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August 15, 2008

By Email and Via Express Mail

Chris Canfield, P.G.
Environmental Protection Specialist, Northwest Region
Colorado Oil & Gas Conservation Commission
707 Wapiti Court, Suite 204
Rifle, CO 81650

Re: August 7, 2008 NOAV 200193449
Williams Production RMT Company
Crystal Creek No. A-2 (MV 1-23) (API no. 05-045-06476-00)

Dear Mr. Canfield:

Williams Production RMT Company (Williams) appreciates the opportunity to meet with you on August 8, 2008 in Denver, and believes that significant progress was made in understanding the concerns of the COGCC as well as those of the companies involved in this matter, Williams Production RMT Company, Marathon Oil Company, Nonsuch Natural Gas, Inc., and Petroleum Development Corporation (the "Companies"). In particular, there were several occasions where the August 7, 2008 NOAV regarding Spring No. 2 was discussed. As a result of our discussions, this correspondence provides the response of Williams to the NOAV issued on August 7th ("NOAV"). The information below provides the abatement or corrective actions requested by COGCC in the NOAV, followed by the position of Williams with regard to the NOAV. It is the goal of Williams in providing these responses that the COGCC will act to rescind NOAV 200193449 as soon as possible.

**NOAV 200193449 ABATEMENT OR CORRECTIVE ACTION REQUIRED TO BE
PERFORMED BY OPERATOR**

1) Consult immediately with Mr. Prather and take any necessary actions to protect his health and safety, the health of his livestock, and to mitigate impacts to his property.

Detection of benzene at Spring No. 2 did not arise from any determinable spill or release that could or should have been reported. As COGCC is aware, the detection

occurred during the course of an ongoing investigation of environmental benzene occurrences of unknown origin on the same Prather property under work plans previously required and approved by COGCC. The benzene detection at Spring No. 2 was reported in due course under the ongoing site environmental investigation.

Williams and the other companies involved had already been in regular and frequent communication with Mr. Prather, and all interested parties since at least June 19, 2008, regarding the occurrence of low levels of benzene in a spring on his property. Since that time, Mr. Prather has been made aware, and is clearly on notice, that observed and potential unobserved occurrences of benzene impacts in springs on his property are being actively investigated jointly by the Companies as directed by the COGCC in NOAVs issued June 19, 2008. Mr. Prather has been repeatedly consulted and cautioned against domestic use or livestock watering from springs occurring on his property until an investigation is completed and these surface waters are determined to be safe.

Toward that end, Williams and/or the other companies, in some cases individually, in some cases jointly, initially provided bottled water and bottled water dispensers to the Prather cabin and replenished this water supply as needed until another alternate source of drinking water could be provided. Williams and the other companies also removed the springs and cistern from connection to Mr. Prather's drinking water supply, installed a new 3,100 gallon capacity drinking water supply tank and connected it to Mr. Prather's cabin with new piping, installed a new hot water tank and piping, arranged for safe drinking water to be supplied and re-supplied as needed on an ongoing basis to the new drinking water supply tank, fenced Spring #1 to prevent access by livestock, and paid over \$30,000 for Mr. Prather to move his bulldozer to the site and to construct a new stock pond/catchment basin that the companies continue to pay to have supplied with safe water for livestock as needed.

These extensive interim actions were taken as precautions while an investigation was planned and initiated on Mr. Prather's property. All of these interim actions were completed and were in place to protect Mr. Prather well in advance of the events on which the August 7, 2008 NOAV seems to be based. At the time of detection of benzene at Spring #2 there was no reason to suspect that Mr. Prather would have been utilizing or contacting Spring #2 or any other spring on the property. This was by prior design and consultation with Mr. Prather and it was the premise on which the extensive precautionary interim measures were implemented – to eliminate such concerns while the investigation ensued.

