

State of Colorado
Oil and Gas Conservation Commission

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



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NOTICE OF ALLEGED VIOLATION - ISSUED

Per Rule 522, the Director has reasonable cause to believe that a violation of the Act, or of any Commission rule, order, or permit has occurred, the Director will require the operator to remedy the violation and may commence an enforcement action seeking penalties by issuing a Notice of Alleged Violation (NOAV). Per Rule 523, an operator who violates the Act, or a Commission rule, order, or permit may be subject to a penalty imposed by Commission order.

OPERATOR INFORMATION

OGCC Operator Number: 52530
Name of Operator: MAGPIE OPERATING, INC
Address: 2707 SOUTH COUNTY RD 11
City: LOVELAND State: CO Zip: 80537

Contact Name and Telephone:
Name: James Warner
Phone: (970) 669-6308 Fax: ()
Email: magpieoil@yahoo.com

Well Location, or Facility Information (if applicable):

API Number: 05- -00 Facility or Location ID: 451505
Name: Little Beaver Unit Injection Plant Number:
QtrQtr: NWNW Sec: 5 Twp: 2S Range: 56W Meridian: 6
County: WASHINGTON

ALLEGED VIOLATION

Rule: 210
Rule Description: Signs and Markers
Initial Discovery Date: Was this violation self-reported by the operator? No
Date of Violation: Approximate Time of Violation:
Was this a discrete violation of obvious duration? No

Description of Alleged Violation:

Pursuant to Rule 210., Magpie Operating, Inc. ("Operator") shall mark each and every well in a conspicuous place, from the time of initial drilling until final abandonment, as follows: 210.b. Operator shall install a tank battery sign that provides Operator's name, a phone number at which Operator can be reached at all times, and the names of the wells associated with the battery or the lease name for the associated wells; 210.d. Operator shall label storage containers with specified information, including NFPA label; and 210.e. Operator shall maintain all signs in a legible condition and shall replace damaged signs within 60 days. On July 25, 2017, COGCC Staff conducted an inspection of Operator's Little Beaver Unit Injection Plant (ID 451505, "Location") and took photographs showing that the operator information provided on a sign at the main injection building is illegible and that the NFPA placard attached to the horizontal crude oil tank ("AST") located northwest of the vertical heater treater ("VHT") sheds is in need of replacement. In the associated Field Inspection Report (Document No. 681700672), COGCC Staff instructed Operator to repair or replace the signs to comply with Rule 210. by October 1, 2017. COGCC Staff conducted a follow up inspection on December 19, 2017, and photographed the conditions of signs and labels at the main injection building and horizontal crude oil AST, showing that they had not been replaced or repaired. In the associated Field Inspection Report (Document No. 681700966) COGCC Staff again instructed Operator to immediately repair or replace the signs to comply with Rule 210., retaining the original corrective action deadline of October 1, 2017. Operator failed to maintain in legible condition and failed to repair or replace required signage at the main injection building and on the ASTs, in violation of Rule 210.

Abatement or Corrective Action Required to be Performed by Operator: Corrective Action Due Date: 03/12/2018

Proper and timely abatement does not preclude the assessment of penalties and an Order Finding Violation.

Operator shall repair or replace signs at the main injection building and the horizontal crude oil AST.

Rule: 603.f
Rule Description: Statewide Equipment, Weeds, Waste, and Trash Requirements

Initial Discovery Date: _____

Was this violation self-reported by the operator? No

Date of Violation: _____

Approximate Time of Violation: _____

Was this a discrete violation of obvious duration? No

Description of Alleged Violation:

Pursuant to Rule 603.f., Magpie Operating, Inc. ("Operator") shall keep all locations free of weeds, trash, debris and other rubbish. Rule 603.f. also applies to unused flowline risers (as unused equipment). On July 25, 2017, COGCC Staff conducted an inspection of Operator's Little Beaver Unit Injection Plant (ID 451505, "Location") and photographed wood debris, empty boxes, broken pipes, and other trash at the crude oil tank battery and the vertical heater treater ("VHT") sheds. In the associated Field Inspection Report (Document No. 681700672), COGCC Staff instructed Operator to comply with Rule 603.f. by August 10, 2017. COGCC Staff also observed multiple unused flowlines throughout the Location, and in the Field Inspection Report instructed Operator to contact COGCC Engineering Integrity section by August 10, 2017, to discuss flowline abandonment requirements and a resolution plan. COGCC Staff conducted a follow up inspection on December 19, 2017, and photographed the continued presence of trash and debris at both the crude oil tank battery and VHT sheds, as well as unused flowline risers throughout the Location. In the associated Field Inspection Report (Document No. 681700966) COGCC Staff again instructed Operator to comply with Rule 603.f. and to contact the COGCC Engineering Integrity section by the original corrective action deadline of August 10, 2017. During the December 2017 inspection, COGCC Staff also observed the presence of a concrete slab with wood debris approximately 50' east of the building located on the east side of the Location. In the associated Field Inspection Report, COGCC Staff instructed Operator to remove this slab to comply with Rule 603.f no later than March 26, 2018. Operator failed keep this location free of trash and debris, and failed to abandon unused flowlines, in violation of Rule 603.f.

