

BEFORE THE OIL AND GAS CONSERVATION  
COMMISSION OF THE STATE OF COLORADO

IN THE MATTER OF ALLEGED VIOLATIONS OF	)	CAUSE NO. 1V
THE RULES AND REGULATIONS OF THE	)	DOCKET NO. 191200758
COLORADO OIL AND GAS CONSERVATION	)	TYPE: ENFORCEMENT
COMMISSION BY <b>CRESTONE PEAK RESOURCES</b>	)	ORDER: IV-733
<b>OPERATING LLC</b> , WELD COUNTY, COLORADO	)	
	)	

**HEARING OFFICER’S RECOMMENDED ORDER GRANTING THE PARTIES’ JOINT  
MOTION TO APPROVE AN ADMINISTRATIVE ORDER BY CONSENT**

The Staff of the Colorado Oil and Gas Conservation Commission (“COGCC” or “Commission”) and Crestone Peak Resources Operating LLC (Operator No. 10633) (“Crestone”) (the “Parties”) have jointly moved for approval of an Administrative Order by Consent (“Settlement Agreement”) resolving allegations made in Notice of Alleged Violation (“NOAV”) No. 401941746 and stipulating to a 372-day violation of Rule § 34-60-121(1)(a) C.R.S., in Weld County, Colorado.

**I. PROCEDURAL HISTORY**

1. On February 15, 2019, Commission Staff issued NOAV No. 401941746 (“the NOAV”) to Crestone. On February 19, 2019, Crestone received the NOAV via certified U.S. Mail.
2. On March 31, 2020, Commission Staff issued a Notice and Application for Hearing (“NOH”) to Crestone to adjudicate the NOAV before a Commission Hearing Officer on June 29, 2020.
3. On July 15, 2020, the Parties agreed to and executed an Administrative Order by Consent resolving the allegations made in the NOAV.
4. On April 14, 2020, notice of this matter was published in the Denver Daily Journal, a newspaper of general circulation printed and published in the City and County of Denver, in satisfaction of § 34-60-108(4), C.R.S.
5. On May 10, 2020, notice of this matter was published in the Greeley Tribune, a newspaper of general circulation printed and published in Weld County, in satisfaction of § 34-60-108(4), C.R.S.
6. The Parties filed a proposed Recommended Order and moved for approval of the Administrative Order by Consent on July 16, 2020. The Administrative Order by Consent is attached to this order as Exhibit A and incorporated by reference herein.

## **II. FINDINGS, DISCUSSION, AND CONCLUSIONS**

### **A. Jurisdiction**

7. The Commission has jurisdiction over the Parties and the subject matter of this proceeding, pursuant to §§ 34-60-101 – 131, C.R.S. (the “Act”) and the Commission Rules, 2 C.C.R 404-1 (the “Rules”).

8. Due notice of this proceeding has been given in all respects as required by the Act and the Rules.

### **B. Conclusion**

9. Having reviewed the Administrative Order by Consent, and being fully advised on the premises, and pursuant to Rule 532.b., the Hearing Officer finds the Administrative Order by Consent, attached hereto as Exhibit A, complies with the Act, the Rules, and Commission Policies and makes this written order recommending approval of the Settlement Agreement, incorporating and adopting all factual findings contained therein, based upon evidence in the record.

10. Pursuant to Rule 522.e.(1)(C), if no exceptions are filed within 20 days after service, or unless the order is stayed by the Commission upon its own motion, the Recommended Order will become the order of the Commission and be subject to § 34-60-111, C.R.S.

## **ORDER**

### **The Commission Orders That:**

1. Crestone is found in violation of Rule § 34-60-121(1)(a) C.R.S., as described above.

2. Crestone is ordered to pay a penalty of \$141,903, by certified check within 35 days after the final Order in this matter is mailed by the Commission.

3. Failure to pay the penalty by the above deadline is an independent violation that may be subject to additional penalties.

4. Compliance dates specified in this Order may be extended only for good cause, as determined at the Director’s sole discretion. A request for extension must be made, in writing, at least 35 days prior to the pertinent deadline, or as soon as possible if 35 days prior notice is not feasible. Failure to receive an extension prior to the compliance deadline or the failure to meet a compliance deadline may constitute a new violation subject to additional penalties.

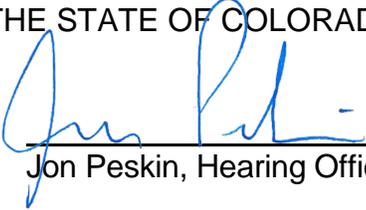
5. This Order is effective as of the date it is mailed by the Commission. It constitutes final agency action for purposes of judicial review.

6. The Commission expressly reserves its right after notice and hearing, to alter, amend, or repeal any and/or all of the above Order.

