



COLORADO

Energy & Carbon Management Commission

Department of Natural Resources

1120 Lincoln Street, Suite 801
Denver, CO 80203

www.colorado.gov/ecmc

WARNING LETTER # 404175060

04/22/2025

QB ENERGY OPERATING LLC (# 10844)

DOUG DENNISON

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1001 17TH STREET SUITE 1600

DENVER, CO 80202

UNOCAL-ENCANA 24B-4D (API# 045-13237)

NESW, 4, 6S, 96W, GARFIELD

This Warning Letter is to inform you that QB ENERGY OPERATING 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):

312. Subsequent Operations on Existing Wells

Violation Date: 04/18/2025

Violation Discovery Date: 04/18/2025

Description of Alleged Violation: Pursuant to Rule 312, a. The Operator will submit and obtain the Director's approval of a Form 4 before conducting any subsequent Well operations involving heavy equipment, except for routine Well maintenance. b. If during the course of the subsequent operations or routine Well maintenance the Operator determines that additional subsequent operations involving heavy equipment that are not routine maintenance are necessary, the Operator may obtain verbal approval from the Director to conduct the subsequent operations. If the Operator obtains verbal approval from the Director, the Operator will submit a Form 4 to obtain written approval from the Director within 7 days. c. The Form 4 will describe the details of the proposed work.

Operator failed to obtain Director's approval prior to subsequent Well operations. Operator is receiving this letter because it appears non-routine operations involving heavy equipment were conducted on this well.

Required Corrective Action: Operator will email the contact listed on this letter detailing an internal procedure for compliance with Rule 312. Operator will audit well operation plans for the next six months and ensure all appropriate Form 4, Sundry Notices for Rule 312 have been submitted and approved prior to starting any operations.



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Operator will submit a Form 4, Sundry Notice, Subsequent Report of Work Completed, describing the details of the work performed.
Corrective Action Deadline Date: 05/05/2025

405. Form 42, Field Operations Notice

Violation Date: 04/18/2025

Violation Discovery Date: 04/18/2025

Description of Alleged Violation: Operators will submit a Form 42, Field Operations Notice, as designated below and pursuant to a condition of approval on any Form 2; Form 2A; Form 4; Form 6, Well Abandonment Report; or any other approved form. No Form 42 may be submitted more than 2 weeks prior to the scheduled activity, unless a longer timeframe is specified by another Commission Rule. Each Form 42 that notifies the Commission of a forthcoming activity will describe the estimated duration (which maybe expressed as a range) for the proposed activity if it is anticipated to last for longer than one day.

Required Corrective Action: Please audit your inventory and if any other well has undergone repair without a written notice, it must be reported in your response to this Warning Letter.

Corrective Action Deadline Date: 05/05/2025

408 General Drilling Rules

Violation Date: 04/18/2025

Violation Discovery Date: 04/18/2025

Description of Alleged Violation: Pursuant to Rule 408.e.(9).C., Prior written approval from the Director on a Form 4 is required before any other changes to the casing or cement in the wellbore.

Operator failed to obtain Director's approval prior to changes to the casing or cement in the wellbore.

Required Corrective Action: Please audit your inventory and if any other well has had changes to the casing or cement in the wellbore without Director's approval, it must be reported in your response to this Warning Letter. Operator will email the contact listed on this letter detailing an internal procedure for compliance with Rule 408.3.(9).C..

Corrective Action Deadline Date: 05/05/2025

413 Form 7, Operators Monthly Report of Operations

Violation Date: 04/18/2025

Violation Discovery Date: 04/18/2025

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



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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 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: 05/05/2025

416 Form 5A, Completed Interval Report

Violation Date: 04/18/2025

Violation Discovery Date: 04/18/2025

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 5A, Completed Interval Reports, are outstanding for the Well(s).

Pursuant to Rule 416.a., Operator is required to submit a Completed Interval Report ("Form 5A"), within 30 days after any Stimulation or Restimulation, Productivity Test (successful or not), if there is no Stimulation; Reperforation or change in the perforated interval (including initial perforation) if there is no Stimulation; Commingling with another formation; Temporary Abandonment; or Permanent Abandonment of the formation if the entire Well is not being abandoned. Operator shall include on the Form 5A details of any Hydraulic Fracturing, Acidizing, or other similar treatment, pursuant to Rule 416.b.

If the Well or a formation in the Well has been subjected to any of the previously mentioned operations, and it has not been completely and accurately 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 ECMC 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.



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Corrective Action Deadline Date: 05/05/2025

434.b Temporary Abandonment

Violation Date: 04/18/2025

Violation Discovery Date: 04/18/2025

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 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: 05/05/2025



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434.c. Plugging Inactive Wells

Violation Date: 04/18/2025

Violation Discovery Date: 04/18/2025

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.

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: 05/05/2025

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: Greager, Meredith
Email: meredith.greager@state.co.us

Title: Engineering QA Specialist
Phone Num: (720) 830-4175x

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.



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Sincerely,

Greager, Meredith
Engineering QA Specialist

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