

**The Law Firm of  
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A SOLE PROPRIETORSHIP

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April 17, 2018

Ms. Bethany Hagen-Templin  
Supervisory Enforcement Specialist  
ONRR Office of Enforcement  
P.O. Box 25165  
Denver, CO 80225-0165

**Via Hand Delivery**

Re: Case No.: CP14-098  
Description: Knowing or willful payment of late penalties

Dear Ms. Hagen-Templin:

Please allow this letter to serve as the Respondents' response to ONRR's notice of Immediate Liability Civil Penalty in this case, which has resulted in the imposition of a penalty of \$300,000.00, and which penalty the Respondents have agreed to pay. I understand this letter will be placed in the file for Case No. CP14-098 and will be a permanent addition to said file.

Please allow this letter to reflect that the Respondents, which include Grynberg Production Company, the payor, and the underlying federal lessees, Gadeco LLC and JJCC Ltd., admit no liability for the claims or determinations ONRR has made in this case. The resolution of this penalty claim has resulted from an appropriate business decision by the Respondents, as opposed to a belief of guilt or liability for the alleged claims.

I note that this claim has been an ongoing process between the Respondents and ONRR that has involved a great amount of communication, cooperation and good faith. The issue which forms the basis of this case, late payment of royalties, was self-reported by the Respondents to ONRR. At the outset, ONRR advised that if it was forced to litigate this matter it would seek a penalty of \$1,732,563.00.

ONRR and the Respondents then worked together to improve the method by which the subject federal royalties were being reported and paid. Through this joint effort, it is understood that the Respondents have been in full compliance for over a year and a half. The measures which the Respondents employed to achieve this compliance remain in place with the intent that they will be employed for the indefinite future.

The Respondents appreciate ONRR's decision to reduce the penalty amount from \$1,732,563.00 to \$300,000.00, in agreement for the Respondents prompt payment of said penalty with no further litigation or contest. But as said before, this letter reflects that when faced with

the prospect of lengthy and expensive litigation, with a potential downside of the imposition of a penalty in the amount of \$1,732,563.00, versus an immediate resolution with the payment of \$300,000.00, prudent decision making called for the latter result.

The Respondents reserve the right to challenge the weight ONRR attributes to the Immediate Liability Civil Penalty Notice in this case in calculating the amount of any future civil penalties.

Once again, the Respondents thank ONRR for the extensive cooperation and good faith that have led to the resolution of this case. Accompanying this letter are two drafts payable to ONRR, one from Gadeco LLC in the amount of \$279,114.00 and the other from JJCC Ltd. in the amount of \$20,886.00.

Yours truly,

  
Michael S. Porter

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