

**BEFORE THE  
OIL & GAS COMMISSION**

KEROGEN RESOURCES, INC.,

Appellant,

-vs-

DIVISION OF MINERAL RESOURCES  
MANAGEMENT,

Appellee.

Appeal No. 753

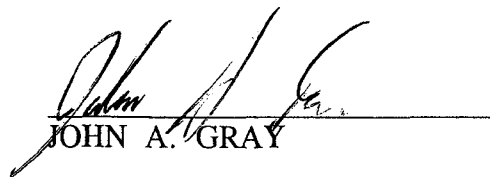
Review of Chief's Order  
2005-54

**ORDER OF THE  
COMMISSION ADOPTING  
CONSENT AGREEMENT**

The Oil & Gas Commission has received and reviewed the parties' Consent Agreement and finds it well taken. Accordingly, the Commission hereby **ADOPTS** the Consent Agreement. There being no outstanding issues of law or fact, the Commission hereby **DISMISSES** appeal no. 753, with prejudice.

Date Issued: 2/6/06

  
WILLIAM J. TAYLOR, Chairman

  
JOHN A. GRAY

  
JAMES H. CAMERON

  
M. HOWARD PETRICOFF, Secretary

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BEFORE THE OIL AND GAS COMMISSION  
STATE OF OHIO

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**COMMISSION**

<p><b>KEROGEN RESOURCES, INC.</b></p> <p style="text-align: center;"><b>APPELLANT,</b></p> <p style="text-align: center;"><b>VS.</b></p> <p><b>DIVISION OF MINERAL</b> <b>RESOURCES MANAGEMENT,</b></p> <p style="text-align: center;"><b>APPELLEE.</b></p>	<p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p>	<p><b>APPEAL No 753</b></p> <p><b>Review of Chief's Order</b> <b>2005-54</b></p>
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**CONSENT AGREEMENT**

Now come the parties, Appellant Kerogen Resources Inc. it's officers, assigns and successors-in-interest ("Kerogen") and Appellee Division of Mineral Resources Management ("Division"), and in order to settle the instant appeal stipulate to the following facts and conditions.

**A. FACTS:**

1 The Chief of Division is charged with the responsibility of administering, implementing and enforcing Ohio Revised Code Chapter 1509 and Ohio Administrative Code Chapter 1501:9

2. Defendant is an "owner," as that term is defined in Ohio Revised Code 1509 01(K), including but not limited to the following oil and gas wells ("subject wells"):

<u>Permit No.</u>	<u>Well Name</u>	<u>County</u>	<u>Township</u>
Permit No. 366	Van Dyne #1	Belmont	Washington
Permit No. 389	Passmonre #2	Belmont	Washington
Permit No. 2783	Niuman #1	Stark	Paris
Permit No. 872	Armstrong #1	Columbiana	West

3 Inspection by the Division on November 17, 1999 found well Permit No. 366, Van Dyne Lease, Well No. 1 to be incapable of production in commercial quantities

and pursuant to R.C. 1509.12, Chief's Order 2000-47 was issued on April 11, 2000 requiring well Permit No. 366 to be placed into production within 10 days of receipt of the order, or properly plugged and abandoned within 30 days of receipt of the order

4. Inspections by the Division on January 25, 2000 of well Permit No. 2783, found that tubing had been removed and mechanical integrity of the injection well had been lost, Chief's Order 2001-44 was issued on June 11, 2001 and required Kerogen to provide the Division with a written plan for repairing and testing well Permit No. 2783 within 10 days of receipt of the order and to perform the repair work within 45 days of the Division's approval of the written plan for the well's repair and testing or plug and abandon the well within 90 days of receipt of the order.

5 The conditions of Chief's Order 2000-47 were not met. Therefore, Chief's Order 2004-72 was issued on August 16, 2004 forfeiting Kerogen's bond, pursuant to R.C. 1509.07 and R.C. 1509.12, for failing to comply with, Chief's Order 2000-47 to produce or plug Permit No. 366.

