



August 25, 2009

Certified Mail Return Receipt Requested # 7008 3230 0003 3235 3608

Mr. Dan Valentine
Mr. Ken Valentine
Valentine Ranch, LLC
23085 County Road 43.7
Aguilar, CO 81020

RE: Complaints 200204740 and 200216938
Produced water spills

Dear Dan and Ken:

You filed complaint regarding alleged impacts caused by two pipeline related spills of CBM produced water. Both spills impacted waters of the state of Colorado. Spill 200204715 occurred on February 15, 2009 and spill 200216933 occurred on July 8, 2009. This letter is to inform you of the results of our investigations of these complaints and actions taken by the COGCC as a result of these complaints.

SPILL REPORTING and FIELD INSPECTIONS

Pioneer Natural Resources verbally reported both spills in a timely manner to the CDPHE spill hotline and to COGCC staff. Written spill reports for Frio Canyon 31-25 spill in February were received within 10 days of the spill and the final report by Pioneer is included as Attachment 1. The final written spill report for the Parachute 34-25 pipeline spill was received on July 21, 2009 and is included as Attachment 2.

RESULTS AND DISCUSSION

A Notice of Alleged Violation (200216978) was issued to Pioneer Natural Resources on August 24, 2009 with respect to threatened adverse environmental impacts caused by the February, 2009 spill and also with respect to inadequate operating practices to ensure pipeline integrity. A Notice of Alleged Violation (200216942) was issued to Pioneer Natural Resources on August 24, 2009 with respect to threatened adverse environmental impacts caused by the July, 2009 spill and also with respect to inadequate operating practices to ensure pipeline integrity. The NOAVs are included as Attachments 3 and 4.

Ken and Dan Valentine
Complaints 200204740 and 200216938
August 25, 2009

If you have any questions or would like to discuss these matters further, please contact me at 719-846-3091 or by email at peter.gintautas@state.co.us . Should you be unsatisfied with COGCC staff's handling and resolution of your complaint Rule 522.b. (4) allows you as the complainant to file with the Commission an application for an Order Finding Violation.

Sincerely,
Colorado Oil and Gas Conservation Commission

Peter Gintautas
Environmental Protection Specialist

Attachments: Attachment 1 - Frio Canyon 31-35 spill report (200204715)
Attachment 2 - Parachute 34-25 spill report (200216933)
Attachment 3 - Notice of Alleged Violation 200213438
Attachment 5 - Notice of Alleged Violation 200213324

cc: David Neslin, COGCC Director w/o attachments
Debbie Baldwin, COGCC Environmental Protection Manager w/o attachments
Margaret Ash, COGCC Environmental Protection Supervisor w/o attachments
Dave Holland, Pioneer Natural Resources, w/o attachments

State of Colorado
Oil and Gas Conservation Commission

1120 Lincoln Street, Suite #01, Denver, Colorado 80203 (303)894-2100 Fax:(303)894-2109



FOR OGCC USE ONLY

SPILL/RELEASE REPORT

This form is to be submitted by the party responsible for the oil and gas spill or release. Any spill or release which may impact waters of the State must be reported as soon as practicable; any spill over 20 bbls must be reported within 24 hours and all spills over five bbls must be reported within ten days. Submit a Site Investigation and Remediation Workplan (Form 27) when requested by the Director.

Spill report taken by:

FACILITY ID:

OPERATOR INFORMATION

Name of Operator: <u>Pioneer Natural Resources USA, Inc.</u> OGCC Operator No: <u>10084</u>	Phone Numbers
Address: <u>1401 17th Street, Ste. 1200</u>	No: <u>303 298-8100</u>
City: <u>Denver</u> State: <u>CO</u> Zip: <u>80202</u>	Fax: <u>303 298-7800</u>
Contact Person: <u>Gerald Jacob</u>	E-Mail: _____

