



COLORADO

Energy & Carbon Management Commission

Department of Natural Resources

1120 Lincoln Street, Suite 801
Denver, CO 80203

www.colorado.gov/ecmc

WARNING LETTER # 403703840

02/29/2024

SILVER MOUNTAIN ENERGY LLC (# 10816)

LONNIE WRIGHT

lonnie@sme.llc

31487 STATE HIGHWAY 37

HINTON, OK 73047

HARRY WILLIS 1 (API# 055-06142)

SENE, 4, 29S, 69W, HUERFANO

This Warning Letter is to inform you that SILVER MOUNTAIN ENERGY LLC (“Operator”) may be in violation of the rules and regulations of the Colorado Energy and Carbon Management Commission (“ECMC”) and corrective action is required.

ECMC has reasonable cause to believe that Operator has committed one or more violations of the Oil and Gas Conservation Act, or of a rule, regulation, or order of the Commission, or of a permit issued by the Commission. Operator is required to comply with this Warning Letter by the **Corrective Action Deadline Date(s)** to resolve the alleged violation(s). Failure to do so will result in the issuance of a Notice of Alleged Violation and initiation of enforcement proceedings in which ECMC will seek monetary penalties for the alleged violations pursuant to § 34-60-121, C.R.S. and Rule 525, ECMC Rules of Practice and Procedure, 2 CCR 404-1.

Alleged Violation(s) and Required Corrective Action(s):

419 Bradenhead Monitoring, Testing, and Reporting

Violation Date: 02/29/2024

Violation Discovery Date: 02/29/2024

Description of Alleged Violation: Pursuant to Rule 419, all wells will have an annual Bradenhead test reported to the ECMC.

As the operator of record, you have failed to report a Bradenhead test for 2023 at one or more wells.

Operator also missed 2022 tests - Warning Letter not previously issued due to technical issue.

Required Corrective Action: Operator shall review its records to verify if any Forms or Notices related to Bradenhead testing were late or are still outstanding for these Wells. Operator shall submit any delinquent forms, notices, or reports; and correct any incomplete or inaccurate reports.

Where Operator has failed to perform a Bradenhead Test in 2023, a test shall be performed by the Corrective Action Date listed below. Pursuant to Rule 420, Operator is required to submit the results of BrHd tests to ECMC within 10 days of completion. Operator shall submit such results by filing a Bradenhead Test Report, Form 17, which shall include a wellbore diagram if not previously submitted or if the wellbore configuration has changed, and the results of any gas and liquid analysis, if sampled.



COLORADO

Energy & Carbon Management Commission

Department of Natural Resources

1120 Lincoln Street, Suite 801
Denver, CO 80203

www.colorado.gov/ecmc

Additionally, Operator shall send an email to the ECMC Representative indicated below, detailing an internal procedure for timely compliance with Rule 419. Operator shall reference this Warning Letter document number in the subject of the email

If the Bradenhead test requirements do not apply per rule 614.e or tribal involvement, please email a list of those wells to the area engineer with the reason the test is not required.

Notes: This test or missing form is being accepted in lieu of the required [2023] Bradenhead test. The operator must still perform an additional Bradenhead test by December 31, 2024, for the 2024 Bradenhead test.

Guidance for Rule 419 is available on the ECMC website at:

Regulation – Operator Guidance - BRADENHEAD MONITORING , TESTING , MITIGATION, AND REPORTING

<http://ecmc/documents/reg/OpGuidance/Operator%20Guidance%20for%20Bradenhead%20Monitoring%20Testing%20Reporting.pdf>

If Bradenhead testing cannot be performed a Variance to Rule 419 is required.

Corrective Action Deadline Date: 04/30/2024

How to Comply with Warning Letter:

Operator shall complete the Required Corrective Action(s) above within the deadline(s) provided. Upon completion of the Corrective Action(s), Operator shall provide notice and evidence of completion to the ECMC staff identified below by the Corrective Action Deadline Date(s):

COGCC Representative: Burn, Diana

Email: diana.burn@state.co.us

Title: Engineering Manager

Phone Num: (303) 918-6320x

If you have any questions about this Warning Letter, please contact the ECMC Representative identified above.

Failure to Comply with Warning Letter:

If Operator fails to perform Required Corrective Action(s) on or before the Corrective Action Deadline Date(s) stated above ECMC will issue a Notice of Alleged Violation and seek penalties pursuant to § 34-60-121, C.R.S. and Rule 525, ECMC Rules of Practice and Procedure, 2 CCR 404-1.

Disclaimers:

If the alleged violation(s) in this Warning Letter are the subject of previously issued Notice(s) of Alleged Violation ("NOAV") or Enforcement Order(s) ("Order"), Operator's obligations and the corrective actions and deadlines in such NOAV or Order stand and are not affected by this Warning Letter.

If issued in error, the Enforcement Unit reserves the right to rescind this Warning Letter prior to the ECMC Representative's receipt of Operator's notice and evidence of completion of the Corrective Action.



COLORADO

Energy & Carbon Management Commission

Department of Natural Resources

1120 Lincoln Street, Suite 801
Denver, CO 80203

www.colorado.gov/ecmc

All well data, rules and forms are available on our website at www.colorado.gov/cogcc.

Sincerely,

Burn, Diana
Engineering Manager

Attachments

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

<u>Document Number</u>	<u>Description</u>
------------------------	--------------------

403703868	WARNING LETTER DOCUMENTATION
-----------	------------------------------

Total Attach: 1 Files