

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

IN THE MATTER OF THE APPLICATION OF  
GENESIS GAS & OIL COLORADO LLC FOR  
AN ORDER TO GRANT A VARIANCE TO  
RULE 326.b PURSUANT TO RULE 502.b.(1),  
FLETCHER GULCH FIELD, RIO BLANCO  
COUNTY, COLORADO

Cause No.

Docket No.

**APPLICATION**

Genesis Gas & Oil Colorado LLC (“Genesis” or “Applicant”) (Operator No. 10384), by and through its attorneys, Jost & Shelton Energy Group, P.C., respectfully submits this Application to the Oil and Gas Conservation Commission of the State of Colorado (the “Commission”) for an order, pursuant to Rule 503.b.(5) and 502.b.(1), granting a variance to Rule 326.b allowing an extension through July 31, 2015 for Genesis to complete the required Mechanical Integrity Tests (“MIT”) for the wells listed below. In support of its Application, Applicant states and alleges as follows:

1. Applicant is duly authorized to conduct business in the State of Colorado; and is a registered operator in good standing with the Commission.

2. Applicant is the operator of the following wells in Rio Blanco County, Colorado (hereafter “Wells”):

<b>Well Name</b>	<b>API Number</b>
Fletcher Gulch 3-13	05-103-10892
Fletcher Gulch 3-21 POW	05-103-10894
Fletcher Gulch 3-22	05-103-10893
Fletcher Gulch 34-41	05-103-10960
Fletcher Gulch 4-13	05-103-10895
Calamity Ridge II Unit #14-31	05-103-11880
Calamity Ridge II Unit #14-33	05-103-11879
Calamity Ridge Unit #14-15C	05-103-10462
Calamity Ridge Unit #4401D	05-103-10561

3. The above nine (9) Wells have been shut-in since approximately mid-December 2012. The Wells are located in federal units that contain almost entirely federal minerals and surface. Genesis operates a total of seventeen (17) wells contained within the two (2) unit areas; thirteen (13) wells in the Fletcher Gulch Unit and four (4) wells in the Calamity Ridge Unit. In the Fletcher Gulch Unit there are eleven (11) producing wells, one (1) pressure observation well and one (1) water disposal well (the disposal well, Fletcher Gulch Unit #3-31WD, was successfully MIT’d on November 4, 2013). In the Calamity Ridge Unit, there are four (4) producing wells, two (2) of which are obligation wells.

4. Genesis has been diligently engaged in MIT operations in the two units since November 2014 and to date has successfully performed MITs on eight (8) of the total seventeen (17) wells.

5. The majority of the Wells are subject to leases with conditions of approval ("COA"), which, among other things, provide, "[n]o construction or routine maintenance activities shall be performed when the soil is too wet to adequately support construction equipment. If such equipment creates ruts in excess of 3 inches deep, the soil shall be deemed too wet to adequately support construction equipment." The leases also contain winter habitat for wildlife and are subject to the Bureau of Land Management's ("BLM") Winter Habitat Timing Limitations ("Limitations"), which further limit surface access to the Wells during the winter and spring months.

6. While there is precedent of BLM granting waivers to certain lease stipulations, limitations and COAs, pursuant to phone conversations between counsel and staff of the BLM's White River Field Office, it is very unlikely that BLM would be willing to waive the COA listed above and BLM has not responded to inquiries regarding same.

7. Until mid-December of 2012, the Wells were serviced by a third party processing, compression, and pipeline company, which delivered salable gas to market. Subsequent to Genesis shutting-in the Wells, the contract with the third party provider terminated. Since that time, Genesis has diligently been engaged in negotiations with the third party pipeline company to renegotiate the terms of the contract and/or to purchase the pipeline, associated infrastructure and related equipment from the third party pipeline company. In the spring of 2013, the third party pipeline company removed the equipment necessary to transport salable gas to market. Despite the removal of the equipment, negotiations between Genesis and the third party pipeline company have been ongoing and diligently pursued and multiple offers and counter offers have stemmed from the negotiations on an almost monthly basis since 2013.

8. Because Genesis was unable to execute a transport contract with the third party pipeline company and the pipeline company removed equipment necessary to transport salable gas to market, Genesis filed the necessary Form 42s, Field Operations Notice, with the Commission on November 7, 2014 and contracted a rig to immediately begin MIT work on the Wells November 17, 2014, after the ten (10) day notice period passed pursuant to Rule 326.d.

9. However, as of December 11, 2014, a breakthrough in negotiations occurred at the time of the filing of this Application, Genesis and the third party pipeline provider have entered into a verbal agreement whereby the third party pipeline company will assign Genesis their interests in the pipeline that services the Wells and Genesis will take over all environmental compliance associated with the pipeline. This deal will likely not close until January or February of 2015, however, the assignment of the pipeline to Genesis will enable Genesis to produce its currently shut-in Wells and transport their gas to market, thereby protecting correlative rights and preventing the waste of Colorado's valuable hydrocarbon resources.

