

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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Date Issued:
07/23/2018
Date Resolved:

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: 10454
Name of Operator: PETROSHARE CORPORATION
Address: 9635 MAROON CIRCLE #400
City: ENGLEWOOD State: CO Zip: 80112

Contact Name and Telephone:

Name: Megan Grimes
Phone: (720) 526-8774 Fax: ()
Email: mgrimes@petrosharecorp.com

Well Location, or Facility Information (if applicable):

API Number: 05- -00 Facility or Location ID: 448269
Name: Shook Wellpad Number: 3-1-67
QtrQtr: NWSE Sec: 3 Twp: 1S Range: 67W Meridian: 6
County: ADAMS

ALLEGED VIOLATION

Rule: 34-60-121(1) CRS-b

Rule Description: Statutory Violation - Permit Violation

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:

On November 4, 2016, Petroshare Corporation ("Operator") received COGCC approval for the Shook Wellpad (Location ID 448269, "Location") based on information Operator provided in its Oil and Gas Location Assessment (Document No. 400887627, "Form 2A"). This approval included the waste management plan to dispose of drilling fluids and cuttings off site using commercial disposal (Form 2A page 2; and Form 2A Attachment No. 401010147). Operator did not submit a beneficial reuse or land application plan with the Form 2A.

On February 9, 2018, COGCC Staff inspected the Location and observed that bentonitic drilling fluids and/or cuttings were applied to an area of approximately 4 acres adjacent to the southeast corner of the Location (Field Inspection Report No. 679500245). COGCC Staff followed up by conducting another inspection on March 14, 2018, observing that the drilling fluids and/or cuttings remained in this area (Field Inspection Report No. 679500250); and reviewing Google Earth imagery, which documented the placement of such waste on the adjacent property as early as June 2017 (Aerial Photo Document No. 679500248).

On May 18, 2018, COGCC issued a warning letter to Operator in connection to the land application of this waste (Warning Letter No. 401645656, "Warning Letter"). The Warning Letter corrective actions included requiring Operator to submit to COGCC a comprehensive waste management plan ("Plan") no later than June 31, 2018. As of July 19, 2018, Operator has not submitted this Plan.

By applying drilling fluids and/or cuttings to the land instead of sending it for commercial disposal off site, Operator violated the drilling waste management program approved in its Form 2A, and violated §34-60-121(1)(a), C.R.S.

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 06/30/2018

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

Operator shall develop a comprehensive waste management plan ("Plan") to address operating procedures for all waste management related to drilling, completion and production. Specific waste to be addressed in the Plan shall include drilling fluids (water based bentonitic fluids and/or oil based fluids), drill cuttings, produced water, oily waste, other E&P waste and non-E&P waste.

The Plan shall accomplish all of the following:

- Identify all wastes generated by Operator, and how they will be stored, treated, transported and disposed after generation.
- Specify how documentation is maintained to demonstrate compliance with COGCC rules.
- Be developed to comply with the requirements of the COGCC 900 Series E&P Waste Management Rules, the COGCC Drill Cuttings Management Policy and other applicable solid or hazardous waste rules that apply to non-E&P wastes.

This Plan shall be required on all future Form 2A Oil & Gas Location Assessments for Operator and will be strictly enforced as a condition of approval.

Rule: 907.d

Rule Description: Drilling Fluids

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.d.(3)B., when disposing of water-based bentonitic drilling fluids by land application, the waste shall be incorporated as a beneficial amendment into the native soils within 10 days of application; and the resulting concentrations shall not exceed those in Table 910-1.

On February 9, 2018, COGCC Staff inspected the Shook Wellpad (Location ID 448269, "Location") and observed that bentonitic drilling fluids were applied to an area of approximately 4 acres adjacent to the southeast corner of the Location (Field Inspection Report No. 679500245, "February FIR"); a review of Google Earth imagery indicated the placement of such waste on the adjacent property as early as June 2017 (Aerial Photo Document No. 679500248). In the February FIR, COGCC Staff required Operator to take corrective actions, including to: immediately incorporate or remove the drilling fluids; notify COGCC if surface owner authorization was not provided prior to land application; and collect soil samples after incorporation or removal, sufficient to demonstrate compliance with Table 910-1 standards.

COGCC Staff conducted a follow up inspection on March 14, 2018, and observed that the waste remained unchanged, the drilling fluids neither incorporated nor removed (Field Inspection Report No. 679500250).

On May 8, 2018, Operator submitted a Site Investigation and Sampling Summary of the Location prepared by Tasman Geosciences, which provided the results of comprehensive soil sampling and analysis for Table 910-1 contaminants of concern. The sample results indicated levels of arsenic above the Table 910-1 standard and significantly elevated compared to two background soil samples that were collected as part of the investigation. In addition, several samples exceed the Table 910-1 standard for electrical conductivity ("EC"). (Document No. 01761437).

On May 18, 2018, COGCC issued a warning letter to Operator, which included citations for failure to incorporate the waste, and exceedance of Table 910-1 standards (Warning Letter No. 401645656, "Warning Letter"). This Warning Letter required Operator to perform corrective actions, including the following to be accomplished by June 1, 2018: submit a Site Investigation and Remediation Workplan ("Form 27") to address the elevated levels of arsenic and EC; and notify the affected surface owner in writing of the sampling results indicating elevated levels of arsenic and EC, and provide a copy of such notification to COGCC. Operator first submitted a Form 27 on July 10, 2018, more than a month after the corrective action due date. As of July 19, 2018, Operator has not provided evidence of the required notification to the affected surface owner.

Operator disposed of subject drilling fluids by land application, but failed to incorporate the waste into the native soils within 10 days of application and allowed the resulting arsenic and EC concentrations to exceed those in Table 910-1, violating Rule 907.d.(3)B.

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 06/01/2018

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

Petroshare shall notify the surface owner of the four acre land application area in writing of the results of the sampling and analysis documenting the elevated levels of arsenic and EC. A copy of the notification shall be provided to COGCC by June 1, 2018.

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. An answer will, at a minimum, discuss the allegations contained in the NOAV, responding to each; identify corrective actions taken in response to the NOAV, if any; and identify facts known to the operator at the time that are relevant to the operator's response to the alleged violations. 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: 07/23/2018

COGCC Representative Signature: _____

COGCC Representative: Kira Gillette

Title: NOAV Specialist

Email: kira.gillette@state.co.us

Phone Num: (303) 894-2100x5165

CORRECTIVE ACTION COMPLETED

Rule: 34-60-121(1)
CRS-b

Rule Description: Statutory Violation - Permit Violation

Corrective Action Start Date: _____

Corrective Action Complete Date: _____

Has corrective action for this violation been performed as required? No

Description of Actual Corrective Action Performed by Operator

NOAV closed pursuant to Order 1V-726.

Rule: 907.d

Rule Description: Drilling Fluids

Corrective Action Start Date: _____

Corrective Action Complete Date: _____

Has corrective action for this violation been performed as required? No

Description of Actual Corrective Action Performed by Operator

NOAV closed pursuant to Order 1V-726.

FINAL RESOLUTION

Cause #: _____ Order #: _____ Docket #: _____

Enforcement Action: Administrative Order of Consent

Final Resolution Date: 06/10/2020

Final Resolution Comments:

NOAV closed pursuant to Order 1V-726.

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>
401710299	NOAV CERTIFIED MAIL RECEIPT
401710301	NOAV COVER LETTER
401710313	NOAV ISSUED
401710331	NOAV IN PROCESS
401716693	NOAV CERTIFIED MAIL RETURN RECEIPT

Total Attach: 5 Files