



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

PROPOSAL FOR DECISION

OIL AND GAS DOCKET NO. 03-0297521

ENFORCEMENT ACTION AGAINST DENVER ENERGY EXPLORATION, LLC FOR VIOLATIONS OF STATEWIDE RULES ON THE DENVER KARBER (PERMIT NO. 720080) LEASE, WELL NO. 1, BROOKSHIRE FIELD, WALLER COUNTY, TEXAS; THE DENVER KARBER (PERMIT NO. 7284450) LEASE, WELL NO. 2, BROOKSHIRE FIELD, WALLER COUNTY, TEXAS; AND THE TK3M (PERMIT NO. 745589) LEASE, WELL NO. 1, BROOKSHIRE FIELD, WALLER COUNTY, TEXAS

APPEARANCES

FOR THE RAILROAD COMMISSION OF TEXAS:

David Bell, Staff Attorney, Enforcement Section
Olin McNamara, Field Operations

FOR DENVER ENERGY EXPLORATION, LLC:

Michael Christopher, Manager

PROCEDURAL HISTORY:

Notice of Hearing:	December 7, 2016
Hearing on the merits:	January 26, 2017
Record closed:	February 28, 2017
Proposal for Decision issued:	February 28, 2017
Heard by:	Ryan M. Lammert, Administrative Law Judge

SUMMARY

The Railroad Commission of Texas (“Staff”) alleges that Denver Energy Exploration, LLC (Operator No. 216456), (“Denver”), is in violation of Statewide Rule 13(b)(1)(B)(i)¹ on the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas (the “DK 2”). Staff also alleges that Denver is in violation of Statewide Rule 13(b)(1)(F)² on the the Denver Karber (Permit No. 720080) Lease, Well No. 1, Brookshire Field, Waller County, Texas (the “DK 1”); the DK 2; and the TK3M (Permit No. 745589) Lease, Well No. 1, Brookshire Field, Waller County, Texas (the “TK3M”).

Additionally, Staff alleges that Denver is in violation Statewide Rule 16(b)³ on the DK 1, DK 2, and the TK3M. Staff lastly alleges that Denver is in violation Statewide Rule 73(i)⁴ on the DK 2.

Both Staff and Denver appeared at hearing, but Denver failed to present evidence sufficient to demonstrate that it is not in violation of Commission Rules. The record evidence supports all violations as alleged by Staff. Staff seeks an administrative penalty of \$22,500 and requests that the subject wells be brought into compliance with all Commission Statewide Rules.

APPLICABLE AUTHORITY

SWR 13(b)(1)(B)(i), titled *Casing and cementing requirements for land wells and bay wells*:

An operator shall set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Groundwater Advisory Unit of the Oil and Gas Division. Unless surface casing requirements are specified in field rules approved prior to the effective date of this rule, before drilling any well, an operator shall obtain a letter from the Groundwater Advisory Unit of the Oil and Gas Division stating the protection depth. In no case, however, is surface casing to be set deeper than 200 feet below the specified without prior approval from the district director. The district director may grant such approval on an area basis.⁵

SWR 13(d), titled *Exceptions or alternate programs*:

The director may administratively grant an exception or approve an alternate casing/tubing program required by this section provided that the alternate

¹ 16 TEX. ADMIN. CODE § 3.13(b)(1)(B)(i).

² 16 TEX. ADMIN. CODE § 3.13(b)(1)(F).

³ 16 TEX. ADMIN. CODE § 3.16(b).

⁴ 16 TEX. ADMIN. CODE § 3.73(i).

⁵ 16 TEX. ADMIN. CODE § 3.13(b)(1)(B)(i).

casing/tubing program will achieve the intent of the rule as described in subsection (a)(1) of this section and the following requirements are met:

- (1) The request for an exception or alternate casing/tubing program shall be accompanied by the fee required by § 3.78(b)(5) of this title (relating to Fees and Financial Security Requirements).
- (2) An administrative exception for tubing shall not exceed a period of 180 days. A request for an exception for tubing beyond 180 days shall require a Commission order.

