



COLORADO

Energy & Carbon Management Commission

Department of Natural Resources

1120 Lincoln Street, Suite 801
Denver, CO 80203

www.colorado.gov/ecmc

WARNING LETTER # 403951173

10/09/2024

GUNNISON ENERGY LLC (# 10515)

TYSON JOHNSTON

tyson.johnston@oxbow.com

999 18TH STREET SUITE 1755N

DENVER, CO 80202

LONE PINE 1A (API# 029-06093)

SENW, 25, 12S, 91W, DELTA

This Warning Letter is to inform you that GUNNISON 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):

413 Form 7, Operators Monthly Report of Operations

Violation Date: 10/09/2024

Violation Discovery Date: 10/09/2024

Description of Alleged Violation: Operator is receiving this letter because, based on ECMC records, ECMC has reason to believe the Well(s) indicated above and/or in the attached table presents one or more compliance issues. Operator should review its records to verify if any Monthly Reports of Operations (“Form 7”), are missing, inaccurate, or incomplete for this Well.

Pursuant to Rule 413.a., Operator is required to submit Form 7 for all existing oil and gas wells that are not plugged and abandoned, within 45 days after the end of each month. Operator is required to report the 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.

Pursuant to Rule 413.b., Operator is required to report the volume of specific fluids injected into a Class II Underground Injection Control well on a Form 7, within 45 days after the end of each month. The specific Class II fluids on Form 7 are produced fluids and any gas or fluids used during enhanced recovery unit operations; including produced water and fluids recovered during drilling, casing cementing, pressure testing, completion, workover, and formation stimulation of all oil and gas wells including production, exploration, injection, service and monitoring wells. Injection of any other Class II



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fluids requires separate volume reporting on a Form 14, as described in Rule 808.b.

If Operator failed to file Form 7, Monthly Reports of Operations, or has filed incomplete or inaccurate information for the Well, then Operator violated Rule 413.

Required Corrective Action: Operator shall submit any delinquent forms, notices, or reports; and correct any incomplete or inaccurate reports. Operator shall send an email to the ECMC Representative indicated below, confirming that all required Form 7s are submitted, accurate, and up-to-date; and detailing an internal procedure for timely compliance with Rule 413. in the future. Operator shall reference this Warning Letter document number in the subject of the email.

Corrective Action Deadline Date: 11/08/2024

416 Form 5A, Completed Interval Report

Violation Date: 10/09/2024

Violation Discovery Date: 10/09/2024

Description of Alleged Violation: Operator is receiving this letter because, based on COGCC records, COGCC has reason to believe the Well(s) indicated above and/or in the attached table presents one or more compliance issues. Operator should review its records to verify if any Form 5A, Completed Interval Reports, are outstanding for the Well.

Mechanical Integrity Test (Doc. 402196426) cites bridge plug as isolation for test - if plug remains in hole, requires documentation of formation abandonment.

Pursuant to Rule 416, 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.

If a formation in the Well has been completed, abandoned, recompleted, reperforated, restimulated, or commingled, and has not been reported on a Form 5A within 30 days of such activity, Operator violated Rule 416.

Required Corrective Action: Operator shall submit any delinquent forms, notices, or reports; and correct any incomplete or inaccurate reports. Operator shall send an email to the COGCC Representative indicated below, confirming that all required Form 5As are submitted, accurate, and up-to-date; and detailing an internal procedure for timely compliance with Rule 416. in the future. Operator shall reference this Warning Letter document number in the subject of the email.

Corrective Action Deadline Date: 11/08/2024

417 Mechanical Integrity Testing

Violation Date: 10/09/2024

Violation Discovery Date: 10/09/2024

Description of Alleged Violation: Operator is receiving this letter because, based on ECMC records, ECMC has reason to believe the Well(s) indicated above and/or in the attached table presents one or more compliance issues. Operator should review its records to verify if this is a shut-in ("SI") or temporarily abandoned ("TA") well past due for a Mechanical Integrity Test ("MIT").



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Pursuant to Rule 417.b., Operator is required to conduct an MIT on SI wells within two years of the initial shut-in date and then at five (5) year intervals after an initial successful MIT. ECMC Rules DO NOT permit placing a well back on production to fulfill, or in lieu of, the requirements to conduct an MIT. If the above referenced Well has been SI for over two years and Operator has not conducted an initial MIT or is SI and has not had an MIT for over five years after the initial MIT, then Operator is in violation of Rule 417.b.

Pursuant to Rule 417.c., Operator is required to conduct an MIT on TA wells within thirty (30) days of temporarily abandoning the well, and then at five (5) year intervals after an initial successful MIT. ECMC Rules DO NOT permit placing a well back on production to fulfill, or in lieu of, the requirements to conduct an MIT. If the above referenced Well has been TA for over thirty days and Operator has not conducted an initial MIT or is TA and has not had an MIT for over five years after the initial MIT, then Operator is in violation of Rule 417.c.

Pursuant to Rule 417.e., Operator is required to submit notice to the Director on a Form 42, Field Operations Notice - Mechanical Integrity Test ("MIT"), at least ten (10) days prior to conducting an MIT and submission of MIT results (successful or not) on a Form 21, within thirty (30) days after the test. If an MIT is not witnessed by ECMC staff, a pressure chart must accompany this Form 21 report.