The NOAV refers to regulatory requirements pertaining to notice requirements for a spill/release. There is no identifiable spill or release yet known in this matter, only the environmental occurrence of benzene. In our meeting with COGCC on August 8, 2008, it became clear, however, that one of the most significant underlying concerns was the manner in which COGCC apparently perceived that Mr. Prather's interests were or were

not considered and protected in the reporting sequence. After immediately undertaking, without question, such a complicated and extensive investigation and taking such positive interim measures in cooperation with COGCC, Williams was surprised to learn of the degree of misperception between COGCC and the Companies in this matter.

Given the extensive interim measures that were already in place, and provided that Mr. Prather follows set protocols regarding not using the surface water for domestic or livestock watering purposes, Williams had no basis to suspect an ongoing or new endangerment to Mr. Prather's interests or the safety or the health of his livestock as a result of the benzene detection at Spring No. 2. From Williams' contacts with Mr. Prather, we have no reason to believe that Mr. Prather was using the water in any way. Williams now understands the COGCC's desire for improved timeframes for reporting what has now been described as "time sensitive" information even in advance of the established reporting program under the investigation. Given the information that Williams had at the time, however, there was not a reason to believe that the information that is the subject of this NOAV was urgently time sensitive in that sense because the most immediate potential effects as they could relate to Mr. Prather or his property had already effectively been precluded by the interim measures.

After being informed of the benzene detection at Spring No. 2 and providing notification the same day to COGCC and Mr. Prather (see timeline below), Williams immediately began making plans in cooperation with the other companies and with Mr. Prather to fence off Spring No. 2 as an additional precaution. That work was accomplished on Thursday, August 7, 2008. Currently, Spring No. 2 is fenced off around the spring itself and approximately 50 yards downstream on both sides.

The occurrence of benzene in surface water on the Prather property has, therefore, already been reported to Mr. Prather and is being actively investigated and coordinated with the COGCC. By separate correspondence, to ensure open and full communication, the Companies are updating the CDPHE of these recent developments. With the safeguards of the already established interim measures, there should be no subsequent need or reason for Mr. Prather to access any spring on his property for himself or livestock. We believe that this has been Mr. Prather's clear understanding since the beginning of the investigation. Based on the foregoing, the consultation with Mr. Prather that is requested by the COGCC has already occurred and Williams is therefore in compliance with this corrective action measure.

2) Provide the COGCC with full laboratory reports for the sample from Spring No. 2 in which benzene was first detected including associated chain-of-custody documentation.

The requested data was hand delivered to COGCC by URS in the meeting of August 8, 2008. With COGCC's approval, URS has been serving as the joint consultant for the Companies in the investigation and reporting to COGCC since the onset. Under

the joint investigation plan developed by URS and the Companies in response to COGCC requirements, neither Williams nor any of the other Companies is the custodian of the data that COGCC is now requesting. In fact, Williams has not yet seen any actual data report from Evergreen Analytical Laboratory regarding the July 17, 2008 sample event for Spring No. 2. Based on today's teleconference call with COGCC, Williams has obtained the July 17 data from URS by email and a copy is further attached to this response.

3) Provide the COGCC with a written explanation of why notification was not made in a timely manner.

Based on the timeline provided in response number 4, Williams believes that notification was in fact made as soon as practicable and in a timely and protective manner. Williams and the other companies first received actual information regarding the results of the July 17 sample data, that indicated that benzene had been detected at Spring No. 2 samples, on August 1, 2008, in a joint teleconference call that included HRL Compliance Solutions, Inc. HRL is the company engaged to perform the environmental sampling under the investigation work plan. The Companies immediately determined to provide this information to COGCC and to Mr. Prather through overlapping methods. Williams immediately orally notified both COGCC by telephone and Mr. Prather in person. These notifications were made by Williams on behalf of itself and the Companies with approval of the other companies jointly. We also are aware that Matt Lepore, counsel for Nonsuch, and Mark Levorsen of URS also attempted the same day to notify COGCC on behalf of the Companies. In the end it was Williams' personnel who were first able make the notifications.