SWR 13(b)(1)(F), titled *Cementing report*:

Within 30 days of completion of the well, or within 90 days of cessation of drilling operations, whichever is earlier, a cementing report must be filed with the Commission furnishing complete data concerning the cementing of surface casing in the well as specified on a form furnished by the Commission. The operator of the well or the operator's duly authorized agent having personal knowledge of the facts, and representatives of the cementing company performing the cementing job, must sign the form attesting to compliance with the cementing requirements of the Commission.⁶

SWR 16(b), titled *Completion and plugging reports*:

- (1) The operator of a well shall file with the [C]ommission the appropriate completion report within 90 days after completion of the well, or within 150 days after the date on which the drilling operation is completed, whichever is earlier.
- (2) The operator of a well shall file with the Commission an amended completion report within 30 days of any physical changes made to the well, such as any change in perforations, or openhole or casing records.
- (3) If the well is a dry hole, the operator shall file with the [C]ommission an appropriate plugging report within 30 days after the well is plugged.

SWR 73(i):

Pursuant to Texas Natural Resources Code, §91.706(a), upon notice from the Commission that a certificate of compliance as to any well has been cancelled as provided in this section, the operator of such well shall not use that well for production, injection, or disposal until a new certificate of compliance with

⁶ 16 TEX. ADMIN. CODE § 3.13(b)(1)(F).

respect to the well has been issued by the Commission as provided in this section. Pursuant to Texas Natural Resources Code, §85.3855, failure to comply with this subsection may subject a person to a penalty of up to \$10,000 per violation.

EVIDENCE PRESENTED

STAFF

SWR 13(b)(1)(B)(i), SWR 13(b)(1)(F), SWR 16(b), and SWR 73(i) violations for the DK 2

Staff offered into evidence an exhibit⁷ demonstrating several regulatory filings, Commission records, and Commission correspondence related to the DK 2, including:

1. Form W-1 *Application for Permit to Drill, Recomplete, or Re-Enter* submitted to the Commission on November 16, 2011;
2. Commission letter dated March 5, 2014, notifying Denver of the Commission's intent to cancel the Form P-4 *Certificate of Compliance and Transportation Authority* and to "sever" the well;
3. Commission letter dated March 5, 2014, notifying Denver that the well was in violation of SWR 13(b)(1)(B)(i) and SWR 16(b);
4. Commission Online System Oil & Gas Completions data query showing that the well was completed on April 18, 2012;
5. Form W-2 *Oil Well Potential Test, Completion or Recompletion Report, and Log* certified to by Michael Christopher on February 12, 2015;
6. Commission Mainframe P-4 Inquiry data query demonstrating that the well has two outstanding severances dated January 4, 2014, and February 9, 2016, respectively, requiring resolution—an outstanding balance of \$1,500 is due to the Commission; and
7. Commission Mainframe Oil Lease Ledger Status Inquiry data query demonstrating oil production from the subject lease for the time period including July 2013 through June 2015.

Staff also entered into evidence a District Office Inspection Report dated April 17, 2014, wherein the district inspector noted violations of SWR 13 and SWR 16.⁸

⁷ See Staff Ex. 4.

⁸ Staff Ex. 5.

SWR 13(b)(1)(F) and SWR 16(b) violations for the DK 1

Staff offered into evidence an exhibit⁹ demonstrating several regulatory filings, Commission records, and Commission correspondence related to the DK 1, including:

1. Form W-1 *Application for Permit to Drill, Recomplete, or Re-Enter* submitted to the Commission on August 19, 2011;
2. Commission Mainframe Drilling Permit Master Data Inquiry data query demonstrating that the well was spud on September 19, 2011, and surface casing set on September 20, 2011.
3. Commission letter dated April 22, 2014, notifying Denver of the Commission's intent to refer violations relating to SWR 13(b)(1)(F) and SWR 16(b) to Legal Enforcement;
4. Commission letter dated April 22, 2014, notifying Denver that the well was in violation of SWR 13(b)(1)(F) and SWR 16(b); and
5. Commission Online System Oil & Gas Completions data query showing "No 'Packet' records found" for the well.

