

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

IN THE MATTER OF ALLEGED VIOLATIONS OF THE RULES)	CAUSE NO. 1V
AND REGULATIONS OF THE COLORADO OIL AND GAS)	
CONSERVATION COMMISSION BY MARATHON OIL)	DOCKET NO. 1106-OV-14
COMPANY, GARFIELD COUNTY, COLORADO)	ORDER NO. 1V -

ADMINISTRATIVE ORDER BY CONSENT

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

FINDINGS

1. On September 27, 2007, the Director ("Director") of the Colorado Oil and Gas Conservation Commission (the "Commission" or the "COGCC") approved an Application for Permit-to-Drill for the Marathon Oil Company ("Marathon") 697-12A #12 Well Pad (the "Well Pad") (API #05-045-14728), located in the SW¼ NE¼ of Section 12, Township 6 South, Range 97 West, 6th P.M. On or about November 28, 2007, Marathon began using a lined pit on the Well Pad to contain flow-back fluids (mostly fresh water) from two other well pads for storage prior to reuse.

2. On or about January 30, 2008, Marathon noted a discrepancy in pit fluid level relative to the volume of water hauled to the pit, and notified the COGCC on January 31, 2008 that there appeared to have been a release of flow-back fluids from the lined pit on the Well Pad. A small amount of condensate was observed in the pit, but did not appear to have been released.

3. On January 31, 2008, Marathon submitted a Spill/Release Report (Form 19, COGCC Document #1981707) to the COGCC, estimating that 31,590 barrels of flow-back fluid had been released from the pit due to the failure of a seam in the pit liner.

4. Between January 30, 2008 and March 28, 2008, COGCC Staff and Marathon engaged in a thorough investigation of the release, cooperatively sharing information and communicating frequently during this time. The analytical results from sampling of surface water in Garden Gulch and Parachute Creek indicated no significant impact to either Garden Gulch or Parachute Creek. Benzene, toluene, ethylbenzene, and xylenes ("BTEX") were not detected above the Colorado Department of Public Health and Environment ("CDPHE"), Water Quality Control Commission ("WQCC") ground water standards.

5. On April 11, 2008, COGCC Staff issued NOAV #200130139 to Marathon alleging violations of nine COGCC Rules, in effect at the time of the release, for which the COGCC recommended Marathon be penalized.

6. On May 31, 2011, the Director and COGCC Staff met with Marathon representatives, and the parties agreed to the following settlement of the above-captioned matter.

7. Rule 523 specifies a base fine of One Thousand dollars (\$1,000) for each day of violation of each Rule. 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.

8. COGCC Staff believes that the release of flow-back fluids from lined reserve pit on the Well Pad resulted in a significant adverse impact to the environment and public health, safety, and welfare. Marathon does not agree that this release resulted in a significant adverse impact to the environment or public health, safety, or welfare, but for purposes of settling this matter, does not dispute this finding.

9. COGCC Staff believes that Marathon should be found in violation of Rules 324A.a., 904.b.(3), and 907a.(2), for failing to properly construct and maintain the lined pit on the Well Pad so that E&P waste was not released. COGCC Staff believes that these violations occurred from November 28, 2007, when Marathon began using the lined pit, through January 31, 2008, when Marathon reported the release of flow back fluid to the COGCC. Base fines should be levied as compiled in the table below:

<i>Rule Violation</i>	<i>Days of Violation</i>	<i>Fine Amount/Violation</i>
324A.a.	58	\$58,000
904.b.(3)	58	\$58,000
907.a.(2)	58	\$58,000
Total Maximum Allowable Fine		\$174,000

10. Because the base fines for these violations are set at One Thousand dollars (\$1,000) per day of violation, the aggravating factors set forth in Rule 523.d. are not applicable by their terms.

11. Pursuant to Rule 523.d., mitigation of 17.5% was applied to the total base fine in recognition of the following factors:

- As is provided for by Rule 523.d.(2), Marathon demonstrated a prompt, effective and prudent response to the violations, and
- Under Rule 523.d.(3), Marathon cooperated with the Commission with respect to the violations.

12. Marathon should be assessed a total adjusted fine of One Hundred Forty Three Thousand, Three Hundred Fifty dollars (\$143,350.00) for the Rule violations described above at the Well Pad.

13. Marathon does not admit to the alleged violations but agrees to pay the total fine set forth in Finding No. 12 to resolve this matter without the necessity of an extended contested hearing before the Commission.

14. Pursuant to Article IX of the Memorandum of Agreement between the Colorado Department of Public Health and Environment, Water Quality Control Division ("WQCD") and the COGCC, adopted February 15, 2000, COGCC Staff conferred with WQCD enforcement staff in determining the monetary penalty against Marathon. WQCD indicated it agrees with the fine and the terms of this AOC and will not pursue any additional penalty against Marathon.

ORDER

NOW, THEREFORE, IT IS ORDERED, that Marathon shall be found in violation of the following Rules at the Well Pad, located in the SW¼ NE¼ of Section 12, Township 6 South, Range 97 West, 6th P.M.:

a. Rule 324A.a., for failure to take precautions to prevent the unauthorized discharge or disposal of E&P waste, chemical substances, trash, discarded equipment or other oil field waste;

b. Rule 904.b.(3)., for failure to install and maintain the synthetic liner to prevent deterioration and ensure that liner seams did not fail; and

c. Rule 907.a.(2), for failure to conduct E&P waste management activities and failure to construct and operate E&P waste management facilities to protect the waters of the state from significant adverse impacts from E&P waste.

IT IS FURTHER ORDERED, that Marathon shall be assessed a total adjusted fine of **One Hundred Forty Three Thousand, Three Hundred Fifty dollars (\$143,350.00)** for the Rule violations set forth above, which shall be payable within thirty (30) days of the date this order is approved by the Commission.

IT IS FURTHER ORDERED that nothing in this AOC shall constitute or be construed as an admission by Marathon that it committed any violations of any rules of the COGCC or other applicable law.

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.

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.

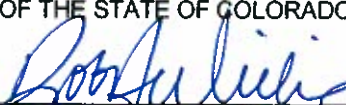
IT IS FURTHER ORDERED, that the provisions contained in the above order shall become effective forthwith.

IT IS FURTHER ORDERED, that Marathon is fully released from any and all claims for violations of COGCC rules, the Colorado Oil and Gas Conservation Act, or any other rule, law, order, or directive set out or that could have been set out in the Notice of Alleged Violation or this Administrative Order by Consent.

RECOMMENDED this -15th- day of June, 2011.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By:



Robert Willis, COGCC Enforcement Officer

Dated at Suite 801
1120 Lincoln St.
Denver, Colorado 80203

AGREED TO AND ACCEPTED this 14 day of June, 2011.

MARATHON OIL COMPANY

By:



Signature of Authorized Company Representative

M. J. Suek

Print Signatory Name

Operations Manager

Title

=====

This cause came on for hearing before the Commission on the _____ day of _____, 20 ____, in _____, Colorado, for the approval of this Administrative Order by Consent.

ENTERED this _____ day of _____, 20 ____, as of the _____ day of _____, 20 ____.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By _____
Robert A. Willis, Acting Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203