

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 PDC ENERGY) DOCKET NO. 1306-OV-10
INC. WELD COUNTY, COLORADO)

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 will apply to the Commission at its June 17-18, 2013 hearing for an Order Finding Violation ("OFV") against PDC Energy Inc. ("PDC") (Operator No. 69175).

On or around December 20, 2012, PDC Energy Inc. ("PDC") (Operator #69175) gave spud notice for the Ochsner #5O-441 Well ("Well") (API # 05-123-36153) located in the SE ¼, NW ¼, Section 5, Township 6 North, range 67 West, 6th P.M., Weld County.

On February 11, 2013, after completion operations at the Well and during tubing snubbing operations, PDC lost control of the Well when equipment slowly descended onto the wellhead resulting in equipment damage. The wellhead was pressurized to approximately 850 pounds per square inch, and flowback fluids escaped the wellbore, venting to the atmosphere and collecting on the wellpad. Release of fluids was measured at 100-120 barrels per hour. Total release of fluids was calculated to be 3,810 barrels.

By February 12, 2013, the Well was brought under control. The escaped fluid was contained and captured. Impacted soil was collected and disposed properly.

On May 23, 2013, Commission Staff issued a Notice of Alleged Violation ("NOAV") (No.200380393) citing violation Rule 907.a.

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, June 17, 2013
Tuesday, June 18, 2013

Time: 9:00 a.m.

Place: Two Rivers Convention Center
159 Main Street
Grand Junction, Colorado 81501

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 June 3, 2013, 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. One electronic, one original and two 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 June 3, 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. Gowen
for Robert J. Frick, Secretary

Dated: May 23, 2013

Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203
Website: <http://cogcc.state.co.us>
Phone: (303) 894-2100
Fax: (303) 894-2109

FORM
NOAV
Rev 6/99

State of Colorado
Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80203 (303) 894-2100 Fax: (303) 894-2109



FOR OGCC USE ONLY
05/23/2013
200380393

*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 69175
Name of Operator: PDC ENERGY INC
Address: 1775 SHERMAN STREET - STE 3000
City: DENVER State: CO Zip: 80203
Company Representative: SCOTT REASON

Date Notice Issued:
05/23/2013

Well Name: Ochsner Well Number: 50-441 Facility Number: 430381
Location (QtrQtr, Sec, Twp, Rng, Meridian): SENW 5 6N 67W 6 County: WELD
API Number: 05 123 36153 00 Lease Number:

COGCC Representative: CHESSON BOB Phone Number: 303 894-2100 X5112

THE FOLLOWING ALLEGED VIOLATION WAS FOUND BY THE COGCC REPRESENTATIVE FOR THE SITE LISTED

Date of Alleged Violation: 02/11/2013 Approximate Time of Violation: 8:00AM
Description of Alleged Violation:
During completion work on the subject well, the well experienced an equipment failure resulting in the uncontrolled release of approximately 3,800 barrels of produced water and product into the environment.

Act, Order, Regulation, Permit Conditions Cited:
Rule 907.a (1)

Abatement or Corrective Action Required to be Performed by Operator:*
None. Remediation has already been performed pursuant to an approved Form 27.
Staff previously requested the operator provide the COGCC with an evaluation of the factors leading up to and resulting in the February 11, 2013 uncontrolled release of E&P materials (i.e. "root cause analysis"). The document was to include all actions, policies, procedures, and company/subcontractor requirements the Operator will implement to avoid similar incidents from occurring in the future. Both corrective actions have been performed to Staff's satisfaction.
Abatement or Corrective Action to be Completed by (date): 05/23/2013
* Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

TO BE COMPLETED BY OPERATOR - When alleged violation is corrected, sign this notice and return to above address:
Company Representative Name: _____ Title: _____
Signature: _____ Date: _____
Company Comments:

*** THIS NOTICE CONSTITUTES A SEPARATE NOTICE OF ALLEGED VIOLATION FOR EACH VIOLATION LISTED ***

WARNING
Abatement and reporting time frames for Notices of Alleged Violation begin upon receipt of the Notice or five days after the date it is mailed, whichever is earlier. Each violation must be abated within the prescribed time upon receipt of this Notice, reported to the Colorado Oil and Gas Conservation Commission at the address shown above, and postmarked no later than the next business day after the prescribed time for abatement. Should abatement or corrective action fail to occur, the Director may make application to the Commission for an Order Finding Violation. Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

PENALTY PROPOSED BY THE DIRECTOR PER RULE 523
The Director may propose a penalty as listed in the table below, not to exceed a maximum of \$1,000.00 per day per violation. Such proposed penalty amount will be limited to \$10,000.00 per violation if the violation does 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. Such proposed penalty amount may be increased if aggravating factors indicate the violation: was intentional or reckless; had, or threatened to have, a significant negative impact on public health, safety, or welfare; resulted in significant waste of oil and gas resources; had a significant negative impact on correlative rights of other parties; resulted in, or threatened to result in, significant loss or damage to public or private property; involved recalcitrance or recidivism upon the part of the violator; involved intentional false reporting or record keeping; resulted in economic benefit to the violator. Such proposed penalty amount may be decreased if mitigating factors indicate the violator: self-reported; promptly, effectively and prudently responded to the violation; cooperated with the Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due to the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations and orders. The Commission has final authority over the penalty amount assessed.
the Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due to the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations, and orders. The
BASE FINE \$250.00 PER DAY PER VIOLATION: RULES 210, 307, 311, 312, 313, 314A, 315, 403, 405, 803, 804
BASE FINE \$500.00 PER DAY PER VIOLATION: RULES 205, 206, 207, 208, 302, 308, 309, 310, 316A, 327, 328, 329, 330, 331, 332, 401
BASE FINE \$750.00 PER DAY PER VIOLATION: RULES 605, 806A, 808B, 807
BASE FINE \$1,000.00 PER DAY PER VIOLATION: RULES 209, 301, 303, 305, 306, 316B, 317, 317A, 318, 319, 320, 323, 324, 325, 326, 328, 327, 333, 404, 602, 603, 604, 703, 704, 705, 706, 707, 708, 709, 741, 802, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 1002, 1003, 1004, 1101, 1102, 1103
In accordance with Rule 523.a.(4), fines for violations for which no base fine is listed shall be determined by the Commission at its discretion.

Signature of COGCC Representative: [Signature] Date: 05/23/2013 Time: 9:08AM
Resolution Approved by: ROBERT H. CHESSON Date: 05/23/2013