SWR 13(b)(1)(F) and SWR 16(b) violations for the TK3M

Staff offered into evidence an exhibit¹⁰ demonstrating several regulatory filings, Commission records, and Commission correspondence related to the TK3M, including:

1. Form W-1 *Application for Permit to Drill, Recomplete, or Re-Enter* submitted to the Commission on July 30, 2012;
2. Commission Mainframe Drilling Permit Master Data Inquiry data query demonstrating that the well was spud on October 4, 2012, and surface casing set on October 6, 2012.
3. Commission letter dated April 15, 2014, notifying Denver of the Commission's intent to refer violations relating to SWR 13(b)(1)(F) and SWR 16(b) to Legal Enforcement;
4. Commission letter dated April 15, 2014, notifying Denver that the well was in violation of SWR 13(b)(1)(F) and SWR 16(b); and

⁹ See Staff Ex. 2.

¹⁰ See Staff Ex. 3.

5. Commission Online System Oil & Gas Completions data query showing “No ‘Packet’ records found” for the well.

Denver Energy Exploration, LLC Form P-5 Organization Report

Staff entered into evidence a copy of Denver Energy Exploration, LLC’s Form P-5 *Organization Report*.¹¹ The Form P-5 shows that Denver holds Operator No. 216456 and, further, that Michael Christopher, Manager, is identified as Denver’s sole officer.

DENVER

Either at hearing or as a late-filed exhibit, Denver offered the following into evidence:

1. A Groundwater Protection Determination letter dated July 11, 2012 issued by the Groundwater Advisory Unit detailing usable-quality groundwater information relating to the Texas Karber Lease, Well No. 3¹²;
2. A Form W-1 *Permit to Drill, Deepen, Plug Back, or Re-Enter on a Regular Location or Administrative Exception Location* for the Texas Karber Lease, Well No. 3, Permit No. 744110¹³;
3. A Form W-15 *Cementing Report* for the Texas Karber Lease, Well No. 3, Permit No. 744110¹⁴;
4. An “as-drilled” plat (inclusive of coordinates) for the TK3M;
5. A letter dated December 6, 2011 from the Railroad Commission of Texas to Denver authorizing Denver to set surface casing for the DK 2 to a depth of 700’;
6. A Form W-15 *Cementing Report* certified to on February 8, 2014 by Denver for production casing associated with the DK 2;
7. Email correspondence dated February 28, 2014 from the Railroad Commission of Texas to Denver requesting additional information relating to the DK 2;

¹¹ Staff Ex. 5.

¹² The Texas Karber Lease, Well No. 3 is not within the scope of this hearing.

¹³ *Id.*

¹⁴ *Id.*

8. Email correspondence dated January 29, 2015 from the Railroad Commission of Texas to Denver requesting additional information relating to the DK 2;
9. Various pictures depicting the surface location of the DK 2;
10. A District Office Inspection Report prepared on April 17, 2014 noting violations of Statewide Rule 13 and 16 for the DK 1;
11. Various pictures depicting the surface location of the DK 1;
12. A District Office Inspection Report prepared on April 17, 2014 noting violations of Statewide Rule 13 and 16 for the TK3M;
13. Various pictures depicting the surface location of the TK3M;
14. A letter dated October 28, 2012, from Energy Recovery Concepts, LLC to Denver reporting a "reserves determination" for the TK3M;
15. A Form W-1 *Permit to Drill, Deepen, Plug Back, or Re-Enter on a Regular Location or Administrative Exception Location* for the DK 1;
16. An "as-drilled" plat (inclusive of coordinates) for the DK 1;
17. A Gamma Ray/CCL Radial Bond Log for the DK 1;
18. An invoice dated February 24, 2012 from Baker Hughes Oilfield Operations, Inc. to Denver requesting payment for work performed on the DK 2;
19. An SCBL Gamma Ray CCL for the DK 2;
20. A High Definition Induction Log for the DK 1;
21. A Form L-1 *Electric Log Status Report* for the DK 1;
22. A Form P-4 *Certificate of Compliance and Transportation Authority* for the DK 1;
23. A Form W-2 *Oil Well Potential Test, Completion or Recompletion Report, and Log* submitted to the Commission by Denver for the DK 1 on January 26, 2017; and
24. A Sector Bond Log Gamma Ray for the TK3M.

