

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)	DOCKET NO. 170500003
COLORADO OIL AND GAS CONSERVATION)	TYPE: ENFORCEMENT
COMMISSION BY HRM RESOURCES II, LLC , WELD)	
& ELBERT COUNTIES, COLORADO)	ORDER NO. 1V-637

ADMINISTRATIVE ORDER BY CONSENT

(Pursuant to Rule 522.e.(1) of the Rules and Regulations of the
Colorado Oil and Gas Conservation Commission, 2 CCR 404-1)

FINDINGS

1. HRM Resources II, LLC ("HRM Resources") (Operator No. 10548) is the operator of the Victor State 1 well (API No. 05-123-10339) in Weld County ("Victor State Well") and the Canyon Energy State Alberta 36-24 well (API No. 05-039-06641) in Elbert County ("Canyon Energy Well").

The Victor State Well

2. In April 2013, HRM Resources shut-in the Victor State Well.
3. On December 15, 2016, Colorado Oil and Gas Conservation Commission ("COGCC") Staff issued Warning Letter No. 2193081 to HRM Resources, which required corrective action to resolve the delinquent mechanical integrity test ("MIT") at the Victor State Well by April 30, 2016.
4. On April 8, 2016, HRM Resources submitted a Form 6, Notice of Intent to Abandon the Victor State Well (Document No. 401024775).
5. On September 2, 2016, HRM Resources submitted a Form 6, Subsequent Report of Abandonment that reported the Victor State Well was plugged on May 19, 2016 (Document #401103725).

The Canyon Energy Well

6. In December 2012, HRM Resources shut-in the Canyon Energy Well.
7. On February 2, 2016, COGCC Staff issued Warning Letter #2193162 to HRM Resources and required corrective action to resolve the delinquent MIT at the Canyon Energy Well by April 30, 2016.
8. On October 31, 2016, HRM Resources submitted Form 6, Notice of Intent to Abandon the Canyon Energy Well (Document No. 401138438).

9. On November 29, 2016, HRM Resources plugged the Canyon Energy Well (Document No. 401153993).

10. On October 27, 2016 COGCC Staff issued NOAV Nos. 401081025 and 401081037 to HRM Resources for a violation of COGCC Rules of Practice and Procedure, 2 C.C.R. 404-1 ("Rule" or "Rules") 311 at the Victor State Well and violations of Rule 326 at the Victor State and Canyon Energy Wells.

Violations

11. Pursuant to Rules 326.b.(1) and (2), HRM Resources is required to perform a MIT on shut in wells within two (2) years of the initial shut in date and then at five (5) year intervals after an initial successful MIT.

12. HRM Resources failed to timely perform a MIT on the Victor State and Canyon Energy Wells.

13. Pursuant to Rule 311, HRM Resources is required to submit a Form 6, Subsequent Report of Abandonment, within 30 days after plugging and abandonment of the well has been completed.

14. HRM failed to timely submit a Form 6, Subsequent Report of Abandonment.

15. On October 27, 2016 COGCC Staff issued NOAV Nos. 401081025 and 401081037 to HRM Resources for violations of COGCC Rules of Practice and Procedure, 2 C.C.R. 404-1 ("Rule" or "Rules").

16. Following a factual investigation and legal review of the violations alleged in the NOAV, the Hearings Staff now asserts HRM Resources has committed the following violations:

- a. Rule 311 (COGCC Form 6, Well Abandonment Report) at the Victor State Well for the failure to timely submit a Form 6, Subsequent Report of Abandonment; and
- b. Rule 326.b. (Mechanical Integrity Testing/Shut-In Wells) at the Victor State and Canyon Energy Wells for the failure to timely conduct a MIT.

17. Pursuant to Rule 523 and the Commission's Enforcement and Penalty Policy, Hearings staff calculated a penalty of \$85,751 for this violation. The penalty calculation is based on the following:

NOAV	Rule No.	Class	Impact	Daily Base Penalty	Start Date	End Date	Days of Violation	Total Penalty
401081025	326.b.	2	Minor	\$2,500	11/1/2015	10/31/2016	419	\$61,830
401081037	326.b.	2	Minor	\$2,500	11/1/2015	4/8/2016	159	\$50,450
401081037	311	1	Minor	\$200	6/20/2016	9/2/2016	74	\$3,134
INITIAL PENALTY								\$114,334
Settlement Discount (-25%)								-\$28,583
FINAL PENALTY								\$85,751

a. NOAV NO. 401081025 - Rule 326.b.:

