

State of Colorado
Oil and Gas Conservation Commission

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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: <u>10454</u>	Contact Name and Telephone:
Name of Operator: <u>PETROSHARE CORPORATION</u>	Name: <u>MEGHAN GRIMES</u>
Address: <u>9635 MAROON CIRCLE #400</u>	Phone: <u>(303) 500-1160</u> Fax: <u>()</u>
City: <u>ENGLEWOOD</u> State: <u>CO</u> Zip: <u>80112</u>	Email: <u>mgrimes@petrosharecorp.com</u>

Well Location, or Facility Information (if applicable):

API Number: 05- - -00 Facility or Location ID: 319709
 Name: STATE OF COLORADO AB-62S66W Number: 16NESE
 QtrQtr: NESE Sec: 16 Twp: 2S Range: 66W Meridian: 6
 County: ADAMS

ALLEGED VIOLATION

Rule: 1002.f
 Rule Description: Stormwater Management

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 1002.f.(2)., Petroshare Corporation ("Operator") shall implement and maintain Best Management Practices ("BMPs") at all oil and gas locations to control stormwater runoff in a manner that minimizes erosion, transport of sediment offsite, and site degradation; and shall maintain BMPs until the facility is abandoned and final reclamation is achieved pursuant to Rule 1004. Operator shall employ BMPs, as necessary to comply with this rule, at all oil and gas locations, including, but not limited to, well pads, soil stockpiles, access roads, tank batteries, compressor stations, and pipeline rights of way. BMPs shall be selected based on site-specific conditions, such as slope, vegetation cover, and proximity to water bodies, and may include maintaining in-place some or all of the BMPs installed during the construction phase of the facility. Best Management Practices indicate that Operator shall implement such protection upon commencement of construction.

COGCC Staff conducted inspections and recorded photographs of the State of Colorado AB #1 (Location ID 319709, "Location") on February 2, February 26, March 20, and August 15, 2018, (Field Inspection Report ("FIR") No. 690100362 for February 2; FIR No. 688500022 for February 26; FIR No. 688500024 for March 20; FIR No. 688500079 for August 15). COGCC Staff observed multiple spoil piles without appropriate stormwater BMPs (Photos No. 690100377 on February 2; No. 688500023, page 1, on February 26; No. 688500025, page 1, on March 20; and No. 688500080, photos 4, 9, 10, and 11, on August 8), and required Operator to install stormwater BMPs for the spoil piles. In FIR for the August 15 inspection, COGCC Staff required Operator to install stormwater BMPs for the spoil piles by August 31, 2018, (FIR No. 688500079).

On September 4, 2018, COGCC Staff observed that stormwater BMPs had not been installed at the spoil piles. (Field Inspection

Report No. 688500083).

Operator failed to install stormwater BMPs prior to, or at the start of construction, in violation of Rule 1002.f.(2).

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 09/10/2018

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

Install BMPs around all spoil piles at the subject location.

By the corrective action due date, Operator shall submit an eForm 4 Sundry Notice which provides photograph evidence of completion of this corrective action, and which includes a plan detailing Operator's internal procedure to ensure all pits and excavations are adequately fenced in the future to prevent access by unauthorized persons.

Rule: 605.c

Rule Description: O&G Facilities - Special Equipment

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:

Under unusual circumstances special equipment may be required to protect public safety. The Director shall determine if such equipment should be employed to protect public safety and if so, require Petroshare Corporation ("Operator") to employ same.

On December 7, 2017, COGCC Staff observed Operator performing excavation activities at the State of Colorado AB #1 (Location ID 319709, "Location") (Field Inspection Report No. 688500005). Between December 2017 and August 2018, COGCC Staff conducted several inspections of the Location and observed open excavations at the Location with no fencing and to which access of unauthorized persons was not prevented. The Location is within 700 feet of residences in a housing development, and the perimeter fencing is open which leaves the excavations easily accessible to the public, posing physical trip and/or trap hazards. (Field Inspection Photo Nos. 690100377 on February 2, 2018, 688500023 on February 26, 2018, 688500025 on March 20, 2018, 688500080 on August 15, 2018).

