

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

IN THE MATTER OF ALLEGED VIOLATIONS) CAUSE NO. 1V
OF THE RULES AND REGULATIONS OF THE) DOCKET NO. 180900672
COLORADO OIL AND GAS CONSERVATION)
COMMISSION BY NOBLE ENERGY INC, WELD) TYPE: ENFORCEMENT
COUNTY, COLORADO)
ORDER NO. 1V-668

ADMINISTRATIVE ORDER BY CONSENT

**(Pursuant to Rule 522.b.(3) of the Rules and Regulations of the
Colorado Oil and Gas Conservation Commission, 2 CCR 404-1)**

FINDINGS

1. Noble Energy, Inc. (Noble) is the operator of record of a large number of wells in Weld County that Noble elected to shut in pursuant to a consent decree with the United States (U.S. Environmental Protection Agency) and the State of Colorado (Colorado Department of Public Health and Environment).

2. For all shut-in wells, and until wells could be plugged and abandoned, Noble voluntarily maintained a well inspection and maintenance program. This program consisted of Noble's regular monitoring of those shut-in wells as if they were in producing status, biannual bradenhead pressure testing, and daily or weekly location checks.

3. Subsequently, Noble also agreed to install transducers for continuous monitoring of bradenhead pressure on shut-in wells demonstrating bradenhead pressures exceeding a threshold agreed upon by Noble and COGCC staff (25 psi).

4. Noble's activities were memorialized in a proposed Alternative Mechanical Integrity Assurance Program (the "Alternative Program"). The Director approved the Alternative Program. (Doc. No. 02385001).

5. In May 2017, Noble self-disclosed to COGCC staff that due to the number of shut-in wells, Noble was experiencing challenges in conducting timely mechanical integrity tests ("MITs") under Rule 326.b and that certain wells had missed the Rule 326.b deadline for conducting an MIT.

6. In further consultation with COGCC staff, and in an effort to identify wells that merited further study, Noble agreed to review shut-in wells that exhibited bradenhead pressures in excess of the threshold agreed to by both Noble and COGCC staff solely for purposes of this analysis.

7. Noble and COGCC staff then agreed upon the following set of evaluation criteria for wells with bradenhead pressures exceeding 25 psi to decide which wells warranted further investigation through the filing of a Form 27. The criteria were: (a) failed

MITs, (b) the Fox Hills reservoir is not covered by surface casing, (c) the well exhibited an increase in bradenhead pressure, and/or (d) flow characteristics of the well suggested a potential lack of integrity.

8. On July 24, 2018, COGCC Staff issued Notices of Alleged Violations (“NOAVs”) to Noble for alleged violations at eight (8) wells (the “NOAV Wells”), identified in Table 1 below, citing alleged violations of the following COGCC Rules of Practice and Procedure, 2 C.C.R. 404-1 (“Rule” or “Rules”):

- a. Rule 326.b. Mechanical Integrity Test – Shut-in Wells; and
- b. Rule 326.f. Maintaining Mechanical Integrity.

Table 1

NOAV No.	Well Name	Well API No.
401711123	FRANK 22-34	05-123-22350
401711127	MAGGIE B13-12	05-123-17924
401711131	DAVIS W 01-33	05-123-11322
401711137	HOFFNER 34-35	05-123-23564
401711140	ANNIE B03-10	05-123-14176
401711148	ECKHARDT 01	05-123-10836
401711156	FLATHEAD	05-123-11021
401711161	JOHNSON FARM 43-20 2	05-123-14206

9. Enforcement Staff issued NOAVs for these eight (8) NOAV Wells based on the fact that each NOAV Well was past-due for an MIT and failed an MIT once one was performed.

