

State of Colorado
Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80203
Phone: (303) 894-2100 Fax: (303) 894-2109



Document Number:
403161013

Date Issued:
09/09/2022

NOTICE OF ALLEGED VIOLATION - ISSUED

Per Rule 523, 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 525, 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: 10453

Name of Operator: PARADOX UPSTREAM LLC

Address: 500 DALLAS ST SUITE #1650

City: HOUSTON State: TX Zip: 77002

Contact Name and Telephone:

Name: SCOTT NOWAK

Phone: (713) 600-6221 Fax: ()

Email: scottn@paradoxresources.com

Well Location, or Facility Information (if applicable):

API Number: 05-113-06123-00

Facility or Location ID:

Name: HAMILTON CREEK STATE

Number: 36-41

QtrQtr: SWSW Sec: 36

Twp: 45N

Range: 15W

Meridian: N

County: SAN MIGUEL

ALLEGED VIOLATION

Rule: 206

Rule Description: Reports

Initial Discovery Date: 08/18/2022

Was this violation self-reported by the operator? No

Date of Violation: 03/29/2019

Approximate Time of Violation:

Was this a discrete violation of obvious duration? Unknown

Description of Alleged Violation:

Pursuant to Rule 206, now Rule 207, Paradox Upstream, LLC ("Operator") shall file accurate and complete reports.

COGCC staff conducted an audit of COGCC records for the Hamilton Creek State #36-41 well on August 18, 2022, and determined Operator has filed multiple forms with contradictory information.

Operator's Form 7, Monthly Report of Operations reports the Hermosa formation Producing ("PR") in December 2018 and as Shut-In ("SI") since January 2019. Operator reported the Cutler formation as Temporarily Abandoned ("TA") since February 2014.

COGCC staff conducted an inspection on March 29, 2019 (document no. 680404273) and reported the well as PR in the report.

Operator submitted a Form 4, Sundry Notice on June 6, 2019 (document no. 402066766), indicating the well has been producing since December 2018, and can be changed from TA to PR status.

Operator failed to file accurate and complete reports, violating Rule 206, now Rule 207.

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 10/09/2022

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

Operator shall submit any delinquent forms, notices, or reports; and correct any incomplete or inaccurate reports.

Rule: 308B

Rule Description: Completed Interval Report

Initial Discovery Date: 08/18/2022

Was this violation self-reported by the operator? No

Date of Violation: 03/31/2014

Approximate Time of Violation:

Was this a discrete violation of obvious duration? Unknown

Description of Alleged Violation:

Pursuant to Rule 308B., now Rule 416.b., Paradox Upstream, LLC ("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 is the date of completion.

COGCC staff conducted an audit of COGCC records for the Hamilton Creek State #36-41 well on August 18, 2022, and determined from production reporting records, the Cutler Formation has been temporarily abandoned since February 2014.

Operator failed to submit a Form 5A, Completed Interval Report reporting the temporary abandonment within 30 days after completing the producing formation, violating Rule 308B, now Rule 416.b.

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 10/09/2022

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

Operator shall submit a complete and accurate Form 5A.

Rule: 326.b

Rule Description: Shut-in Wells

Initial Discovery Date: 08/18/2022

Was this violation self-reported by the operator? No

Date of Violation: 03/01/2016

Approximate Time of Violation:

Was this a discrete violation of obvious duration? Unknown

Description of Alleged Violation:

Pursuant to Rule 326.b., now Rule 417.b., Paradox Upstream, LLC ("Operator") is required to conduct an Mechanical Integrity Test ("MIT") on shut-in ("SI") wells within two years of the initial shut-in date and then at five (5) year intervals after an initial successful MIT. The MIT shall be performed after: isolating the wellbore with a bridge plug or similar approved isolating device set 100 feet or less above the highest open perforation.

COGCC staff conducted an audit of COGCC records for the Hamilton Creek State #36-41 well on August 18, 2022, and determined an isolation device had been installed, temporarily abandoning the Cutler Formation in February 2014, without an MIT being conducted. As of September 9, 2022, Operator has not conducted an MIT for the Hamilton Creek State #36-41 well, violating Rule 326.b., now Rule 417.b.

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 10/09/2022

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

Operator shall conduct a successful MIT on the Hamilton Creek State #36-41 well and submit results on a Form 21, within 30 days after the test or plug and abandon the well.

Rule: 419

Rule Description: Bradenhead Monitoring, Testing, and Reporting

Initial Discovery Date: 08/18/2022

Was this violation self-reported by the operator? No

Date of Violation: 12/31/2021

Approximate Time of Violation:

Was this a discrete violation of obvious duration? Unknown

Description of Alleged Violation:

Pursuant to Rule 419.c., Paradox Upstream, LLC ("Operator") is required to perform an annual Bradenhead Test and submit the data on a Form 17, Bradenhead Test Report, within 10 days after the test.

COGCC staff conducted an audit of COGCC records for the Hamilton Creek State #36-41 well on August 18, 2022, and determined that Operator has not filed a Form 17 reporting that a Bradenhead Test was conducted in 2021, violating Rule 419.c.

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 10/09/2022

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

Operator shall conduct a Bradenhead Test and submit any delinquent Form 17s.

PENALTY

Penalties for violations alleged in this NOAV will be calculated pursuant to Rule 525, with daily penalties accruing pursuant to Section 34-60-121(1), C.R.S.

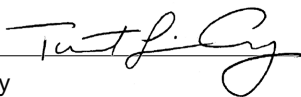
ANSWER

Pursuant to Rule 523.c.(2), the operator must file an Answer to this NOAV within 28 days of its receipt, or a default judgment may be entered. Answers are filed by email to dnr_cogccenforcement@state.co.us.

NOAV ISSUED

NOAV Issue Date: 09/09/2022

COGCC Representative Signature:



COGCC Representative: Trent Lindley

Title: NOAV Specialist

Email: trent.lindley@state.co.us

Phone Num: (303) 894-2100x5143

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>
------------------------	--------------------

403161037	NOAV CERTIFIED MAIL RECEIPT
-----------	-----------------------------

Total Attach: 1 Files