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ENTERED this 26th day of August, 2020.

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

By  \_\_\_\_\_  
Jon Peskin, Hearing Officer

CERTIFICATE OF SERVICE

On August 26, 2020, a true and correct copy of the foregoing Hearing Officer's Recommended Order Granting The Parties' Joint Motion To Approve An Administrative Order By Consent, was transmitted to the Parties at the following addresses:

Scott Schultz  
1300 Broadway, 7<sup>th</sup> Floor  
Denver, CO 80203  
[scott.schultz@coag.gov](mailto:scott.schultz@coag.gov)

David Stewart  
Crestone Peak Resources Oper., LLC  
1801 California Street, Suite 2500  
Denver, CO 80202  
[david.stewart@crestonepr.com](mailto:david.stewart@crestonepr.com)

Kunal Parikh  
1300 Broadway, 7<sup>th</sup> Floor  
Denver, CO 80203  
[kunal.parikh@coag.gov](mailto:kunal.parikh@coag.gov)

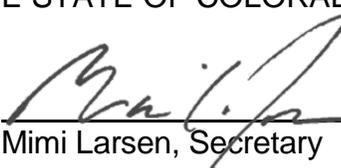
Jeremy Ferrin  
Enforcement Officer  
COGCC Staff  
[jeremy.ferrin@state.co.us](mailto:jeremy.ferrin@state.co.us)

Also on this date, the record and exhibits of this proceeding were transmitted to the Commission and the parties by electronic mail.

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ENTERED this 28th day of September, 2020, as of the 8th day of September, 2020.

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

By  \_\_\_\_\_  
Mimi Larsen, Secretary

## CERTIFICATE OF SERVICE

On September 29, 2020, a true and correct copy of the foregoing Hearing Officer's Recommended Order Granting The Parties' Joint Motion To Approve An Administrative Order By Consent, was transmitted to the Parties at the following addresses:

Parties:

Scott Schultz  
1300 Broadway, 7<sup>th</sup> Floor  
Denver, CO 80203  
[scott.schultz@coag.gov](mailto:scott.schultz@coag.gov)

Kunal Parikh  
1300 Broadway, 7<sup>th</sup> Floor  
Denver, CO 80203  
[kunal.parikh@coag.gov](mailto:kunal.parikh@coag.gov)

David Stewart  
Crestone Peak Resources Operating LLC  
1801 California Street, Suite 2500  
Denver, CO 80202  
[david.stewart@crestonepr.com](mailto:david.stewart@crestonepr.com)

Jeremy Ferrin  
Enforcement Officer  
Colorado Oil & Gas Conservation Commission Staff  
[jeremy.ferrin@state.co.us](mailto:jeremy.ferrin@state.co.us)

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Margaret Humecki

# EXHIBIT A

## BEFORE THE OIL AND GAS CONSERVATION COMMISSION OF THE STATE OF COLORADO

IN THE MATTER OF ALLEGED VIOLATIONS OF )	CAUSE NO. 1V
THE RULES AND REGULATIONS OF THE )	
COLORADO OIL AND GAS CONSERVATION )	DOCKET NO. 191200758
COMMISSION BY <b>CRESTONE PEAK</b> )	TYPE: ENFORCEMENT
<b>RESOURCES OPERATING LLC, WELD</b> )	
COUNTY, COLORADO )	ORDER NO. IV-733

### ADMINISTRATIVE ORDER BY CONSENT

(Pursuant to Rule 522.e.(1) of the Rules and Regulations of the  
Colorado Oil and Gas Conservation Commission, 2 CCR 404-1)

### FINDINGS

1. Crestone Peak Resources Operating LLC ("Crestone") (Operator No. 10633) is the operator of record for the Woolley 61N68W location (Location ID #336382; "Location"), in Weld County, Colorado.
2. On February 6, 2016, COGCC Staff approved a Form 2A, Oil and Gas Location Assessment Amending an Existing Location, (Document No. 400949169), for the Location in Weld County. The approved Form 2A permitted a surface disturbance of 2.8 acres during new construction of the Location.
3. On March 7, 2018, COGCC inspected the Location (Inspection Report No. 682403370) and observed a new surface disturbance at the Location of 10.3 acres.
4. This drilling and completions pad was constructed to enable decreased surface disturbance for the three well pads associated with Location ID # 336382, 305447 and 446289. Reclamation began on September 11, 2017 and seeding occurred on December 19, 2017.

