

State of Colorado
Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80203 (303) 894-2100 Fax: (303) 894-2109



FOR OGCC USE ONLY
12/22/2014
200420089

Document 2313465

Date Notice Issued:
12/22/2014

*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 47085
Name of Operator: KESTREL RESOURCES INC
Address: 2602 MCKINNEY AVE STE 400 ATTN: PHILIP KREICK
City: DALLAS State: TX Zip: 75204
Company Representative: PHILIP KREICK

Well Name: KINCHELOE Well Number: 1 Facility Number: 233596
Location (QtrQtr, Sec, Twp, Rng, Meridian): SWSE 11 3S 51W 6 County: WASHINGTON
API Number: 05 121 05650 00 Lease Number:

COGCC Representative: Axelson John Phone Number: 303 894-2100

THE FOLLOWING ALLEGED VIOLATION WAS FOUND BY THE COGCC REPRESENTATIVE FOR THE SITE LISTED

Date of Alleged Violation: 11/4/2014 Approximate Time of Violation:
Description of Alleged Violation:
Colorado Oil and Gas Conservation Commission (COGCC) Environmental Protection Specialist Rob Young and East Environmental Supervisor John Axelson performed an inspection at the Kincheloe #1 on November 4, 2014 (Document 678200040). During the inspection, a release of produced water was observed at the south produced water pit (Facility ID #107535). Produced water was actively seeping from the base of the east berm into the adjacent field. Topsoil from the adjacent field had been scraped and used to construct a small berm along the release area. The inspection was issued to Kestrel Resources, Inc. (Kestrel) with instructions to immediately cease use of the produced water pit and submit an eForm 19 spill report. During the inspection an unlined skim pit was also observed. The inspection required Kestrel to submit a Form 27 for appropriate remediation, upgrading or closure of the pit no later than November 30, 2014. Additional conditions documented in the inspection included a discrepancy between the well name listed on the sign and the name registered with COGCC, oily waste on the turn-around adjacent to the tank battery, an accumulation of oil on the produced water pit and a bare area supporting no vegetation west of the skim pit that must be reclaimed. As of 12/22/14, COGCC has not received the eForm 19 t

Act, Order, Regulation, Permit Conditions Cited:
Rule 902.a.; Rule 902.c.; Rule 904.a.(4); Rule 906.a.; Rule 906.b.; Rule 906.c.; Rule 907.a.(1); Rule 907.c.(1); Rule 907.e

Abatement or Corrective Action Required to be Performed by Operator:*
If not already removed from service, immediately cease use of the south produced water pit (Facility ID # 107535) and confirm in writing to COGCC that the pit is no longer in use. Include the date taken out of service. Immediately confirm in writing to COGCC that the free product observed on the produced water pit was removed and properly disposed. Include the date removed and all disposal documentation. Immediately submit an eForm 19 to document the release from the south produced water pit, as previously requested. Submit a Form 27 with a plan to either repair or close the south produced water pit and remediate the area impacted by the release. The plan shall also include plans for surface reclamation of the impacted area and proper cleanup and disposal of the oily waste documented at the turn-around. The plan shall also address cleanup of any other localized oily waste present at the battery and wellhead. Submit a separate Form 27 to properly remediate, upgrade or close the unlined skim pit (Facility ID #107535). The plan shall
Abatement or Corrective Action to be Completed by (date): 12/31/2014
* Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

TO BE COMPLETED BY OPERATOR - When alleged violation is corrected, sign this notice and return to above address:
Company Representative Name: _____ Title: _____
Signature: _____ Date: _____
Company Comments:

*** THIS NOTICE CONSTITUTES A SEPARATE NOTICE OF ALLEGED VIOLATION FOR EACH VIOLATION LISTED ***

WARNING
Abatement and reporting time frames for Notices of Alleged Violation begin upon receipt of the Notice or five days after the date it is mailed, whichever is earlier. Each violation must be abated within the prescribed time upon receipt of this Notice, reported to the Colorado Oil and Gas Conservation Commission at the address shown above, and postmarked no later than the next business day after the prescribed time for abatement. Should abatement or corrective action fail to occur, the Director may make application to the Commission for an Order Finding Violation. Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