10. Following a factual investigation and legal review of the violations alleged in the NOAVs, the Enforcement Staff now asserts Noble has committed the following violations:

Well Name/ NOAV No.	Rule No.	Class	Impact	Daily Base Penalty	Start Date	End Date	Days of Violation	Penalty
FRANK 22-34/ 401711123	326.b.	2	Minor	\$2,500	12/1/2017	2/15/2018	77	\$44,200
"	326.f.	2	Moderate	\$5,000	7/24/2017	2/22/2018	213	\$134,450
MAGGIE B13- 12/ 401711127	326.b.	2	Minor	\$2,500	11/1/2017	2/6/2018	98	\$46,300
"	326.f.	2	Moderate	\$5,000	7/24/2017	9/17/2018	420	\$160,550
DAVIS, W. 01- 33/ 401711131	326.b.	2	Minor	\$2,500	1/1/2017	2/12/2018	408	\$61,610
"	326.f.	2	Moderate	\$5,000	7/24/2017	6/1/2018	312	\$149,300

HOFFNER 34-35/ 401711137	326.b.	2	Minor	\$2,500	10/25/2017	3/3/2018	130	\$49,000
"	326.f.	2	Moderate	\$5,000	7/24/2017	9/17/2018	420	\$160,550
ANNIE B03-10/ 401711140	326.b.	2	Minor	\$2,500	10/1/2017	2/14/2018	137	\$49,350
"	326.f.	2	Moderate	\$5,000	7/24/2017	7/16/2018	357	\$156,050
ECKHARDT 01/ 401711148	326.b.	2	Minor	\$2,500	11/1/2017	2/6/2017	98	\$46,300
"	326.f.	2	Moderate	\$5,000	7/24/2017	3/22/2018	241	\$138,650
FLATHEAD 01-35/ 401711156	326.b.	2	Minor	\$2,500	11/28/2017	2/17/2018	82	\$44,700
"	326.f.	2	Moderate	\$5,000	7/24/2017	8/15/2018	387	\$158,570
JOHNSON FARM 43-20 2/ 401711161	326.b.	2	Minor	\$2,500	12/1/2017	2/22/2018	84	\$44,900
"	326.f.	2	Moderate	\$5,000	7/24/2017	8/23/2018	395	\$159,050
							Total	\$1,603,530

11. Pursuant to Rule 523 and the Commission's Enforcement and Penalty Policy, Enforcement Staff calculated a penalty of \$1,603,530 for these violations. The penalty calculation is based on the following:

a. Rule 326.b:

- i. Class 2 Violation;
- ii. Minor impact;
- iii. Start Dates: these violations commenced two years after the wells were shut-in, as indicated above; and
- iv. End Date: these violations ended on the date an unsuccessful MIT was performed at the wells, as indicated above.

b. Rule 326.f:

- i. Class 2 Violation;
- ii. Moderate impact;
- iii. Start Date: for penalty purposes one year prior to the NOAV service date was considered the appropriate start date, even though some of these violations commenced before the service date; and
- iv. End Date: these violations ended on the dates specified below:

1. Annie B03-10, Flathead 01-35, Johnson Farm 43-20 2, Frank 22-34, Davis, W. 01-33, and Eckhardt 01 – the respective plugging dates, as indicated above;
2. Maggie B13-12 – September 17, 2018, the anticipated hearing date, based on Noble's commitment to plug the well by November 30, 2018. Noble is currently working to plug the well and expects to finish before the November 30, 2018, deadline;
3. Hoffner 34-35 – September 17, 2018, the anticipated hearing date, based on Noble's commitment to plug the well by November 30, 2018. Surface access to the Location is currently restricted by the surface owner's agricultural operations.

c. All Violations:

- i. Application of the Duration Matrix from the COGCC Enforcement Guidance and Penalty Policy, January 2015 (corrected 4/18/2015);
- ii. No aggravating factors;
- iii. No mitigating factors;
- iv. No pattern of violation; and
- v. No gross negligence or knowing and willful misconduct.

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 Noble request that the Commission approve the Order set forth below.

Pursuant to Rule 523.f, in its discretion, the Commission may allow an operator to satisfy a penalty in whole or in part by a Public Project that the operator is not otherwise legally required to undertake. In order to satisfy the penalty amount in part, Noble has proposed, and the Director has agreed to, two Public Projects consisting of a Bradenhead Pressure Study and an Orphan Wells Project.

RECOMMENDED this 31st day of August, 2018.

OIL AND GAS CONSERVATION COMMISSION OF
THE STATE OF COLORADO

By 
Julie M. Murphy, Director

AGREED TO AND ACCEPTED this 4th day of September, 2018.

NOBLE ENERGY INC.