ADMINISTRATIVE LAW JUDGE'S OPINION

The record in this case consists of undisputed evidence that Denver committed the violations as alleged by Staff. The evidence offered by Denver neither contradicted evidence offered by Staff nor was it relevant to the alleged violations.

Accordingly, SWR 107 provides for penalty guideline for oil and gas violations.¹⁵ Staff requested the following penalty amounts:

1. One (1) SWR 13(b)(1)(B)(i) violation for the DK 2 - \$2,500 (penalty guideline range for open casing/tubing is \$1,000 to \$5,000)¹⁶;
2. Three (3) SWR 13(b)(1)(F) violations for the DK 1, DK 2, and TK3M - \$7,500 (no maximum/minimum penalty guideline range provided for by rule);
3. Three (3) SWR 16(b) violations for the DK 1, DK 2, and TK3M - \$7,500 (penalty guideline recommendation for failure to file completion records/logs is \$2,500)¹⁷; and
4. One (1) SWR 73(i) violation for the DK 2 - \$5,000 (no maximum/minimum penalty guideline range provided for by rule, but Texas Natural Resources Code § 85.3855 provides for a penalty of up to \$10,000 per violation).

The Administrative Law Judge recommends to the Commission to assess Denver an administrative penalty in the amount of \$22,500, and recommends to the Commission to order Denver to bring the subject wells into compliance with all Commission rules and regulations. However, the Commission is within its discretion to assess Denver an administrative penalty in the amount of \$30,000—exceeding the amount requested by Staff.

CONCLUSION

The Administrative Law Judge concludes that Denver is in violation of SWR 13(b)(1)(B)(i), SWR 13(b)(1)(F), SWR 16(b), and SWR 73(i) and recommends the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Denver Energy Exploration, LLC was given at least ten (10) days' notice of the hearing by certified mail sent to its most recent Form P-5 address.

¹⁵ See 16 TEX. ADMIN. CODE § 3.107.

¹⁶ See 16 TEX. ADMIN. CODE § 3.107(e)(1).

¹⁷ *Id.*

2. Denver Energy Exploration, LLC appeared at the hearing through Michael Christopher, Manager.
3. As established by Denver Energy Exploration, LLC's most recent Form P-5 *Organization Report*, Denver Energy Exploration, LLC holds Operator No. 216456.
4. As established by Denver Energy Exploration, LLC's most recent Form P-5 *Organization Report*, Michael Christopher is the sole officer of Denver Energy Exploration, LLC.
5. The violations in this docket are violations of Commission rules related to safety and the prevention or control of pollution.
6. Denver Energy Exploration, LLC is the operator responsible for ensuring compliance with all Commission rules and regulations for the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas.
7. Denver Energy Exploration, LLC is the operator responsible for ensuring compliance with all Commission rules and regulations for the Denver Karber (Permit No. 720080) Lease, Well No. 1, Brookshire Field, Waller County, Texas.
8. Denver Energy Exploration, LLC is the operator responsible for ensuring compliance with all Commission rules and regulations for the TK3M (Permit No. 745589) Lease, Well No. 1, Brookshire Field, Waller County, Texas.
9. Usable-quality water occurs from the land surface to a depth of 2,250' in the subsurface area in and under the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas.
10. The Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas, has surface casing set to a depth of 960', and circulated cement to a top depth of 830'.
11. The Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas, does not have an approved exception for an alternate casing/tubing program.
12. Denver Energy Exploration, LLC failed to set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Groundwater Advisory Unit of the Oil and Gas Division, for the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas.
13. The Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas, was completed on April 18, 2012.

