

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. 0808-OV-15
PIONEER NATURAL RESOURCES USA, INC.,)
LAS ANIMAS COUNTY, COLORADO)

NOTICE OF ADMINISTRATIVE ORDER BY CONSENT

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

On March 4, 2006, a release of 350 barrels (“bbl”) of exploration and production (“E&P”) waste occurred at the Erin #21-15 Well site (“Erin #21-15,” API #05-071-08713) located in the NE¼ NW¼ of Section 15, Township 33 South, Range 67 West, 6th P.M. operated by Pioneer Natural Resources USA, Inc. (“Pioneer”) The release occurred when drill cuttings, completion fluids and produced water leaked from a pit built in fill material. The pit had been constructed by February 28, 2006, the date the Erin #21-15 was spudded.

On March 6, 2006, Pioneer submitted a Spill/Release Report, Form 19, to the Colorado Oil and Gas Conservation Commission (“COGCC” or “Commission”) (#1393041) and notified the Colorado Department of Public Health and Environment (Spill Tracking Report #2006-181) of the discharge into waters of the state.

On March 8, 2006, the staff (“Staff”) of the COGCC provided a list of corrective actions to Pioneer including soil and water sampling, integrity review of an adjacent pit and submittal of water quality data for produced water in the pit.

On March 27, 2006, Pioneer submitted water quality data from the Erin #21-15 pit and water quality data for samples collected from the Wet Canyon waterway up-gradient and down-gradient of the discharge point.

On March 30, 2006, Staff inspected the Erin #21-15 Well site. At the time of the inspection the Erin #21-15 pit had been backfilled, and the pit at the nearby Erin #21-15 TR Well (“Erin #21-15 TR,” API #05-071-08712) was being lined by a construction crew.

On April 4, 2006 Pioneer sent an email to COGCC as written verification that the closure of the pit at the Erin 21-15 had been completed.

On April 10, 2006, Staff, accompanied by Pioneer, conducted a follow-up inspection of the Erin #21-15 and observed the site of the March 4, 2006 spill of E&P waste consisting of drill cuttings and produced water.

On April 26, 2006, Staff issued Notice of Alleged Violation (“NOAV”) #200087330 to Pioneer (COGCC Operator #10084) for violation of the following Rules:

RULE NO.	DESCRIPTION OF ALLEGED VIOLATION(S)
324A.a.	Failing to take precautions to prevent the unauthorized discharge or disposal of E&P waste
324A.b.	Conducting oil and gas operations that constitute a violation of water quality standards or classifications established by the Water Quality Control Commission (“WQCC”) for waters of the state
902.a.	Failing to construct and operate a pit used for E&P of oil and gas to protect waters of the state from significant adverse environmental impacts from E&P waste
902.g.	Constructing unlined drilling pits on fill materials
906.b.(2)	Failing to report verbally to the Director within 24 hours of discovery spills or releases of E&P waste that exceed 20 bbl
906.b.(3)	Failing to report verbally to the Director as soon as practicable after discovery spills or releases of any size that impact or threaten to impact any waters of the state
907.a.(1)	Failing to ensure that E&P waste is properly stored, handled or disposed to prevent threatened or actual significant adverse

	environmental impacts to water, soil or biological resources
907.a.(2)	Failing to conduct E&P waste management activities and failing to construct and operate facilities to protect the waters of the state from significant adverse impacts from E&P waste

The NOAV required Pioneer to close the leaking pit, line the Erin #21-15 TR pit, collect soil samples on the creek bank, provide produced water chemistry data for the Erin #21-15 and the Erin #21-15 TR, and provide to the COGCC an explanation of how the problem with leaking pits will be prevented in the future. The original abatement deadline was June 26, 2006.

On February 2, 2007, Pioneer submitted its final response to the NOAV and completed all corrective actions to Staff's satisfaction. Pioneer's response included copies of all original laboratory reports, a letter explaining corrective actions taken and a summary of improved protocols for pit construction and spill reporting. Pioneer had previously closed the Erin #21-15 pit (by April 4, 2006), lined the Erin #21-15 TR pit (approximately March 30, 2006), and provided water quality data for the Wet Canyon waterway (March 27, 2006).

Pioneer should be found in violation of Rule 902.g., for constructing an unlined drilling pit on fill material, and Rule 907.a.(1), for failing to ensure that E&P waste is properly stored, handled or disposed to prevent threatened significant adverse environmental impacts to water, soil or biological resources.

Rule 523. specifies a base fine of One Thousand dollars (\$1,000) for each day of violation of Rule 902. and Rule 907. The Erin #21-15 pit was constructed sometime prior to February 28, 2006. Pioneer discovered the spill on March 4, 2006. On April 4, 2006 Pioneer reported that the closure of the pit at the Erin 21-15 had been completed.

A monetary penalty of Eight Thousand dollars (\$8,000) for violations of 902.g., construction of a pit in fill material and 907.a.(1), failure to ensure that E&P waste is properly stored, handled or disposed to prevent threatened significant adverse environmental impacts to water, soil or biological resources, should be assessed against Pioneer in accordance with Rule 523.a.

Pursuant to Article IX, of the "Memorandum of Agreement" between the Water Quality Control Division ("WQCD") and COGCC, adopted February 15, 2000, Staff conferred with WQCD enforcement staff in determining the monetary penalty against Pioneer 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.

On July 3, 2008, COGCC staff issued an AOC to Pioneer Natural Resources USA, Inc. for violation of Rule 902.g., construction of a pit in fill material, and 907.a.(1), failure to ensure that E&P waste is properly stored, handled or disposed to prevent threatened significant adverse environmental impacts to water, soil or biological resources, at the Erin #21-15 Well site (API #05-071-08713) located in the NE¼ NW¼ of Section 15, Township 33 South, Range 67 West, 6th P.M., proposing a total fine of Eight Thousand dollars (\$8,000) for violation of the rules. On July 17, 2008, Pioneer Natural Resources USA, Inc. agreed to and accepted the AOC, including the fine of Eight Thousand dollars (\$8,000).

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: Tuesday, August 19, 2008
Wednesday, August 20, 2008

Time: 9:00 a.m.

Place: Suite 801, The Chancery Building
1120 Lincoln Street
Denver, Colorado 80203

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 5, 2008, 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 13 copies shall be filed with the Commission. **Anyone who files a protest or intervention must be able to participate in a prehearing conference during the week of August 5, 2008.** 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
July 22, 2008