On August 24, 2018, COGCC Staff submitted an inspection report with a corrective action requirement to install temporary safety fencing at the open excavations to protect public safety by August 31, 2018, (Field Inspection Report No. 688500079). On September 4, 2018, COGCC Staff observed the persistence of unfenced and easily accessible open excavations at the Location (Field Inspection Report No. 688500083).

After being so required by COGCC, Operator failed to take adequate measures to prevent access of the public from the physical hazards posed by open excavations at the Location, violating Rule 605.c.

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 09/10/2018

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

Operator shall install temporary safety netting or fencing around all open excavations at the subject location.

By the corrective action due date, Operator shall submit an eForm 4 Sundry Notice which provides photograph evidence of completion of this corrective action, and which includes a plan detailing Operator's internal procedure to ensure all pits and excavations are adequately fenced in the future to prevent access by unauthorized persons.

Rule: 905

Rule Description: Closure of Pits, and Buried or Partially Buried Produced Water Vessels

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 905.b., Petroshare Corporation ("Operator") shall close buried or partially buried produced water vessels in accordance with an approved Site Investigation and Remediation Workplan ("Form 27"). Operator shall submit the Form 27 for prior Director approval and shall include a description of the proposed investigation and remediation activities in accordance with Rule 909.

COGCC Staff conducted inspections and recorded photographs of the State of Colorado AB #1 (Location ID 319709, "Location") on November 30, 2017, February 2 and February 26, 2018, (Field Inspection Report ("FIR") No. 690100254 for November 30, including Photo Document No. 690100260; FIR No. 690100362 for February 2; FIR No. 688500022 for February 26). COGCC Staff observed that the partially buried produced water vessel ("PW Vessel") that had been at the Location through February 2, 2018, (Photo Document No. 690100375), had been removed and reinstalled in a different location by February 26, 2018, (Photo Log Document No. 688500023). COGCC Staff instructed Operator to submit a Form 27 by March 12, 2018, for COGCC's approval for the site investigation related to closing and removing the PW Vessel. (Field Inspection Report No. 688500022).

Operator submitted an initial Form 27 on March 6, 2018, and again on June 27, 2018, but the submittals had deficiencies such that they could not be approved and COGCC Staff pushed it to draft each time with review comments (Form 27 No. 401564119). As of August 16, 2018, Operator has not submitted an approvable Form 27.

Operator conducted the closure of a partially buried produced water vessel without first obtaining Director approval of a Form 27, violating Rule 905.b.

Abatement or Corrective Action Required to be Performed by Operator: _____ Corrective Action Due Date: 09/13/2018

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

Operator shall submit a Form 27 for Remediation Project No. 11714 for COGCC review and approval. In this Form 27, Operator shall include a detailed workplan to perform a site assessment at the former produced water vessel location to verify that no contaminants of concern remain in soil or groundwater that exceed COGCC Table 910-1 standards. If the site assessment demonstrates contaminants of concern that exceed applicable standards, operator shall provide a detailed remediation plan via supplemental Form 27 with an aggressive implementation schedule to complete the remediation.

Rule: 906.b.(1)

Rule Description: Spill Reporting -Report to Director -Threat of Impact

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.(1), Petroshare Corporation ("Operator") shall report to COGCC a spill or release in which one barrel or more of Exploration and Production ("E&P") waste or produced fluids is spilled or released outside of berms or other secondary containment. Operator shall report such spill/release on a Spill/Release Report ("Form 19") with the Initial Report information as soon as practicable but not later than 72 hours after discovery of the spill/release. In addition to the Initial Report, Operator shall submit a supplemental Form 19 not more than 10 calendar days after the spill/release is discovered.

COGCC Staff conducted an inspection of the State of Colorado AB #1 (Location ID 319709, "Location") on December 7, 2017, to observe the removal of an unused wellsite riser at the inlet to a horizontal separator. COGCC Staff observed the excavation of contaminated soil and the discovery of a historical Release of E&P waste or produced fluids (Spill/Release ID 453361, "Release"), and required Operator to take corrective action to submit Form 19 Initial Spill/Release Report by December 11, 2017. (Field Inspection Report No. 688500005). Operator submitted the Form 19 Initial Report on December 15, 2017. (Initial Form 19 No. 401482939).

