



February 28, 2013

Margaret Ash
State of Colorado
Oil and Gas Conservation Commission
1120 Lincoln St., Suite 801
Denver, CO 80203

Re: Kinder Morgan Response to NOAV #2369024, COGCC Location #428391, HA-4

This letter provides Kinder Morgan CO₂ Company, L.P.'s (Kinder Morgan's) initial response to the above mentioned NOAV related to well HA-4. As a result of this and other COGCC inspections and prior to receipt of the NOAV, Kinder Morgan has undertaken significant steps to improve its stormwater program which are described in more detail below.

We have worked to address each alleged issue in the NOAV. Below, Kinder Morgan has restated the allegation in the NOAV followed by our response. All but one of the requested corrective action items (which is not due until April 9, 2013) have been completed and there are a few issues where Kinder Morgan is requesting additional clarification from COGCC staff.

Section 34-60-121(1) C.R.S.

Pit Permit #428408

1. Allegation: Kinder Morgan did not provide 48 hour notice, using Form 42, of pit construction as required.

Kinder Morgan Response: Kinder Morgan is submitting a Form 42 and notes that closed loop drilling will be utilized on all future wells so we will no longer utilize reserve pits.

2. Allegation: Kinder Morgan did not provide 48 hour notice, using Form 42, for pit liner installation as required.

Kinder Morgan Response: Kinder Morgan is submitting a Form 42 and notes that closed loop drilling will be utilized on all future wells so we will no longer utilize reserve pits.

3. Allegation: Kinder Morgan did not place and or keep drill cuttings in a lined pit, container or on a lined/bermed portion of the well pad prior to disposal, or maintain de minimis moisture content of the cuttings as required.

Kinder Morgan Response: The existing pit liner (30ml.) extends 10' from the edge of reserve pits. The area North of the reserve pit had been graded on a 3 degree slope to facilitate any possible fluids that may collect due to weather conditions or other means, to be directed back in to the reserve pits itself. This same area had been lined with the identical liner used in the pits themselves. The liner is then covered with soil for protection. With the varied heights of the stockpiled drill cuttings along with the silt liners from the mix off containers, some moisture may have been slowed in its return journey to reserve pit area, but remained on the lined area.

4. Allegation: Kinder Morgan did not provide a net for the pit as required.

Kinder Morgan Response: Kinder Morgan was unaware that the flagging no longer qualified as an adequate deterrent. As has been previously discussed Kinder Morgan will no longer utilize reserve pits because of the transition to closed loop drilling. Therefore, bird netting will not be necessary on future Kinder Morgan well locations.

Location Permit #428391

1. The location was permitted as a 2.53 acre site. Data collected during the September 28, 2012 field inspection indicates that the Location as constructed covers the 3.94 acres, plus an additional 1.92 acres was disturbed for the storage of a drilling rig, tanks, and other ancillary drilling rig equipment for a total disturbance of 6.12 acres.

Kinder Morgan Response: The Form 2A included the dimensions of the perimeter berm, but did not account for the soil stockpiles. Kinder Morgan will resurvey the HA-4 location and will submit a Form 4 Sundry to the COGCC accurately represent the size of the disturbance footprint.

The 1.92 acres referred to in the COGCC's inspection report was the Nabor's 148 rig temporarily stored on private land owned by the Bangs family adjacent to Kinder Morgan's HA-4 well location. Nabor's negotiated a separate lease agreement with the Bangs in order to store the rig as observed by the COGCC. The rig was no longer under Kinder Morgan contract or control as of 9/14/12. A letter from the Bangs family to the COGCC is attached to Kinder Morgan's response discussing their separate contract arrangements with Kinder Morgan and Nabors Drilling.

2. Kinder Morgan did not maintain de minimis moisture content of drill cuttings to extent practicable.

Kinder Morgan Response: After reviewing the field inspection report and the pictures provided by COGCC, Kinder Morgan requests additional information regarding this issue and looks forward to discussing this issue with COGCC staff.

3. Kinder Morgan did not install a wattle as required. The wattle was to be installed as a stormwater Best Management Practice (BMP) and was to encompass the entire southern periphery of the well pad.

Kinder Morgan Response: Upon learning of the issue with BMPs, Kinder Morgan installed wattles and stormwater BMPs (e.g., sprayed tacktifier) along the periphery of the well pad. As a result of this oversight, Kinder Morgan contractors now conduct three inspections of stormwater BMPs on all active well locations three times per week.

Statewide Site Management Requirements

Allegation: COGCC Rule 603j requires that sites be kept clear of trash, debris, and equipment not necessary for use on the lease. The field inspection identified weeds and piles of debris and soils from site construction along the lease road (Slides 5). Additionally, equipment no longer in use or necessary for production of the lease was being stored adjacent to the permitted location (Slide 6).

Kinder Morgan Response: In light of this allegation, Kinder Morgan carefully inspected and removed trash or debris at the HA-4 location. Some of the trash and debris identified during the inspection may have been associated with the stacked Nabors No. 148 rig on the Bangs property, which was no longer in Kinder Morgan's control. Interim reclamation at the HA-4 location is ongoing.

