

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF ALLEGED VIOLATIONS OF)	CAUSE NO. 1V
THE RULES AND REGULATIONS OF THE COLORADO)	
OIL AND GAS CONSERVATION COMMISSION BY)	DOCKET NO. 1108-OV-22
CORAL PRODUCTION CORPORATION,)	
WASHINGTON COUNTY, COLORADO)	

ADMINISTRATIVE ORDER BY CONSENT AND SETTLEMENT AGREEMENT

(Pursuant to Rule 522.b.(3) of the Rules and Regulations of the
Colorado Oil and Gas Conservation Commission, 2 CCR 404-1)

FINDINGS

Christiansen #B-5 Well

1. On October 19, 2003 Coral Production Corporation. (Operator No. 20275) ("Coral") spud the Christiansen #B-5 Well (the "Well") (API No. 05-121-10711), located in the NE ¼ NW ¼ of Section 27, Township 3 South, Range 50 West, 6th P.M.

2. On April 30, 2011 COGCC Staff issued Notice of Alleged Violation ("NOAV") #200308970 to Coral. The NOAV contained certain alleged violations, including:

a. Rule 210.b., which requires operators to place signs at tank batteries within 60 days after installation with operator contact information, emergency contact information, lease name(s), and location information.

b. Rule 210.d., which requires operators to properly label individual tanks by September 1, 2009.

c. Rule 324A.a., which requires operators to take precautions to prevent significant adverse environmental impacts to air, water, soil, or biological resources to the extent necessary to protect public health, safety and welfare.

d. Rule 603.j., which requires operators to keep locations free of unused equipment and vehicles, supplies not used on the lease, weeds, trash and other waste material.

e. Rule 604.a.(4)., which requires operators to construct, inspect at regular intervals and maintain, secondary containment devices in good condition around crude oil, condensate and produced water tanks.

f. Rule 604.d., which requires operators to inspect at regular intervals, maintain in good mechanical condition and securely fasten, all valves, pipes, and fittings

g. Rule 906.a., which requires operators to appropriately control, contain and clean up spills and releases as soon as practicable.

h. Rule 907.e., which requires operators to properly treat or dispose of oil wastes generated from exploration and production.

- i. Rule 907.f., which requires operators to properly treat or dispose of other E&P wastes, including tank bottoms.

The NOAV required Coral to correct or abate the alleged rule violations by performing the following actions:

Submit a Form 19 Spill/Release Report to document the release resulting from intentional dumping of tank bottoms on the lease roads. Immediately remove all impacted material on the lease roads resulting from dumping; dispose all oily waste in accordance with COGCC Rule 907.e; and document the total volume of the oily waste removed and disposal information. Collect a sufficient number of confirmation soil samples from the removal areas to verify that all remaining materials meets Table 910-1 standards, and submit disposal documentation and confirmation soil sample results on a Form 27. In addition to removal of oily waste from the lease roads, remove and properly dispose site-wide oily waste from the tank battery, pumping unit and water pit complex, and include documentation of site wide oily waste removal and confirmation sample results on the same Form 27. Provide signs with all required information in accordance with Rule 210.b and label tanks including all information required by Rule 210.d. Remove all junk, trash, debris, unused equipment and properly dispose or recycle in accordance with Rule 603.j. Maintain facilities and all equipment to prevent leaks/spills in accordance with Rule 604.d. Immediately cover openings of buried water tanks to prevent wildlife entry. Submit a separate Form 27, for prior approval, to properly close the six unlined skim pits in accordance with Rule 905. Once closure requirements are met, skim pits can be properly lined or replaced with skim vessels. All oil saturated soil surrounding skim pits will require appropriate disposal in accordance with Rule 907.e. Maintain the skim pit covers to prevent wildlife entry until such time that skim pits are closed or upgraded. Notify the surface owner of the intentional dumping on the lease roads and planned remediation and provide COGCC with documentation that property owner has been notified. These actions are required to be completed by July 31, 2011.

