



May 22, 2013

Peter Gowen  
State of Colorado  
Oil and Gas Conservation Commission  
1120 Lincoln St., Suite 801  
Denver, CO 80203

**Reference: Addendum #2 to NOAVs for well locations HA-4 (#2369024), YA-6 (#200374896), DC-11 (#2369006), and YG-1 (#200374896)**

Dear Mr. Gowen,

Per your request, in addition to the addendum to the referenced NOAVs dated April 3, 2013, Kinder Morgan CO<sub>2</sub> Company, L.P. (KMCO<sub>2</sub>) is providing the following information to further illustrate the measures taken to ensure future compliance with COGCC regulations.

### **Processes and Procedures**

KMCO<sub>2</sub> has implemented the following new processes and procedures to assist with compliance and, where necessary, the identification and timely corrective action of issues:

- **Closed Loop Drilling:** During the summer and fall of 2012, KMCO<sub>2</sub> transitioned to closed loop drilling operations, which eliminates the need for reserve pits and their potential for spills and releases of E&P waste. Using the closed loop system costs approximately \$375,000 more per well than a traditional system with a pit.
- **Weekly Rig Inspections:** KMCO<sub>2</sub> hired Animas Environmental Services to conduct weekly inspections of active drilling locations and well locations conducting flowback/well testing operations. The findings of these weekly inspections are shared with drilling and operations staff for implementation of corrective actions. So far this year, KMCO<sub>2</sub> has spent \$21,000 for third-party compliance inspections from Animas Environmental Services
- **Well Location Kick-off Meetings:** Initiated kick off meetings for new well locations to review COGCC and BLM conditions of approval with all participating staff and contractors prior to move-in and rig-up of drilling equipment.
- **Weekly Regulatory Permitting Meetings:** Initiated weekly conference calls to ensure that all COGCC and BLM reporting/permitting requirements are being met.
- **Weekly Drilling and Construction Meetings:** Initiated weekly planning meeting between KMCO<sub>2</sub> staff and environmental contractors to discuss upcoming field work and steer inspection activities to ensure sites are in compliance with applicable regulations, including COGCC and stormwater management.
- **Compliance Checklist Procedure:** A compliance checklist is utilized upon completion of move in-rig up of a drilling/workover rig on location. The checklist is completed by a safety contractor on site during rig operations. In a 24 hour period the checklist is completed twice. Any deficiency is noted and

reported to the KMCO<sub>2</sub> well site supervisor on site. The well site supervisor will take direct measures to have any and all deficiencies corrected as soon as possible after identification.

- **Spill Procedure:** Immediate action is taken on all spills to correct, quantify and report, if required, and are documented internally via established reporting systems. KMCO<sub>2</sub> is aware that the new state reporting threshold will change to 1 bbl in August 2013, and will make appropriate preparations to comply with the revised regulation.
- **Safety Meetings:** Safety meetings are utilized to relay both safety and environmental messages to contract crews including COGCC compliance. Safety meeting topics are documented in daily reports. Target Zero is emphasized (zero injuries and zero environmental incidents).
- **Handover Checklist:** A checklist is being utilized to document the handover between production operations and drilling operations, and not only includes items that are necessary for safe operations once the well is in service, but also environmental compliance. The checklist is signed off by production operations, drilling operations and an environmental representative. This document is used to hand the location over from drilling to operations as well as from operations back to drilling if additional well work is required.
- **Liner Installation on New Well Locations:** A 40 mil liner is being placed at new well locations to cover all areas of the pad surrounding the well bore that have rig operation equipment placed. This provides an additional barrier in case of accidental release of drilling fluids. Small spills can be cleaned up without ever coming in contact with the ground surface. The cost is approximately \$10,000 per well.
- **Stormwater Management Plan:** Improved master plan developed and implemented in collaboration with Ecosphere Environmental Services, at a cost of approximately \$112,000.
- **Performance Management:** Visible goals and expectations, including regulatory compliance, tracking and reporting of incidents to corporate center via company-wide software system.
- **COGCC Engagements:** Regular meetings with COGCC field staff on regulatory performance, improvement progress, and best practice opportunities.

#### **Personnel Additions (Annual Expenditure = \$850,000)**

To help with future compliance, KMCO<sub>2</sub> has added 5 new permanent positions, some of which have already been filled and for some of which we are in the process of hiring:

- **Regulatory Specialist:** In November 2012, KMCO<sub>2</sub> hired Andrew Antipas as the Cortez Field Office's in-house regulatory and permitting specialist. Mr. Antipas brings over 20 years of regulatory, natural resource, and permitting experience to KMCO<sub>2</sub>'s Cortez operation. Mr. Antipas works with the Cortez Field Office's staff and environmental contractors to ensure KMCO<sub>2</sub>'s regulatory compliance.
- **Field Compliance Analyst:** An offer has been made to a qualified candidate to serve as a fulltime field compliance analyst to conduct regular inspections of drilling, construction and operations sites to ensure compliance with COGCC and other agency regulations.
- **Environmental Engineer:** A position has been posted and interviews are underway to hire an environmental engineer that will be dedicated to CO<sub>2</sub> production operations. The responsibilities for this person will include Spill Prevention Control and Countermeasures (SPCC), air permitting and

compliance and stormwater management. This posting can be found at the following link using the search option for Durango, CO: [www.kindermorgan.com/work/careers/job\\_postings.cfm](http://www.kindermorgan.com/work/careers/job_postings.cfm)

- **Drilling Well Operations Manager:**

- Modification of Role: The current drilling well operations manager position has been modified to focus on well operations involving all field operational planning and implementation. The responsibility of dual management of field operations and drilling engineering management has been split with the drilling engineering management being assigned to a new drilling well operations manager. The field operational planning and implementation will now receive a higher degree of management oversight with mentoring of field personnel and contractors in the Kinder Morgan culture of safety and compliance in performance of all well operations. The position is held by Todd Gentles. He has in excess of 30 years engineering and management experience. His time will be split between drilling activities in Southwest Colorado, Eastern Arizona and West Texas.
- New Drilling Well Operations Manager (Drilling Engineering Management): The new position has the emphasis of managing the drilling engineering staff and technicians. The position has been filled by Dan Gillespie. He has in excess of 30 years engineering and management experience. His responsibility will be to insure well design and planning meets Kinder Morgan, industry and regulatory standards. He manages a total of 5 drilling engineers and two technicians/ support staff. Two of the drilling engineers are specifically assigned to the Southwest Colorado field. Well reviews prior, during and upon completion are performed as quality control to insure the best possible final well product is achieved.

- **Drilling Supervisor:** A new drilling supervisor position has been filled with a qualified candidate who will be accountable for drilling operations and compliance in KMCO<sub>2</sub>'s drilling activities in Southwest Colorado.

In addition, KMCO<sub>2</sub> spent approximately \$18,000 for rig time associated with stopping all rig operations on the YG-1 to address and correct findings identified in the initial COGCC field inspections.

KMCO<sub>2</sub> remains committed to compliance with the COGCC regulations and continued development of our positive relationship with COGCC. Pursuant to our discussion last week, we are engaging in further discussion with the local fire protection district and other entities about potential public projects and will provide additional information to you as soon as it is available. Please contact me at 970-882-5505 if you have any questions or require additional information.

Sincerely,



Coy Bryant  
Manager of Operations