6. A Corrected Chief's Order 2004-72 was issued on November 3, 2004, for the purpose of changing the term "Certificate of Deposit" to "Irrevocable Letter of Credit"

7 Kerogen failed to appeal Chief's Order 2000-47

8. Kerogen failed to appeal Chief's Order 2001-44.

9 Kerogen failed to appeal either Chief's Order 2004-72 or 2004-72 (Corrected).

10. After the passing of time for appeal of Corrected Chief's Order 2004-72 ordering bond forfeiture, the Irrevocable Letter of Credit was forfeited to the Division.

11 On August 1, 2005, the Chief issued Chief's Order No. 2005-54 requiring Kerogen's to suspend operations and post bond as required by R.C. 1509.07

12. Chief's Order No 2005-54 lists in part the following findings:

- a. Kerogen was operating with out bond in violation of R.C. 1509 07
- b. Kerogen failed to comply with Chief's Orders 2000-47, 2001-44, 2004-72.
- c. Kerogen failed to produce annual statements of production for each well owned on an annual basis for the years 1990-2004 as required under 1509 11
- d. Kerogen had two injection wells incapable of production in violation of Ohio Administrative Code 1501.9-3-07

13 Chief's Order No. 2005-54 required that Kerogen:

- a. immediately suspend the production and operation of all wells under their ownership and
- b. within 10 days of receipt of the order to provide the Division with a schedule to plug Well Permit No. 366, Well Permit No. 2783, and Well Permit No. 872 or, transfer all wells to a responsible owner.
- c. stop producing any well for commercial purposes until they have complied with a replacement bond in accordance with Chapter 1509 07
- d. file with the Division production statements for each well owned for the period of 1990-2004 within 30 days of the receipt of Chief's Order 2005-54

14 Kerogen failed to provide any schedule of plugging and/or production to the Division.

15 Well Permit No. 366 remains unplugged.

16. Kergoen has failed to post Bond as required under R.C. 1509.07

17 On September 9, 2005, after the time required in Chief's Order 2005-54, well Permit No 872 was plugged.

18. On September 9, 2005, after not filing production statements, as required by R.C. 1509 11, from 1990 through 2004 and outside the time for filing required in

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Chief's Order 2005-54, a Kerogen filed production records for its wells for the years 1990-2004.

**B. CONDITIONS**

**I. SCHEDULES**

1 **Within 15 days of signing this Consent Agreement**, Kerogen will provide the Division with an acceptable bond, certificate of deposit, or irrevocable letter of credit for \$15,000 in accordance with R.C. 1509.07

2. Prior to plugging any of the subject wells, Kerogen shall file with the Division all paperwork and fees necessary to obtain permits to plug and abandon the subject wells pursuant to R.C. 1509 and Ohio Admin. Code 1501:9

3 **Schedule for Well Permit No. 2783:**

a) **By February 15, 2006**, Kerogen shall make capable of injection and have all pollution, contamination, and health and safety issues resolved in accordance with Ohio's oil and gas laws or shall plug or shall properly transfer well Permit No. 2783, Niuman #1 in accordance with Ohio's oil and gas laws. If Kerogen plugs Well permit No. 2783, the well site shall be properly restored by June 30, 2006 All plugging and restoration activities shall be in accordance with the requirements of Ohio's oil and gas laws.

4. **Schedule for Well Permit No. 366:**

a) **By June 30, 2006**, Appellant shall produce or plug well Permit No. 366, Van Dyne #1, and the well site shall be properly restored within 6

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months of plugging. All plugging and restoration activities shall be in accordance with the requirements of Ohio's oil and gas laws.

5 **Schedule for Well Permit No. 389:**

- a) **By June 30, 2006**, Appellant shall produce or plug well Permit No. 389, Passmore #2, and the well site shall be properly restored within 6 months of plugging. All plugging and restoration activities shall be in accordance with the requirements of Ohio's oil and gas laws.