DESCRIPTION OF SPILL OR RELEASE

Date of Incident: <u>2/15/09</u> Facility Name & No.: _____	County: <u>Las Animas</u>
Type of Facility (well, tank battery, flow line, pit): <u>water gathering pipeline</u>	Qtr Qtr: <u>NWNE</u> Section: <u>35</u>
Well Name and Number: <u>Frio Canyon 31-35 (nearest well)</u>	Township: <u>31S</u> Range: <u>66W</u>
API Number: <u>05-071-08204</u>	Meridian: <u>6</u>
Specify volume spilled and recovered (n bbls) for the following materials:	
Oil spilled: <u>None</u> Oil recov'd: <u>NA</u> Water spilled: <u>50 bbls</u> Water recov'd: <u>None</u> Other spilled: <u>None</u> Other recov'd: <u>NA</u>	
Ground Water impacted? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Surface Water impacted? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Contained within berm? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Area and vertical extent of spill: <u>2'</u> x <u>240'</u>
Current land use: <u>Timber</u>	Weather conditions: _____
Soil/geology description: <u>Gulnare-Allens Park Complex (Form 2A)</u>	
IF LESS THAN A MILE , report distance IN FEET to nearest Surface water: <u>100'</u> wetlands: _____ buildings: <u>0</u>	
Livestock: <u>0</u> water wells: <u>700'</u> Depth to shallowest ground water: <u>450'</u>	
Cause of spill (e.g., equipment failure, human error, etc.): <u>equipment failure</u> Detailed description of the spill/release incident:	
A water gathering pipeline going to the Southpaw WVD ruptured at approximately the intersection of Co Rd 44 and Co Rd 41.6. The spill occurred on the north side of the intersection; produced water ran for approximately 90' along Co Rd 44 before entering Frio Canyon Creek. No water was present upstream of the location that the spill entered the drainage. Produced water traveled for approximately 150' within the creek before encountering surface water.	

CORRECTIVE ACTION

Describe immediate response (how stopped, contained and recovered):
 Upon discovery, the water gathering line was isolated to allow for repairs.
 Describe any emergency pits constructed:
 None constructed.
 How was the extent of contamination determined:
 Visual inspection by hydrologic field technician; no hydrocarbons involved. A surface water sample from Frio Canyon Creek was collected below the spill location.
 Further remediation activities proposed (attach separate sheet if needed):
 Produced water was within the drainage- no further remediation activities are planned.
 Describe measures taken to prevent problem from reoccurring:
 Water line was repaired; no subsequent spills have occurred.

OTHER NOTIFICATIONS

List the parties and agencies notified (County, BLM, EPA, DOT, Local Emergency Planning Coordinator or other).

Date	Agency	Contact	Phone	Response
2/15/09	COGCC	Peter Gintautas	719-846-3091	verbal
2/15/09	CDPHE Spill Hotline		1-877-518-5608	left message
2/25/09	COGCC	Peter Gintautas/Margaret Ash		sent via email
2/25/09	CDPHE-WQCD	David Knope		sent via email

Spill/Release Tracking No: _____

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SPILL/RELEASE REPORT

This form is to be submitted by the party responsible for the oil and gas spill or release. Any spill or release which may impact waters of the State must be reported as soon as practicable; any spill over 20 bbls must be reported within 24 hours and all spills over five bbls must be reported within ten days. Submit a Site Investigation and Remediation Workplan (Form 27) when requested by the Director.

Spill report taken by:

FACILITY ID:

OPERATOR INFORMATION

Name of Operator: <u>Pioneer Natural Resources USA, Inc.</u> OGCC Operator No: <u>10084</u>	Phone Numbers
Address: <u>1401 17th Street, Ste. 1200</u>	No: <u>303 298-8100</u>
City: <u>Denver</u> State: <u>CO</u> Zip: <u>80202</u>	Fax: <u>303 298-7800</u>
Contact Person: <u>Gerald Jacob</u>	E-Mail: _____

DESCRIPTION OF SPILL OR RELEASE

Date of Incident: <u>7/08/09</u> Facility Name & No.: _____	County: <u>Las Animas</u>
Type of Facility (well, tank battery, flow line, pit): <u>water gathering pipeline</u>	Qtr Qtr: <u>SWSE</u> Section: <u>25</u>
Well Name and Number: <u>Parachute 34-25</u>	Township: <u>33S</u> Range: <u>67W</u>
API Number: <u>05-071-08408</u>	Meridian: <u>6</u>
Specify volume spilled and recovered (in bbls) for the following materials:	
Oil spilled: <u>None</u> Oil recov'd: <u>NA</u> Water spilled: <u>50 bbls</u> Water recov'd: <u>None</u> Other spilled: <u>None</u> Other recov'd: <u>NA</u>	
Ground Water impacted? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Surface Water impacted? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Contained within berm? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Area and vertical extent of spill: <u>1.5'-5'</u> x <u>90'</u>
Current land use: <u>Timber</u>	Weather conditions: _____
Soil/geology description: <u>Gulnare-Allens Park Complex (Form 2A)</u>	
IF LESS THAN A MILE , report distance IN FEET to nearest Surface water: <u>90'</u> wetlands: _____ buildings: <u>0</u>	
Livestock: <u>0</u> water wells: <u>1000'</u> Depth to shallowest ground water: <u>390'</u>	
Cause of spill (e.g., equipment failure, human error, etc.): <u>equipment failure</u> Detailed description of the spill/release incident:	
A water gathering system going to the SouthpawWD leaked and produced water ran along Co Rd. 44.0 before entering into Sawmill Canyon Creek. The location of the spill is approx 10' north of C.R. 44.0 and 50' west of Sawmill Canyon Cr. At the time of the spill live water was encountered in the drainage.	

