

State of Colorado  
Oil and Gas Conservation Commission

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05/02/2022

## NOTICE OF ALLEGED VIOLATION - ISSUED

Per Rule 523, the Director has reasonable cause to believe that a violation of the Act, or of any Commission rule, order, or permit has occurred, the Director will require the operator to remedy the violation and may commence an enforcement action seeking penalties by issuing a Notice of Alleged Violation (NOAV). Per Rule 525, an operator who violates the Act, or a Commission rule, order, or permit may be subject to a penalty imposed by Commission order.

### OPERATOR INFORMATION

OGCC Operator Number: 46290

Name of Operator: KP KAUFFMAN COMPANY INC

Address: 1675 BROADWAY, STE 2800

City: DENVER State: CO Zip: 80202

Contact Name and Telephone:

Name: ROSS WATZMAN

Phone: (303) 825-4822 Fax: ( )

Email: rwatzman@kpk.com

### Well Location, or Facility Information (if applicable):

API Number: 05-123-08828-00

Facility or Location ID:

Name: MARTIN J SCHAEFER

Number: 2

QtrQtr: NWSE Sec: 11

Twp: 1N

Range: 67W

Meridian: 6

County: WELD

### ALLEGED VIOLATION

Rule: 1102

Rule Description: Operations, Maintenance, and Repair

Initial Discovery Date: 08/30/2021

Was this violation self-reported by the operator? Yes

Date of Violation: 08/30/2021

Approximate Time of Violation:

Was this a discrete violation of obvious duration? Unknown

Description of Alleged Violation:

Pursuant to Rule 1102.i.(1), KP Kauffman Company, Inc. ("Operator") must take reasonable actions to prevent failures and leakage, and minimize corrosion of flowlines and crude oil transfer lines.

On August 30, 2021, Operator submitted an Initial Form 19, Spill/Release Report (document no. 402796847) for the spill of oil and produced water from the Martin J Schaefer #2 Flowline (Spill/Release Point ID 480698; "Spill") discovered on August 30, 2021.

On September 22, 2021, Operator submitted a Supplemental Form 19, Spill/Release Report (document no. 402802287) identifying internal corrosion as the root cause of the flowline failure.

Operator failed to take reasonable actions to prevent failures and leakage, and minimize corrosion of flowlines and crude oil transfer lines, violating Rule 1102.i.(1).

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 05/02/2022

**Proper and timely abatement does not preclude the assessment of penalties and an Order Finding Violation.**

As required by the Compliance Plan attached as Exhibit 1 to Order No. 1V-772, Operator submitted the Flowline System Integrity

Evaluation on April 1, 2022, providing the basis for a Flowline System Integrity Plan, which Operator will submit no later than July 1, 2022. Staff are currently reviewing the Flowline System Integrity Evaluation and will consult with Operator if necessary.

Rule: 608.e.

Rule Description: Mechanical Conditions

Initial Discovery Date: 08/30/2021

Was this violation self-reported by the operator? Yes

Date of Violation: 08/30/2021

Approximate Time of Violation:

Was this a discrete violation of obvious duration? Unknown

Description of Alleged Violation:

Pursuant to Rule 608.e, all Production Facilities, valves, pipes, fittings, and vessels must be securely fastened or sealed, inspected at regular intervals, and maintained in good mechanical condition. All equipment must be engineered, operated, and maintained within the manufacturer's recommended specifications.

On August 30, 2021, KP Kauffman Company, Inc. ("Operator") submitted an Initial Form 19, Spill/Release Report (document no. 402796847) for the spill of oil and produced water from the Martin J Schaefer #2 Flowline (Spill/Release Point ID 480698; "Spill") discovered on August 30, 2021.

On September 22, 2021, Operator submitted a Supplemental Form 19, Spill/Release Report (document no. 402802287) identifying internal corrosion as the root cause of the flowline failure.

Operator failed to take reasonable actions to ensure that pipes were maintained in good mechanical condition, violating Rule 608.e.

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 05/02/2022

**Proper and timely abatement does not preclude the assessment of penalties and an Order Finding Violation.**

As required by the Compliance Plan attached as Exhibit 1 to Order No. 1V-772, Operator submitted the Flowline System Integrity Evaluation on April 1, 2022, providing the basis for a Flowline System Integrity Plan, which Operator will submit no later than July 1, 2022. Staff are currently reviewing the Flowline System Integrity Evaluation and will consult with Operator if necessary.

Rule: 902.

