

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

IN THE MATTER OF AN APPLICATION) CAUSE NO. 1
CONCERNING THE PAYMENT OF PROCEEDS IN)
THE WATTENBERG FIELD, WELD COUNTY,) DOCKET NO. 180900704
COLORADO)
) TYPE: GENERAL
) ADMINISTRATIVE

NOTICE OF HEARING

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

WELLS

Wright 2-14 Well (API No. 05-001-09498)

APPLICATION

On July 20, 2018, York Deep Holdings, LLC (Payee and Applicant), by its attorneys, filed a Form 38 Payment of Proceeds Hearing Request pursuant to § 34-60-118.5, C.R.S., and Rule 503.b.(10), for an order to submit verification of production from the Wright 2-14 well for production months October and December, 2017 by K. P. Kauffman (Payor).

APPLICABLE STATUTE

- On July 1, 1990, §34-60-118.5, C.R.S., provided the Colorado Oil and Gas Conservation Commission with exclusive jurisdiction concerning the payment of proceeds derived from the sale of oil, gas or associated products from a well in Colorado including the following:
 - (a) The date on which payment of proceeds is due a payee under section (2) of the section;
 - (b) The existence or nonexistence of an occurrence pursuant to subsection (3) of this section which would justifiably cause a delay in payment; and
 - (c) The amount of the proceeds plus interest, if any due a payee or payer.
- Section 34-60-118.5(2)(a), C.R.S., provides that payment of proceeds derived from the sale of oil, gas, or associated products shall be paid by a payer to the payee commencing not later than six months after the end of the month in which production is first sold, and, thereafter, on a monthly basis not later than sixty days for oil and ninety days for gas and associated products following the end of the calendar month in which subsequent production is sold.
- Section 34-60-118.5(2.3), C.R.S., provides that every payment of proceeds derived from the sale of oil, gas, or associated production shall be accompanied by information that includes, at a minimum, the totally quantity of product sold attributable to such payment.
- Section 34-60-118.5(2.5) C.R.S. provides in pertinent part, that upon written request by payee, submitted to payer by certified mail, the payer shall provide to the payee a written explanation of those deductions over which the payer has control and for which the payer

has information, whether or not identified with the payment.

- Section 34-60-118.5(2.7), C.R.S., provide that a payer who fails to provide information required or requested in accordance with subsection (2.3) or (2.5) of the section shall be subject to penalties as provided in section 34-60-121, C.R.S.
- Section 34-60-106(1)(e), C.R.S. provides that every person who produces, sells, purchases, acquires, stores, transports, refines, or processes oil or gas in this state shall keep and maintain within this state, for a period of five years, complete and accurate records of the quantities thereof, which records, or certified copies thereof, shall be available for examination by the commission, or its agents, at all reasonable times within said period and that every such person shall file with the commission such reasonable reports as it may prescribe with respect to such oil or gas or the products thereof.
- Section 34-60-121, C.R.S. provides that any operator that violates this article, any rule or order of the commission, or any permit is subject to a penalty of not more than fifteen thousand dollars for each act of violation per day that such violation continues.
- Commission Rule 329 provides that the volume of all gas produced from a lease or a production unit shall be measured and recorded prior to removal from the lease or production unit. Production of gas of all kinds shall be measured by meter unless otherwise agreed to by the Director. For computing volume of gas to be reported to the Commission, the standard pressure base shall be fourteen point seventy-three (14.73) psia, regardless of atmospheric pressure at the point of measurement, and the standard temperature base shall be sixty degrees Fahrenheit (60°F). All volumes of gas to be reported to the Commission shall be adjusted by computation to these standards, regardless of pressures and temperatures at which the gas was actually measured, unless otherwise authorized by the Director. This rule shall be used consistently with standards established by the American Society for Testing and Materials (ASTM), the American petroleum Institute (API) Manual of Petroleum Measurement Standards, the American Gas Association (AGA), the Gas Processors Association (GPA), or other applicable standards-setting organizations, and pursuant to contractual rights and obligations. Only those editions of standards cited within this rule shall apply to this rule; later amendments do not apply. Installation and operation of gas measurement stations shall be in accordance with industry standards as specified in API CH. 14.3, Orifice Measurement (Part 2, Fourth Edition April 2000 and Part 3, Third Edition August 1992 and Part 4, Third Edition November 1992); API CH. 21.1, Electronic Measurement (gas) (First Edition September 1993); AGA Report #7, Turbine Measurement (January 2006); AGA Report #9, Ultrasonic Measurement (April 2007); and AGA Report #11, Coriolis Measurement (January 2003). Meters shall be calibrated annually unless more frequent calibration is required by contractual obligations or by the Director. The devices used to measure the differential, line pressure, and temperature shall have accepted accuracy ratings established in industry standards as specified in API CH. 22, Testing Protocol Standards (CH. 22.1 First Edition November 2006 and CH. 22.2 First Edition August 2005). All calibration reports shall be created, maintained, and made available as operation records pursuant to Rule 205. In the event two consecutive meter calibrations exceed a 2% error, the operator shall report the test results to the Director who may require the operator to show cause why the meter should not be replaced. The payer shall use its best efforts to consult in good faith with the payee to resolve disputes regarding payment of proceeds or sales reconciliation.

NOTICE IS HEREBY GIVEN, pursuant to §§ 34-60-101 to 130, C.R.S., and the Commission's Rules of Practice and Procedure, 2 CCR 404-1, that the Commission has scheduled this matter for hearing on:


Date: December 17-18, 2018
Time: 9:00 a.m.
Place: Colorado Oil and Gas Conservation Commission
The Chancery Building
1120 Lincoln Street, Suite 801
Denver, Colorado 80203

Additional information about the hearing on this Application will be in the Commission's Agenda, which is posted on the Commission website approximately 3 days before the hearing.

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.

At hearing, the Commission will consider the Application and enter an order pursuant to its authority under the statute. **Any interested party desiring to protest or intervene should file with the Commission a written protest or intervention in accordance with Rule 509., no later than December 3, 2018.** Such interested party shall, at the same time, serve a copy of the protest or intervention to the person filing the application. One electronic (cogcc.hearings_unit@state.co.us), 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 December 3, 2018, if a prehearing conference is requested by the Applicant, or any person who has filed a protest or intervention.** Pursuant to Rule 511., if the matter is uncontested, it may be approved without a hearing.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 
Julie Spence Prine, Secretary

Dated: November 5, 2018

Colorado Oil and Gas Conservation Commission
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