i. Calculated days of violation limited by one-year statute of limitations (§34-60-115, C.R.S.) starting one year prior to issuance of NOAV No. 401080125 and ending on October 31, 2016, when HRM Resources submitted the Form 6, Notice of Intent to Abandon the Canyon Energy Well;

ii. Class 2, minor impact;

iii. Daily base penalty of \$2,500;

b. NOAV NO. 401081037 - Rule 326.b.:

i. Calculated days of violation limited by one-year statute of limitations (§34-60-115, C.R.S.) starting one year prior to issuance of NOAV No. 401080125 and ending on April 8, 2016, when HRM Resources submitted the Form 6, Notice of Intent to Abandon the Victor State Well;

ii. Class 2, minor impact;

iii. Daily base penalty of \$2,500;

c. NOAV NO. 401081037 - Rule 311:

i. Calculated days of violation starting June 20, 2016 when the Form 6, Subsequent Report of Abandonment, was due and ending on September 2, 2016, when HRM Resources submitted the delinquent Form 6;

ii. Class 1, minor impact;

iii. Daily base penalty of \$200;

d. Application of the Duration Matrix from the COGCC Enforcement Guidance and Penalty Policy January 2015 (corrected 4/8/2015);

- e. Application of a 50% discount for settlement and to bring the penalty into an amount commensurate with similar resolutions of numerous delinquent MIT issues; and
- f. No aggravating factors, mitigating factors, pattern of violation, gross negligence, or knowing and willful misconduct.

18. HRM Resources has a backlog of additional wells for which MITs and associated form submittals are required ("Additional Wells"). These wells are identified in Exhibit A.

19. HRM Resources and Commission Staff desire to enter into an agreement to resolve the violations at the Additional Wells, by establishing a compliance agreement in this Order, that if fully implemented, will bring HRM Resources into full compliance with Rule 326 and associated form submittals at the Additional Wells.

AGREEMENT

NOW, THEREFORE, based on the Findings and pursuant to Rule 522.e.(1) and the Commission's Enforcement and Penalty Policy, the Director and HRM Resources request that the Commission approve the Order set forth below.

RECOMMENDED this 6 day of June, 2017.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 

Kyle W. Davenport, Asst. Attorney General

AGREED TO AND ACCEPTED this 5 day of June, 2017.

HRM RESOURCES II, LLC

By 

Roger Hutson, President/CEO, HRM Resources II, LLC

ORDER

HAVING CONSIDERED the Agreement between the Director and HRM Resources to resolve the NOAVs, the COMMISSION ORDERS:

1. HRM Resources is found in violation of Rules 311 and 326.b. described above.
2. HRM Resources is assessed a penalty of \$85,751.
3. HRM Resources will pay \$42,876 of the penalty 30 days after this approved AOC is mailed by the Commission.
4. HRM Resources will either conduct MITs or plug and abandon the Additional Wells by the dates specified in Exhibit A.
5. The remaining \$42,875 will be suspended provided HRM Resources meets the deadlines set forth in Exhibit A. If the requirements of this AOC are satisfied, the suspended portion of the penalty will be vacated. If the requirements are not satisfied, the suspended penalty will become due upon demand by the Director without further action by the Commission.
6. HRM Resources will be fully responsible for ongoing compliance as specified in Exhibit A, and in no case later than the last corrective action completion date specified in Exhibit A. COGCC Staff reserves the right to issue NOAVs to HRM Resources and pursue enforcement for violations of COGCC Rules as well as violation of this Order should HRM Resources fail to meet the deadlines set forth in Exhibit A. Should HRM Resources meet the deadlines set forth in Exhibit A, COGCC Staff will not issue NOAVs to HRM Resources for any violations identified in Exhibit A.
7. Compliance dates specified in this Order and the attached Exhibit A may be extended only for good cause, as determined at the Director's sole discretion. A request for extension must be made, in writing, at least 14 days prior to the pertinent compliance deadline or as soon as possible if 14 days prior notice is not feasible.
8. This Order is effective as of the date it is mailed by the Commission. It constitutes final agency action for purposes of judicial review
9. The Commission expressly reserves its right after notice and hearing, to alter, amend, or repeal any and/or all of the above orders.

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ENTERED this 14th day of June, 2017 as of the 12th day of June, 2017.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By

Peter J. Gowen
Peter Gowen, Acting Secretary

CERTIFICATE OF MAILING

On 06/15/17 a true and accurate copy of Commission Order 1V-637 was mailed by first-class mail return receipt requested to the following:

HRM Resources II, LLC
Attn: Roger Hutson
410 17th Street, Suite 1600
Denver, CO 80202

Margaret Humecki
Margaret Humecki