

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

IN THE MATTER OF ALLEGED VIOLATIONS OF THE) CAUSE NO. 1V
RULES AND REGULATIONS OF THE COLORADO OIL)
AND GAS CONSERVATION COMMISSION BY **EDDY**) DOCKET NO. 1006-OV-05
OIL COMPANY, WELD COUNTY, COLORADO)

NOTICE OF ADMINISTRATIVE ORDER BY CONSENT

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

On November 21, 1984, Eddy Oil Company ("Eddy Oil") completed the Dupper #2 Well (API No. 05-123-11848) (the "Well"), which is located 660 feet FNL and 660 feet FWL in the NW¼ NW¼ of Section 26, Township 4 North, Range 65 West, 6th P.M. The Well was completed in the Codell Formation with 8⁵/₈-inch surface casing run from the ground surface to a depth of 337 feet below ground surface ("fbgs"), 4½-inch production casing run from ground surface to 7,175 fbgs, and with perforations from 7,063 fbgs to 7,073 fbgs.

On August 1, 2009, Mr. Norman Anderson ("Complainant") filed a complaint (Complaint #200217527) with the Colorado Oil and Gas Conservation Commission ("COGCC" or "Commission") Staff alleging an impact to his domestic water well, in that, gas bubbles were present in his water. The Bohlender Well No. 2 domestic water well ("Anderson WW") was completed on June 29, 2009, under the Colorado Division of Water Resources Permit No. 280098, Receipt No. 3637708B, and is located in the SW¼ SW¼ of Section 23, Township 4 North, Range 65 West, 6th P.M. The Anderson WW was drilled to 450 fbgs and is completed in the Laramie-Fox Hills Aquifer with perforations from 220 to 450 fbgs. The water well is located approximately 960 feet northwest of the Well.

On October 1, 2009, COGCC Staff observed a bradenhead test on the Well. The initial tubing, production casing and surface casing pressures were 230, 470 and 240 psi, respectively. As the bradenhead valve was opened, gas began to flow from the bradenhead valve and the pressure in the surface and production casing decreased. COGCC Staff concluded that the bradenhead test indicates a hole in the production casing which provides a route for contamination of the Laramie-Fox Hills Aquifer in and around the Well by produced gas from the Codell Formation. COGCC Staff collected a gas sample from the bradenhead test on the Well and submitted the sample to Isotech for analysis of gas composition and stable isotopes. On November 2, 2009, Isotech provided an analytical report on the gas sample retrieved from the bradenhead test on the Well, which indicated that the isotopic results were consistent with the analysis from the Anderson WW.

Based on the above facts, COGCC Staff contends that a hole in the production casing in the Well resulted in a significant waste of oil and gas resources and a significant adverse impact on public health, safety or welfare or the environment as it pertains to Rule 324A.a. Eddy Oil's failure to maintain a casing program to prevent the migration of produced gas from Codell Formation in the Well to the Laramie-Fox Hills Aquifer resulted in the degradation and contamination of ground water.

COGCC Staff alleges that Eddy Oil violated **Rule 317.d.** because it failed to maintain competent production casing for the Well to prevent the migration of oil, gas or water from one horizon to another, which resulted in the degradation of ground water, constitutes a significant waste of oil and gas resources and a significant impact on public health, safety, or welfare.

COGCC Staff alleges that Eddy Oil violated **Rule 324A.a.** because it failed to take precautions to prevent significant adverse environmental impacts to water, to the extent necessary to protect public health, safety and welfare and to prevent the unauthorized discharge of gas from the Well by not maintaining competent production casing for the Well.

COGCC Staff alleges that Eddy Oil violated **Rule 324A.b.** because it failed to maintain competent production casing for the Well, in the conduct of its oil or gas operation, and by so doing, Eddy Oil performed an oil and gas related act or practice which caused contamination of ground water in violation of the water quality standards or classifications established by CDPHE-WQCC for waters of the state.

COGCC Staff alleges that Eddy Oil violated **Rule 326.d.** because it failed to maintain competent production for the Well, and by so doing, Eddy Oil failed to maintain mechanical integrity on the Well.

COGCC Staff alleges that Eddy Oil violated **Rule 906.a.** because it failed to maintain competent production casing program for the Well, which caused the continual release of E&P waste, including produced fluids, that were not controlled and contained immediately upon discovery to protect the environment, public health, safety, and welfare.

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: Tuesday, June 1, 2010
Wednesday, June 2, 2010

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. 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 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 May 18, 2010, 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 13 copies shall be filed with the Commission. **Anyone who files a protest or intervention must be able to participate in a prehearing conference during the week of May 18, 2010.** 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 _____
Carol Harmon, Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203
May 14, 2010