10. On November 18, 2014, pursuant to Rule 502.b.(1), Genesis requested the Director grant a variance ("Variance") to Rule 326.b.(1), which would allow Genesis through July 31, 2014 to perform MITs on the Wells.

11. On or about December 16, 2014, after a self-evaluation and pursuant to Rule 523.b, Genesis filed a voluntary self-disclosure regarding the impending violations of Rule 326.b. associated with the Wells.

12. Rule 502.b.(5) of the Rules and Regulations of the Oil and Gas Conservation Commission states that an operator may file an application for purposes of seeking a variance from the Commission.

13. Subsequent to requesting the Variance Genesis and Commission Staff have been discussing the circumstances surrounding the variance request. As of the date of filing, Genesis' Rule 502.b.(1) request for variance has not been approved or denied by the Commission.

14. To promote efficient drainage, to protect correlative rights and to avoid waste, the Commission should grant Genesis' Application for a variance to Rule 326.b.(1) for the Wells through July 31, 2015.

15. The undersigned certifies that copies of this Application will be served on each interested party within seven (7) days of the filing hereof, as required by Rule 503.e.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing at the next available opportunity, that notice be given as required by law, and that upon such hearing this Commission enter its order:

A. Pursuant to Rule 503.b.(5) and 502.b.(1), granting a variance to Rule 326.b allowing an extension through July 31, 2015 for Genesis to complete the required MITs for the Wells.

B. For such other findings and orders as the Commission may deem proper or advisable in this matter.

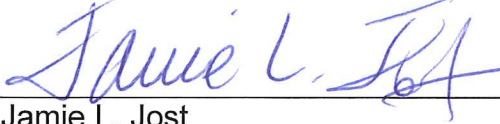
WHEREFORE, Applicant respectfully requests that this matter be set for hearing in March 2015, that notice be given as required by law, and that upon such hearing, the Commission enter its order consistent with Applicant's request as set forth above.

DATED December 16, 2014.

Respectfully submitted:

**Genesis Gas & Oil Colorado LLC**

By:



Jamie L. Jost

Joseph M. Evers

Jost & Shelton Energy Group, P.C.

Attorneys for Applicant

1675 Larimer St., Suite 420

Denver, Colorado 80202

(720) 379-1812

Applicant's Address:

Genesis Gas & Oil Partners

ATTN: Robert Behner

1701 Walnut Street, 4<sup>th</sup> Floor

Kansas City, Missouri 64108

VERIFICATION

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF JACKSON )

Robert Behner, Vice President of Business Development with Genesis Gas & Oil Colorado LLC, upon oath deposes and says that he has read the foregoing Application and that the statements contained therein are true to the best of his knowledge, information and belief.

Genesis Gas & Oil Colorado LLC



Robert Behner  
Vice President of Business Development

Subscribed and sworn to before me this 16<sup>th</sup> day of December, 2014, by Robert Behner, Vice President of Business Development for Genesis Gas & Oil Colorado LLC.

Witness my hand and official seal.

My commission expires: Oct 23, 2017



Notary Public

CONNIE K. MATHEWS  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Clay County  
My Commission Expires: October 23, 2017  
Commission Number: 13787077

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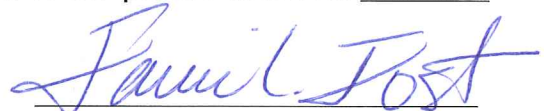
Docket No.

**AFFIDAVIT OF MAILING**

STATE OF COLORADO    )  
  ) ss.  
COUNTY OF DENVER    )

Jamie L. Jost of lawful age, and being first duly sworn upon her oath, states and declares:

That she is the attorney for Genesis Gas & Oil Colorado LLC, that on or before December 16, 2014, she caused a copy of the attached Application to be deposited in the United States Mail, postage prepaid, addressed to the parties listed on Exhibit A attached hereto.

  
\_\_\_\_\_  
Jamie L. Jost

Subscribed and sworn to before me this 16<sup>th</sup> day of December, 2014.

Witness my hand and official seal.

My commission expires: 9/18/17

  
\_\_\_\_\_  
Notary Public

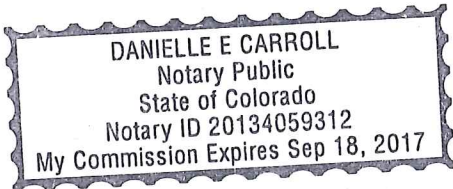


Exhibit A  
Interested Party List

Colorado Oil & Gas Conservation Commission  
1120 Lincoln Street, Suite 801  
Denver, CO 80203

BLM Colorado State Office  
2850 Youngfield Street  
Lakewood, CO 80215

BLM White River Field Office  
220 East Market Street  
Meeker, CO 81641