Pit General (Rule 902) and Pit Lining (Rule 904)

Allegation: Rule 902 requires that pits be constructed and operated to protect public health, safety, welfare, and the environment, including wildlife resources. COGCC Rule 904 requires that pit lining systems be designed, constructed, installed and maintained in accordance with manufacturer specifications and good engineering practices. During the inspection of the pit it was observed that fence posts had been driven through the liner and that the liner had been installed with large folds/wrinkles (Slide 8).

Kinder Morgan Response: Kinder Morgan installed t-posts into the liner to secure fencing and to prevent bird deterrent flagging from contacting drilling fluids in the pits. It should be noted that the t-posts were installed on the top of the berms, which are well above the drilling fluids. In addition, t-posts were well above the two foot of free board required by COGCC. As stated above, Kinder Morgan has transitioned to closed loop drilling operations and will no longer utilize pit liners or bird flagging.

Spills and Releases (Rule 906)

Allegation: COGCC Rule 906 requires that spills/releases of Exploration and Production (E&P) waste be controlled and contained immediately upon discovery and investigated and cleaned up as soon as practicable. Rule 906 also requires that releases be reported to the COGCC. During

the field inspection fluids were observed leaching from drill cuttings and impacting the ground surface and soil stockpiles. Kinder Morgan had not contained or controlled these releases (Slide 9). Fluids leaking from a portable secondary containment device were observed. These releases were not controlled or contained, and no attempt to clean up the releases could be identified (Slide 10). Kinder Morgan did not submit a Form 19 or otherwise report these releases of E&P waste to the COGCC.

Kinder Morgan Response: The flow back tank identified on location during the inspection was never used. Therefore, there was no leak from the tank or secondary containment. The soil staining was the result of a small incidental release of drilling fluids and the stained soil has since been reclaimed. The drill cuttings located in the northeast corner of the location passed the paint filter test, and Kinder Morgan believes that no additional leachate extended beyond the limits of the drill cuttings. The cuttings have been removed and disposed of properly at the Montezuma County Solid Waste Facility. Kinder Morgan will conduct analytical testing on a 20 foot by 20 foot grid of all soil surfaces that came in contact with drill cuttings including the surface of the well pad, as well as, the cut face of the earthen embankment located on the Northeast corner of the disturbance area of the location.

Kinder Morgan would like the opportunity to discuss this allegation with COGCC to clarify which other materials are in question and whether a Form 19 is required. Since we are not certain what material is at issue, a partially completed Form 19 and Form 27 are attached.

Management of E&P Waste (Rule 907)

Allegation: COGCC Rule 907 requires that E&P waste be managed in a manner that prevents threatened or actual adverse environmental impacts to air, water, soil or biological resources to the extent necessary to ensure compliance with Table 910-1 standards. During the inspection it was observed that wet drill cuttings had been placed on the ground surface; there were no controls or methods of containment provided and no analytical data was available to show that these E&P waste met Table 910-1 standards.

A drilling rig (Nabors #148), tanks and other drilling associated equipment were stacked on lightweight plastic material adjacent to the permitted location. However, grease and other fluids had washed off the equipment and the plastic onto the surrounding soil (Slide 11). These materials are non E&P waste. COGCC Rule 907A requires that non E&P waste be handled in compliance with 6 CCR 1007-2 and 1007-3.

Kinder Morgan Response: Kinder Morgan believes that some of the observed staining was E&P waste, but not a reportable quantity. Kinder Morgan believes this staining was due to incidental rig activities. Final site reclamation is currently in process and as part of the final site reclamation, soil samples will be taken and analytical results submitted to COGCC by April 9, 2013, in compliance with the proposed waste management plan and as specified in Table 910-1.

At the time of the COGCC inspection, the Nabors rig 148, had been released from its contract duties with Kinder Morgan. Nabors Drilling negotiated a separate lease storage agreement with the Bangs family, who are the land owners, in order to store the rig off the Kinder Morgan HA-4 location as observed by the COGCC. The rig was no longer under Kinder Morgan contract or control during the 9/28/12 inspection.

Site Preparation and Stabilization (Rule 1002)

Site Preparation and Stabilization

Allegation: COGCC Rule 1002.b requires that soils removed during site construction be segregated into layers and that each layer be marked or identified. Soils excavated during construction of the location were placed in stock-piles along the location; however, soil segregation was not conducted (Slides 12 and 13). Kinder Morgan also failed to implement BMP to protect the stockpiled soils from degradation due to the contamination, compaction and wind or water erosion (Slide 14) as required under COGCC rule 1j002.c.

