

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

IN THE MATTER OF ALLEGED VIOLATIONS) CAUSE NO. 1V
OF THE RULES AND REGULATIONS OF THE)
COLORADO OIL AND GAS CONSERVATION) DOCKET NO. 171000527
COMMISSION BY **KERR-MCGEE OIL & GAS**) TYPE: ENFORCEMENT
ONSHORE LP, WELD COUNTY, COLORADO) ORDER 1V-649

ADMINISTRATIVE ORDER BY CONSENT

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

FINDINGS

1. Kerr-McGee Oil & Gas Onshore LP ("Kerr-McGee") (Operator No. 47120) is the operator of record of the Adamson 35C-28HZ well (API No. 05-123-41824) located in Weld County, Colorado ("Well").

2. On January 20, 2017, Kerr-McGee lost well control during workover operations at the Well and the Well began releasing water and oil, and gas phase hydrocarbons into the air and onto the ground, impacting Weld County Road 41 and the surrounding area.

3. On January 21, 2017, Kerr-McGee secured the Well with the addition of a TIW Kelly Safety Valve, which stopped the uncontrolled release of oil and water from the Well and redirected the liquids to temporary tanks on location.

4. On January 22, 2017, Kerr-McGee tied the Well into the production facility and all liquids and gas were then routed to the production facility.

5. On July 13, 2017, Commission Staff issued Notice of Alleged Violation ("NOAV") No. 401310322 (Amended) to Kerr-McGee citing violations of the following COGCC Rules of Practice and Procedure, 2 CCR 404-1 ("Rule" or "Rules"):

- a. Rule 324A (Pollution)
- b. Rule 327 (Well Control), and
- e. Rule 906.a (Spills and Releases).

6. Following factual investigation and legal review of the violations alleged in the NOAV, Hearings Staff now asserts Kerr-McGee has committed the following violations:

| Rule No. | Days of Violation | Start Date | End Date | Class/ Impact | Daily Base Penalty | Total Penalty |
|---------------|-------------------|------------|------------|---------------|--------------------|-----------------|
| 324A | 1 | 01/20/2017 | 01/20/2017 | 3/Major | \$15,000 | \$15,000 |
| 327 | 1 | 01/20/2017 | 01/20/2017 | 3/Major | \$15,000 | \$15,000 |
| 906.a | 3 | 01/20/2017 | 01/22/2017 | 2/Major | \$15,000 | \$45,000 |
| Total Penalty | | | | | | \$75,000 |

7. Pursuant to Rule 523 and the Commission's Enforcement and Penalty Policy, Enforcement Staff calculated a penalty of \$75,000 for these violations. The penalty calculation is based on the following:

a. Rule 324A (Pollution)

- i. Kerr-McGee violated Rule 324A by utilizing a secondary mechanical barrier on the Well that was not effective at preventing Exploration and Production Waste (E&P Waste) from impacting the environment once the well event occurred.
- ii. Staff determined that this violation resulted in a Major impact to public health, safety, welfare, including the environment and wildlife resources due to the fact that approximately 1,648 barrels of produced water and 277 barrels of oil were released covering approximately 64 acres of land which resulted in the excavation and removal of approximately 17,568 cubic yards of impacted soil.
- iii. Violation of a Class 3 Rule, with a Major impact, results in a statutory maximum daily penalty of \$15,000.
- iv. Given the nature of Kerr-McGee's violation of Rule 324A, Enforcement Staff determined that only one day of violation occurred.

b. Rule 327 (Well Control)

- i. Kerr-McGee violated Rule 327 by failing to maintain hydrostatic balance at the Well, which initially led to loss of well control.
- ii. Staff determined that this violation resulted in a Major impact to public health, safety, welfare, including the environment and wildlife resources due to the fact that approximately 1,648 barrels of produced water and 277 barrels of oil were released covering approximately 64 acres of land which resulted in the excavation and removal of approximately 17,568 cubic yards of impacted soil.
- iii. Violation of a Class 3 Rule, with a Major impact, results in a statutory maximum daily penalty of \$15,000.