6. If wells Permit No. 366, Permit No. 389, and/or Permit No. 2783 above will not be producing and/or capable of injection and otherwise in compliance with Ohio's oil and gas laws By June 30, 2006, Kerogen shall ensure that all necessary permits, contracts etc. have been received in order to ensure wells are plugged by June 30, 2006.

7 Kerogen shall be responsible to follow-up at each well site owned by it, in accordance with Ohio's oil and gas laws, including those listed in Section A, Paragraph 2 above, which is to be plugged and/or restored to insure full compliance with the requirements of R.C. Chapter 1509 and Ohio Administrative Code Chapter 1501, including but not limited to the establishment of vegetative cover to bind the soil and prevent substantial erosion. If necessary Appellant will reseed the sites until proper growth of vegetation occurs.

8. The deadlines set forth above are based upon the fact that the subject wells are not currently presenting evidence of immediate danger to humans, animals or the environment. In the event that the Division discovers conditions that it concludes may present a threat to public health, welfare or the environment, the above-established

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deadlines are not applicable and the Defendant shall take immediate action to eliminate the threat to public health, welfare or the environment.

9 All work on the wells and the well sites shall be performed in a prudent and workmanlike manner and in compliance with the requirements of R.C. Chapter 1509 and Ohio Admin. Code Chapter 1501:9

10 For each deadline set forth in this Consent Agreement that Appellant fails to meet, Appellant shall pay \$1,000 for each missed deadline. In addition, for each additional month or part of a month in which Appellant remains in noncompliance with the deadlines set forth in this Consent Agreement, Appellant shall pay an additional \$100.

11 All payments shall be made payable to "The Treasure, State of Ohio"

12. All payments shall be mailed to the following:

Tom Tugend, Deputy Chief  
ODNR, DMRM  
2045 Morse Rd. Bldg., D-2  
Columbus, OH 43229

13 If Kerogen timely performs all of the conditions outlined in this Consent Agreement, the Division will terminate Chief's Order 2005-54 requiring the posting of bond and suspension of all operations.

14 In the event that Kerogen fails to meet any of the conditions set forth in this Consent Agreement, the Division will forfeit Kerogen's bond without further notice by the Division. Appellant waives any rights of appeal from such bond forfeiture.

## **II. RESERVATION OF RIGHTS**

15 Nothing in this Consent Agreement shall be construed so as to limit the authority of the Division to issue other decisions and orders to enforce the provisions of R.C. Chapter 1509 and Ohio Administrative Code Chapter 1501, including the seeking of

injunctive relief and civil penalties for the failure to comply with this Consent Agreement.

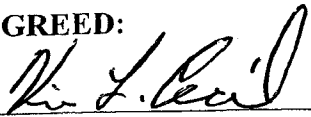
16. In the event of any default of the conditions set forth herein, the Division may elect all remedies it deems appropriate. Further, in the event of default, Kerogen Resources, Inc., its officers, assigns and successors-in-interest agree that, in any litigation brought by the Division to enforce this Consent Agreement, venue shall be proper in the Court of Common Pleas for Franklin County, Ohio.

### III. SIGNATORIES

17 The parties hereby acknowledge that they have read this Consent Agreement, understand its terms and intend to be fully bound thereby

18. Signed and subscribed on behalf of the parties hereto.

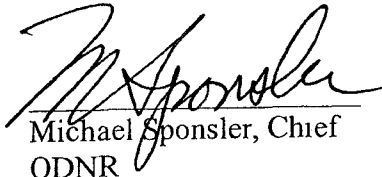
**AGREED:**



Kim Cecil, President  
Kerogen Resources Inc.  
Who has the authority to sign  
for and bind Kerogen Resources, Inc.

12/9/05  
Date

**APPROVED:**



Michael Sponsler, Chief  
ODNR  
Division of Mineral Resources  
Management

12/19/05  
Date



Holly N. Deeds Martin(0076383) Date  
Assistant Attorney General  
Ohio Attorney General's Office  
ODNR  
2045 Morse Road, D-2  
Columbus, OH 43229-6693  
(614) 265-6323

Attorney for Division

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