Kinder Morgan Response: Kinder Morgan's revised stormwater management plan requires soil stockpiles to be clearly marked and segregated. Additionally, Kinder Morgan is utilizing soil tackifier to prevent wind and water erosion (degradation) to stockpiled soils. Kinder Morgan also utilizes a combination of wattles, tackifier, and eyebrow ditches to control run-on and runoff from our new locations. Please see attached Kinder Morgan's Stormwater Management plan for additional details. Dry and liquid bulk materials are now stored in modified steel shipping containers, which protect them from adverse weather conditions and bulk materials are shrink-wrapped for additional protection

Construction Stormwater

Allegation: COGCC rule 1002.f.(2) requires operators implement BMPs to control stormwater runoff, to minimize erosion and transport of sediment, and site degradation. Kinder Morgan failed to implement stormwater BMPs for erosion control and to prevent site degradation (Slide 15).

Kinder Morgan Response: Kinder Morgan refers to its responses above and the attached Stormwater Management Plan explaining the improvements to its stormwater management program.

Abatement or Corrective Action and Corrective Action Dates

1. Install, inspect, and maintain all stormwater BMP's to protect site from degradation due to contamination and stormwater runoff (March 2, 2013).

Kinder Morgan Response: This action item was completed by November 15, 2012 as requested by the COGCC in our meeting October 19, 2012.

2. Submit waste management plan for handling of drill cuttings to Karen Spray COGCC Southwest Environmental Specialist for review and approval (March 2, 2013).

Kinder Morgan Response: The waste management plan is attached to this response.

3. Remove drill cuttings and excessive cement and other waste materials; handle per the approved waste management plan (March 18, 2013).

Kinder Morgan Response: Cuttings and impacted soil were disposed of at the Montezuma County Solid Waste Facility pursuant to the proposed waste management plan which is attached hereto. Hauling was completed in November, 2012. As explained above, soil from underneath the removed stained soil will be analyzed to insure compliance with Table 910-1 standards.

4. Remove drilling rig and other associated equipment by March 18, 2013.

Kinder Morgan Response: The Nabors 148 rig was released from its contract duties on 9/14/2012, and subsequently removed from the Kinder Morgan location. Therefore, the rig was no longer under Kinder Morgan contract or control during 9/28/2012 inspection. Nabors Drilling negotiated a separate lease agreement with the Bangs family to store the rig on the Bang's property.

5. Submit interim reclamation plan to include start date and estimated completion date by March 18, 2013.

Kinder Morgan Response: The attached waste management plan will serve as Kinder Morgan reclamation plan for surface impact reclamation on the HA-4 location. Kinder Morgan has attached a draft Form 27. Kinder Morgan has begun reclaiming the HA-4 location. The reserve pits were backfilled on 12-12-12.

6. Submit report describing releases of waste materials including but not limited to drill cuttings, leachate from drill cuttings, fluid released from temporary tank, and the fluids released from stored equipment. The report shall include estimates of total volumes released, how those volumes were calculated, and shall include analytical data from representative soil samples collected from impacted areas. Report with analytical data due to environmental department by April 9, 2013.

Kinder Morgan Response: The flow back tank identified on location during the inspection was never used. Therefore, there was no leak from the tank or secondary containment. The soil staining was the result of de minimis drilling fluids released during rig operations. The stained soil has been removed and reclaimed. The drill cuttings passed the 5 minute paint

filter test, and no additional leachate extended beyond the limits of the drill cutting lined area. Kinder Morgan will conduct analytical testing on a 20' foot by 20 foot grid of all soil surfaces that came in contact with drill cuttings and liquids, as well as, the cut face of the earthen embankment located on the Northeast corner of the disturbance area of the location. Kinder Morgan will submit a report as requested by the COGCC by April 9, 2013.

7. Provide report to COGCC that includes process changes made within Kinder Morgan CO2 CO LP that shall ensure that operations are conducted in compliance with the COGCC permits, conditions of approval and COGCC rules by March 25, 2013.

Kinder Morgan Response: As discussed above and in our February 28, 2013 letter, Kinder Morgan has taken many steps and implemented process changes to improve its programs including:

- Animas Environmental Services are performing three inspections per week to insure our locations have the necessary Stormwater BMPs and rig operations follow COGCC regulations.
- Ecosphere Environmental Services conducts three stormwater management inspections each week, in addition to the 14 and 30 day CDPHE inspections to insure stormwater BMPs are in place to manage run-on/runoff from Kinder Morgan well locations.
- Kinder Morgan is segregating and labeling top soil and subsoil piles. In addition, Kinder Morgan is using a combination of wattles and tackifier to reduce the potential for wind and water erosion of the soil stockpiles.
- The revised stormwater management plan is attached.
- Kinder Morgan is using steel bins to contain drill cuttings.
- Kinder Morgan is renting portable secondary spill containment, which has been installed on our locations.

Therefore, this letter serves as the requested report and Kinder Morgan looks forward to discussing this further with COGCC staff.

Kinder Morgan remains committed to compliance with the COGCC regulations and requests a meeting with COGCC staff to further explain and discuss this response. Please contact me at 970-882-5505 to schedule a time to meet or if you have any additional questions.

Sincerely,



Coy Bryant
Manager of Operations