

Ursa Operating Company LLC

792 Buckhorn Drive Rifle, CO 81650 – 970-625-9922

March 8, 2016
Colorado Oil and Gas Conservation Commission
Attn: Kyle Davenport
Field Operations Manager
1120 Lincoln Street, Suite 801
Denver, CO 80203

**RE: Yater Pad Location ID # 159652
Notice of Alleged Violation # 400976773**

Mr. Davenport,

This letter is in response to the Notice of Alleged Violation (NOAV) #400976773 received by Ursa Operating Company LLC (Ursa) on February 9, 2016 regarding the Yater Pad. Ursa is submitting this letter to contest the alleged violation detailed in the referenced NOAV. Ursa believes that the corrective action requested in the NOAV was completed in a timely manner and a timely follow up inspection by the COGCC to verify was completed but not documented (see attached timeline). In addition, this response documents the integrity and comprehensive nature of Ursa's internal inspection and corrective action programs.

The NOAV specifies alleged leaking of production tanks:

- **12/7/15 Inspection #680200013 (Received by Ursa on 12/8/15):** The inspection indicated there was leaking observed around gauge access points (telemetry) and around the gauge hatches (thief hatches) of production tanks. The corrective action is to maintain or replace components on the production tanks as needed to prevent release of the contents to the atmosphere by December 12, 2015.
- **12/11/15 Inspection #680200023 (Received by Ursa on 12/15/15):** The inspection noted that leaks around gauge hatches on production tanks were still present and verified with an IR camera. Inspector verified these issues were fixed during a January 5, 2016 inspection.
- **2/9/16 NOAV #400976773:** Issued to Ursa stating operator shall provide a description of what steps they have taken to address the above alleged violations, including steps to address the issues on a statewide level.

Ursa respectfully contests this alleged violations. The basis on which Ursa is contesting this alleged violation is outlined below:

- These inspections were triggered by odor complaints in the area. The date for corrective action for the leaking components listed in the 680200013 document was four (4) days (Ursa received inspection 12/8/15 at 4:54pm with a CA date of 12/12/15). Ursa's Production Manager Shane Vaughn and Senior Environmental Specialist, Dwayne Knudson were made aware of a COGCC inspection the night of 12/7/15 by one of their contractors (MCS) who was onsite on 12/7/15 during the COGCC inspection. MCS made Ursa aware that leaks were found on production tanks by the COGCC. Both Shane and Dwayne were at the Yater pad early in the morning on 12/8/15 from 8:30 – 11:00. As noted on the attached timeline, Ursa had identified issues with the gauge access point (telemetry) as well as on at the gauge hatch (thief hatches), prior to Ursa having received the 12/7/15 COGCC inspection and was already taking corrective actions to fix the issues. The leaking around the gauge access point (telemetry) was identified and fixed immediately before 12:00 on 12/8/15. The leaking tank hatches had seals replaced on 12/8/15 for those identified as leaking. Ursa also utilized the large volume completions incinerators to assist with keeping pressure low on production tanks. A Form 42 was submitted per request on 12/9/15 to close out the action required items (Doc #400950739). The new "screw down" style hatches were installed on 12/16/15 with a follow up IR inspection by HRL compliance indicating no leaks on 12/21/15.
- The follow up inspection on 12/11/15 by the COGCC indicated leaks were still present (on thief hatches only). Ursa attempted repairs on 12/8/15 with the addition of brand new thief hatch seals, utilization of larger combustion equipment from the completions process, cleaning envelope seals and replacing bushings which all helped, but did not completely eliminate the leak. The new hatches installed on 12/16/15 have proven to be a sustainable solution. The CDPHE regulation 7, section 17 states the first attempt of repair must be made within 5 business days. Ursa was consistent with this by attempting repairs on 12/8/15. After the second follow up inspection leaks were again detected, Ursa immediately ordered the new style hatches. If parts are ordered, that puts the repair in a different category (delay of repair) which allows adequate time for parts to be shipped and installed. Ursa was in compliance with both COGCC and CDPHE regulations regarding the production hatches.
- As the above information and on the attached timeline indicates, Ursa has demonstrated the immediate steps taken to address the leaking hatches. Ursa has demonstrated by immediately responding and repairing, to be on top of their air program and equipment repairs; even proactively on upgrading brand new tank hatches to new style.

