

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF ALLEGED VIOLATIONS OF THE RULES) CAUSE NO. 1V
AND REGULATIONS OF THE COLORADO OIL AND GAS)
CONSERVATION COMMISSION BY RICHARD CONLEY ,) DOCKET NO. 1201-OV-01
ARCHULETA COUNTY, COLORADO)

NOTICE OF ORDER FINDING VIOLATION HEARING

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

Pursuant to Rule 522.c., the Colorado Oil and Gas Conservation Commission ("Commission" or "COGCC") Staff will apply to the Commission on January 23, 2012 for an Order Finding Violation ("OFV") against Richard Conley, ("Conley").

Bone #1 Well

On May 28, 1961, D.M. Ferebee of Albuquerque, New Mexico spud the Bone #1 Well (the "Bone Well") (API No. 05-007-05004), located in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 24, Township 32 North, Range 6 West, N P.M., and, subsequently, completed the Bone Well in the Mesa Verde Formation with a total depth in excess of 7,500 feet. The Bone Well was subsequently conveyed to AMOCO Production Co. on July 14, 2000 and to BP America Production Company on December 31, 2001. BP America Production Company submitted documentation on August 28, 2008 to the COGCC that it had assigned its right, title and interest in the Bone Well to Conley with effect from January 1, 2002.

On January 29, 2008, COGCC Staff issued Notice of Alleged Violation ("NOAV") #200125392 to Conley for the following alleged rule violations:

- a. Rule 209., which requires each owner conducting oil and gas operations to exercise due care in the protection of coal seams and water-bearing formations as required by the applicable statutes of the State of Colorado;
- b. Rule 302.a., which requires all operators, prior to the commencing of its operations, to file a *Registration For Oil and Gas Operations*, Form 1, with the Director in the manner and form approved by the Commission.
- c. Rule 312.c., which requires a new operator of a well to file a *Certificate of Clearance and/or Change of Operator*, Form 10, within fifteen days in accordance with the instructions appearing on the form.
- d. Rule 317.i., which requires the operator to ensure that there is adequate cement behind the production casing of the well to protect fresh water aquifers.
- e. Rule 706., which requires an operator to provide financial assurance, in the amount of \$10,000 per well less than 3,000 feet in total measured depth and \$20,000 per well for wells in excess of 3,000 feet in total measured depth, to Commission to ensure the protection of soil, the proper plugging and abandonment of the well, and the reclamation of the site in accordance with the 300-Series of drilling regulations, the 900-Series of exploration and production waste management regulations, the 1000-Series of reclamation regulations, and the 1100-Series of flowline regulations.

The NOAV required the following abatement or corrective actions to be taken by Conley: submit a COGCC Form 1, Registration for Oil and Gas Operation; submit a COGCC Form 10, Certificate of Clearance and/or Change of Operator, and post a \$20,000 plugging and abandonment bond for the Bone Well by February 15, 2008. The NOAV also required Conley to: run a Cement Bond Log to evaluate Fruitland coal cement coverage behind intermediate casing string and provide remedial cement coverage as required or properly plug and abandon the Bone Well by April 1, 2008. The NOAV further required Conley to Contact the COGCC for required procedures regarding remedial cementing or plugging and abandonment for the well.

Rule 523. specifies a base fine of One Thousand dollars (\$1,000) for each day of violation of Rules 302.a, 317.i and 706 and a base fine of five hundred dollars for each day of violation of Rule 312.c. Rule 523.a.(3) specifies that "the maximum penalty for any single violation

shall not exceed Ten Thousand dollars (\$10,000) regardless of the number of days of such violation," unless the violation results in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare or the environment.

Commission staff has evidence suggesting that the Bone #1 Well may be the source of contamination of shallow aquifer drinking water wells. This gives rise to the possibility that the rules violations cited above may have a significant impact on public health, safety or welfare including the environment or wildlife resources, such that the maximum penalty for rules violations may not be limited to \$10,000 per day as provided by Rule 523.a.

On November 18, 2011 COGCC Staff sent Conley a certified letter attempting to set a show cause hearing for purposes of showing why the matter should not be set for a hearing on an Order Finding Violation pursuant to Commission Rule 522, and why fines should not be imposed pursuant to Rule 523. Conley failed to respond to this letter.

COGCC staff requests that Conley be found in violation of Rules 302.a., 312.c., 317.i. and 706. for its operation of the Bone Well.

NOTICE IS HEREBY GIVEN, that the Oil and Gas Conservation Commission of the State of Colorado, pursuant to the above, has scheduled the above-entitled matter for hearing on:

Date: Monday, January 23, 2012
Tuesday, January 24, 2012

Time: 9:00 a.m.

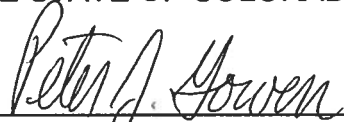
Place: COGCC Offices
1120 Lincoln Street, Suite 801
Denver, Colorado 80203

In accordance with the Americans with Disabilities Act, if any party requires special accommodations as a result of a disability for this hearing, please contact Margaret Humecki at (303) 894-2100 ext. 5139, prior to the hearing and arrangements will be made.

Pursuant to said hearing in the above-entitled matter at the time and place aforesaid, or at any adjourned meeting, the Commission will enter such orders as it deems appropriate to protect the health, safety and welfare of the public and to prevent the waste of oil and gas, either or both, in the operations of said field, and to carry out the purposes of the statute.

IN THE NAME OF THE STATE OF COLORADO

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 
Peter J. Gowen, Acting Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203
December 9, 2011

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