COGCC Staff conducted a follow up inspection of the State of Colorado AB #1 (Location ID 319709, "Location") on February 26, 2018. COGCC Staff observed that the supplemental Form 19 for the Release was overdue and required Operator to take corrective action to submit Form 19 Supplemental Spill/Release Report and a Site Investigation and Remediation Workplan ("Form 27") by March 12, 2018. (Field Inspection Report No. 688500022). Operator submitted a Form 19 Supplemental Report on March 1, 2018, but the submitted form had deficiencies such that it could not be approved and COGCC Staff pushed it to draft with review comments. On March 23, 2018, Operator re-submitted the form. (Supplemental Form 19 No. 401559063)

Operator discovered the Release, failed to submit a Form 19 Initial Report within 72 hours of discovery, and failed to submit an acceptable Form 19 Supplemental Report within 10 days of discovery, violating Rule 906.b.(1).

Abatement or Corrective Action Required to be Performed by Operator: _____ Corrective Action Due Date: 10/08/2018

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

In its Rule 522.d.(2) Answer, due within 28 days of the Operator's receipt of the NOAV, Operator shall provide an explanation of how in the future Operator will ensure that spills and releases are timely addressed and reported as required by Rule 906.

Rule: 906.c

Rule Description: Remediation of spills/releases

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.c., when so required by the Director due to the existence of threatened or actual significant adverse environmental impacts on any air, water, soil or other environmental resource from a spill/release, Petrosshare Corporation ("Operator") shall submit a Site Investigation and Remediation Workplan ("Form 27").

COGCC Staff conducted inspections of the State of Colorado AB #1 (Location ID 319709, "Location") on February 2 and 26, 2018, in follow up to previous discovery of soil contaminated by a historical Release of petroleum fluids (Spill/Release ID 453361, "Release"). On February 2, 2018, COGCC Staff observed that in the preceding 45 to 60 days Operator had not conducted excavation or remediation activity related to the Release and contamination (Field Inspection Report No. 690100362). On February 26, 2018, COGCC Staff observed that the supplemental Form 19 for the Release was overdue and required Operator to take corrective action to submit Form 19 Supplemental Spill/Release Report and a Site Investigation and Remediation Workplan ("Form 27") by March 12, 2018. (Field Inspection Report No. 688500022).

Operator submitted an initial Form 27 on March 9, 2018, and again on July 9, 2018, but the submittals had deficiencies such that they could not be approved and COGCC Staff pushed it to draft each time with review comments (Form 27 No. 401567267). As of August 16, 2018, Operator has not submitted an approvable Form 27.

Due to the Release's threatened or actual significant adverse environmental impacts on the soil, COGCC required Operator to submit a Form 27. Operator failed to submit the required Form 27, violating Rule 906.c.

Abatement or Corrective Action Required to be Performed by Operator: _____

Corrective Action Due Date: 09/13/2018

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

Operator shall submit a Form 27 for Remediation Project No. 11710 for COGCC review and approval. In this Form 27, Operator shall include a detailed workplan describing site assessment to delineate the lateral and vertical extent of impacts related to the historical release. The Form 27 shall include an implementation schedule with site work to be performed and reported within 60-days after issuance of NOAV.

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: 09/06/2018

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: 1002.f
Rule Description: Stormwater Management
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: 605.c
Rule Description: O&G Facilities - Special Equipment
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: 905
Rule Description: Closure of Pits, and Buried or Partially Buried Produced Water Vessels
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: 906.b.(1)
Rule Description: Spill Reporting -Report to Director -Threat of Impact
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: 906.c
Rule Description: Remediation of spills/releases
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>
401755164	NOAV CERTIFIED MAIL RECEIPT
401755165	NOAV COVER LETTER
401755171	NOAV ISSUED
401755223	NOAV IN PROCESS
401970312	NOAV CERTIFIED MAIL RETURN RECEIPT

Total Attach: 5 Files