Williams believes that the Companies acted decisively, immediately, and protectively to notify COGCC and Mr. Prather of the Spring No. 2 benzene detection on the very day it was learned. Since August 1, 2008, Williams, the other companies and our consultants have been reviewing the issues of what reporting time frames are practicable under the circumstances of the ongoing investigation and, more importantly, how the practicable timeframe can be improved and how all parties involved can be assured of appropriate reporting timeframes of data that might have differing levels of sensitivity. Our meeting with COGCC on August 8, 2008, was very helpful in this regard. We are in the process of revising the sampling and reporting addenda to the investigation work plan accordingly and you should be receiving those revisions by separate correspondence in the near future.

The July 17, 2008 Spring No. 2 sample data that are the subject of this NOAV were collected and processed during the first phases of a Phase I investigation work plan that was developed and initiated within an extremely quick response time required by COGCC and in a forthcoming spirit of cooperation. As discussed further below, even while data review and reporting protocols were being developed and defined in the first instance as the investigation started up, the process required only thirteen days after the sampling date

for the samples to be analyzed; the data to be collected and communicated to URS; and for the Companies to receive the data and report it. That timeframe can be improved in the future but the question of how short can the practicable timeframe be made is entirely different than the allegation that Williams' notification was not timely after it received the information. The suggestions that Williams' heard in the August 8, 2008, meeting that Williams and/or the Companies had delayed reporting, or made an affirmative decision to withhold the data, or "tighthole" the information are simply in error.

The events surrounding the July 17, 2008 Spring No. 2 sampling and reporting are as follows. HRL Compliance Solutions, Inc., is a frequent contractor to Williams in the Piceance Basin and Williams has an MSA with HRL. At the onset of the Prather Spring investigation, Williams served to engage HRL to collect the surface water samples and groundwater samples on behalf of the Companies, under the coordination and direction of URS, the Companies' joint consultant. As a contractor to Williams with costs shared by the Companies, HRL communicates most directly with Williams' personnel. However, by working agreement among the Companies, HRL also collects data on behalf of the Companies and channels this data through URS on this investigation. This approach was taken in order to expedite implementation of the required joint investigation. Similarly, Williams engaged GEG to provide drilling services under the direction of URS with costs to be shared by the Companies.

HRL was initially tasked to collect the samples, submit them to Evergreen Analytical Laboratory, receive results from Evergreen, pre-review the data as a quality control check and transmit the data to URS with any comments for subsequent collation with all incoming data, data quality review and validation, initial interpretation and reporting to the companies, and report preparation and submission to COGCC. The surface water sampling schedule was programmed to be bi-weekly, normally on Tuesdays and Fridays. Initially the Companies, through HRL, attempted to obtain 24-hour sample turnarounds from Evergreen. The 24-hour turnaround turned out to be infeasible. Instead a 3 to 5 day turnaround was then requested. Given the seasonal activity at Evergreen, a 3 to 5 day turnaround was only able to achieve delivery of preliminary results from Evergreen on the fifth day starting from the date that Evergreen logged in the samples (not necessarily the date received if received on a weekend).

In the case in question, HRL sampled Spring No. 2 on July 17; Evergreen logged it in on July 18; Evergreen reports faxing preliminary results to HRL on July 23, and HRL received the preliminary fax late on July 23. On July 24, Evergreen emailed a pdf version of the data to HRL and placed a copy of the final data set in the mail to HRL. No EDD was provided from Evergreen and HRL contacted Evergreen to determine requirements to produce the EDD package. HRL forwarded the data to URS for review as it had been tasked to do. Simultaneous with these events, HRL continued to collect samples and gps data in the field for the Companies. During this same timeframe, the Companies, URS and HRL took opportunity to discuss data handling since data was expected to be coming in

quickly. As explained by HRL and URS, it was at that point apparent that there remained a number of data delivery issues that needed to be resolved. As data began coming in, HRL and URS, at the Companies direction, took the lead during the weeks of approximately July 21 through July 28 to work together with Evergreen to better define data quality objectives and data delivery protocols, including EDD for URS' utilization.

