

State of Colorado
Oil and Gas Conservation Commission

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Date Issued:
03/12/2021
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: <u>10495</u>	Contact Name and Telephone:
Name of Operator: <u>LILIS ENERGY INC</u>	Name: <u>CAROL ADLER</u>
Address: <u>300 E SON TERRA BLVD SUITE 1220</u>	Phone: <u>(817) 585-9010</u> Fax: <u>()</u>
City: <u>SAN ANTONIO</u> State: <u>TX</u> Zip: <u>78258</u>	Email: <u>cadler@lilisenergy.com</u>

Well Location, or Facility Information (if applicable):

API Number: 05-039-06608-00 Facility or Location ID: _____
Name: COGGINS Number: 10-34
QtrQtr: SWSE Sec: 10 Twp: 6S Range: 64W Meridian: 6
County: ELBERT

ALLEGED VIOLATION

Rule: 1004.a
Rule Description: Final Reclamation - Well Sites Reclamation
Initial Discovery Date: 09/13/2017 Was this violation self-reported by the operator? No
Date of Violation: 06/15/2017 Approximate Time of Violation: _____
Was this a discrete violation of obvious duration? Unknown

Description of Alleged Violation:

Pursuant to Rule 1004.a., upon the plugging and abandonment of a well, final reclamation work as outlined in the Rule shall be completed within three (3) months on crop land and twelve (12) months on non-crop land after plugging a well or final closure of associated production facilities.

Lilis Energy, Inc. ("Operator") completed plugging the Coggins 10-34 Well (API No. 05-039-06608) on April 14, 2017 (Doc. No. 226472). Therefore, Operator was required to complete final reclamation work by June 15, 2017. Pursuant to Order No. 1V-632 ("Order"), an Administrative Order by Consent agreed to by Commission Staff and Lilis Energy, Inc. ("Operator") and approved by the Commission on May 8, 2017, the Commission agreed to suspend \$24,986 of the total assessed penalty amounts pending completion of specific corrective actions by June 15, 2017 and September 1, 2017. Staff inspected the location on September 13, 2017 (Doc. No. 682402759) and October 20, 2017 (Doc. No. 682402963). During each inspection, Staff observed that Operator failed to comply with Rule 1004.a., including but not limited to, failing to have uniform germination throughout the entire disturbance area, and failing to meet the requirements of Order 1V-632.

Staff inspected the location on November 3, 2017 (Doc. No. 682402963), and observed the Operator mowed, bagged, and seeded the location, per the Operator's plan. The location remained In-Process until an inspection could be conducted during the next growing season to ensure compliance with Rule 1004.a. and Order 1V-632.

Staff re-inspected the location on August 16, 2018 (Doc. No. 682403886), and observed uniform growth has not been achieved with bare patches throughout portions of the location. Staff required reseeding activities be conducted by November 1, 2018.

Staff re-inspected the location on January 19, 2021 (Doc. No. 697502465), and observed annual weedy patches while uniform perennial growth has not been established.

Operator failed to establish uniform vegetation and perform weed mitigation throughout the location, violating Rule 1004.a.

Abatement or Corrective Action Required to be Performed by Operator: _____ Corrective Action Due Date: 04/11/2021

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

Operator shall comply with Rule 1004.a.

Rule: 522.f

Rule Description: Failure to Comply with Commission Order

Initial Discovery Date: 09/01/2017 Was this violation self-reported by the operator? No

Date of Violation: 06/15/2017 Approximate Time of Violation: _____

Was this a discrete violation of obvious duration? Unknown

Description of Alleged Violation:

Pursuant to Rule 522.f, an operator's failure to diligently implement corrective action pursuant to an Administrative Order by Consent or other Order constitutes an independent violation which may subject the operator to additional penalties or corrective action requirements. Pursuant to Order No. 1V-632 ("Order"), an Administrative Order by Consent agreed to by Commission Staff and Lilis Energy, Inc. ("Operator") and approved by the Commission on May 8, 2017, the Commission agreed to suspend \$24,986 of the total assessed penalty amounts pending completion of specific corrective actions by June 15, 2017 and September 1, 2017. As a condition of the penalty suspension, Operator was required to, by June 15, 2017, a) complete all reclamation, site stabilization, decompaction, and reseeding requirements set forth in Rule 1004.a.; and b) submit a Form 42 (Field Operations Notice) to COGCC Staff of the completed work. Operator was also required to, by September 1, 2017, a) accomplish a vegetative cover of four perennial seedlings per square foot of the entire location and submit a Form 42 informing COGCC Staff of such; or b) should such vegetation cover not be present, submit to COGCC Staff a Final Reclamation plan detailing those actions Operator would take to achieve successful reclamation of the location no later than September 15, 2017 and then reseed the location no later than November 1, 2017. The Order also required Operator to maintain ongoing weed control at the location in accordance with Rule 1004 until the location passed Final Reclamation inspection.

COGCC Staff conducted four inspections of the location after the Commission entered the Order (Doc. Nos. 682402759, 682402917, 682402963, and 682403886). In the inspections, COGCC Staff identified corrective actions and steps that Operator needed to complete to comply with the Order. On January 19, 2021, Commission Staff conducted another follow-up Final Reclamation Inspection and stated that Operator has not completed the reclamation requirements as set forth in the Order (Doc. No. 697502465). Therefore, Operator is in violation of Order No. 1V-632, violating Rule 522.f.

Abatement or Corrective Action Required to be Performed by Operator: _____ Corrective Action Due Date: 04/11/2021

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

Operator shall immediately comply with the past due requirements of Order No. 1V-632, specified above.

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. An answer will, at a minimum, discuss the allegations contained in the NOAV, responding to each; identify corrective actions taken in response to the NOAV, if any; and identify facts known to the operator at the time that are relevant to the operator's response to the alleged violations. 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: <u>03/12/2021</u>	
COGCC Representative Signature: _____	
COGCC Representative: <u>Trent Lindley</u>	Title: <u>NOAV Specialist</u>
Email: <u>trent.lindley@state.co.us</u>	Phone Num: <u>(303) 894-2100x5143</u>

CORRECTIVE ACTION COMPLETED

Rule: <u>1004.a</u>	
Rule Description: <u>Final Reclamation - Well Sites Reclamation</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 type="text"/>	

Rule: <u>522.f</u>	
Rule Description: <u>Failure to Comply with Commission Order</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 type="text"/>	

FINAL RESOLUTION

Cause #: _____	Order #: _____	Docket #: _____
Enforcement Action: _____	Final Resolution Date: _____	
Final Resolution Comments: <input type="text"/>		

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>
402627500	NOAV ISSUED
402627503	NOAV CERTIFIED MAIL RECEIPT

Total Attach: 2 Files