

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

IN THE MATTER OF ALLEGED VIOLATIONS OF THE)	CAUSE NO. 1V
RULES AND REGULATIONS OF THE COLORADO)	
OIL AND GAS CONSERVATION COMMISSION BY)	DOCKET NO. 0708-OV-04
LONE PINE GAS, INC , JACKSON COUNTY, COLORADO)	

NOTICE OF ADMINISTRATIVE ORDER BY CONSENT

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONERN:

On March 12, 2006, Lone Pine Gas, Inc. ("Lone Pine") observed a release of crude oil from a flowline associated with the Spaulding No. 1 Well (API 05-057-06009) located in the NW¼ NE¼ of Section 28, Township 9 North, Range 81 West, 6th P.M. into Hell Creek approximately two hundred fifty (250) feet southeast of the well where the flowline passes under the creek. On or about March 12, 2006, Lone Pine, upon discovery of the release, placed oil absorbent booms and straw bales in Hell Creek to absorb free crude oil.

On March 14, 2006, Lone Pine notified the Colorado Oil and Gas Conservation Commission ("COGCC") staff of the release. Lone Pine initially thought that the release was less than five (5) barrels; however, after the snow cover melted and the impacted area was visible, Lone Pine realized that, although it could not determine the actual volume of the release, it was greater than five (5) barrels. This determination was based on the fact that oily vegetation and free oil on the creek banks extended approximately two (2) miles downstream along Hell Creek.

On March 16, 2006 Andy Poirot, District Engineer with the of the Water Quality Control Division ("WQCD") of the Colorado Department of Public Heath and Environment ("CDPHE"), collected two (2) water samples from Hell Creek with cooperation from Lone Pine. One (1) sample was collected at the release location and one (1) sample was collected downstream of the release at the Delaney Buttes Bridge. Low concentrations of toluene (1.6 micrograms per liter [µg/l]), ethylbenzene (2 µg/l), and xylenes (6.9 µg/l M&P isomers and 3.7 µg/l O isomer) were detected in the sample collected from the release location, and low concentrations of toluene (0.4J µg/l), ethylbenzene (0.3J µg/l), and xylenes (0.8J µg/l M&P isomers and 0.9J µg/l O isomer) were detected in the sample collected at the Delaney Buttes Bridge. The "J" qualifier denotes a compound concentration below the analytical method required reporting limit but above the analytical instrument detection limit (aka "estimated concentration"). These concentrations did not exceed Water Quality Control Commission ("WQCC") standards for surface waters classified for water supply (toluene 1,000 µg/l, ethylbenzene 700 µg/l, and xylenes (total) 1,400 to 10,000 µg/l). COGCC staff observed crude oil in Hell Creek at the Delaney Buttes Bridge, approximately two (2) miles downstream of the release location, during the March 16, 2006 sampling.

On or about March 16, 2006, concerned landowners adjacent to the Lone Pine Field contacted United States Environmental Protection Agency Region VIII ("USEPA") regarding the crude oil release to Hell Creek.

On March 17, 2006, Lone Pine contracted with RMCAT Environmental Services ("RMCAT") to construct two (2) under-flow dams in Hell Creek as a spill control measure. One (1) under-flow dam was installed across Hell Creek approximately five hundred (500) feet downstream of the release location and a second check dam was installed at the Delaney Buttes Bridge. Oil absorbent booms were placed at both dams and other various locations along Hell Creek to aid in removal of free crude oil.

On March 18, 2006, Lone Pine shut-in the Spaulding No. 1 Well and its associated flowline under Hell Creek, which Lone Pine had identified as the source of the release. After being shut-in, the flowline continued to release minor amounts (one (1) to two (2) gallons per day based on COGCC staff observations) to Hell Creek.

