

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

IN THE MATTER OF ALLEGED VIOLATIONS OF) CAUSE NO. 1V-
THE RULES AND REGULATIONS OF THE)
COLORADO OIL AND GAS CONSERVATION) DOCKET NO. 0609-OV-13
COMMISSION BY **EDWARD MIKE DAVIS, LLC.**,)
WASHINGTON COUNTY, COLORADO)

NOTICE OF ADMINISTRATIVE ORDER BY CONSENT

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

On June 20, 2005, a Colorado Oil and Gas Conservation Commission (“COGCC”) Application for Permit-to-Drill, Form 2 (“APD”), was approved for Edward Mike Davis, LLC (“EMD”) to drill the Krause 33-19 Well located in the NW¼ SE¼ of Section 19, Township 3 South, Range 50 West, 6th P.M. As Conditions of Approval (“COAs”), the APD included the following well abandonment requirements if the well was a dry hole: 40 sacks cement from the Dakota base up; 40 sacks cement from Niobrara top up; 40 sacks cement ½ out, ½ in surface casing shoe; 10 sacks cement at top of surface casing; cut 4 feet below ground level, weld plate; 5 sacks cement in rat hole and 5 sacks cement in mouse hole.

The Krause 33-19 Well was abandoned on July 3, 2005 as a dry hole. EMD complied with the following abandonment requirements in the upper portion of the hole near the surface casing in accordance with the COAs: 40 sacks cement ½ out, ½ in surface casing shoe; 10 sacks cement at top of surface casing; cut 4 feet below ground level, weld plate; 5 sacks cement in rat hole and 5 sacks cement in mouse hole. However, as described below, EMD did not set open-hole cement plugs to isolate producing horizons in accordance with the COAs.

On September 2, 2005, COGCC staff received EMD’s Well Abandonment Report (Subsequent Report of Abandonment), Form 6, for the Krause 33-19 Well, dated August 31, 2005. Form 6 was approved by COGCC staff on December 1, 2005.

On December 1, 2005, COGCC staff requested a Drilling Completion Report, Form 5, for the Krause 33-19 Well with a required response date of December 30, 2005. On February 14, 2006, COGCC staff received Form 5 (without logs), dated December 5, 2005. On May 18, 2006, COGCC staff requested copies of the logs shown on Form 5: neutron-density, microlog, triple combo and array induction within thirty (30) days. COGCC staff received copies of the requested logs on May 22, 2006.

During COGCC staff’s review of Form 5 and the logs, it became apparent that open-hole cement plugs did not comply with the COAs on the APD. Form 5 indicated that the “D” Sand top was at a measured depth of 3927 feet, the “D” Sand bottom was at a measured depth of 3948 feet, the “J” Sand top was at a measured depth of 3970 feet, the “J” Sand bottom was at a measured depth of 3977 feet and the total measured depth for the well was 4214 feet. Based on COGCC staff’s review of the array induction log for the Krause 33-19 Well, the Niobrara Formation top was present at a measured depth of approximately 3023 feet.

According to the Form 6 for the Krause 33-19 Well, EMD set a single 40 sack open-hole cement plug from a depth of 3667 feet to a depth of 3547 feet. This plug isolated the “D” Sand and “J” Sand from the Niobrara Formation, but it did not isolate the Niobrara Formation from the upper portion of the hole, as required by the COAs on the APD. The Niobrara Formation is the shallowest known producing horizon, with four offset wells producing from the Niobrara Formation within a one-mile radius of the Krause 33-19 Well. Also, based on COGCC staff’s review of the neutron-density log for the Krause 33-19 Well, nuisance gas appears to be present in the Niobrara Formation.

On May 30, 2006, COGCC staff issued a Notice of Alleged Violation (“NOAV”) for the Krause 33-19 Well, citing the following: Rule 301., failure to provide written notice of intention to change plans previously approved and failure to receive written approval for the change before the work was begun; and Rule 317.i., failure to isolate the shallowest known producing horizon. The NOAV required that EMD submit a written report to show cause why EMD should not be found in violation, subject to fine, and subject to a required re-entry into the Krause 33-19 Well to provide additional cement for Niobrara Formation isolation. The required NOAV response date for the written report was June 30, 2006.

On June 5, 2006, COGCC staff received a written response to the NOAV from EMD. EMD’s letter documented some inconsistency in COGCC plugging requirements in the vicinity of the Krause 33-19 Well. Two wells within a two-mile radius of the Krause 33-19 Well required plugs above the Niobrara Formation, and two other wells within a two-mile radius of the Krause 33-19 Well did not require plugs above the Niobrara Formation. EMD contended that based on its resistivity data for the

Krause 33-19 Well, it would not be productive as a commercial Niobrara Formation well. EMD also contended that, "with mud in the hole and 40 sacks of cement half in and half out of the surface pipe that there is no chance of significant waste of oil and gas resources, damage to correlative rights or a significant adverse impact on public health, safety, or welfare."

On October 17, 2005, COGCC staff issued an Administrative Order by Consent ("AOC") to Edward Mike Davis, LLC for violation of Rule 301., failure to provide written notice of intention to change plans previously approved and failure to receive written approval for the change before the work had begun for the Krause 33-19 Well located in the NW¼ SE¼ of Section 19, Township 3 South, Range 50 West, 6th P.M., proposing a fine of One Thousand dollars (\$1,000.00) for violation of the rule. On July 12, 2006, Edward Mike Davis, LLC agreed to and accepted the AOC, including the fine of One Thousand Dollars (\$1,000).

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, September 18, 2006
Tuesday, September 19, 2006

Time: 9:00 a.m.

Place: Suite 801, The Chancery Building
1120 Lincoln Street
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. 139, 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 accordance with Rule 509., any interested party desiring to protest the granting of the application or to intervene on the application should file with the Commission a written protest or intervention no later than September 1, 2006, briefly stating the basis of the protest or intervention. Such interested party shall, at the same time, serve a copy of the protest or intervention to the person filing the application. An original and nine (9) copies shall be filed with the Commission (Rule 503.). **Anyone who files a protest or intervention must be able to participate in a prehearing conference during the week of September 5, 2006.** Pursuant to Rule 503.f., if a party who has received notice under Rule 503.b. wishes to receive further pleadings in the above-referenced matter, that party must file a protest or intervention in accordance with these rules.

IN THE NAME OF THE STATE OF COLORADO

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By _____
Patricia C. Beaver, Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203
August 18, 2006