3. On May 5, 2011, at the requirement of COGCC, Coral submitted a Form 19 (COGCC Document No. 2214043) documenting the dumping of tank bottoms on the lease roads.

4. Rule 523.c. specifies a base fine of Five Hundred dollars (\$500) for each day of violation of Rules 210.b. and 210.d. Rule 523. specifies a base fine of One Thousand dollars (\$1,000) for each day of violation of Rules 324A.a., 603.j., 604.a.(4), 604.d., 902.a., 902.d., 902.g., 904., 906.a., 907.e., and 907.f. Rule 523.a.(3). specifies that "the maximum penalty for any single violation shall not exceed Ten Thousand dollars (\$10,000) regardless of the number of days of such violation," unless the violation results in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare or the environment.

5. Coral violated Rule 210.b. because it failed to place signs at tank batteries within 60 days after installation with operator contact information, emergency contact information, lease name(s), and location information.

6. Coral violated Rule 210.d. because it failed to properly label individual tanks.

7. Coral violated Rule 324A.a. because it failed to take precautions to prevent significant adverse environmental impacts to soil, or biological resources to the extent necessary to protect public health, safety and welfare by improperly disposing of tank bottoms.

8. Coral violated Rule 603.j. because it failed to perform routine maintenance to keep the location free of unused equipment, weeds, trash and other waste material.

9. Coral violated Rule 604.a.(4) because it failed to construct, inspect at regular intervals, and maintain secondary containment berms or devices in good condition around crude oil, condensate and produced water tanks.

10. Coral violated Rule 604.d. because it failed to assure all valves, pipes and fitting were securely fastened, were inspected at regular intervals, and maintained in good mechanical condition

11. Coral violated Rule 906.a. because it failed to control, contain, investigate and clean up spills as soon as practicable to protect the environment, public health, safety, and welfare, and wildlife resources.

12. Coral violated Rule 907.e. because it failed to properly treat or dispose of oil wastes generated from exploration and production.

13. Coral violated Rule 907.f. because it failed to properly treat or dispose of other E&P wastes, including tank bottoms.

18. The COGCC Staff and Coral agree to resolve these matters through the assessment of a total fine of **\$15,000**, as Coral has undertaken substantial corrective actions to properly close the unlined skim pits and remediate impacts associated with the operation of the pits, and has undertaken remediation of the E & P waste spread on the lease road. In addition, Coral agrees to pay **\$30,000** to the COGCC for its costs in pursuing this action.

Rule Violations	Base Fine
Rule 210.b.	\$500
Rule 210.d.	\$500
Rule 324A.a.	\$5,000
Rule 603.j.	\$1,000
Rule 604.a.(4).	\$500
Rule 604.d.	\$500
Rule 906.a.	\$1,000
Rule 907.e.	\$1,000
Rule 907.f.	\$5,000
<i>Total Base Fine</i>	<i>\$15,000</i>

19. If this matter is not resolved by this AOC and Settlement Agreement, COGCC Staff specifically reserves the right to bring this matter for hearing by the Commission, in which no fines for documented rule violations will be waived. In that case, nothing within this proposed AOC and Settlement Agreement should be construed as the COGCC Staff waiving its rights to prosecute any violation set forth in this AOC and Settlement Agreement and/or to present evidence which alters the days of violation set forth in this AOC and Settlement Agreement.

20. Payment of the fine pursuant to this AOC and Settlement Agreement does not relieve the operator from its obligations to complete corrective actions set forth in the NOAV. This AOC includes fines

reduced in recognition of extensive remediation efforts undertaken by Coral, which to date total approximately \$530,000.00 by its account. If, however, Coral does not complete the remediation, the COGCC Staff specifically reserves its rights to resume the prosecution of any violation set forth in the AOC and Settlement Agreement, and/or to present evidence which alters the days of violation set forth in this AOC and Settlement Agreement.

21. Coral shall execute this AOC and Settlement Agreement no later than seven (7) days after the date it is executed by COGCC Staff for recommendation to the Commission for expedited approval.