Required Corrective Action: If the Well is SI or TA but Operator has not conducted a successful initial MIT or successful follow-up five year MIT, then Operator shall conduct a successful MIT on the Well or plug and abandon the Well.

Rule 405.n., requires notice to the Director on a Form 42, Field Operations Notice at least ten (10) days prior to conducting an MIT and Rule 418, requires submission of MIT results (successful or not) on a Form 21, within thirty (30) days after the test. If an MIT is not witnessed by ECMC staff, a pressure chart must accompany this Form 21 report.

If the Well lacks mechanical integrity, Rule 417.f. requires the Operator to make repairs or plug and abandon within the timeframe prescribed by Rule 417.f.

Rule 435 requires Operator to submit a Form 6, Notice of Intent to Abandon, and secure Director approval prior to plugging and abandonment of a well and to submit a Form 6, Subsequent Report of Abandonment, within 30 days after plugging and abandonment of the well has been completed.

Corrective Action Deadline Date: 12/31/2024

434.b Temporary Abandonment

Violation Date: 10/09/2024

Violation Discovery Date: 10/09/2024

Description of Alleged Violation: Operator is receiving this letter because, based on ECMC records, ECMC has reason to believe the Well(s) indicated above and/or in the attached table presents one or more compliance issues. Operator should review its records to verify if this is a temporarily abandoned ("TA") well past due for a Mechanical Integrity Test ("MIT").

Pursuant to Rule 434.b., Operator is required to conduct an MIT and receive Director approval prior to temporary abandonment of a well. ECMC Rule 100 defines a well as temporarily abandoned if the well



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becomes incapable of production (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). Any well incapable of production should have a well status of TA in filings with ECMC, including the Form 7, Monthly Reports of Operations. ECMC Rules DO NOT permit placing a well back on production to fulfill, or in lieu of, the requirements to conduct an MIT.

If the above referenced Well is TA but Operator has not conducted a successful MIT, as required by Rules 434.b. and 417, and/or Operator has not requested Director approval for TA status, then Operator is in violation of Rule 434.b.

Required Corrective Action: If the Well is TA but Operator has not conducted a successful MIT, then Operator shall conduct a successful MIT on the Well or plug and abandon the Well.

Additionally, if the Well is TA but Operator has not submitted a request for Director approval for TA status, Operator shall submit a Form 4, Sundry Notice, requesting TA status or continued TA status for the Well and stating the method by which the Well is closed to atmosphere and plans for future operation.

Rule 417.e., requires notice to the Director on a Form 42, Field Operations Notice, at least ten (10) days prior to conducting an MIT and Rule 418 requires submission of MIT results (successful or not) on a Form 21, within thirty (30) days after the test. If an MIT is not witnessed by ECMC staff, a pressure chart must accompany this Form 21 report.

If the Well lacks mechanical integrity, the Operator is to make repairs and successfully test the well for mechanical integrity or plug and abandon the well by the Corrective Action date. Repairs require prior approval.

If the Well lacks mechanical integrity, Rule 417.f. requires the Operator to make repairs or plug and abandon within the timeframe prescribed by Rule 417.f.

Rule 435, requires Operator to submit a Form 6, Notice of Intent to Abandon, and secure Director approval prior to plugging and abandonment of a well and to submit a Form 6, Subsequent Report of Abandonment, within 30 days after plugging and abandonment of the well has been completed.

Corrective Action Deadline Date: 12/31/2024

434.c. Plugging Inactive Wells

Violation Date: 10/09/2024

Violation Discovery Date: 10/09/2024

Description of Alleged Violation: Operator is receiving this letter because, based on ECMC records, ECMC has reason to believe the Well(s) indicated above and/or in the attached table presents one or more compliance issues. Operator should review its records to verify if any Form 6, Well Abandonment Reports, are outstanding for the Well. Pursuant to Rule 434.c., (1) Operator is required to Plug and Abandon a Well within 6 months of a Well becoming Inactive, unless the Operator: A. Brings the Well back to production so that it is no longer an Inactive Well; B. Files a Form 5B, Inactive Well Notice and provides Single Well Financial Assurance via a Form 3A, Financial Assurance, if required by the Operator's Financial Assurance Plan's requirements related to Low Producing Wells; or C. Files a Form 6A, Out of Service Designation, to designate the Well as Out of Service pursuant to Rule 434.d.



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Required Corrective Action: After successfully testing the Well for mechanical integrity pursuant to Rule 417.f., the Well must be returned to production by the Corrective Action date. If a Well will not be returned to production, operator may: 1. successfully test the Well for mechanical integrity pursuant to Rule 417.f., and file a Form 5B and provide Single Well Financial Assurance via a Form 3A by the Corrective Action date, or 2. plug the Well either per the schedule provided by an approved Form 6A or, absent a Form 6A, by the Corrective Action date.

Corrective Action Deadline Date: 12/31/2024

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):

ECMC 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.

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

Sincerely,

Burn, Diana
Engineering Manager

Attachments

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

Document Number **Description**

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Total Attach: 0 Files