Abatement or Corrective Action Required to be Performed by Operator: _____ Corrective Action Due Date: 02/20/2018

Proper and timely abatement does not preclude the assessment of penalties and an Order Finding Violation.

Operator shall immediately remove wood debris and trash from locations listed in Field Inspection Report Nos. 681700672 and 681700966, and shall contact the COGCC Engineering Integrity section to plan abandonment of unused flowlines, by the Corrective Action Due Date indicated here.

Operator shall also comply with the March 26, 2018, corrective action date for removal of the concrete slab.

Rule: 605.a.(4)

Rule Description: Oil & Gas Facilities- Berms

Initial Discovery Date: _____

Was this violation self-reported by the operator? No

Date of Violation: _____

Approximate Time of Violation: _____

Was this a discrete violation of obvious duration? No

Description of Alleged Violation:

Pursuant to Rule 605.a.(4), Magpie Operating, Inc. ("Operator") shall construct, inspect at regular intervals, and maintain berms or other secondary containment devices around crude oil, condensate, and produced water tanks ("ASTs"). On July 25, 2017, COGCC Staff conducted an inspection of Operator's Little Beaver Unit Injection Plant (ID 451505, "Location") and observed shallow and eroded earthen berms surrounding crude oil and produced water ASTs. In the associated Field Inspection Report (Document No. 681700672), COGCC Staff instructed Operator to repair or install berms or other secondary containment devices by September 1, 2017. COGCC Staff conducted a follow up inspection on December 19, 2017, and photographed the unrepaired earthen berms for crude oil and produced water ASTs and observed they that these berms were still shallow and eroded. COGCC Staff also observed that the berms shared by a horizontal AST and the vertical heater treater ("VHT") sheds at the Location were shallow and eroded. In the associated Field Inspection Report (Document No. 681700966) COGCC Staff again instructed Operator to repair or install berms or other secondary containment devices for the crude oil and produced water ASTs by the original corrective action deadline of September 1, 2017; and to repair the earthen berms shared by a horizontal AST and VHT sheds by January 26, 2018. Operator failed to maintain adequate earthen berms or other secondary containment surrounding crude oil and produced water ASTs, in violation of Rule 605.a.(4).

Abatement or Corrective Action Required to be Performed by Operator: _____ Corrective Action Due Date: 03/12/2018

Proper and timely abatement does not preclude the assessment of penalties and an Order Finding Violation.

Operator shall immediately repair earthen berms surrounding crude oil and produced water ASTs and around the VHT sheds, and provide photo documentation of the repaired berms to the COGCC Environmental Protection Specialist.

Rule: 605.d

Rule Description: O&G Facilities - Mechanical Conditions

Initial Discovery Date: _____

Was this violation self-reported by the operator? No

Date of Violation: _____

Approximate Time of Violation: _____

Was this a discrete violation of obvious duration? No

Description of Alleged Violation:

Pursuant to Rule 605.d, Magpie Operating, Inc. ("Operator") shall securely fasten and maintain in good mechanical condition all valves, pipes and fittings. On January 28, 2014, COGCC Staff conducted an inspection of Operator's Little Beaver Unit Injection

