

State of Colorado
Oil and Gas Conservation Commission

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01/14/2020
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: 10528
Name of Operator: ARCH OIL & GAS LLC
Address: 16400 DALLAS PARKWAY SUITE 400
City: DALLAS State: TX Zip: 75248

Contact Name and Telephone:
Name: JEFF BROWNING
Phone: (940) 391-7210 Fax: ()
Email: jbrowning@matthewssouthwest.com

Well Location, or Facility Information (if applicable):

API Number: 05- - -00 Facility or Location ID: _____
Name: _____ Number: _____
QtrQtr: _____ Sec: _____ Twp: _____ Range: _____ Meridian: _____
County: _____

ALLEGED VIOLATION

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 shall report every existing oil and gas well that is not plugged and abandoned on the Operator's Monthly Report of Operations ("Form 7"), within 45 days after the end of each month. Operator shall report each 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.

COGCC Staff conducted an audit of Operator's records for the well(s) in the attached table ("Well"), and found persistent inadequacies in Operator's Form 7 reporting.

Operator failed to submit Form 7, or filed incomplete or inaccurate Form 7 information, for at least one Well for one or more months, violating Rule 309.

Abatement or Corrective Action Required to be Performed by Operator: _____ Corrective Action Due Date: 02/14/2020

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 provide the following to COGCC:

- Operator shall perform an audit of its Form 7 reporting for all its wells in Colorado, and submit a summary of the number of late, missed, incomplete, and/or inaccurate Form 7 reports for each month starting twelve months prior to NOAV issuance through the most current month due as of NOAV issuance.

By the Corrective Action Due Date, Operator shall submit all delinquent Form 7 reports, and shall submit revised Form 7 reports with the correct information for any months identified in Operator's audit as incomplete or inaccurate.

Rule: 319.b

Rule Description: Temporary Abandonment

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 319.b., Operator is required to conduct a Mechanical Integrity Test ("MIT") and receive Director approval prior to temporary abandonment of a well. Operator shall submit a Sundry Notice annually, stating the method the well is closed to the atmosphere and plans for future operation ("Form 4-TA"). Pursuant to Rule 326.c., Operator is required to conduct an MIT on temporarily abandoned ("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.

COGCC Rule 100 defines a well as TA if the well is incapable of production or injection (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).

COGCC Staff conducted an audit of Operator's records for the well(s) in the attached table ("Well"). The audit included reviewing records such as Operator's Form 7 Monthly Reports of Operations and Field Inspection Reports filed by COGCC Staff after inspecting the Well to determine the dates the Well was TA, and the COGCC database to determine whether Operator reported MIT (s) for the Well. Through this audit, COGCC Staff determined that at least one Well in the attached table was overdue for performance of an MIT on a TA well.

Operator failed to conduct timely MIT(s) for at least one TA Well, violating Rules 319.b. and 326.c. AND/OR Operator failed to timely submit the annual Form 4-TA, violating Rule 319.b.

Abatement or Corrective Action Required to be Performed by Operator: _____ Corrective Action Due Date: 02/14/2020

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 provide the following to COGCC:

- Operator shall perform an audit of its Mechanical Integrity Testing and MIT reporting for all its wells in Colorado. Operator shall submit a detailed report to COGCC which shows the following information for each of its wells which was in SI or TA status for at least one month during the period starting 24 months prior to NOAV issuance through the month of NOAV issuance.

(1.) API and Well name

(2.) SI or TA status by month, for each month the Well was SI or TA

(3.) Date of last MIT ("n/a" if no MIT performed for that Well)

(4.) Due date of next required MIT, according to Rules 319 and 326. If the Well is delinquent on required MIT as of NOAV issuance, indicate the due date of the most recent missed MIT.

(5.) Date Operator has scheduled to resolve the delinquency (such as by MIT or plug and abandon), if applicable. ("n/a" if the Well is not delinquent; "none" if Well is delinquent, but Operator has not yet scheduled operations to resolve the delinquency)

(6.) (If TA) Whether Operator is current on the Form 4 TA Sundry submittal required by Rule 319.b.(1) & (3).

Operator shall email a copy of this report as an unlocked (editable) spreadsheet to dnr_cogccenforcement@state.co.us and cc deborah.abrams@state.co.us.

- A proposed compliance plan to resolve all delinquencies identified in Operator's audit. The proposed compliance plan will be subject to modification by COGCC Staff.

By the Corrective Action Due Date, Operator shall submit all delinquent Form 4 TA Sundry requests.

Rule: 326.b

Rule Description: Shut-in Wells

Initial Discovery Date: _____ Was this violation self-reported by the operator? No

Date of Violation: _____ Approximate Time of Violation: _____

CORRECTIVE ACTION COMPLETED

| | |
|--|--|
| Rule: <u>309</u> | |
| Rule Description: <u>Operator's Monthly Report of Operations</u> | |
| 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 | |
| <input style="width: 100%; height: 20px;" type="text"/> | |

| | |
|--|--|
| Rule: <u>319.b</u> | |
| Rule Description: <u>Temporary Abandonment</u> | |
| 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 | |
| <input style="width: 100%; height: 20px;" type="text"/> | |

| | |
|--|--|
| Rule: <u>326.b</u> | |
| Rule Description: <u>Shut-in Wells</u> | |
| 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 | |
| <input style="width: 100%; height: 20px;" type="text"/> | |

FINAL RESOLUTION

| | | |
|---|------------------------------|-----------------|
| Cause #: _____ | Order #: _____ | Docket #: _____ |
| Enforcement Action: _____ | Final Resolution Date: _____ | |
| Final Resolution Comments: | | |
| <input style="width: 100%; height: 20px;" type="text"/> | | |

ATTACHMENT LIST

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

| Document Number | Description |
|-----------------|-----------------------------|
| 402284471 | NOAV COVER LETTER |
| 402284472 | NOAV CERTIFIED MAIL RECEIPT |
| 402284473 | NOAV DOCUMENTATION |
| 402284814 | NOAV ISSUED |

Total Attach: 4 Files