In short, in response to COGCC's concerns, Williams has assessed (1) why HRL or URS did not alert the Companies sooner; and (2) why, if HRL was a contractor to Williams, did Williams not receive the data sooner. The bottom line answer is that through a working arrangement between the Companies, HRL and URS, HRL was reporting this particular data through URS to the Companies and not preferentially to Williams. The Companies jump-started this investigation in a spirit of cooperation with COGCC at incredible speed. At one and the same time URS and HRL were being asked to provide nearly instantaneous results while at the same time being required to maintain the highest levels of data quality control, review, and delivery support.

Initially, as for example with the July 17 Spring No. 2 data, the practicable timeframe initially required thirteen days from time of sampling until COGCC was notified while data delivery details were still being refined. The time between actual laboratory issuance of the data and COGCC reporting was even less -- about seven days. Williams believes that for most field investigations that timeframe is more than reasonable, especially at the start up. With the changes and improvements subsequently made by the Companies, the time frame is intended to be shortened to as little as 5 days in anticipated normal conditions with any data defined as "time-sensitive" to be reported even in advance based on purely preliminary data returns. Again, we will be forwarding specific data transmission protocols to you shortly for your review, but the new protocols allow Evergreen to transmit the EDD directly to URS who now has authority to flag time-sensitive data, as COGCC has now defined it, and call it to the Companies' attention even while other data review continues.

Williams believes that it, the other Companies, HRL, and URS acted in best faith and in a timely fashion under the circumstances within its understanding of the investigation requirements. As discussed in our Friday, August 8, 2008 meeting with COGCC, the investigation requirements regarding time-sensitive data, data review authorizations, and reporting protocols have now been amended between the companies, HRL and URS at the request of the COGCC to ensure appropriate data communication and best practicable notification timeframes in the event similar circumstances occur in the future. Williams now understands the urgency with which COGCC expects to learn of time-sensitive data as COGCC has now defined it for the Companies, but believes that this particular circumstance does not represent a violation of any reporting statute or rule, nor did it have the time-sensitive potential to directly Mr. Prather's material interests, which had already been protected through the interim measures.

4) Provide the COGCC with a timeline depicting the sequence of events starting with the collection of the sample from Spring No. 2 in which benzene was first detected and continuing through the time the respondent received the analytical results for that sample.

July 17, 2008: Spring No. 2 sampled by HRL Compliance Solutions, Inc., as part of ongoing implementation of the joint investigation developed by the companies in response to the Investigation work plan required by COGCC in the NOAVs dated June 19, 2008. Source: Herman Lucero, President, HRL Compliance Solutions Inc.

July 17, 2008: HRL shipped Spring No. 2 samples to Evergreen Analytical Laboratory. Source: Herman Lucero, President, HRL Compliance Solutions Inc.

July 18, 2008: Evergreen logged the Spring No. 2 samples into the laboratory. Source: Kaprie S. Hollman, Quality Assurance Director, Evergreen Analytical Laboratory.

July 23, 2008: Evergreen Analytical Laboratory faxed preliminary results to HRL. Source: Kaprie S. Hollman, Quality Assurance Director, Evergreen Analytical Laboratory. HRL received the fax late on July 23, 2008. Source: Herman Lucero, President, HRL Compliance Solutions Inc.

July 24, 2008: Evergreen Analytical Laboratory mailed final data report to HRL and emailed pdf version. EDD package not provided. Source: Kaprie S. Hollman, Quality Assurance Director, Evergreen Analytical Laboratory.

July 17 to August 1, 2008: HRL continued to sample springs and surface waters on bi-weekly basis. HRL worked with Evergreen and URS to obtain EDDs from Evergreen and transmit to URS for appropriate data compilation, validation, and reporting. Source: Herman Lucero, President, HRL Compliance Solutions Inc.

July 29, 2008: HRL in field sampling but reported that start-up data delivery issues through Evergreen were nearing resolution and that a complete status review would be provided later this week. Source: Herman Lucero, President, HRL Compliance Solutions Inc.