PENALTY PROPOSED BY THE DIRECTOR PER RULE 523
The Director may propose a penalty as listed in the table below, not to exceed a maximum of \$1,000.00 per day per violation. Such proposed penalty amount will be limited to \$10,000.00 per violation if the violation does not result in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety, or welfare. Such proposed penalty amount may be increased if aggravating factors indicate the violation: was intentional or reckless; had, or threatened to have, a significant negative impact on public health, safety, or welfare; resulted in significant waste of oil and gas resources; had a significant negative impact on correlative rights of other parties; resulted in, or threatened to result in, significant loss or damage to public or private property; involved recalcitrance or recidivism upon the part of the violator; involved intentional false reporting or record keeping; resulted in economic benefit to the violator. Such proposed penalty amount may be decreased if mitigating factors indicate the violator: self-reported; promptly, effectively and prudently responded to the violation; cooperated with the Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due to the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations and orders. The Commission has final authority over the penalty amount assessed.
The Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due to the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations, and orders. The Commission has final authority over the penalty amount assessed.
BASE FINE \$250.00 PER DAY PER VIOLATION: RULES 210, 307, 311, 312, 313, 314A, 315, 403, 405, 803, 804
BASE FINE \$500.00 PER DAY PER VIOLATION: RULES 205, 206, 207, 208, 302, 308, 309, 310, 316A, 321, 322, 328, 329, 330, 331, 332, 401
BASE FINE \$750.00 PER DAY PER VIOLATION: RULES 605, 606A, 606B, 607
BASE FINE \$1,000.00 PER DAY PER VIOLATION: RULES 209, 301, 303, 305, 306, 316B, 317, 317A, 318, 319, 320, 323, 324, 325, 326, 327, 333, 404, 602, 603, 604, 703, 704, 705, 706, 707, 708, 709, 711, 802, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 1002, 1003, 1004, 1101, 1102, 1103
In accordance with Rule 523.a.(4), fines for violations for which no base fine is listed shall be determined by the Commission at its discretion.

Signature of COGCC Representative: _____ Date: 12/22/2014 Time: 2:00PM
Resolution Approved by: _____ Date: _____

Kestrel Resources, Inc. – Operator #47085
Kincheloe #1, API #121-05650
Pit Facility ID #107535
Washington County

Date Notice Issued: 12/22/14
Date of Alleged Violations: 11/4/14

Description of Alleged Violation:

Colorado Oil and Gas Conservation Commission (COGCC) Environmental Protection Specialist Rob Young and East Environmental Supervisor John Axelson performed an inspection at the Kincheloe #1 on November 4, 2014 (Document 678200040). During the inspection, a release of produced water was observed at the south produced water pit (Facility ID #107535). Produced water was actively seeping from the base of the east berm into the adjacent field. Topsoil from the adjacent field had been scraped and used to construct a small berm along the release area. The inspection was issued to Kestrel Resources, Inc. (Kestrel) with instructions to immediately cease use of the produced water pit and submit an eForm 19 spill report. During the inspection an unlined skim pit was also observed. The inspection required Kestrel to submit a Form 27 for appropriate remediation, upgrading or closure of the pit no later than November 30, 2014. Additional conditions documented in the inspection included a discrepancy between the well name listed on the sign and the name registered with COGCC, oily waste on the turn-around adjacent to the tank battery, an accumulation of oil on the produced water pit and a bare area supporting no vegetation west of the skim pit that must be reclaimed. As of 12/22/14, COGCC has not received the eForm 19 to document the release from the produced water pit and has not received the Form 27 addressing the unlined skim pit.

Act, Order, Regulation, Permit Conditions Cited:

Rule 902.a.; Rule 902.c.; Rule 904.a.(4); Rule 906.a.; Rule 906.b.; Rule 906.c.; Rule 907.a.(1); Rule 907.c.(1); Rule 907.e

Abatement or Corrective Action Required to be Performed by Operator:

If not already removed from service, immediately cease use of the south produced water pit (Facility ID # 107535) and confirm in writing to COGCC that the pit is no longer in use. Include the date taken out of service. Immediately confirm in writing to COGCC that the free product observed on the produced water pit was removed and properly disposed. Include the date removed and all disposal documentation. Immediately submit an eForm 19 to document the release from the south produced water pit, as previously requested. Submit a Form 27 with a plan to either repair or close the south produced water pit and remediate the area impacted by the release. The plan shall also include plans for surface reclamation of the impacted area and proper cleanup and disposal of the oily waste documented at the turn-around. The plan shall also address cleanup of any other localized oily waste present at the battery and wellhead. Submit a separate Form 27 to properly remediate, upgrade or close the unlined skim pit (Facility ID #107532). The plan shall include surface reclamation of the bare area adjacent the west side of the skim pit.

Abatement or Corrective Action Required to be Completed by: December 31, 2014