On March 18, 2006, Lone Pine entered into an Administrative Order ("AO") with the USEPA to identify and mitigate the source and effect of the oil release at the Lone Pine Field (under section 311(c) of the Clean Water Act, 33 U.S.C. §1321(c), as amended by the Oil Pollution Act of 1990, 33 U.S.C. §2701 et seq.) for discharge or a substantial threat of discharge of oil and/or a hazardous substances into waters of the United States. The AO required Lone Pine to implement a spill abatement plan by March 19, 2006 and a submit a Work Plan to address clean

up along Hell Creek by March 22, 2006. According to an Expedited Consent Agreement with Lone Pine dated December 6, 2006, the USEPA acknowledged that Lone Pine completed these actions within the required time frames and completed spill clean up actions as required. The USEPA also assessed Lone Pine with a civil penalty of Five Hundred Dollars (\$500) for the discharge of oil in violation of the Clean Water Act.

On March 28, 2006, COGCC staff collected two (2) surface water samples from Hell Creek. Benzene was detected at a concentration of 35 µg/l in one (1) sample collected at the release location. This concentration exceeds the WQCC standard of 2.2 µg/l for surface water classified as both water supply and Class I aquatic life. Benzene, ethylbenzene, toluene, or xylenes compounds were not detected in the sample collected adjacent to the Delaney Buttes Bridge under-flow dam. COGCC staff did not observe crude oil or any oily sheen in Hell Creek at the Delaney Buttes Bridge under-flow dam while conducting the March 28, 2006 sampling.

On April 2, 2006, Lone Pine, following instructions from COGCC staff, excavated and repaired the damaged flowline from the Spaulding No. 1 Well, which successfully eliminated the release into Hell Creek.

On April 5, 2006, COGCC staff issued a Notice of Alleged Violation ("NOAV") to Lone Pine citing Rule 324A.a., which states that operators shall take precautions to prevent unauthorized discharge of oil, Rule 324A.b., which states that no operator shall perform an act or practice which shall constitute a violation of water quality standards or classifications established by the WQCC for waters of the state, Rule 906.a., which states that releases of E&P waste, including produced fluids, shall be controlled and contained immediately upon discovery, and Rule 906.d.(1) and (2), which requires submittal by the operator of a Remediation Work Plan, Form 27 for the oil release clean-up. The NOAV abatement date was April 14, 2006. Because of the conditions of the AO with the USEPA, the COGCC staff granted Lone Pine an extension on submittal of the Form 27.

Lone Pine submitted a signed Form 27 on August 29, 2006 stating that the implementation of the USEPA-required Work Plan addressed the requirements of Rule 906.d.(1) and (2). COGCC staff agreed that the USEPA Work Plan addressed the requirements of Rule 906.d.(1) and (2) and accepted the August 29, 2006 Form 27 submittal.

Lone Pine should be found in violation of Rule 906.a., for failure to control and contain the release from the Spaulding No. 1 Well flowline allowing crude oil to discharge into Hell Creek. The length of the violation should be from March 12, 2006 (date of first observation of the release) through March 18, 2006 (date the flowline was shut-in, eliminating the source of most of the release).

Lone Pine should be found in violation of Rule 324A.b., for violating WQCC's standard of 2.2 µg/l for benzene for surface waters classified as both water supply and Class I aquatic life. The length of violation should be from March 12, 2006 (date of first observation of the release) through April 2, 2006 (date of removal of soils impacted by the release in Hell Creek).

Rule 523.c. specifies a base fine of One Thousand dollars (\$1,000) per day for each violation of Rule 906.a. Lone Pine should be found in violation of Rule 906.a., from March 12, 2006 through March 18, 2006 for seven (7) days of violation.

Rule 523.c. specifies a base fine of One Thousand dollars (\$1,000) per day for each violation of Rule 324A.b. Lone Pine should be found in violation of Rule 906.a., from March 12, 2006 through April 2, 2006 for twenty-two (22) days of violation.

A monetary penalty of Seven Thousand dollars (\$7,000) should be assessed against Lone Pine in accordance with Rule 523.c. for violation of Rule 906.a.

A monetary penalty of Twenty-two Thousand dollars (\$22,000) should be assessed against Lone Pine, in accordance with Rule 523.c. for violation of Rule 324A.b.

The following mitigating factors should be considered in reducing the maximum allowable fine amount by Six Thousand dollars (\$6,000) per mitigating factor, for a total of Twelve Thousand dollars (\$12,000) in fine reduction: Rule 523.d.(2), the violator demonstrated prompt, effective and prudent response to the violation, and Rule 523.d.(3), the violator cooperated with the COGCC with respect to the violation.

