

STATE OF
COLORADO

OPT# 10548 & 10677

Doc# 2303207

Date: 10/23/2018

EnviroScan - DNR, OGCC <dnr_ogcc.enviroscan@state.co.us>

Re: FW: Form 10 change of operator

1 message

Deranleau - DNR, Greg <greg.deranleau@state.co.us>

Tue, Oct 23, 2018 at 1:43 PM

To: Gina Payne <gpayne@hrmres.com>

Cc: Teri Ikenouye - DNR <teri.ikenouye@state.co.us>, Terry Pape <tpape@hrmres.com>, pmcgraw@hrmres.com, shane@wolverineresources.com, Roger Hutson <lrhutson@hrmres.com>

As previously indicated, and with no response received from either operator to my August 31 email, COGCC will change the remaining pit statuses to Active (AC) and we can then complete the Form 10 process. All active pits will be transferred; closure in accordance with Rule 905 will be the responsibility of the new operator.

Thanks,
Greg

On Fri, Aug 31, 2018 at 3:03 PM Deranleau - DNR, Greg <greg.deranleau@state.co.us> wrote:

Ms. Payne,

I fully recognize the level of efforts it takes to review the files and determine the status of pits--even and especially when a field inspection does not indicate their physical presence. I have spent the last two days doing just that for your pit facilities. Although I have not completed the review of all pits on the list, it is clear that some of the pits are duplicates and can be administratively closed. It is equally clear that some pits were physically closed improperly and are not in compliance with applicable rules and therefore they require additional investigation to determine if they can be closed without remediation. For those pits, a Form 27-Site Investigation and Remediation Workplan will be required, and until they can be verified as closed, their status should be AC (active). Your statement that "no closure reports are due for any matter" is factually incorrect, as any pit closed after 12/30/1997, was supposed to have been closed under an approved Form 27 and any pit closed between 1995 and 12/30/1997 should have had a Form 4 filed documenting that closure.

I am attaching my review of the first few facilities from this Moffat County transfer. Fortunately these pits originated with Tom Brown, who provided fairly good information with respect to the pit inventory. Documents associated with the Pit Inventory and subsequent Status Reports include: 2142995, 2142994, 2142992, 2143003, 2142993, 2143001, 2142997, and 2142998; all these can be found in the operator file for Tom Brown, operator #11050.

In addition to the documents above, I reviewed well files and pit files (including sundry notices, inspection reports, correspondence, and other documents). COGCC GIS Online maps, and Google Earth historical aerial imagery. I would guess the effort took about an hour per pit facility and in most cases a clear path forward emerged. The work that I have done is part of the reasonable due diligence to determine compliance and whether a listed facility represents a potential environmental liability. All of the records I reviewed are part of the public record.

HRM Resources accepted these pits as part of the transfer of assets in 2012 and confirmed them in the 2015 name change. If Wolverine Resources is willing to accept these pits, COGCC will change them all to active status, add them to the Form 10, and complete the "ministerial act" of changing the ownership in our records. That will put the burden of closing the facilities on Wolverine, and since it is apparent that some are out of compliance at this time, we will pursue a compliance plan as part of the Form 10 approval.

In order to complete the processing of this Form 10 (Document #401476956), COGCC needs joint instructions from both operators for each well to either:

1. Change the pit to AC (Active) status and add to the Form 10 for transfer to Wolverine, or
2. Provide documentation of compliant closure of the pit to allow the well to transfer unencumbered.

I have added a column on the attached spreadsheet for each operator to complete with instructions for each pit facility. As you can see, I have already administratively closed 3 pits, and provided the justification for that closure.

If we receive no response by September 30, 2018, COGCC will change all remaining pits from NS to AC and add all AC pits to the Form 10 and approve the transfer to Wolverine.

Thank you for your attention to this matter. If you would like further information or assistance regarding the process for reviewing records, it may be better to schedule a meeting so that we can walk through a couple.

Regards,
Greg

On Thu, Mar 15, 2018 at 1:25 PM, Gina Payne <gpayne@hrmres.com> wrote:

Good afternoon, Mr. Deranleau:

As you know, on December 1, 2017, HRM submitted Form 10s to formalize a change of operator for a number of wells in Moffat County. COGCC has not yet acted on those notices. The Commission's delay in acting on those change of operator notices is now causing significant issues for all parties to those transactions. For example, it is unclear at this point which entity is responsible for filing monthly and other reports to the Commission. It is unclear who must account for royalty payments and other financial obligations at these facilities. Fundamentally, it is unclear who the current "operator" is.

