

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 P & M PETROLEUM)
MANAGEMENT LLC, BACA, WASHINGTON, AND WELD) DOCKET NO. 1208-OV-11
COUNTIES, COLORADO)

NOTICE OF SHOW CAUSE 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 has applied to the Commission, for Show Cause Hearing and Order Finding Violation ("OFV") against P & M Petroleum Management LLC ("P & M") to show cause why the Commission should not revoke P & M's Certificate of Clearance (Form 10) and its authorization to conduct oil and gas activities within Colorado, for failure to meet financial assurance requirements under Rule 706.

Rule 706 requires that operators provide financial assurance to the Commission to ensure the protection of the 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 E&P waste management, the 1000 Series of reclamation regulations, and the 1100 Series of flowline regulations. Rule 706.a requires that the financial assurance required by this section shall be in the amount of ten thousand dollars (\$10,000) per well for wells less than three thousand (3,000) feet in total measured depth and twenty thousand dollars (\$20,000) per well for wells greater than or equal to three thousand (3,000) feet in total measured depth, except that Rule 706 allows an operator to submit a statewide blanket financial assurance in the amount of sixty thousand dollars (\$60,000) for the drilling and operation of less than one hundred (100) wells, or one hundred thousand dollars (\$100,000) for the drilling and operation of one hundred (100) or more wells.

Rule 706c requires that all oil and gas wells, excluding domestic gas wells, with financial assurance posted prior to May 1, 2009 for federal land and April 1, 2009 for all other land, must have financial assurances in compliance with Rule 706 in place on July 1, 2009.

P&M operates four wells in Colorado with one well with measured total depth under 3,000 feet, and all others with greater than 3000 feet total depth. The current applicable Blanket Plugging Financial assurance requirement under Rule 706c. is \$60,000. P&M has a \$30,000 Blanket Plugging Insurance Bond posted under the previous Rule 706, and an additional \$17,946.22 cash bond, leaving a bonding deficit of \$12,053.78.

On December 21, 2010, COGCC Staff issued Notice of Alleged Violation ("NOAV") No. 01662811 to P & M for its failure to provide the required financial assurance pursuant to Rule 706.

On August 20, 2012, the Commission first heard this docket matter on application for an Order Finding Violation. The Commission entered its Order No. 1V-394, finding P & M in violation of Rule 706. Order 1V-394 required P & M to provide the required bond within 30 days of the mailing of Order 1V-394, which was August 30, 2012. The required bond was ordered to be posted by September 30, 2012. Order 1V-394 deferred assessment of a fine in the matter until the October 1, 2012 Commission meeting.

On October 1, 2012, the Commission heard this docket matter for purposes of assessing a fine. P & M failed to provide the required financial assurance by September 30, 2012. The Commission entered its Order No. 1V-396, imposing a \$10,000 fine.

Pursuant to its obligation to require every operator to provide assurance that the operator is financially capable of fulfilling any obligation imposed by §§ 34-60-106 (11), (12), and (17) C.R.S., the Commission hereby orders P&M to appear and show cause why the Commission should not revoke P & M's Form 10 and its authorization to conduct oil and gas activities within Colorado, for failure to meet financial assurance requirements under Rule 706.

NOTICE IS HEREBY GIVEN, pursuant to: 1) the general jurisdiction granted to the Oil and Gas Conservation Commission of the State of Colorado (Commission) under § 34-60-105 C.R.S.; 2) specific powers granted pursuant to § 34-60-106 C.R.S. and §34-60-106(13) C.R.S.; 3) the Colorado Administrative Procedures Act at § 24-4-105 C.R.S.; and 4) the Commission's Series 500 Rules at 2CCR 404-1, that the Commission has scheduled the above-entitled matter for hearing on:

Date: Monday, February 11, 2013
Tuesday, February 12, 2013

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 
_____ Robert J. Frick, Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203
December 18, 2012