22. Coral agrees it will not seek reimbursement from the State of Colorado for remediation costs incurred in complying with the NOAV or this AOC and Settlement Agreement. Specifically, Coral will not seek to recover costs from the state of Colorado for what Coral calls an "orphan share," in other words, for costs that may be necessitated by the actions of predecessor operators which are defunct, have been dissolved or no longer exist. This paragraph is not intended to relieve predecessor operators of responsibility to reimburse Coral, either as responsible parties, or pursuant to contractual obligations.

23. Coral agrees to the findings of this AOC and Settlement Agreement only for the purpose of expeditiously resolving the matter without a contested hearing. Notwithstanding the above, Coral does not admit to any of the factual or a legal determination made by the Commission herein, and fully reserves its right to contest the same in any future action or proceeding, other than a proceeding to enforce this AOC and Settlement Agreement.

24. Coral agrees that any promises or representations made in this AOC and Settlement Agreement shall be binding on its successors or assigns.

ORDER

NOW, THEREFORE, IT IS ORDERED, that Coral Production Corporation shall be found in violation of the following Rules at the Christiansen #B-5 Well (API No. 05-121-10711), located in the NE¼ NW¼ of Section 27, Township 3 South, Range 50 West, 6th P.M:

1. Rule 210.b., for failure to place signs at tank batteries within 60 days after installation with operator contact information, emergency contact information, lease name(s), and location information.
2. Rule 210.d., for failure to properly label individual tanks by September 1, 2009.
3. Rule 324A.a., for failure to take precautions to prevent significant adverse environmental impacts to air, water, soil, or biological resources to the extent necessary to protect public health, safety and welfare.
4. Rule 603.j., for failure to keep location free of unused equipment and vehicles, supplies not used on the lease, weeds, trash and other waste material.
5. Rule 604.d., for failure to inspect site at regular intervals, maintain it in good mechanical condition and securely fasten all valves, pipes, and fittings.
6. Rule 604.a.(4), for failure to construct, inspect at regular intervals and maintain secondary containment in good condition around crude oil, condensate and produced water tanks.
7. Rule 906.a., for failure to appropriately control, contain and clean up spills and releases as soon as practicable.

12. Rule 907.e., for failure to properly treat or dispose of oil wastes generated from exploration and production.

13. Rule 907.f., for failure to properly treat or dispose of other E&P wastes, including tank bottoms.

IT IS FURTHER ORDERED, that Coral Production Corporation shall pay a total fine of \$15,000 for the Rule violations set forth above, and also \$30,000 in costs, both of which payments shall be payable within thirty (30) days of the date the order is approved by the Commission.

IT IS FURTHER ORDERED, that this AOC and Settlement Agreement does not relieve the operator from completing the abatement and corrective actions that are described below in paragraphs A. and B.

IT IS FURTHER ORDERED, the abatement and corrective actions are those outlined in the NOAV and as follows.

- A. For soil that a.) was unexcavated at the time this AOC and Settlement Agreement were signed by both parties; and b.) was impacted by historic operations of the former skim pits:
 - 1.) Coral Production Corporation shall determine the lateral extent of the soils impacted by historic operations of the former skim pits in accordance with the provisions of Rules 909.b.(2). Coral shall also determine the depth of impacted soils at the bottom of the skim pit excavation in accordance with the provisions of Rules 909.b.(2). Impacted soils are those soils that contain contaminate levels which exceed the amounts allowed by Table 910-1. Coral shall submit a Rule 909.c. Site Investigation and Remediation Workplan (Form 27) to the COGCC, which shall state the lateral and vertical extent of all the impacted soils and propose a remediation plan for the impacted soils at the bottom of the skim pit excavation ("**Remediation Workplan for Unexcavated Soil**").
 - 2.) The Remediation Workplan for Unexcavated Soil shall be submitted to the COGCC enforcement staff no later than sixty (60) days after both parties sign this AOC and Settlement Agreement.
 - 3.) Coral Production Corporation shall perform and complete remediation of the impacted soils remaining at the bottom of the skim pit excavation as outlined in the Remediation Workplan for Unexcavated Soil no later than two (2) years from the date of execution of this AOC.
 - 4.) The COGCC agrees to allow Coral to leave in place impacted soil on the south and west sides of the skim pit excavation, as any further excavation in those areas may undermine the integrity of the tank battery. Coral, or any subsequent operator, agrees to perform and complete the excavation and remediation of this soil, as outlined in the Remediation Workplan for Unexcavated Soil no later than two years after there has been no reported production to the tank battery.
- B. For soil that has been excavated and placed into piles at the time this AOC and Settlement Agreement was signed by both parties:
 - 1.) Coral Production Corporation shall submit a Rule 909.c. Site Investigation and Remediation Workplan (Form 27) to COGCC, and propose a remediation plan for all impacted material

