

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

IN THE MATTER OF NOTICE OF ALLEGED)
VIOLATIONS OF COMMISSION RULES BY)
MAGPIE OPERATING INC., STATEWIDE,)
COLORADO

CAUSE NO. 1V
DOCKET NO. 1302-OV-03

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 has applied to the Commission for an Order Finding Violation ("OFV") against Magpie Operating Inc., ("Magpie") for hearing on February 11, 2013.

Magpie Operating Inc. ("Magpie"), Operator Number 52530, operates numerous wells in Colorado. Many of these wells are inactive and are not reporting production.

Rule 707.a. states:

To the extent that an operator's inactive well count exceeds such operator's financial assurance amount divided by ten thousand dollars (\$10,000) for inactive wells less than three thousand (3,000) feet in total measured depth or twenty thousand dollars (\$20,000) for inactive wells greater than or equal to three thousand (3,000) feet in total measured depth, such additional wells shall be considered "excess inactive wells." For each excess inactive well, an operator's required financial assurance amount under Rule 706 shall be increased by ten thousand dollars (\$10,000) for inactive wells less than three thousand (3,000) feet in total measured depth or twenty thousand dollars (\$20,000) for inactive wells greater than or equal to three thousand (3,000) feet in total measured depth....

Magpie has a \$100,000 statewide blanket financial assurance instrument pursuant to Rule 706.b. It has additional \$100,000 financial assurance coverage for excessive inactive wells pursuant to Rule 707.a.

On January 14, 2011, COGCC Staff issued NOAV No. 1662877 to Magpie for insufficient excessive inactive well financial assurance pursuant to Rule 707. At the time, Magpie's excessive inactive well financial assurance obligation was \$220,000 short of what was required by Rule 707.

The NOAV required the following abatement or corrective action to be taken by Magpie: provide the COGCC with a plugging excessive inactive well financial assurance in the amount of \$420,000 in the form of: 1) cashier's check payable to COGCC; 2) insurance bond; or 3) certificate of deposit as a public fund account. This action was required to have been completed by February 14, 2011. This requirement has not been satisfied.

Rule 523.c. specifies a base fine of \$1,000 per day for violations of Rule 707. It appears that the violation alleged occurred for a period of more than ten days, however, the violations did not result in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare, including the environment or wildlife resources. Accordingly, the maximum penalty for any single violation shall not exceed \$10,000 regardless of the number of days of such violation. COGCC Staff has calculated a base fine of \$10,000 for violation of Rule 707 as identified in NOAV No. 1662877.

COGCC Staff requests that Magpie be found in violation of Rule 707, assessed an appropriate fine, and be ordered to post necessary financial assurance as required by Rule 707.

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.; 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: Colorado Oil and Gas Conservation Commission
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 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 January 28, 2013, briefly stating the basis of the protest or intervention. 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 January 28, 2013. Pursuant to Rule 503.g., 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.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By *Peter J. Howen*
for Robert J. Frick, Secretary

Dated: January 11, 2013

Colorado Oil and Gas Conservation Commission
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