### ENFORCEMENT PROCEEDINGS

5. On February 15, 2019, COGCC Staff issued NOAV No. 401941746 to Crestone for a violation of § 34-60-121(1)(a) C.R.S. - Permit Violation. A Form 4 Sundry Notice was required to request approval of the overbuild at the Location within 30 days.
6. On March 14, 2019, Crestone submitted a Form 4 Sundry Notice which was subsequently pushed back to draft because it was incomplete.
7. On March 13, 2020, Crestone resubmitted the Form 4 Sundry Notice to comply with the language of NOAV No. 401941746.

- a. The addition requested was to add the following paragraph. "Prior to construction, locations are surveyed by a professional surveyor and drawings are then produced identifying the location and construction plan. Once the location and plan has been reviewed and receives internal approval, posts are set at the location with line between at the perimeter of the approved Form 2A acreage. The construction supervisor sets the outer edge of the berm inside the posted perimeter. Checks are done throughout construction that the disturbance remains inside the set perimeter."

8. In part in response to the NOAV, Crestone has developed and implemented a company-wide regulatory compliance improvement program (the "Compliance Program"). To support the Compliance Program, Crestone has added three employees: two regulatory specialists, one senior-level and one mid-level, whose sole duties are focused on COGCC compliance. This team has shaped the Compliance Program to apply environmental management principles and database tracking to maintain compliance with all COGCC requirements, including surface disturbance analysis and verification. To this end, they have streamlined the company's regulatory processes and workflow, improved the use of task tracking spreadsheets, ensured approve 2A disturbance areas maintain compliance, and managed regulatory forms and data. Crestone has dedicated an increasing number of resources to ensure that all COGCC regulatory requirements are timely satisfied.

9. Following a factual investigation and legal review of the violations alleged in the NOAV, the Hearings Staff now asserts Crestone has committed one 372-day violation of § 34-60-121(1)(a) C.R.S. because Crestone exceeded the permitted surface disturbance at Location ID 336382.

### PENALTY CALCULATION

10. Pursuant to Rule 523 and the Commission's Enforcement and Penalty Policy, Hearings staff calculated a penalty of \$141,903 for this violation. The penalty calculation is based on the following:

Rule No.	Class	Impact	Daily Base Penalty	Start Date	End Date	Days of Violation	Penalty
§ 34-60-121(1)(a)	2	Moderate	\$5000	03/7/2018	03/14/2019	372	\$157,670
						Settlement Discount (10%)	-\$15,767
						Total Penalty	\$141,903

a. § 34-60-121(1)(a) C.R.S.

- i. Application of the Duration Matrix from the COGCC Enforcement Guidance and Penalty Policy;
- ii. 372 days of violation;
- iii. Violation started on March 7, 2018, when Staff discovered the violation and ended on March 14, 2019, when Crestone filed a substantially complete Form 4 Sundry Notice;
- iv. Class 2 Violation, Moderate impact;
- v. \$5,000 per day base penalty;
- vi. A settlement inducement of 10%;
- vii. No aggravating or mitigating factors; and
- viii. No pattern of violation, gross negligence, or knowing and willful misconduct.

**AGREEMENT**

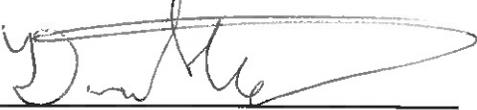
NOW, THEREFORE, based on the Findings and pursuant to Rule 522.e.(1) and the Commission's Enforcement and Penalty Policy, the Director and Crestone request that the Commission approve the Order set forth below.

OIL AND GAS CONSERVATION COMMISSION OF  
THE STATE OF COLORADO

By /s/ Scott Schultz  
Scott Schultz, Senior Assistant Attorney General

AGREED TO AND ACCEPTED this 15 day of July, 2020.

CRESTONE PEAK RESOURCES OPERATING LLC

By   
Signature of Authorized Company Representative

David Stewart

Print Signatory Name

VP, EHS+R

Title

**ORDER**

HAVING CONSIDERED the Agreement between the Director and Crestone to resolve the NOAV, the COMMISSION ORDERS:

1. Crestone is found in violation of § 34-60-121(1)(a) C.R.S as described above.
2. Crestone is assessed a penalty of \$141,903.
3. Crestone will pay \$141,903 within 30 days after this approved AOC is emailed by the Commission.
4. This Order is effective as of the date it is emailed by the Commission. It constitutes final agency action for purposes of judicial review.
5. The Commission expressly reserves its right after notice and hearing, to alter, amend, or repeal any and/or all of the above orders.

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ENTERED this \_\_\_\_ day of \_\_\_\_\_, 2020 as of the \_\_\_\_ day of \_\_\_\_\_, 2020.

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

By \_\_\_\_\_

Mimi Larsen, Secretary

**CERTIFICATE OF MAILING**

On June \_\_\_\_, 2020, a true and accurate copy of Commission Order 1V-733 was emailed to the following:

david.stewart@crestonepr.com

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Margaret Humecki