By  VP DJ Basin
Mark Patteson, Vice President, DJ Basin

ORDER

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

1. Noble is found in violation of Rule 326.b. and 326.f, as described above.
2. Noble is assessed a penalty of \$1,603,530.
 - a. Noble will pay \$200,000 within 30 days after this approved AOC is mailed by the Commission.
 - b. Noble will satisfy the remaining penalty of \$1,403,530 by funding two Public Projects, discussed in section 4 of this Order.
 - c. Subject to any events of force majeure, if, in the Director's determination, Noble fails to expend at least \$1,403,530 completing the Public Projects by December 31, 2021, the Director will require Noble, in writing, to pay the remaining penalty by January 31, 2022. The outstanding penalty amount will be reduced in the amount of verified expenditures towards the Public Projects.
3. Compliance Agreement. Noble will complete the following Corrective Actions:
 - a. Noble will plug or repair the MAGGIE B13-12 and HOFFNER 34-35 wells by November 30, 2018.
 - b. Noble has cooperated with COGCC staff to identify wells at which COGCC staff has requested an investigation to assess whether any adverse effect to human health, the environment, or wildlife has occurred – as described above in paragraph 7 of the Findings. The wells that Noble will further investigate are listed in Exhibit A. Noble will file with COGCC a Form 27 for each well listed on Exhibit A within 30 days of final entry of this Order.
 - c. Diligent implementation of the Alternative Program by Noble will ensure continued compliance with Rule 326.
4. Public Projects. The two Public Projects described below constitute qualifying "Public Projects" as defined by Rule 523.f. because they will benefit the public health, safety, and welfare and, except for those responsibilities set forth below in this Order, Noble has no legal obligations with respect to the Public Projects. The Public Projects described below are in settlement of the violations found herein, are to be directly funded, and in the case of Orphan Wells, conducted by Noble, and do not constitute publicly-funded contracts.
 - a. Bradenhead Pressure Study. If COGCC and the Colorado School of Mines develop a potential study of the utility and appropriate uses of bradenhead

pressure as an indicator of mechanical integrity, Noble may elect to contribute up to \$100,000 to the Colorado School of Mines to support such a study. The Colorado School of Mines and COGCC staff will have sole discretion in identifying a principal investigator and in developing a scope of work and schedule.

b. Orphan Wells

- i. By no later than December 31, 2021, Noble will spend up to \$1,403,530, less any sum contributed to a bradenhead study described in the preceding paragraph, Plugging and Abandoning the Orphaned Wells and/or performing additional work at the Orphaned Sites from the list of sites attached as Exhibit B. This list is drawn from the Comprehensive Orphan Wells and Orphaned Sites List compiled by COGCC staff and is composed of orphan wells located in Logan and Adams Counties and ranked as high or medium priority. Noble will consult with the Orphaned Well Program Manager in establishing a priority of wells from the list of sites in Exhibit B. Exhibit B can be amended by mutual agreement of the parties.
- ii. As used in this Order the terms "Plug and Abandon" or "Plugging and Abandonment," "Reclaim" or "Reclamation," "Orphan Well," and "Orphaned Site" shall have the meaning set forth in the Rules. The Orphaned Well Program Manager and Noble shall have the authority to negotiate the precise scope of work necessary to perform the Orphan Wells/Locations Project, on a well-by-well, site-by-site, or task-by-task basis. Noble shall not be required to undertake work it has not agreed to perform. This authority includes the right to limit the scope of work that would be required of the Operator of record.
- iii. Any Orphaned Wells that Noble plugs and abandons in furtherance of Noble's development plans will not be credited against Noble's Public Projects commitments.
- iv. If the COGCC develops a policy regarding the process for operators to access Orphaned Wells and Orphaned Sites to conduct voluntary plugging, remediation, and/or reclamation activities, including reimbursement of costs or earning a credit against the mill levy, as required by Executive Order D 2018-012, expenditure of funds by Noble to fulfill its Public Project activities shall not qualify for reimbursement or crediting under said policy.
- v. Noble will provide quarterly progress reports to the Orphaned Well Program Manager detailing the work completed and actual expenditures incurred in fulfilling the Orphan Well Project thirty (30) calendar days after the end of each quarter. Upon request by the Orphaned Well Program Manager, Noble will submit records

necessary to verify expenditures. Noble personnel and the Orphaned Well Program Manager will meet quarterly, or more or less frequently if the parties agree, to facilitate additional coordination.

