



Enforcement: 200203363  
Complaint: 200113299  
Date: 03/31/2009

DEPARTMENT OF NATURAL RESOURCES  
Bill Ritter, Jr., Governor  
1120 Lincoln St., Suite 801  
Denver, CO 80203  
Phone: (303) 894-2100  
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March 31, 2009

Mr. Jeff Schneider  
Schneider Energy Services, Inc.  
P.O. Box 297  
Fort Morgan, CO 80701

Re: Notice of Alleged Violation #200203363  
Schwake A-2, Tank Battery  
SWNE Section 6, T-11-N, R-52-W  
Logan County, Colorado

Mr. Schneider,

In response to a water well complaint filed with the Colorado Oil and Gas Conservation Commission (COGCC) by Mr. Melvin Nelson in June 2007, COGCC has collected several representative groundwater samples to determine if the water well was impacted, and if the impacts originated from nearby oil and gas facilities. COGCC personnel collected water samples from the Nelson well on July 10, 2007 and January 29, 2008. Mr. Nelson had filed similar complaints in the past. Water samples were collected by various parties from the Nelson water well in 1984, 1985, 1986, 1996, 2005 and 2007 in regard to those earlier complaints. Based on comparison of the COGCC samples collected in 2007 and 2008 to earlier sample results, it was apparent that the water quality had significantly deteriorated over time.

Soil samples were also collected from the eastern most produced water pit at the Schwake A tank battery on March 12, 2008. Results from the samples indicated that levels of inorganics in soil exceeded COGCC allowable concentrations. Based on the groundwater and soil sample results, COGCC retained Terracon Consultants, Inc. (Terracon) to review all relevant data associated with the Nelson water well, and to perform additional sampling as needed to verify the source of the apparent impacts. Terracon collected another water sample from the Nelson well on October 13, 2008, and a sample from the Schwake A-2 production water at the Gillham #5 injection well.

Based on the review of all available information, Terracon concluded that the Nelson water well had been impacted by oil and gas operations believed to originate from the Schwake tank battery produced water pits. This conclusion was presented in the *Nelson*

DEPARTMENT OF NATURAL RESOURCES: Harris Sherman, Executive Director

COGCC COMMISSION: Richard Alward - Thomas L. Compton - Mark Cutright - Michael Dowling - Joshua B. Epel - Kimberlee Gerhardt - Trésl Houpt - Jim Martin - Harris Sherman  
COGCC STAFF: David Nealin, Acting Director - Debbie Baldwin, Environmental Manager - Patricia C. Beaver, Hearings Manager - David K. Dillon, Engineering Manager

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*Water Well Investigation Report, Logan County Colorado* dated December 3, 2008, a copy of which is enclosed for your reference.

In the past it had been suggested that the Nelson water well had been impacted due to a faulty surface seal allowing impacts from sources such as contaminated surface water or the septic leach field. The sample collected by Terracon was analyzed for coliform bacteria, nitrate/nitrite and anionic surfactants to test this conclusion. These constituents were not detected, or detected at such low concentrations, that there was no support to conclude impacts from such sources.

In addition to the absence of impacts from surface water or septic field sources, the sample collected by Terracon contained 6.0 mg/L Total Extractable Petroleum Hydrocarbons (TEPH) and the most recent sample from the Schwake A-2 produced water contained 13.0 mg/L TEPH. The oil and gas facilities are the only source of hydrocarbons identified to date in the area surrounding the Nelson water well that could have impacted shallow groundwater.

As you are aware COGCC initially issued the subject NOAV to the previous operator, Coral Production Corporation. However, after review of the operator history it is clear that Schneider Energy Services, Inc. (Schneider) became the operator of record with an effective date of November 15, 2008. Because a final conclusion regarding the source of the impacts to the Nelson water well had not been reached until December 3, 2008, the NOAV should have been issued to Schneider, the current operator of record.

As a result of the investigations performed by COGCC and Terracon, COGCC has issued the referenced NOAV for corrective actions at the site. Due to the levels of inorganics in soil at the water pits which exceed COGCC allowable concentrations, Schneider is required to perform a site characterization to delineate the complete extent of soil impacts at the site. Although there are no regulatory standards for TEPH in groundwater, levels of chloride and Total Dissolved Solids (TDS) in the Nelson water well exceed the COGCC allowable concentrations for inorganics in groundwater when using a nearby domestic water well (Lewis Creek) for background levels. As a result, Schneider is also required to characterize the shallow groundwater conditions at the Schwake A tank battery in accordance with COGCC Rule 909. Results of the site characterization are required to be submitted on a Form 27 to COGCC no later than July 31, 2009. The Form 27 shall include a detailed remediation plan to mitigate all soil and groundwater impacts. The form shall also include a final closure and reclamation plan for the water pits at the Schwake A tank battery.

The concentrations of chloride, sodium and overall TDS make the Nelson water well unsuitable for potable use. In fact, the Nelsons are not currently using the groundwater as a drinking water supply. As a result, Schneider shall provide the Nelsons with an alternate potable water supply to be used for drinking water, household needs and livestock watering as soon as possible. Arrangements for the alternate water supply

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should be made with Mr. Ron Nelson, the current tenant at the residence located at 18852 County Road 74, Peetz, Colorado. Arrangements should also be made with the current surface owner Mrs. Strelsa Langness, 1812 G Street, Lincoln, Nebraska.

Please take immediate action to comply with the corrective actions listed in the enclosed NOAV. If you would like to schedule an appointment to discuss the findings of the water well investigation, or if you require additional information, call me at 303-637-7178.

Sincerely,



John E. Axelson, P.G.  
Environmental Protection Specialist

Enclosures

Cc: David Neslin, COGCC – Acting Director  
Debbie Baldwin, COGCC – Environmental Manager  
Carol Harmon, COGCC – Enforcement Officer  
Strelsa Langness – Water Well Owner  
Ron Nelson – Tenant  
Scott Stapt – Merchant Energy Partners  
Bill Murphy – Coral Production Corporation  
John Dellaport – Terracon Consultants, Inc.