We would appreciate the Commission's prompt attention to this matter. We note for the record that approving Form 10s, confirming a change of operator, is a ministerial act on the Commission's part. No wells are being plugged and abandoned and no closure reports are due for any matter. This is merely a routine commercial transaction. Therefore, a change of operatorship does not occasion any obligation on either party's part to take any action on pits that may, or may not have existed at these sites at some point in the past..

Nevertheless, as you requested, we have conducted due diligence at these sites. We visually surveyed each site for evidence of pits and found none. In addition, I can confirm that HRM neither constructed nor operated any pits while HRM operated these facilities.

Given all these facts, HRM objects to your request that HRM provide records to demonstrate pits that may or may not have ever existed were closed in accordance with rules in effect at the time. Even if there were pits at some time at these sites, it likely would be impossible to determine when pits were closed and whether they were closed in accordance with rules in effect at the time. In addition, such a records review would be lengthy and costly, all the while leaving the change of operator forms in some form of bureaucratic limbo. We also presume that if any such documentation exists, it would be in your possession.

We just as firmly object to any requirement that HRM conduct a subsurface investigation of these sites to determine there is no residual E& P waste at these sites. That would entail a massive investment of resources in a lengthy process that would resemble a search for a needle in a haystack. Moreover, the responsibility for any remediation the Commission may desire at these sites would lie with a responsible party.

Accordingly, HRM would very much appreciate it if the Commission would promptly complete its action on the pending Form 10s.

Sincerely,

Gina Payne

HRM Resources II, LLC.

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From: Deranleau - DNR, Greg [mailto:greg.deranleau@state.co.us]

Sent: Thursday, February 22, 2018 4:50 PM

To: Gina Payne <gpayne@hrmres.com>

Cc: Teri Ikenouye - DNR <teri.ikenouye@state.co.us>; Terry Pape <tpape@hrmres.com>

Subject: Re: FW: Form 10 change of operator

Unfortunately our website is down this afternoon. I will have to look closer at this tomorrow.

I suspect that these Pit Facility ID numbers were created during the pit inventories required by rule in the late 1990's. That leads to a couple different paths:

- That may mean it is a matter of cleaning up records. For example: if 1 central pit served multiple wells, but each well was registered with a pit, multiple pits would have been created where only 1 existed. The operator would need to show records that support that was the case and COGCC may be able to administratively close the non-existent pits.
- It may mean that other facilities were referred to as "pits" and depending on the circumstances, additional investigation may be required. For example, many older sites were produced with "tin horns" or open culverts in the ground where produced water was discharged. Those should be considered pits and would require closure in accordance with Rule 905.
- It may mean that there were pits that were previously closed. For example if an operator can provide records that demonstrate a pit was closed in accordance with rules in place at the time, COGCC may be able to close the pit administratively.
- If no records can be found and no pits are present, it may take a subsurface investigation to determine that no residual E&P waste is present before the pit facility is closed.

We will need to closely review the records we have for those wells and facilities, and I ask that you do the same. If necessary, we can meet to discuss, once we have a better idea of what the specific circumstances might be.

Thanks,

Greg

On Thu, Feb 22, 2018 at 2:19 PM, Gina Payne <gpayne@hrmres.com> wrote:

Greg/Teri,

There are no pits on the attached wells. How can we get this straightened out? Thanks much, Gina Payne

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----- Forwarded Message -----

From: "Ikenouye - DNR, Teri" <teri.ikenouye@state.co.us>

To: shane@wolverineresources.com; Roger Hutson <lrhutson@hrmres.com>; "Deranleau - DNR, Greg" <greg.deranleau@state.co.us>

Sent: Thursday, February 22, 2018 10:05 AM

Subject: Form 10 change of operator

RE document 401476956

Good morning-

I have completed my review of this document and there are issues that need to be addressed.

My research is on a spreadsheet (attached) and it identifies numerous pits that are related to wells on this transfer, as well as one UIC disposal well.

I can approve all of the wells that do not have related pits and delete the rest, and at the point the pit issues are resolved a new form 10 can be submitted to transfer those wells. The UIC well will need to be added as well. I have also changed the status to on hold.

Please let me know if you have any questions. Greg Deranleau can assist with any pit issues/questions and I am your form 10 expert.

Regards,

Teri Ikenouye

Information Processing Supervisor

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Greg Deranleau

Environmental Manager

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Cc: Operator File #10548 "Form 10 Correspondence" with attachment as "Form 10 Pit List"

Cc: Operator File #10677 "Form 10 Correspondence" with attachment as "Form 10 Pit List"



HRM II MOFFAT COUNTY FORM 10 PIT ISSUES.xlsx

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