For violations of Rule 324A.b. and Rule 906.a., and the Oil and Gas Conservation Act, a monetary penalty of Seventeen Thousand dollars (\$17,000.00) should be assessed against Lone Pine, in accordance with Rule 523.c., taking into consideration mitigating factors in accordance with Rule 523.d.

Pursuant to Article IX, of the "Memorandum of Agreement" between WQCD and COGCC, adopted February 15, 2000, COGCC staff conferred with WQCD enforcement staff in determining the monetary penalty against Lone Pine for violations of WQCC standards for surface waters. WQCD indicated it agrees with the fine and the terms of this AOC and will not pursue any additional penalty.

Lone Pine should proceed under the Site Investigation and Remediation Workplan, Form 27 approved by COGCC staff on August 29, 2006 with the following additional conditions:

- Lone Pine will collect water quality samples from Hell Creek (1) at the release location, and (2) at Delaney Buttes Bridge at approximately six (6) month intervals, starting on or around June 1, 2007 and following for a term of one (1) year (i.e., approximately December 2007 and June 2008). Water samples will be analyzed for benzene, toluene, ethylbenzene, and xylene compounds (USEPA analytical method SW846 8260), total recoverable petroleum hydrocarbons ("TRPH") diesel range and gasoline range ("DRO" and "GRO") by USEPA analytical method SW846 8015 – modified, and total dissolved solids ("TDS") by Methods for Chemical Analysis of Water and Wastes ("MCAWW") USEPA 600.
- All analytical results must be submitted, with cover letter identifying both the sample location and the date of sample collection, to the COGCC no later than thirty (30) days after receipt of the final analytical laboratory report.

On May 17, 2007, COGCC staff issued an Administrative Order by Consent ("AOC") to Lone Pine Gas, Inc. for violation of Rule 324A.b. for violating the WQCC's Basic Standards for Surface Waters, and in violation of Rule 906.a., as described above for the March 12, 2006 crude oil release from the flowline associated with the Spaulding No. 1 Well, located in the NW¼ NE¼ of Section 28, Township 9 North, Range 81 West, 6th P.M., proposing a fine of Seventeen Thousand dollars (\$17,000) for violation of the Rules. On June 13, 2007, Lone Pine Gas, Inc., agreed to and accepted the AOC, including the fine of Seventeen Thousand dollars (\$17,000).

NOTICE IS HEREBY GIVEN, that the Oil and Gas Conservation Commission of the State of Colorado, pursuant to the above, has scheduled the above-entitled matter for hearing on:

Date: Monday, August 27, 2007
Tuesday, August 28, 2007

Time: 9:00 a.m.

Place: Southwest Weld County Services Complex, South Wing
4209 Weld County Road 24½
Longmont, Colorado 80504

In accordance with the Americans with Disabilities Act, if any party requires special accommodations as a result of a disability for this hearing, please contact Margaret Humecki at (303) 894-2100 ext. 139, prior to the hearing and arrangements will be made.

Pursuant to said hearing in the above-entitled matter at the time and place aforesaid, or at any adjourned meeting, the Commission will enter such orders as it deems appropriate to protect the health, safety and welfare of the public and to prevent the waste of oil and gas, either or both, in the operations of said field, and to carry out the purposes of the statute.

In accordance with Rule 509., any interested party desiring to protest the granting of the application or to intervene on the application should file with the Commission a written protest or intervention no later than August 13, 2007, briefly stating the basis of the protest or intervention. Such interested party shall, at the same time, serve a copy of the protest or intervention to the person filing the application. An original and nine (9)

copies shall be filed with the Commission (Rule 503.). **Anyone who files a protest or intervention must be able to participate in a prehearing conference during the week of August 13, 2007.** Pursuant to Rule 503.f., if a party who has received notice under Rule 503.b. wishes to receive further pleadings in the above-referenced matter, that party must file a protest or intervention in accordance with these rules.

IN THE NAME OF THE STATE OF COLORADO

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By _____
Patricia C. Beaver, Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203
August 1, 2007