

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 PETRO-CANADA)	DOCKET NO. 1011-OV-12
RESOURCES (USA) INC. , WELD COUNTY, COLORADO)	

NOTICE OF ORDER FINDING VIOLATION HEARING

On June 6, 2006, the Colorado Oil and Gas Conservation Commission ("COGCC" or "Commission") approved an Application for Permit-to-Drill ("APD") submitted by Petro-Canada Resources (USA) Inc. ("Petro-Canada") for the Deshazo #24-41 Well (API No. 05-123-23922) (the "Well"), located in the NE¼ SE¼ of Section 24, Township 6 North, Range 67 West, 6th P.M.

On April 11, 2007, Weld County Environmental Health Services received a complaint regarding trucks dumping drilling wastes at the Well site, which is adjacent to the Cache la Poudre River. On April 12, 2007, Weld County Staff conducted a site inspection and observed an area of approximately 300,000 ft² adjacent to the river where water-based bentonitic drilling mud had been disposed. Weld County Staff referred the matter to COGCC Staff ("Staff") for investigation.

On April 13, 2007, Staff inspected the mud disposal site. Staff identified Petro-Canada as one of two parties responsible for the drilling mud disposal. Staff directed Petro-Canada and Noble Energy Production, Inc. ("Noble"), the other responsible party, to cease drilling mud disposal at the site and take immediate steps to prevent drilling mud from migrating into the Cache la Poudre River. At Staff's direction, Petro-Canada and Noble constructed earthen berms along portions of the river to prevent additional drilling mud from entering the river. The landowners at the disposal site told Staff they had agreed to the disposal but did not have a written disposal agreement with any party. The landowners also told the Staff they did not intend to till the mud into their land, in that trees and brush piles made much of the disposal area unsuitable for tilling.

On April 20, 2007, Staff conducted a second site inspection. During this inspection, Staff observed an area where drilling mud had previously entered the river. Staff estimated that less than five gallons of waste mud had migrated to the river. Corrective actions taken by Petro-Canada and Noble prevented more mud from reaching the river. A surface water sample taken at the point where the mud entered the river contained concentrations of benzene, toluene, ethylbenzene, and xylenes ("BTEX") below the laboratory detection limit. Concentrations of BTEX compounds were trace or non-detect in a drilling fluid sample taken near the point of entry had trace amounts. Acting upon the assessment that site remediation had not yet begun, Staff instructed Petro-Canada and Noble to immediately remove all free liquids from the disposal site for off-site disposal.

On April 26, 2007, Staff issued a Notice of Alleged Violation ("NOAV") #1175599 to Petro-Canada for alleged violations of the following COGCC rules:

a. Rule 324A.a., which requires operators to take precautions to prevent significant adverse environmental impacts to air, water, soil, or biological resources to the extent necessary to protect public health, safety and welfare and to prevent the unauthorized discharge of gas;

b. Rule 324A.b., which provides that no operator, in the conduct of any oil or gas operation, perform any act or practice which constitutes a violation of water quality standards or classifications established by the Colorado Department of Public Health and Environment ("CDPHE"), Water Quality Control Commission ("WQCC") for waters of the state;

c. Rule 907.a.(1), which provided at the time of the discharge that operators ensure that exploration and production ("E&P") waste is properly stored, handled, transported, treated, recycled, or disposed to prevent threatened or actual significant adverse environmental impacts to air, water, soil or biological resources or to the extent necessary to ensure compliance with allowable concentration levels in Table 910-1, with consideration to WQCC ground water standards and classifications;

d. Rule 907.a.(2), which provides that E&P waste management activities be conducted, and facilities constructed and operated, to protect the waters of the state from significant adverse environmental impacts from E&P waste; and

e. Rule 907.d.(3)B., which requires operators to dispose of water-based bentonitic drilling fluids by acceptable methods of land application, such as production facility construction and maintenance, and lease road maintenance. Additionally, operators are required to obtain written authorization from the surface owner prior to land application of water-based bentonitic drilling fluids and to retain records about the disposal.

The NOAV required certain abatement or corrective actions to be taken by the operator by

May 10, 2007. The actions required Petro-Canada to submit a Spill/Release Report Form 19 and a Site Investigation and Remediation Workplan, Form 27 to: describe the corrective actions previously taken by Noble, the other responsible operator; remove the remaining drilling mud; determine the approximate thickness of the mud; determine if shallow ground water at the disposal site was impacted; and provide COGCC copies of the written landowner disposal authorizations.

Rule 523. specifies a base fine of One Thousand dollars (\$1,000) for each day of violation of Rules 324A.a., 324A.b., 907.a.(1), 907.a.(2), and 907.d.(3)B. 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.

Petro-Canada should be found in violation of Rules 324A.a., 324A.b., 907.a.(1), 907.a.(2), and 907.d.(3)B., for its oil and gas operations at the Well, and ordered to pay a fine in accordance with Rule 523.

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, November 29, 2010
Tuesday, November 30, 2010

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. 5139, 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 November 12, 2010, 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 November 15, 2010.** Pursuant to Rule 503.g., 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 _____
Carol Harmon, Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203
September 22, 2010

Petro-Canada Address of Record:
Rick Eggleston
Petro-Canada Resources (USA) Inc.
1099 Eighteenth St., Suite 400
Denver, CO 80202