CORRECTIVE ACTION

Describe immediate response (how stopped, contained and recovered):
 Upon discovery, the water gathering line was isolated to allow for repairs.
 Describe any emergency pits constructed:
 None constructed.
 How was the extent of contamination determined:
 Visual inspection by hydrologic field technician; no hydrocarbons involved.
 Further remediation activities proposed (attach separate sheet if needed):
 Produced water was contained within the drainage- no further remediation activities are planned.
 Describe measures taken to prevent problem from reoccurring:
 Water line was repaired; no subsequent spills have occurred.

OTHER NOTIFICATIONS

List the parties and agencies notified (County, BLM, EPA, DOT, Local Emergency Planning Coordinator or other).

Date	Agency	Contact	Phone	Response
7/9/09	COGCC	Peter Gintautas	719-846-3091	verbal
7/9/09	CDPHE Spill Hotline		1-877-518-5608	left message; spill report #2009-0319
7/21/09	COGCC	Peter Gintautas/Margaret Ash		sent via email
7/21/09	CDPHE-WQCD	David Knope		sent via email

Spill/Release Tracking No: #200216933

State of Colorado
Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80203 (303) 894-2100 Fax: (303) 894-2109



FOR OGCC USE ONLY

08/24/2009

200216978

*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 10084
Name of Operator: PIONEER NATURAL RESOURCES USA INC
Address: 1401 17TH ST STE 1200 ATTN: DAVE HOLMES
City: DENVER State: CO Zip: 80202
Company Representative: DAVE HOLLAND

Date Notice Issued:

08/24/2009

Well Name: FRIO CANYON Well Number: 31-35 Facility Number: 273665
Location (QtrQtr, Sec, Twp, Rng, Meridian): NWNE 35 31S 66W 6 County: LAS ANIMAS
API Number: 05 071 08204 00 Lease Number:

COGCC Representative: GINTAUTAS PETER Phone Number: 719 846-3091

THE FOLLOWING ALLEGED VIOLATION WAS FOUND BY THE COGCC REPRESENTATIVE FOR THE SITE LISTED

Date of Alleged Violation: 02/15/2009 Approximate Time of Violation:

Description of Alleged Violation:

A water gathering line burst. The resulting spill of produced water entered waters of the state causing adverse environmental impacts. The spill is a result of the operator having no effective program to ensure adequate design and implementation of water gathering lines and no effective program to prevent failure of water gathering pipelines. No testing program to ensure adequate operations at maximum anticipated operating pressure is conducted by the operator.

Act, Order, Regulation, Permit Conditions Cited:

324A.(a), 907.a.(1), 907.a.(2), 1101.c., 1101.e.

Abatement or Corrective Action Required to be Performed by Operator:*

Provide water quality data in accordance with rule 906.a. from upstream of the spill location as background and from produced waters that were spilled as well as results from one sample collected downstream from the spill shortly after the spill occurred. Provide documentation that pipeline materials utilized are able to maintain structural integrity under conditions of use at this site. Provide documentation of routine testing program to ensure that pipelines are operated in compliance with rule 1101.e.(1).

Abatement or Corrective Action to be Completed by (date): 09/28/2009

* Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

TO BE COMPLETED BY OPERATOR - When alleged violation is corrected, sign this notice and return to above address:

Company Representative Name: _____ Title: _____
Signature: _____ Date: _____
Company Comments:

*** THIS NOTICE CONSTITUTES A SEPARATE NOTICE OF ALLEGED VIOLATION FOR EACH VIOLATION LISTED ***

WARNING

Abatement and reporting time frames for Notices of Alleged Violation begin upon receipt of the Notice or five days after the date it is mailed, whichever is earlier. Each violation must be abated within the prescribed time upon receipt of this Notice, reported to the Colorado Oil and Gas Conservation Commission at the address shown above, and postmarked no later than the next business day after the prescribed time for abatement. Should abatement or corrective action fail to occur, the Director may make application to the Commission for an Order Finding Violation. Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

PENALTY PROPOSED BY THE DIRECTOR PER RULE 523

The Director may propose a penalty as listed in the table below, not to exceed a maximum of \$1,000.00 per day per violation. Such proposed penalty amount will be limited to \$10,000.00 per violation if the violation does not result in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety, or welfare. Such proposed penalty amount may be increased if aggravating factors indicate the violation: was intentional or reckless; had, or threatened to have, a significant negative impact on public health, safety, or welfare; resulted in significant waste of oil and gas resources; had a significant negative impact on correlative rights of other parties; resulted in, or threatened to result in, significant loss or damage to public or private property; involved recalcitrance or recidivism upon the part of the violator; involved intentional false reporting or record keeping; resulted in economic benefit to the violator. Such proposed penalty amount may be decreased if mitigating factors indicate the violator: self-reported; promptly, effectively and prudently responded to the violation; cooperated with the Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations and orders. The Commission has final authority over the penalty amount assessed. The Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due to the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations, and orders. The Commission has final authority over the penalty amount assessed.

