.stewart@crestonepr.com

Well Location, or Facility Information (if applicable):

API Number: 05- - -00

Facility or Location ID: 446290

Name: Morgan Hills

Number: 7H-A168

QtrQtr: NENE Sec: 7

Twp: 1N

Range: 68W

Meridian: 6

County: WELD

ALLEGED VIOLATION

Rule: 205A

Rule Description: Hydraulic Fracturing Chemical Disclosure

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 205A., for all new drilling operations, Operator is required to complete the chemical disclosure registry form and post the form on the chemical disclosure registry within 60 days following the conclusion of a hydraulic fracturing treatment and in no case later than 120 days after commencement of such hydraulic fracturing treatment.

On July 23, 2019, COGCC Staff conducted an audit ("Audit") of Operator's records for the well(s) ("Well") at the subject location ("Pad"), and determined that at least one Well at the Pad was hydraulically stimulated and Operator did not submit the required disclosures until greater than 60 days after concluding the treatment or greater than 120 days after commencing the treatment, or that the hydraulic fracturing treatment dates Operator reported in to the registry were incorrect or did not match the dates Operator reported on the associated Form 5A.

Operator failed to submit accurate disclosures to FracFocus within 60 days of concluding, or 120 days of commencing, a hydraulic fracturing treatment, violating Rule 205A.

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 disclosures required under Rule 205A. have been submitted for all wells at the Pad, and shall include documentation of implementation of an internal procedure to ensure timely compliance with Rule 205A.

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: 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 July 23, 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 July 23, 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: 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 July 23, 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

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>
402174604	NOAV COVER LETTER
402174605	NOAV CERTIFIED MAIL RECEIPT

Total Attach: 2 Files