Plant (ID 451505, "Location") and photographed localized oil-stained soil associated with flowline valves and manifolds inside of the building located on the east side of this Location. This inspection report included a corrective action instructing Operator to remove and remediate stained soils at the battery with a corrective action due date of February 1, 2014. Follow up inspections conducted by COGCC Staff observed additional accumulations of oily waste associated with production equipment at the tank battery, most notably underlying unlabeled storage containers and inside of treater sheds (Document No. 673706779, October 9, 2014); and fluid leaking from a valve attached to the southern crude oil tank, as well as numerous historical accumulations underlying production equipment (Document No. 673713319, June 13, 2016). With each of these inspections, COGCC Staff required Operator to perform corrective action(s) to remove or remediate stained soils, carrying forward due dates when a previous corrective action had not been performed, and assigning new due dates for new or recurring stains and oily waste accumulations. Operator filed a Form 42 Notice of Corrective Actions Performed (Document No. 400792517) on February 13, 2015, certifying that the corrective actions required by the October 2014 Field Inspection Report (Document No. 673706779) had been completed as of December 16, 2014, and the July 2016 Field Inspection Report (Document No. 673713633) states that the corrective actions from the June 2016 inspection (Document No. 673713319) were completed. Starting with a follow up inspection in July 2017, COGCC Staff again observed significant accumulations of oily waste inside of the building located on the east side of the facility, as well as a continued leak from the red valve attached to the southern crude oil tank (Document No. 681700672, July 25, 2017); and the enduring conditions of oily waste underlying production equipment, inside of vertical heater treater sheds, and underlying the leaking red valve attached to the southern crude oil tank (Document No. 681700966, December 19, 2017). In the July 2017 Field Inspection Report, COGCC Staff gave Operator corrective action due dates of 8/3/2017 to remediate stained soils and 9/1/2017 to ensure mechanical integrity of production equipment; those corrective action due dates were retained in the December 2017 Field Inspection Report. COGCC Field Inspection Reports dating back to January 2014, document repeated instances of localized environmental impacts associated with production equipment demonstrating Operator's failure to maintain equipment and to ensure good mechanical conditions. Dating back to July 25, 2017, COGCC Field Inspection Reports document sustained failures to maintain equipment and ensure good mechanical conditions, in violation of Rule 605.d.

Abatement or Corrective Action Required to be Performed by Operator: _____ Corrective Action Due Date: 03/12/2018

Proper and timely abatement does not preclude the assessment of penalties and an Order Finding Violation.

Operator shall immediately inspect and repair equipment listed in Field Inspection Report Nos. 681700672 and 681700966 to ensure mechanical integrity. Operator shall provide to COGCC documentation of repairs or replacements made in response to this Corrective Action.

Rule: 906.b

Rule Description: Spill Reporting

Initial Discovery Date: _____ Was this violation self-reported by the operator? No

Date of Violation: _____ Approximate Time of Violation: _____

Was this a discrete violation of obvious duration? No

Description of Alleged Violation:

Pursuant to Rule 906.b., Magpie Operating, Inc. ("Operator") shall make a supplemental spill report to the director not more than ten (10) calendar days after the spill/release is discovered. On October 28, 2014, Operator submitted an initial Form 19 Spill/Release Report (Document No. 400718966) to document a release of produced water and crude oil from a produced water tank into its containment berm that had occurred on October 26, 2014. The spill was assigned a Spill/Release point ID of #439500 ("Spill"). In comments on the approved form, Operator is instructed to provide waste disposal manifests and a topographic map along with the required supplemental spill report. Pursuant to Rule 906.b., Operator was required to submit a supplemental Form 19 Spill/Release Report no later than November 5, 2014, for this Spill. As of January 9, 2018, no supplemental Form 19 Spill/Release Report has been received by the COGCC for this Spill. Operator's failure to file a supplemental spill report to the Director within 10 days of the discovery of the Spill is a violation of Rule 906.b reporting requirements.

Abatement or Corrective Action Required to be Performed by Operator: _____ Corrective Action Due Date: 02/20/2018

Proper and timely abatement does not preclude the assessment of penalties and an Order Finding Violation.

Operator shall immediately file a Supplemental Form 19 Spill Report to request closure of the Spill record, if appropriate, or to document additional remediation of the impacted area. Operator's supplemental report shall include documentation of disposition of impacted soil and/or groundwater.

Rule: 907.e

Rule Description: Oily Waste

Initial Discovery Date: _____ Was this violation self-reported by the operator? No

Date of Violation: _____ Approximate Time of Violation: _____

Was this a discrete violation of obvious duration? No

Description of Alleged Violation:

Pursuant to Rule 907.e., Magpie Operating, Inc. ("Operator") shall treat or dispose of oily waste in accordance with options listed under 907.e.(1), such as disposal at a commercial solid waste disposal facility, or land treatment onsite, or at a permitted centralized E&P waste management facility. On January 28, 2014, COGCC Staff conducted an inspection of Operator's Little Beaver Unit Injection Plant (ID 451505, "Location") and observed an accumulation of oily waste at the tank battery. The associated Field Inspection Report (Document No. 673701019) included a photograph showing staining beneath a valve that was located inside of the building on the east side of the facility, and instructed Operator to remove and remediate stained soils at the battery with a corrective

action due date of February 1, 2014. Over the next four years, COGCC Staff conducted at least five follow-up inspections, documenting continued and increasing instances of stained soils at the Location, including stained soil beneath unlabeled chemical storage containers and inside both treater sheds (Document No. 673706779, October 9, 2014); leaks from a valve at the south crude oil tank, stained soil inside of the produced water tank berms, flooding of the vertical heater treater sheds, and accumulations of produced fluids along the east side of the main injection building (Document No. 673713319, June 13, 2016); continued fluid presence on the east side of the main injection building and in the northeast corner of the produced water tank berm (Document No. 673713633, July 29, 2016); the recurrence of crude oil leaks from the valve at the south crude oil tank, oily waste underlying various flowline risers, crude oil and produced water tanks (and associated flowlines), at the crude oil loadout, on east and west sides of main injection building, and inside of both vertical heater treater sheds (Document No. 681700672, July 25, 2017); another fluid drip from the valve at the south crude oil tank, new staining at the crude oil loadout and diesel tank as well as preexisting staining persisting beneath the produced water tanks, inside vertical heater treater sheds, beneath the crude oil tanks and associated flowline risers, and at the southwest corner of the main building (Document No. 681700966, December 19, 2017). With each of these inspections, COGCC Staff required Operator to perform corrective action(s) to remove or remediate stained soils, carrying forward due dates when a previous corrective action had not been performed, and assigning new due dates for new or recurring stains and oily waste accumulations. Operator filed a Form 42 Notice of Corrective Actions Performed (Document No. 400792517) on February 13, 2015, certifying that the corrective actions required by the October 2014 Field Inspection Report (Document No. 673706779) had been completed as of December 16, 2014, and the July 2016 Field Inspection Report (Document No. 673713633) states that the corrective actions from the June 2016 inspection (Document No. 673713319) were completed. Starting with the photos from the July 2016 inspection (Document No. 673713633), which show water on the east side of the main building and inside the northeast corner of the produced water tank berm, COGCC Staff has documented multiple instances of stained soils and oily waste accumulations that were not corrected. Since the July 2016 inspection, COGCC Staff has also documented multiple instances of the continuation or recurrence of stained soils, and oily waste spills or accumulations, that had first been documented prior to the documentation of completed corrective actions (Document Nos. 400792517 Operator's February 2015 Form 42, and 673713633 July 2016 Field Inspection Report). Operator's repeated failure to appropriately treat or dispose of releases and accumulations of oily waste associated with production equipment constitutes multiple violations of Rules 907.e.

Abatement or Corrective Action Required to be Performed by Operator: _____ Corrective Action Due Date: 02/20/2018

Proper and timely abatement does not preclude the assessment of penalties and an Order Finding Violation.

Operator shall immediately remove and properly dispose of accumulations of oily waste from equipment listed in Field Inspection Report No. 681700966 and shall submit a Form 27 for site investigation and remediation of impacts associated with the eastern building.

Due to the documented presence of shallow groundwater and the failure to timely remediate oily waste, Magpie shall perform a site wide groundwater characterization of the entire Little Beaver Injection Facility including all ancillary buildings and equipment. The work plan for groundwater characterization can be submitted on the same Form 27. A proposed soil boring/monitor well location diagram shall be included. A sufficient number of borings and monitor wells will need to be installed and sampled to determine if groundwater in the areas of surface releases has been impacted. Groundwater gradient, flow direction and hydraulic conductivity shall be determined. An upgradient monitor well shall also be installed to determine background water quality conditions.

PENALTY

Penalties for violations alleged in this NOAV will be calculated pursuant to Rule 523, with daily penalties accruing pursuant to Section 34-60-121(1), C.R.S.

ANSWER

Pursuant to Rule 522.d.(2), the operator must file an Answer to this NOAV within 28 days of its receipt, or a default judgement may be entered. Hard copy answers are filed with the Commission Secretary at the Commission's Denver office and should also be emailed to dnr_cogccenforcement@state.co.us.

NOAV ISSUED

NOAV Issue Date: 02/09/2018

COGCC Representative Signature: _____



COGCC Representative: Kira Gillette

Title: NOAV Specialist

Email: kira.gillette@state.co.us

Phone Num: (303) 894-2100

ATTACHMENT LIST

View Attachments in Imaged Documents on COGCC website (<http://ogccweblink.state.co.us/>) - Search by Document Number.

<u>Document Number</u>	<u>Description</u>
401541575	NOAV COVER LETTER

Total Attach: 2 Files