BASE FINE \$250.00 PER DAY PER VIOLATION: RULES 210, 307, 311, 312, 313, 314A, 315, 403, 405, 803, 804
BASE FINE \$500.00 PER DAY PER VIOLATION: RULES 205, 206, 207, 208, 302, 308, 309, 310, 316A, 321, 322, 328, 329, 330, 331, 332, 401
BASE FINE \$750.00 PER DAY PER VIOLATION: RULES 605, 606A, 606B, 607
BASE FINE \$1,000.00 PER DAY PER VIOLATION: RULES 209, 301, 303, 305, 306, 316B, 317, 317A, 318, 319, 320, 323, 324, 325, 326, 327, 333, 404, 602, 603, 604, 703, 704, 705, 706, 707, 708, 709, 711, 802, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 1002, 1003, 1004, 1101, 1102, 1103

In accordance with Rule 523.a.(4), fines for violations for which no base fine is listed shall be determined by the Commission at its discretion.

Signature of COGCC Representative: _____ Date: _____ Time: _____
Resolution Approved by: _____ Date: _____



*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 10084
Name of Operator: PIONEER NATURAL RESOURCES USA INC
Address: 1401 17TH ST STE 1200 ATTN: DAVE HOLMES
City: DENVER State: CO Zip: 80202
Company Representative: DAVE HOLLAND

Date Notice Issued:
08/24/2009

Well Name: PARACHUTE Well Number: 34-25 Facility Number: 278032
Location (QtrQtr, Sec, Twp, Rng, Meridian): SWSE 25 31S 66W 6 County: LAS ANIMAS
API Number: 05 071 08408 00 Lease Number:

COGCC Representative: GINTAUTAS PETER Phone Number: 719 846-3091

THE FOLLOWING ALLEGED VIOLATION WAS FOUND BY THE COGCC REPRESENTATIVE FOR THE SITE LISTED

Date of Alleged Violation: **07/08/2009** Approximate Time of Violation:
Description of Alleged Violation:
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Abatement or Corrective Action Required to be Performed by Operator:*
Provide water quality data in accordance with rule 906.a. from upstream of the spill location as background and from produced waters that were spilled as well as results from one sample collected downstream from the spill shortly after the spill occurred. Provide documentation that pipeline materials utilized are able to maintain structural integrity under conditions of use at this site. Provide documentation of routine testing program to ensure that pipelines are operated in compliance with rule 1101.e.(1).

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TO BE COMPLETED BY OPERATOR - When alleged violation is corrected, sign this notice and return to above address:
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The Director may propose a penalty as listed in the table below, not to exceed a maximum of \$1,000.00 per day per violation. Such proposed penalty amount will be limited to \$10,000.00 per violation if the violation does not result in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety, or welfare. Such proposed penalty amount may be increased if aggravating factors indicate the violation: was intentional or reckless; had, or threatened to have, a significant negative impact on public health, safety, or welfare; resulted in significant waste of oil and gas resources; had a significant negative impact on correlative rights of other parties; resulted in, or threatened to result in, significant loss or damage to public or private property; involved recalcitrance or recidivism upon the part of the violator; involved intentional false reporting or record keeping; resulted in economic benefit to the violator. Such proposed penalty amount may be decreased if mitigating factors indicate the violator: self-reported; promptly, effectively and prudently responded to the violation; cooperated with the Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations and orders. The Commission has final authority over the penalty amount assessed. The Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due to the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations, and orders. The Commission has final authority over the penalty amount assessed.

BASE FINE \$250.00 PER DAY PER VIOLATION: RULES 210, 307, 311, 312, 313, 314A, 315, 403, 405, 803, 804
BASE FINE \$500.00 PER DAY PER VIOLATION: RULES 205, 206, 207, 208, 302, 308, 309, 310, 316A, 321, 322, 328, 329, 330, 331, 332, 401
BASE FINE \$750.00 PER DAY PER VIOLATION: RULES 605, 606A, 606B, 607
BASE FINE \$1,000.00 PER DAY PER VIOLATION: RULES 209, 301, 303, 305, 306, 316B, 317, 317A, 318, 319, 320, 323, 324, 325, 326, 327, 333, 404, 602, 603, 604, 703, 704, 705, 706, 707, 708, 709, 711, 802, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 1002, 1003, 1004, 1101, 1102, 1103

In accordance with Rule 523.a.(4), fines for violations for which no base fine is listed shall be determined by the Commission at its discretion.

Signature of COGCC Representative: _____ Date: _____ Time: _____
Resolution Approved by: _____ Date: _____