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September 22, 2016

John Axelson
 Colorado Oil and Gas Conservation Commission
 1120 Lincoln Street, Suite 801
 Denver, Colorado 80203

Re: COGCC Project No. 2127
 Merit Acquisition Compliance Workplan
 Closure Request

Dear Mr. Axelson:

As you are aware, PDC Energy, Inc. ("PDC") purchased 740 wells and 380 associated tank batteries from Merit Energy Company ("Merit") on June 30, 2012 (see Tables 1 and 2, respectively). Subsequently, PDC prepared the Merit Acquisition Compliance Workplan ("Workplan") to detail operational and environmental compliance activities being conducted at these facilities. The Workplan, dated February 2013, was submitted to the Colorado Oil and Gas Conservation Commission ("COGCC") and assigned Project #2127.

The Workplan contained two operational and four environmental compliance areas. Since the initial submittal of the Workplan, meetings between PDC representatives and COGCC staff took place on March 27, 2014 and August 18, 2015 to provide status updates to the various components of the Workplan. The following is a summary of the completed work for each Workplan component.

Mechanical Integrity Tests (MITs)

In the letter to Merit dated May 3, 2012, the COGCC identified 53 wells that required Mechanical Integrity Tests ("MITs"). However, based on the due diligence efforts completed by PDC, a total number of 59 wells were identified as potentially being out of compliance with COGCC requirements.

For each of the 59 wells mentioned above, PDC has resumed production, conducted a MIT, and/or conducted plugging and abandonment operations. An updated table is attached which provides the API number, the well name, date of the MIT if performed, and the current status of each well (see revised Table 3).

Bradenhead Testing

PDC identified 110 wells (original workplan indicated 119; corrected to 110) previously operated by Merit that had insufficient surface casing to protect the Laramie/Fox Hills aquifer as per Rule 317.a. Prior to the acquisition by PDC, Merit had conducted bradenhead tests on many of the wells on this initial list. Subsequent to the acquisition, PDC conducted additional bradenhead tests. Results of the Merit and PDC tests are listed in revised Table 4 and summarized in the table below.

- Five (5) wells on the revised list had no prior bradenhead test conducted. PDC conducted bradenhead tests on these wells during February and March 2013. One of these 5 wells has been plugged and abandoned. The only well that demonstrated bradenhead pressure when tested was the Binder 14-3 well with 12 lbs.
- Upon a further review of well records in COGIS, it was determined that there were no wells with tests prior to 2006 that exhibited bradenhead pressures which exceeded the COGCC 2009 pressure guidance.
- Nine (9) of the wells on the revised list have been sold to other operators.
- Fifty-one (51) of the wells on the revised list have been plugged and abandoned.

Concrete Vault Removal

PDC removed the partially buried concrete vaults from ninety-five (95) Merit batteries and replaced with new, partially buried fiberglass tanks. As part of this process, PDC developed a standard field protocol which included field screening of soils with a photoionization detector (PID) during removal operations to determine if there had been any historic impacts. If impacts were encountered, soils were removed and further field screening of soils was conducted to determine successful removal of the impacted material. Confirmation soil samples were collected for laboratory analyses in order to determine compliance with COGCC Table 910-1 standards. If shallow groundwater was encountered, a representative water sample was also collected for laboratory analyses. In the event that soil impacts indicated spill volumes over the reportable volumes or if shallow groundwater exceed Table 910-1 standards, a Form 19 – Spill/Release Report and/or a Form 27 – Site Investigation and Remediation Workplan were submitted to the COGCC on a case-by-case scenario and depending on the results.

Revised Table 5 is attached and lists the former Merit batteries, the location of each facility, the removal status at each site, and the corresponding spill number or remediation project number (if applicable).

SPCC Compliance

Immediately following the acquisition, PDC began the process of inspecting each tank battery to ensure compliance with Spill Prevention Control and Countermeasures (“SPCC”) regulations. PDC inspected each Merit tank battery location and completed an annual SPCC inspection. Based upon findings from the inspections, the existing SPCC General Field Plan was updated to incorporate the additional acquired facilities. After completing the SPCC inspections, it was determined that approximately 60% of the Merit facilities required improvements to the secondary containment structures.

All deficiencies identified during the post-acquisition SPCC inspections were corrected. Annual SPCC inspections are conducted at all PDC facilities and recorded in the primary Environmental Management System (EMS) which is the Asset & Compliance Tracking System (ACTS) by Ecocion.

Stormwater Compliance

A stormwater compliance review was also conducted at all Merit locations. As part of the stormwater inspections, a COGCC Tier 1 evaluation was completed at each location. Of all the wells that were inspected, it was determined that 581 of these locations met all of the Tier 1 criteria and could be excluded from PDC’s Post-Construction Stormwater Program. In addition to the wellheads, all the tank batteries were inspected and 326 of these facilities also met the Tier 1 criteria. A copy of this assessment is provided as Attachment A.

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The locations that did not meet the Tier I criteria are inspected annually as part of PDC's Post-Construction Stormwater Plan.

Rule 318A. – GWA Water Well Sampling

As per former Rule 318A.e.(4), operators were sometimes required to sample applicable water wells as a Condition of Approval ("COAs") on the Form 2 - Application for Permit to Drill. According to a list provided by COGCC staff, Merit had COAs under former Rule 318A.e.(4) for ten (10) wells. It is unknown if Merit attempted to sample any qualifying water wells associated with these wells and PDC could not verify if Merit submitted any of these results to the COGCC.

As a result, PDC contracted with third party environmental consulting firms to complete the required water well sampling. Suitable water wells were identified for seven of the ten wells and sampled accordingly. Laboratory results were submitted to the COGCC and the landowner. No suitable water wells were identified for the other three wells. Letters requesting an exception to the rule were submitted to the COGCC and subsequently approved. Below is a list of the ten wells, associated API numbers, and the resulting Facility ID number for the sampled water wells or the associated document number for those three sites where an exception letter was submitted and approved.

<u>Well Name</u>	<u>API</u>	<u>Facility ID # or Document #</u>
Becker 15-9I	05-123-24877	533425, 533428, 533429
Benjamin 5	05-123-26274	533531, 533532
Churchill 2-71	05-123-25024	Not sampled; see Document #12325024
DR J 6LL	05-123-25092	533436, 533437
Frank 6LL	05-123-27375	533534
McLeod 7	05-123-27329	533547, 533548
Meining 1-30B	05-123-24311	533538, 533539
Ottenhoff 41-6B	05-123-25090	Not sampled; see Document #12325090
PJ 8I	05-123-24984	533432, 533433
Rory 1-7I	05-123-27119	Not sampled; see Document #12327119

Conclusion

There are a number of remediation projects related to the concrete vault removal that remain open. PDC is actively working to complete remediation of these sites and receive closure.

PDC has successfully completed all compliance activities as proposed in the Workplan. **As a result, PDC respectfully requests closure of Project 2127 with No Further Action Required.**

If you have any questions or concerns, please contact me at 303.831-3904.

Respectfully,



Randall H. Ferguson
EHS Senior Compliance Specialist

Attachments

Cc: Adell Heneghan – Vice President EHS
Karen Olson – Senior EHS Manager