- iv. Given the nature of Kerr-McGee's violation of Rule 327, Enforcement Staff determined that only one day of violation occurred.
- c. Rule 906.a (Spills and Releases)
- i. Kerr-McGee violated Rule 906.a by failing to immediately redirect E&P waste or produced fluids to production facilities at the Well. Immediately upon discovery, Kerr-McGee worked to control and contain the release of E&P waste and produced fluids to protect the environment, public health, safety, and welfare, and wildlife resources. Within 24 hours, Kerr-McGee redirected oil phase hydrocarbons and water to temporary tanks on location, gas phase hydrocarbons continued to be released for approximately 43 hours.
 - ii. Staff determined that this violation resulted in a Major impact to public health, safety, welfare, including the environment and wildlife resources due to the fact that approximately 1,648 barrels of produced water and 277 barrels of oil were released covering approximately 64 acres of land which resulted in the excavation and removal of approximately 17,568 cubic yards of impacted soil.
 - iii. Violation of a Class 2 Rule, with a Major impact, typically results in a daily penalty of \$10,000. Pursuant to Rule 523.c.(2), COGCC Staff exercised its authority to increase the base penalty for this violation to a statutory maximum daily penalty of \$15,000 because of the nature of the impact, described above.
 - iv. The violation commenced on January 20, 2017 (the day Kerr-McGee lost well control at the Well), and continued through January 22, 2017 (the day Kerr-McGee tied the Well into the production facility, controlling the release of E&P waste and produced fluids at the Well).
- d. No aggravating or mitigating factors; and
- e. No pattern of violation, gross negligence, or knowing and willful misconduct.

AGREEMENT

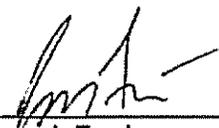
NOW, THEREFORE, based on the Findings and pursuant to Rule 522.e.(1) and the Commission's Enforcement and Penalty Policy, the Director and Kerr-McGee request that the Commission approve the Order set forth below.

Pursuant to Rule 523.f, in its discretion, the Commission may allow an operator to satisfy a penalty in whole or in part by a Public Project that the operator is not otherwise legally

required to undertake. In order to satisfy the penalty amount in full, Kerr-McGee has proposed, and Commission Staff has agreed to, a Public Project consisting of the following:

Kerr-McGee would like to purchase five (5) Remote Methane Leak Detectors ("RMLDs") and donate them to the Weld County Fire Chief's Association ("WCFA"). These detectors will give responders the ability to detect methane safely from a remote distance.

RECOMMENDED this 20th day of October, 2017.

By 

Jeremy I. Ferrin
Enforcement Supervisor

AGREED TO AND ACCEPTED this 23 day of October, 2017.

KERR-MCGEE OIL & GAS ONSHORE LP

By 

Carrie L. Horton
Vice President, DJ Basin Development

ORDER

HAVING CONSIDERED the Agreement between the Director and Kerr-McGee to resolve the NOAV, the COMMISSION ORDERS:

1. Kerr-McGee is found in violation of Rules 324A, 327, and 906.a., as described above.
2. Kerr-McGee is assessed a penalty of \$75,000.
3. Kerr-McGee may satisfy the penalty amount in full by funding and carrying out the following Public Project, pursuant to Rule 523.f.
 - a. The WCFA has a desire for RMLDs which are designed to assist first responders in remotely identifying the smallest leaks potentially not detected by those detectors currently carried by emergency response

agencies. These units will allow emergency providers to detect if a hazard is present, from a safe distance.

Kerr-McGee has agreed to purchase five (5) RMLDs. The WCFCA has identified the type of RMLD that will best meet its needs. These units detect natural gas leaks by emitting a laser at specific wavelengths and analyzing the light reflected back to determine how much was absorbed by any methane in the air.

WCFCA plans to strategically position these detectors throughout Weld County to be available for use by any organization requesting remote methane leak detection within the county within minutes. WCFCA agrees to be solely responsible for all training, deployment and maintenance associated with the units once received.

- b. Subject to any events of force majeure, if in the Director's determination, Kerr-McGee fails to complete the Public Project as detailed above by 12/31/2017, the Director may require Kerr-McGee to pay all or a portion of the assessed penalty within 30 days of this deadline. Adequate proof that Kerr-McGee has completed the Public Project must be received by the Director by 1/15/2018.

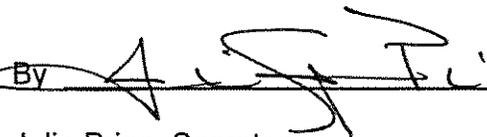
4. Failure to pay the penalty or to complete the Public Project by the above deadline is an independent violation that may be subject to additional penalties.

5. This Order is effective as of the date it is mailed by the Commission. It constitutes final agency action for purposes of judicial review.

6. The Commission expressly reserves its right after notice and hearing, to alter, amend, or repeal any and/or all of the above orders.

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ENTERED this 1 day of Nov, 2017 as of the 30th day of October, 2017.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

BY  _____
Julie Prine, Secretary

CERTIFICATE OF MAILING

On November 6th, 2017, a true and accurate copy of Commission Order 1V- 649 was mailed by first-class mail return receipt requested to the following:

Kerr-McGee Oil & Gas Onshore LP
Attn: Cheryl Light
P.O.Box 173779
Denver, CO 80217-3779



Margaret Humecki