- vi. Upon completion of the Orphan Wells Project and in lieu of the fourth quarter report for 2021, Noble will provide a comprehensive, final report summarizing project completion by January 15, 2022. At the Director's discretion, Noble shall present to the Commission the comprehensive, final report following submission.
- vii. While Noble agrees to complete the Orphan Wells Project by or before December 31, 2021, under no circumstances shall Noble be considered or deemed an "Operator" of the Orphaned Wells. Should Noble identify and promptly alert the Orphaned Well Program Manager to any unanticipated, preexisting condition on the land or leases upon which the Orphaned Wells are located that represents a significant adverse environmental impact to public health, safety and welfare, including the environment and wildlife resources, Noble shall not be deemed a Responsible Party under § 34-60-124(8), C.R.S. Upon prior approval by the Orphaned Well Program Manager, Noble may mitigate any identified preexisting conditions as part of the Orphan Wells Project.
- viii. Noble will be conducting the Orphan Wells Project under the authority and on behalf of the COGCC. Should Noble have difficulty gaining access to the surface upon which the Orphaned Well is located, the COGCC Staff shall attempt to work with the affected surface owner(s) to facilitate such access. If COGCC Staff is unable to secure access in a reasonable time, Noble may move on to the next highest priority well.

5. Failure to comply with this Order is an independent violation that may be subject to additional penalties.

6. Compliance dates specified in this Order may be extended only for good cause, as determined at the Director's discretion. A request for extension must be made, in writing, at least 28 days prior to the pertinent compliance deadline or as soon as possible if 28 days prior notice is not feasible. Failure to receive an approved extension prior to the compliance deadline or the failure to meet a compliance deadline may constitute a new violation subject to additional penalties.

7. This Order is effective as of the date it is mailed by the Commission. It constitutes final agency action for purposes of judicial review.

8. The Commission expressly reserves its right after notice and hearing, to alter, amend, or repeal any and/or all of the above orders.

=====

ENTERED this 19th day of September, 2018, as of this 17th day of September, 2018.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By  _____
Julie Spence Prine, Secretary

CERTIFICATE OF MAILING

On October 2nd, 2018, a true and accurate copy of Commission Order 1V-668 was mailed by first-class mail return receipt requested to the following:

Noble Energy Inc.
Attn. Jan Kulmann
1625 Broadway, Suite 2200
Denver, CO 80202

 _____
Margaret Humecki

Exhibit A to Order No. 1V-668

1. ALVA SHABLE 2-4 (API No. 05-123-13283)
2. ANNIE B03-10 (API No. 05-123-14176)
3. BEAMAN G 35-31 (API No. 05-123-28168)
4. BEEBE DRAW G 26-23 (API No. 05-123-23613)
5. BOHLENDER D20-6 (API No. 05-123-13412)
6. COLEMAN 23-06I4 (API No. 05-123-17748)
7. DAVIS W 01-33 (API No. 05-123-11322)
8. DOS RIOS 33-10H6 (API No. 05-123-18374)
9. EATON 11-19 (API No. 05-123-22273)
10. ECKHARDT 01 (API No. 05-123-10836)
11. FISHER 01 (API No. 05-123-10997)
12. FLATHEAD 01-35 (API No. 05-123-11021)
13. FRANK 22-34 (API No. 05-123-22350)
14. FRAZIER 33-25 (API No. 05-123-25093)
15. HAYS 31-02H5 (API No. 05-123-18211)
16. HOFFNER 34-35 (API No. 05-123-23564)
17. JOHNSON FARM 43-20 2 (API No. 05-123-14206).
18. KOHLHOFF USX AB 17- 13P (API No. 05-123-30110)
19. LAMP H25-31 (API No. 05-123-24353)
20. MAGGIE B13-12 (API No. 05-123-17924)
21. REHMER 36-14H6 (API No. 05-123-18686)
22. SCHMIDT 21-26 (API No. 05-123-26615)
23. SPOMER-BC J 33- 13 (API No. 05-123-14328)
24. STATE 10 (API No. 05-123-07607)
25. STATE 7-36 (API No. 05-123-11980)
26. STROH 0 2- 17 (API No. 05-123-29998)
27. UPRC 27-5C (API No. 05-123-17595)
28. UPRR 66 AMOCO 1 (API No. 05-123-07278)
29. WASS 2 (API No. 05-123-11668)
30. WEIDENKELLER 1-25 (API No. 05-123-24971)
31. WIEDEMAN-PM J28 -7 (API No. 05-123-14003)