July 29, 2008: During a telephone conference with the Companies about July 29 (Williams is unsure about the attendee list), HRL made what might be the original reference to the possibility of benzene in other surface water. According to another attendee, this information was provided in a passing reference to surface water sampling, and no quantitative data, dates or other bases for the statement were provided. It was entirely uncertain at that time what HRL was referring to or the basis for the statement.

In preparing this chronology for COGCC, Mike Gardner of Williams and Herman Lucero of HRL both recall (Mr. Lucero was unsure of the exact date) that Mike Gardner asked a

general question about the status of other surface water sampling. Herman Lucero of HRL recalls indicating in response that he had been told very recently (then) by other HRL personnel that there had been a hit for benzene, but that he had not seen the data, and that the HRL person who was previewing the data and handling data issues with Evergreen was in the field sampling and unavailable at that time. Mr. Lucero offered that he would have the data ready for the next teleconference call. Source: Herman Lucero, President, HRL Compliance Solutions Inc.; Mike Gardner, Williams Production RMT Company.

August 1, 2008: Williams was informed by HRL in a teleconference call jointly with other companies, and URS, that Spring No. 2 sample collected 7/17/08 contained 11 µg/l benzene, sample collected 7/22/08 contained similar level of benzene, and sample collected 7/24/08 contained 3.4 µg/l benzene.

August 1, 2008: Williams and other companies instructed URS to revise surface water sampling plan for submission to COGCC to take into account the detection of benzene at Spring 2, and to specify and implement improved protocols for obtaining delivery of data, validation and reporting that had been developed by HRL, Evergreen and URS over the preceding two weeks as the investigation began.

August 1, 2008: Williams orally notified COGCC and Mr. Prather of the detection of benzene at Spring 2 on behalf of itself and the other companies.

August 7, 2008: Williams' contractor fenced off Spring No. 2 at the source and for 50 yards downstream on either side on behalf of the Companies.

August 7, 2008: COGCC issued NOAV 200193449.

FAILURE TO REPORT TO CDPHE AND NRC

In the meeting with the COGCC on Friday, August 8, 2008, Carol Harmon suggested that it would not be productive to attempt to address in this NOAV response the legal question of whether or not reporting to the NRC and CDPHE-WQCD is required due to the Spring No. 2 detection of benzene. Williams agrees. Since COGCC has no jurisdiction or authority to cite Williams for alleged failure to notify NRC and CDPHE-WQCD, Williams would prefer to address the question directly with these authorities if the need arises, but we believe there is no requirement. With respect to CDPHE, this matter has already been brought to CDPHE's attention and a full update is being provided separately to CDPHE as a courtesy. However, as to alleged failure to timely report to COGCC, Williams believes that under the circumstances of the ongoing investigation, no violation of 906.b.(3) or any other COGCC rule has occurred. Williams therefore requests that the NOAV be rescinded as soon as possible.

CONCLUSION

The discussion that occurred between the companies and the COGCC on August 8, 2008 was a collaborative one which Williams and the other companies found very helpful. Williams agrees a key element of the broader investigation is to continue to develop the most expedient approach toward generation of sampling plans, performing analytical data validation, developing reporting protocols, reporting requirements, responsibilities, and timeframes (both general and on the occurrence of specified events of interest) among the Companies, their consultants, Mr. Prather and the COGCC.

If after your review of this NOAV response, our meeting with you and other staff of the COGCC, and forthcoming work plan changes and submissions from URS, you still have questions or concerns regarding this NOAV please let me know as soon as possible. Williams would appreciate your rescission of this NOAV, as it believes that no violation occurred, the reporting protocols have been addressed, and any detections of benzene in Spring No. 2 were part of the initial investigation work that is already subject to NOAV 2001191139 dated June 19, 2008.

Sincerely,

A handwritten signature in blue ink that reads "Mike Paules". Below the name, there is a smaller, less legible signature that appears to say "by C. Bryan".

Mike Paules
Williams Production RMT Company

cc: Ms. Debbie Baldwin, COGCC
attachment: July 17, 2008, data for Spring No. 2