- According to the COGCC website, a COGCC inspector visited the Yater, Watson Ranch B and Monument Ridge locations on 12/18/15 and indicated NO ODORS present. No inspections were documented according to complaint Doc #200438219 report on the COGCC website. If no odors were detected and Ursa complied within the timeframe given there should not have been a breach of compliance resulting in an NOAV.
- The second follow up inspection on 1/5/16 was after the CA date and indicated repairs were successful. Despite two successful follow up inspections with no issues identified (12/18/15 and 1/5/16) an NOAV was issued.
- NOAVs, per the new 522 regulations need to be reviewed by the enforcement division. This NOAV was not prepared by the enforcement group. Ursa understands that under COGCC regulations and the *Enforcement Guidance and Penalty Policy* (January 2015) that COGCC has the authority to issue an NOAV based on a citizen complaint. In this case, numerous complaints were made to Ursa by the same individual, with the majority of them being unsubstantiated. See the section below on the proximity and location of the complainant relative to the location. Every complaint was documented, investigated, and discussed with the LGD and the complainant, demonstrating significant due diligence on behalf of Ursa. The COGCC's *Enforcement Guidance and Penalty Policy* (page 2) states "if the operator complies within the prescribed timeframe, the Director may close the matter without issuing an NOAV, and without seeking a penalty". The policy also states (page 4) that "*the Director will not pursue penalties or further enforcement when an operator timely completes the required corrective action and notice of completion*".
- Ursa respectfully submits that corrective actions and appropriate notice was provided in a timely manner to the COGCC, and requests that the COGCC consider Ursa's responsive actions, including those taken prior to the NOAV, in accordance with this policy.
- The first odor complaint from Stan and Karen Knupp was received by Ursa staff in September 2015, right around the time the notices for the proposed BMC B and BMC D pads were submitted. The Knupp's residence will be the closest one to the BMC D pad. This indicates a clear motive to complain as much as possible to make it more difficult for Ursa to proceed with plans.
- Activity in this area has been going on for years, not just since September. The Monument Ridge pad and Watson Ranch pads, both of which are less than one mile from their residence were drilled, completed and put into production prior to 2015. No complaints were received from the Knupp's despite virtually the same distance from these pads to their home. Every complaint that the Knupp's called in was investigated, most without finding any evidence of odors in the area. Dwayne Knudson (Ursa's Senior

Environmental Specialist) lives in the area and in many cases was at or near the Knupp's residence within minutes of the complaint.

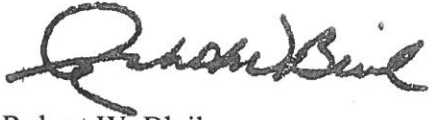
- It should also be noted that their residence is ~3,500' from the Monument Ridge pad and ~4,400' from the Yater pad. There are roughly 127 homes between their residence and the nearest Ursa location. Bonnie Smeltzer is a local resident in Battlement mesa who is known reporting odor complaints, as she has called in complaints in the past which a high percentage have been verified by Ursa. She had six (6) for the whole year (2015), 1 noise, 5 odor (2 of which were non-Ursa related). Bonnie lives on the first row of houses, much closer to the Yater/Monument Ridge pads than Knupp's. She did not complain during **any** of the Knupp's odor complaints, further questioning the validity of the Knupp's complaints. The fact that this complaint resulted in an NOAV is concerning. What will prevent any other residence of Battlement Mesa with a grudge against Ursa to have the same conclusion with or without proper follow up and documentation? The Battlement Mesa Concerned Citizens and Western Colorado Congress are two activist groups who are getting the message out in Battlement Mesa to complain, complain, complain. All these facts indicate something is going on behind the scenes and this is not strictly due to odor in the area.
- Ursa has been very responsive and has modified standard operating practices (SOP's) substantially to minimize impacts to the community. The change of process regarding gauging tanks/revising well automation to shut in if pressure loss is detected, both on 12/10/15 and the increased IR inspections from the current requirement of once per year to every month (voluntarily) are examples of Ursa's willingness to go above and beyond regulations to accomplish goals. In addition to this, Ursa has hired a "night watch" to cover the Battlement Mesa area and make sure equipment is functioning properly at night.

Ursa believes that the Yater Pad was in compliance for the reasons outlined above, and respectfully request that the COGCC rescind the Notice of Alleged Violation # 400976773. Extensive efforts are required both to the operator as well as the state's resources to respond to what appears to be an unjustified NOAV which, had the inspector been made aware what pressurized tanks look like could have easily been avoided. Ursa requests that if there are any disconnects the inspector sees that he reaches out to someone on location or call to verify prior to assuming the operator is not following regulations or COAs. Ursa further requests that in the future, if a leak is detected that the operator be contacted immediately instead of waiting four (4) days to submit the inspection with those corrective actions.

Ursa takes compliance responsibilities seriously, and we look forward to continue working with the COGCC to ensure compliance into the future.

Please feel free to contact me at (970) 625-9922 (Ext 303) or by cell phone (720) 425-0303.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Robert W. Bleil". The signature is fluid and cursive, with the first letter of each word being capitalized and prominent.

Robert W. Bleil
Regulatory / Environmental Manager

Enclosures
Timeline

Cc: Kyle Davenport, COGCC
Margaret Ash, COGCC
Dave Kulmann, COGCC
Jamie Jost, Jost Energy Law, P.C.