Rule Description: Pollution

Initial Discovery Date: 08/30/2021

Was this violation self-reported by the operator? Yes

Date of Violation: 08/30/2021

Approximate Time of Violation:

Was this a discrete violation of obvious duration? Unknown

Description of Alleged Violation:

Pursuant to Rule 902.a., KP Kauffman Company, Inc. ("Operator") will prevent Pollution. Pursuant to Rule 902.b., Operator will prevent adverse environmental impacts on any air, water, soil, or biological resource resulting from Oil and Gas Operations and will protect and minimize adverse impacts to public health, safety, welfare, the environment, and wildlife resources. Pursuant to Rule 902.c., Operator will prevent the unauthorized discharge or disposal of oil. Pursuant to Rule 902.d., no Operator, in the conduct of any Oil or Gas Operation, may violate numeric or narrative water quality standards or classifications established by the WQCC for Waters of the State.

On August 30, 2021, Operator submitted an Initial Form 19, Spill/Release Report (document no. 402796847) for the spill of oil and produced water from the Martin J Schaefer #2 Flowline (Spill/Release Point ID 480698; "Spill") discovered on August 30, 2021.

COGCC environmental staff inspected the Spill on September 1, 2021 (document no. 688500330) and September 2, 2021 (document no. 689501311), and observed accumulations of liquid hydrocarbons (free product) forming a sheen on surface waters in an unnamed ditch used to transfer water from the Brantner Ditch through a Freshwater Emergent wetland to the Brighton Ditch over a distance of 2,200 feet. COGCC staff also observed ineffective spill control and containment devices and hydrocarbon absorbent booms installed incorrectly and saturated.

On September 2, 2021, COGCC environmental staff collected soil and surface water samples from the wetland area. The analytical results (document no. 2161231) showed exceedances of Table 915-1 concentrations in soil for Total Petroleum Hydrocarbons ("TPH") and Naphthalene and exceedances of Table 915-1 concentrations in groundwater for Xylenes, Naphthalene, 1,2,4-trimethylbenzene, and 1,3,5-trimethylbenzene.

COGCC environmental staff inspected the Spill on September 9, 2021, and documented observations with Operator in an email correspondence (document no. 2161232) and photos (document no. 2161235). Staff observed free phase product continuing to move downstream, spill control and containment devices not being correctly installed or maintained, oil seeping out from soil in the source area, and oil remaining in "pockets" forming a sheen downstream in the mapped wetlands. Additionally, COGCC staff observed no continuous presence on site from Operator personnel to mitigate impacts and prevent impacts from continuing to migrate.

Through email correspondence (document no. 2161227) with COGCC staff on September 20, 2021, Operator scheduled wetland flushes to remove free product from wetland surface water. The wetland flush began on September 21, 2021.

Through email correspondence (document no. 2161229) with COGCC staff on October 1, 2021, Operator documented spot removal of visibly impacted areas by hand in the wetland area began on September 30, 2021, as approved by the EPA.

Through email correspondence on October 19, 2021 (document no. 2161227), Operator notified staff Operator applied to the U.S. Army Corps of Engineers to determine if a Section 404 permit would be required to perform more invasive remedial work in the wetland.

Through email correspondence (document no. 216229) on October 26, 2021, Operator scheduled dredging the mapped wetland for remediating soil impacts and removing pockets of residual free product in the wetland. The dredging began on October 27, 2021, after receiving approval from the U.S. Army Corps of Engineers ("USACE") to dredge out contaminated soil and vegetation without a permit in writing. Operator completed dredging on November 17, 2021, according to a November 18, 2021 email (document no. 1561556).

Pursuant to Colorado WQCC Rule 31.11(1)(a), Basic Standards Applicable to Surface Waters of the State, state surface waters shall be free from substances attributable to human-caused point source or nonpoint source discharge in amounts, concentrations, or combinations which are harmful to the beneficial uses or toxic to humans, animals, plants, or aquatic life; or cause a film on the surface or produce deposit on shorelines.

Operator failed to prevent adverse environmental impacts on air, water, soil, or biological resources resulting from Oil and Gas Operations and failed to protect and minimize adverse impacts to public health, safety, welfare, the environment, and wildlife resources, and prevent the unauthorized discharge of oil, violating numeric or narrative water quality standards established by the WQCC for Waters of the State, violating Rule 902.

Abatement or Corrective Action Required to be Performed by Operator: Corrective Action Due Date: 05/02/2022

**Proper and timely abatement does not preclude the assessment of penalties and an Order Finding Violation.**

As required by the Compliance Plan attached as Exhibit 1 to Order No. 1V-772, Operator submitted a revised version of the Spill/Release Reporting and Training Plan on April 11, 2022 which included edits requested by COGCC staff. Staff are currently reviewing and will consult with Operator if necessary.

Rule: 912.a.

Rule Description: Spills and Releases - General

Initial Discovery Date: 09/20/2021 Was this violation self-reported by the operator? No

Date of Violation: 09/20/2021 Approximate Time of Violation:

Was this a discrete violation of obvious duration? Unknown

Description of Alleged Violation:

Pursuant to Rule 912.a.(3), the Director may require an Operator to perform any action the Director determines to be necessary and reasonable to prevent or mitigate adverse impacts on any air, water, soil, or biological resource caused by a Spill or Release.