Exhibit B to Order No. 1V-668

Location ID	Operator	County	Priority Rank	Well Name	API No.
312130	RED MOUNTAIN RESOURCES LLC - 10374	Logan	High	KILMER 1	05-075-05060
312148	BENCHMARK ENERGY LLC - 10380	Logan	High	NW GRAYLIN D SAND UNIT #37	05-075-05867
312154	BENCHMARK ENERGY LLC - 10380	Logan	High	NW GRAYLIN (LOGAN J 17-3W) 3-W	05-075-05915
319667	ENERGY SEARCH CO ADBA ENERGY SEARCH CO INC - 27635	Adams	High	KORTUM 7	05-001-06190
319874	ENERGY SEARCH CO ADBA ENERGY SEARCH CO INC - 27635	Adams	Medium	KORTUM 3	05-001-07085
319813	ENERGY SEARCH CO ADBA ENERGY SEARCH CO INC - 27635	Adams	Medium	TSUZUKI 3	05-001-06852
319818	ENERGY SEARCH CO ADBA ENERGY SEARCH CO INC - 27635	Adams	Medium	TSUZUKI 4	05-001-06870
312346	BENCHMARK ENERGY LLC - 10380	Logan	Medium	NW GRAYLIN D SAND UNIT 29	05-075-60018
319856	ENERGY SEARCH CO ADBA ENERGY SEARCH CO INC - 27635	Adams	Medium	NORTH COLORADO BLVD 1	05-001-07005
320267	ENERGY SEARCH CO ADBA ENERGY SEARCH CO INC - 27635	Adams	Medium	GREEN 2	05-001-08804
320268	ENERGY SEARCH CO ADBA ENERGY SEARCH CO INC - 27635	Adams	Medium	GREEN 3	05-001-08805
333070	ENERGY SEARCH CO ADBA ENERGY SEARCH CO INC - 27635	Adams	Medium	NORTH COLORADO BOULEVARD 4	05-001-07405
312155	BENCHMARK ENERGY LLC - 10380	Logan	Medium	NW GRAYLIN D-SAND UNIT 4-W	05-075-05951
312159	BENCHMARK ENERGY LLC - 10380	Logan	Medium	NW GRAYLIN D-SAND UNIT 18-W	05-075-05978
312160	BENCHMARK ENERGY LLC - 10380	Logan	Medium	LOGAN J SAND UNIT 4-25	05-075-05995
312163	BENCHMARK ENERGY LLC - 10380	Logan	Medium	LOGAN J SAND UNIT 2-5	05-075-06004

Location ID	Operator	County	Priority Rank	Well Name	API No.
312164	BENCHMARK ENERGY LLC - 10380	Logan	Medium	NW GRAYLIN D SAND UNIT 9	05-075-06016
312166	BENCHMARK ENERGY LLC - 10380	Logan	Medium	NW GRAYLIN D SAND UNIT 1	05-075-06038
312167	BENCHMARK ENERGY LLC - 10380	Logan	Medium	NW GRAYLIN (LOGAN J 4-7) 7-W	05-075-06041
312168	BENCHMARK ENERGY LLC - 10380	Logan	Medium	LOGAN J SAND UNIT 4-19	05-075-06043
312173	BENCHMARK ENERGY LLC - 10380	Logan	Medium	LOGAN J SAND UNIT 4-18	05-075-06087
312179	BENCHMARK ENERGY LLC - 10380	Logan	Medium	NW GRAYLIN D SAND UNIT 12	05-075-06129
312185	BENCHMARK ENERGY LLC - 10380	Logan	Medium	NW GRAYLIN D SAND UNIT 14	05-075-06158
312190	BENCHMARK ENERGY LLC - 10380	Logan	Medium	LOGAN J SAND UNIT 4-17	05-075-06176
312345	BENCHMARK ENERGY LLC - 10380	Logan	Medium	LOGAN J SAND UNIT 4-24	05-075-60014