14. Denver Energy Exploration, LLC filed with the Commission a Form W-2 *Oil Well Potential Test, Completion or Recompletion Report, and Log* for the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas, on or about February 12, 2015.
15. Denver Energy Exploration, LLC failed to file with the Commission the appropriate completion report within 90 days after completion of the well, or within 150 days after the date on which the drilling operation is completed, whichever is earlier, for the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas.
16. The Denver Karber (Permit No. 720080) Lease, Well No. 1, Brookshire Field, Waller County, Texas, was completed on February 1, 2012.
17. Denver Energy Exploration, LLC filed with the Commission a Form W-2 *Oil Well Potential Test, Completion or Recompletion Report, and Log* for the Denver Karber (Permit No. 720080) Lease, Well No. 1, Brookshire Field, Waller County, Texas, on or about January 26, 2017.
18. Denver Energy Exploration, LLC failed to file with the Commission the appropriate completion report within 90 days after completion of the well, or within 150 days after the date on which the drilling operation is completed, whichever is earlier, for the Denver Karber (Permit No. 720080) Lease, Well No. 1, Brookshire Field, Waller County, Texas.
19. The TK3M (Permit No. 745589) Lease, Well No. 1, Brookshire Field, Waller County, Texas, was spud on October 4, 2012.
20. Surface casing was set for the TK3M (Permit No. 745589) Lease, Well No. 1, Brookshire Field, Waller County, Texas, on October 6, 2012.
21. The TK3M (Permit No. 745589) Lease, Well No. 1, Brookshire Field, Waller County, Texas, does not have on file with the Commission a Form W-2 *Oil Well Potential Test, Completion or Recompletion Report, and Log*.
22. Denver Energy Exploration, LLC failed to file with the Commission the appropriate completion report within 90 days after completion of the well, or within 150 days after the date on which the drilling operation is completed, whichever is earlier, for the TK3M (Permit No. 745589) Lease, Well No. 1, Brookshire Field, Waller County, Texas.
23. The Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas, does not have on file with the Commission a Form W-15 *Cementing Report* furnishing complete data concerning the cementing of surface casing.

24. Denver Energy Exploration, LLC failed to file within 30 days of completion of the well, or within 90 days of cessation of drilling operations, whichever is earlier, a cementing report with the Commission furnishing complete data concerning the cementing of surface casing for the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas.
25. The Denver Karber (Permit No. 720080) Lease, Well No. 1, Brookshire Field, Waller County, Texas, does not have on file with the Commission a Form W-15 *Cementing Report* furnishing complete data concerning the cementing of surface casing.
26. Denver Energy Exploration, LLC failed to file within 30 days of completion of the well, or within 90 days of cessation of drilling operations, whichever is earlier, a cementing report with the Commission furnishing complete data concerning the cementing of surface casing for the Denver Karber (Permit No. 720080) Lease, Well No. 1, Brookshire Field, Waller County, Texas.
27. The TK3M (Permit No. 745589) Lease, Well No. 1, Brookshire Field, Waller County, Texas, does not have on file with the Commission a Form W-15 *Cementing Report* furnishing complete data concerning the cementing of surface casing.
28. Denver Energy Exploration, LLC failed to file within 30 days of completion of the well, or within 90 days of cessation of drilling operations, whichever is earlier, a cementing report with the Commission furnishing complete data concerning the cementing of surface casing for the TK3M (Permit No. 745589) Lease, Well No. 1, Brookshire Field, Waller County, Texas.
29. In a letter dated March 5, 2014, the Commission gave notice to Denver Energy Exploration, LLC of the intent to cancel the Form P-4 *Certificate of Compliance and Transportation Authority* and to sever pipeline/seal in well for the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas, for various violations of Commission rules.
30. The Commission severed the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas, on January 4, 2014, and April 22, 2014, for various violations of Commission rules.
31. Denver Energy Exploration, LLC did not resolve violations relating to the severances issued on January 4, 2014, and April 22, 2014, for the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas.
32. Denver Energy Exploration, LLC reported to the Commission production from the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas, for the time period including January 2014 through May 2015.

