

From: Ash, Margaret

Sent: Monday, October 17, 2011 3:35 PM

To: Daniel_Padilla@oxy.com

Cc: Blair_Rollins@oxy.com; Greg_Hardin@oxy.com; Lujan, Carlos; Fischer, Alex; Canfield, Chris

Subject: RE: Oxy's Variance Request to Rule 1003.b (Currey 16-10 Reserve Pit)

Dear Mr. Padilla,

October 17, 2011

RE: Variance Request #2215753

COGCC Location #334372

The Colorado Oil & Gas Conservation Commission (COGCC) is in receipt of the Oxy USA, Inc. (OXY) 502.b. Variance from COGCC Role 1003.b Request. The variance request (#2215753) has been indexed to COGCC Location ID #334372 instead of the API # listed on the Form 4 which relates to an abandoned location (AL). The pit has served multiple wells on this location will better able the COGCC to document request and the ongoing status of the pit. The variance request is to allow a reserve pit/flow-back to remain open for an indeterminate amount of time. The Form 4 asked for a variance from 1003.b but leaving the reserve pit open would require a variance from 1003.d.(2) in addition to 1003.b.

To evaluate the variance request COGCC staff reviewed the Form 4 including information included on the Technical Page 2 and data within the COGCC database. Additionally, a site inspection was conducted on October 11, 2012. Findings of the evaluation are:

1. There are three producing wells, several AI, one active permit and one well where only the surface casing hole has been drilled and completed on this location. Drilling was stopped after

surface casing was set on the Currey 16-2A (05-077-09548) due to economic reasons. In Oxy's submittal requesting shut-in status for the currey 16-2A it was stated that drilling would likely start up in late 2009 or early 2010. However, no additional activities have occurred on this well.

2. In the variance request Oxy indicates that there are litigation matters ongoing that are beyond their control that have delayed the drilling of the Currey Federal A 15-4 but have not discussed why the Currey 16-2A cannot be completed.

3. The pit was constructed in late 2008 and used for drilling and completion operations until January 2009. COGCC Rule 1003.d (2), in place in early 2009, required that drilling pits be closed within one year after drilling activities ceased. No drilling activities have occurred on Location #334372 for more 20 months. Current COGCC rules require than drilling pits on non-cropland be closed within 6 months after drilling operations cease.

4. COGCC Rule 1003.b. requires that all disturbed areas affected by drilling or subsequent operations, shall be reclaimed as early and as nearly as practicable to their original condition or their final land use within 6 months after drilling stops. Drilling and completion operations ceased nearly 2 years ago but reclamation has not occurred.

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5. Conductor pipe has been set but data required under the 2006 Conductor Setting Policy could not be located within the COGIS database.

6. The following observations were made during the October 11, 2011.

a. Pit is approximately 230 feet x 60 feet.

b. Liner was found to be in marginal condition:

i. A tear in the liner was observed in the northwest corner.

ii. Anchoring is insufficient.

iii. Liner is sagging.

c. The barbed wire fence is in poor condition and is inadequate to protect wildlife resources. It consists of a few strands of barb wire insufficiently attached to T posts that are not poorly anchored in the ground.

d. No method of monitoring or maintaining freeboard was observed. The proposed weekly monitoring is an insufficient method due to naturally occurring climatic conditions including rapid snow melt and heavy summer rain events.

e. Solid material, that appears to be drill cuttings and frac sand, was observed in the pit (see attached photographs).

After review the COGCC denies the Oxy's variance request. A summary of the issues follows:

1. Oxy is and has been in violation of COGCC Reclamation Rules for more than one year.

2. Pit fencing is not appropriate and is inadequate for protection of wildlife resources and therefore Oxy is in violation of COGCC Rule 902.d.

3. The pit liner was observed to be in marginal conditions: torn, poorly anchored and sagging.

4. The resumption of drilling activities is apparently dependent on two different factors that Oxy has stated emphatically are beyond their control.

To move forward Oxy shall:

1. Submit a brief pit closure plan to COGCC Field Inspection Manager by October 24, 2011.
2. The pit shall be closed by November 24, 2011.
3. Sundries for the conductors shall be submitted to COGCC by December 1, 2011.
4. Initiate interim reclamation of areas no longer needed for drilling by November 24, 2011 or submit separate variance request for reclamation of Location #334372. If variance is requested include description of ongoing site specific stormwater best management practices, description of site inspection and good housekeeping program, method used to stabilize proposed drilling areas and an explanation on why Oxy feels that the delaying reclamation would be protective of public health safety welfare and the environment including.

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-----Original Message-----

From: Daniel_Padilla@oxy.com [mailto:Daniel_Padilla@oxy.com]
Sent: Thursday, October 13, 2011 9:30 AM
To: Ash, Margaret
Cc: Blair_Rollins@oxy.com; Greg_Hardin@oxy.com; Lujan, Carlos; Fischer, Alex
Subject: Oxy's Variance Request to Rule 1003.b (Currey 16-10 Reserve Pit)

Margaret,

Attached please find Oxy's variance request to COGCC Rule 1003.b for its reserve pit located on the Currey 16-10 pad. Oxy is requesting to keep requesting permission from the COGCC to keep the reserve pit open until the litigation surrounding a Federal Unit is resolved and Oxy has had time to commence its well, but not beyond August 5, 2012 (APD permit expiration date) if no drilling activities have commenced by such date. Please see the attached sundry for details.

At your earliest convenience, could you review our variance request and let us know if you have questions, comments, or if you require additional information.

Thank you for your consideration of Oxy's request.

Daniel

Daniel I. Padilla
Regulatory Advisor

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