On August 30, 2021, KP Kauffman Company, Inc. ("Operator") submitted an Initial Form 19, Spill/Release Report (document no. 402796847) for the spill of oil and produced water from the Martin J Schaefer #2 Flowline (Spill/Release Point ID 480698; "Spill") discovered on August 30, 2021.

In an email correspondence on September 3, 2021 (document no. 2161233), COGCC environmental staff required Operator to conduct and document daily inspections, with photographs, and provide the inspections and photographs on a Form 27, Site Investigation and Remediation Workplan by September 10, 2021.

In an email correspondence on September 9, 2021 (document no. 2161232), staff required Operator to perform daily inspections of the spill area, including the surface water between the point of release to the point where impacts were no longer observed. COGCC staff required monitoring to be documented on a field log by a qualified environmental technician, noting weather conditions, stream flow, observations of sheen or free product, observations of vegetation and wildlife impacts.

On September 20, 2021, Operator submitted a Supplemental Form 27, Site Investigation and Remediation Workplan (document no. 402815230) providing documentation of site activities to date. Operator provided no documentation that the downstream point of compliance location was inspected prior to September 14, 2021. Operator also provided no documentation that daily inspections were performed as required by the COGCC for September 6, 2021 and September 9, 2021 through September 13, 2021.

Operator failed to perform actions required by the Director to prevent or mitigate adverse impacts on any air, water, soil, or biological resource caused by a Spill or Release, violating Rule 912.b.(2).

Abatement or Corrective Action Required to be Performed by Operator: Corrective Action Due Date: 05/02/2022

**Proper and timely abatement does not preclude the assessment of penalties and an Order Finding Violation.**

As required by the Compliance Plan attached as Exhibit 1 to Order No. 1V-772, Operator submitted a revised version of the Spill/Release Reporting and Training Plan on April 11, 2022 which included edits requested by COGCC staff. Staff are currently reviewing and will consult with Operator if necessary.

Rule: 912.a.

Rule Description: Spills and Releases - General

Initial Discovery Date: 09/01/2021

Was this violation self-reported by the operator? No

Date of Violation: 09/01/2021

Approximate Time of Violation:

Was this a discrete violation of obvious duration? Unknown

**Description of Alleged Violation:**

Pursuant to Rule 912.a.(1), immediately upon discovering any Spills or Releases of E&P Waste, produced Fluids, or unauthorized Releases of natural gas that meet the criteria of Rules 912.b.(1).H, I, or J, regardless of size or volume, KP Kauffman Company, Inc. ("Operator") will control and contain the Spill or Release to protect and minimize adverse impacts to public health, safety, welfare, the environment, and wildlife resources. Pursuant to Rule 912.a.(2), Operator will investigate, clean up, and document impacts resulting from Spills and Releases as soon as the impacts are discovered.

On August 30, 2021, Operator submitted an Initial Form 19, Spill/Release Report (document no. 402796847) for the spill of oil and produced water from the Martin J Schaefer #2 Flowline (Spill/Release Point ID 480698; "Spill") discovered on August 30, 2021. COGCC environmental staff inspected the Spill on September 1, 2021 (document no. 688500330) and September 2, 2021 (document no. 689501311), and observed accumulations of liquid hydrocarbons (free product) forming a sheen on surface waters in an unnamed ditch used to transfer water from the Brantner Ditch through a Freshwater Emergent wetland to the Brighton Ditch over a distance of 2,200 feet. COGCC staff also observed ineffective spill control and containment devices and hydrocarbon absorbent booms installed incorrectly and saturated.

On September 2, 2021, COGCC environmental staff collected soil and surface water samples from the wetland area. The analytical results (document no. 2161231) showed exceedances of Table 915-1 concentrations in soil for Total Petroleum Hydrocarbons ("TPH") and Naphthalene and exceedances of Table 915-1 concentrations in groundwater for Xylenes, Naphthalene, 1,2,4-trimethylbenzene, and 1,3,5-trimethylbenzene.

COGCC environmental staff inspected the Spill on September 9, 2021, and documented observations with Operator in an email correspondence (document no. 2161232) and photos (document no. 2161235). Staff observed free phase product continuing to move downstream, spill control and containment devices not being correctly installed or maintained, oil seeping out from soil in the source area, and oil remaining in "pockets" forming a sheen downstream in the mapped wetlands. Additionally, COGCC staff observed no continuous presence on site from Operator personnel to mitigate impacts and prevent impacts from continuing to migrate.

Through email correspondence (document no. 2161227) with COGCC staff, Operator scheduled and began to conduct wetland flushes to remove free product from wetland surface water. The wetland flush began on September 21, 2021.