that has now been excavated and placed into piles on the well site ("**Remediation Workplan for Excavated Soil**").

- 2.) The Remediation Workplan for Excavated Soil shall be submitted no later than sixty (60) days after this AOC is signed by both parties.
- 3.) Coral Production Corporation shall perform and complete remediation of the soil piles as outlined in the Remediation Workplan for Excavated Soil no later than two (2) years from the date of execution of this Administrative Order by Consent and Settlement Agreement. Coral Production Company's performance of this work shall be without prejudice to the rights of Chevron U.S.A., Inc. ("Chevron") as set forth below.

IT IS FURTHER ORDERED, that if Chevron is found to be a responsible party by the Commission in the proceedings captioned *In The Matter of Alleged Violations of the Rules and Regulations of the Colorado Oil and Gas Conservation Commission by Coral Prod. Corp., Washington Cty., Colo.*, Cause No. IV Docket No. 1108-OV-22, then:

A. Chevron shall have twenty (20) days to notify the COGCC that it wishes to submit new Remediation Workplans.

B. In the event that Chevron submits such a notice to the COGCC, then the Remediation Workplans shall automatically terminate and Chevron and Coral Production Company shall have an additional forty (40) days to jointly submit to the COGCC replacement Remediation Workplans (the "Replacement Remediation Workplans"). If Chevron and Coral Production Company cannot agree upon Replacement Remediation Workplans, then they may each submit to the COGCC proposed Replacement Remediation Workplans. Pursuant to Commission Rule 528, the COGCC shall then approve Replacement Remediation Workplans at the next regularly scheduled COGCC hearing for which lawful notice can be provided

C. All other provisions of this Administrative Order by Consent shall remain in force.

IT IS FURTHER ORDERED, that the operator shall execute this Administrative Order by Consent and Settlement Agreement no later than seven (7) days after the date it is executed by the COGCC Staff for recommendation of expedited approval by the Commission.

IT IS FURTHER ORDERED, that under the State Administrative Procedure Act the Commission considers this order to be final agency action for purposes of judicial review within thirty (30) days after the date this order is mailed by the Commission. Once this AOC and Settlement Agreement is signed by both parties and approved by the Commission, the COGCC will release the NOAV.

IT IS FURTHER ORDERED, that an application for reconsideration by the Commission of this order is not required prior to the filing for judicial review.

IT IS FURTHER ORDERED, that the provisions contained in the above order shall become effective forthwith.

IT IS FURTHER ORDERED, that the Commission expressly reserves its right after notice and hearing, to alter, amend, or repeal any and/or all of the above orders.

RECOMMENDED this 4th day of February, 2013.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By Thomas J. Ken

Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203

AGREED TO AND ACCEPTED this 7th day of February, 2013.

CORAL PRODUCTION CORPORATION

By James R. Weber
Signature of Authorized Company Representative

James R. Weber
Print Signatory Name

President
Title

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This matter was heard by the Commission and approved on the ____ day of March, 2013.

ENTERED this _____ day of March, 2013, as of the ____ day of March 2013.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By: _____
Robert J. Frick, Secretary