33. After receiving notice from the Commission that a certificate of compliance for the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas, had been cancelled, Denver Energy Exploration, LLC continued to use the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas, for production of oil or gas.
34. Denver Energy Exploration, LLC violations of 16 TEX. ADMIN. CODE § 3.13(b)(1)(F), 16 TEX. ADMIN. CODE § 3.13(b)(1)(B)(i), 16 TEX. ADMIN. CODE § 3.16(b), and 16 TEX. ADMIN. CODE § 3.73(i) are serious and a hazard to the public health and safety.
35. For purposes of TEX. NAT. RES. CODE § 91.114, at all times relevant hereto Michael Christopher, as Manager, was a person who held a position of ownership or control in Denver Energy Exploration, LLC.
36. Denver Energy Exploration, LLC acted in bad faith because it failed to correct a Commission rule violation on the subject lease and failed adequately to explain its inaction to the Commission.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued to the appropriate persons entitled to notice.
2. All things necessary to the Commission attaining jurisdiction have occurred.
3. By failing to set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Groundwater Advisory Unit of the Oil and Gas Division, for the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas, Denver Energy Exploration, LLC violated 16 TEX. ADMIN. CODE § 3.13(b)(1)(B)(i).
4. By failing to file with the Commission the appropriate completion report within 90 days after completion of the well, or within 150 days after the date on which the drilling operation is completed, whichever is earlier, for the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas, Denver Energy Exploration, LLC violated 16 TEX. ADMIN. CODE § 3.16(b).
5. By failing to file with the Commission the appropriate completion report within 90 days after completion of the well, or within 150 days after the date on which the drilling operation is completed, whichever is earlier, for the Denver Karber (Permit No. 720080) Lease, Well No. 1, Brookshire Field, Waller County, Texas, Denver Energy Exploration, LLC violated 16 TEX. ADMIN. CODE § 3.16(b).

6. By failing to file with the Commission the appropriate completion report within 90 days after completion of the well, or within 150 days after the date on which the drilling operation is completed, whichever is earlier, for the TK3M (Permit No. 745589) Lease, Well No. 1, Brookshire Field, Waller County, Texas, Denver Energy Exploration, LLC violated 16 TEX. ADMIN. CODE § 3.16(b).
7. By failing to file within 30 days of completion of the well, or within 90 days of cessation of drilling operations, whichever is earlier, a cementing report with the Commission furnishing complete data concerning the cementing of surface casing for the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas, Denver Energy Exploration, LLC violated 16 TEX. ADMIN. CODE § 3.13(b)(1)(F).
8. By failing to file within 30 days of completion of the well, or within 90 days of cessation of drilling operations, whichever is earlier, a cementing report with the Commission furnishing complete data concerning the cementing of surface casing for the Denver Karber (Permit No. 720080) Lease, Well No. 1, Brookshire Field, Waller County, Texas, Denver Energy Exploration, LLC violated 16 TEX. ADMIN. CODE § 3.13(b)(1)(F).
9. By failing to file within 30 days of completion of the well, or within 90 days of cessation of drilling operations, whichever is earlier, a cementing report with the Commission furnishing complete data concerning the cementing of surface casing for the TK3M (Permit No. 745589) Lease, Well No. 1, Brookshire Field, Waller County, Texas, Denver Energy Exploration, LLC violated 16 TEX. ADMIN. CODE § 3.13(b)(1)(F).
10. By continuing to use the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas for production of oil or gas after receiving notice from the Commission that a certificate of compliance for the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas, had been cancelled, Denver Energy Exploration, LLC violated 16 TEX. ADMIN. CODE § 3.73(i).
11. The documented violations committed by Denver Energy Exploration, LLC constitute acts deemed serious and a hazard to the public health and safety within the meaning of Texas Natural Resources Code §81.0531.
12. Denver Energy Exploration, LLC did not demonstrate good faith within the meaning of Texas Natural Resources Code §81.0531.

RECOMMENDATIONS

The Administrative Law Judge recommends that the above Findings of Fact and Conclusions of Law be adopted and that Denver Energy Exploration, LLC be assessed an administrative penalty of \$22,500.

The Administrative Law Judge also recommends that Denver Energy Exploration, LLC be directed to within 30 days of the date this order becomes final, place the Denver Karber (Permit No. 720080) Lease, Well No. 1, Brookshire Field, Waller County, Texas; the Denver Karber (Permit No. 728445) Lease, Well No. 2, Brookshire Field, Waller County, Texas; and the TK3M (Permit No. 745589) Lease, Well No. 1, Brookshire Field, Waller County, Texas, fully into compliance with all Commission rules and regulations.

The Administrative Law Judge also recommends that Michael Christopher be made subject to the restrictions of TEX. NAT. RES. CODE § 91.114.

RESPECTFULLY SUBMITTED,



RYAN M. LAMMERT

Administrative Law Judge