Through email correspondence (document no. 2161229) with COGCC staff on October 1, 2021, Operator documented spot removal of visibly impacted areas by hand in the wetland area began on September 30, 2021, as approved by the EPA.

Through email correspondence on October 19, 2021 (document no. 2161227), staff was notified that Operator applied to the U.S. Army Corps of Engineers to determine if a Section 404 permit would be required to perform more invasive remedial work in the wetland.

Through email correspondence (document no. 216229), Operator began dredging the mapped wetland to remediate soil impacts and remove pockets of residual free product in the wetland on October 27, 2021, after receiving approval from the U.S. Army Corps of Engineers ("USACE") to dredge out contaminated soil and vegetation without a permit in writing. Operator completed dredging on November 17, 2021, according to a November 18, 2021 email (document no. 1561556).

Operator failed to control and contain the Spill or Release to protect and minimize adverse impacts to public health, safety, welfare, the environment, and wildlife resources and failed to investigate, clean up, and document impacts from Spills and Releases as soon as the impacts are discovered, violating Rule 912.a.(1) & (2).

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 05/02/2022

**Proper and timely abatement does not preclude the assessment of penalties and an Order Finding Violation.**

As required by the Compliance Plan attached as Exhibit 1 to Order No. 1V-772, Operator submitted a revised version of the Spill/Release Reporting and Training Plan on April 11, 2022 which included edits requested by COGCC staff. Staff are currently reviewing and will consult with Operator if necessary.

Rule: 912.b.

Reporting Spills or Releases of E&P Waste, Gas, or Produced Fluids

Rule Description:

Initial Discovery Date: 11/28/2021

Was this violation self-reported by the operator? No

Date of Violation: 11/28/2021

Approximate Time of Violation:

Was this a discrete violation of obvious duration? Unknown

Description of Alleged Violation:

Pursuant to Rule 912.b.(6), no later than 90 days after a Spill or Release is discovered, KP Kauffman Company, Inc. ("Operator") will have submitted, and obtained the Director's approval of either a Form 19 – Supplemental requesting closure pursuant to Rule 913.h and supported by adequate documentation to demonstrate that the Spill or Release has been fully cleaned up and complies with Table 915-1 or a Form 27 Site Investigation and Remediation Workplan. If Remediation will continue under an approved Form 27, the Operator will also submit a Form 19 – Supplemental which requests closure of the Spill or Release and includes the Remediation project number assigned by the Director.

On August 30, 2021, Operator submitted an Initial Form 19, Spill/Release Report (document no. 402796847) for the spill of oil and produced water from the Martin J Schaefer #2 Flowline (Spill/Release Point ID 480698; "Spill") discovered on August 30, 2021.

On September 22, 2021, Operator submitted a Supplemental Form 19, Spill/Release Report (document no. 402802287). As a condition of approval, the Operator was required to submit a Supplemental Form 19, justifying closure of the Spill, or a Form 27, Site Investigation and Remediation Workplan by November 28, 2021, as required by Rule 912.b.(6).

On December 13, 2021, Operator submitted a Supplemental Form 19, Spill/Release Report (document no. 402896588) requesting Spill closure, fifteen days late. COGCC approved the closure request.

Operator failed to file a Supplemental Form 19, Spill/Release Report requesting closure of the Spill within 90 days after the Spill was discovered, violating Rule 912.b.(6).

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 05/02/2022

**Proper and timely abatement does not preclude the assessment of penalties and an Order Finding Violation.**

As required by the Compliance Plan attached as Exhibit 1 to Order No. 1V-772, Operator submitted a revised version of the Spill/Release Reporting and Training Plan on April 11, 2022 which included edits requested by COGCC staff. Staff are currently reviewing and will consult with Operator if necessary.

## PENALTY

Penalties for violations alleged in this NOAV will be calculated pursuant to Rule 525, with daily penalties accruing pursuant to Section 34-60-121(1), C.R.S.

## ANSWER

Pursuant to Rule 523.c.(2), the operator must file an Answer to this NOAV within 28 days of its receipt, or a default judgment may be entered. Answers are filed by email to [dnr\\_cogccenforcement@state.co.us](mailto:dnr_cogccenforcement@state.co.us).

## NOAV ISSUED

NOAV Issue Date: 05/02/2022

COGCC Representative Signature:



COGCC Representative: Trent Lindley

Title: NOAV Specialist

Email: [trent.lindley@state.co.us](mailto:trent.lindley@state.co.us)

Phone Num: (303) 894-2100 x5143

## ATTACHMENT LIST

View Attachments in Imaged Documents on COGCC website (<http://ogccweblink.state.co.us/>) - Search by Document Number.

<u>Document Number</u>	<u>Description</u>

Total Attach: 0 Files