

State of Colorado
Oil and Gas Conservation Commission

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Date Issued:
04/14/2021
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: 10722

Name of Operator: KTM OPERATING LLC

Address: 1246 BAYOU LACARPE ROAD

City: HOUMA State: LA Zip: 70360

Contact Name and Telephone:

Name: MICHAEL FESI

Phone: (985) 879-4485 Fax: ()

Email: jrhodes@pcminc.com

Well Location, or Facility Information (if applicable):

API Number: 05-073-06391-00

Facility or Location ID:

Name: CRAIG

Number: 6-4 SWD

QtrQtr: SENW

Sec: 4

Twp: 14S

Range: 55W

Meridian: 6

County: LINCOLN

ALLEGED VIOLATION

Rule: 309

Rule Description: Operator's Monthly Report of Operations

Initial Discovery Date: 08/15/2019

Was this violation self-reported by the operator? No

Date of Violation: 08/15/2018

Approximate Time of Violation:

Was this a discrete violation of obvious duration? Unknown

Description of Alleged Violation:

Pursuant to Rule 309.b (currently found at Rule 413.b), KTM Operating, LLC ("Operator"), shall report the volume of specific fluids injected into a Class II Underground Injection Control well on an Operator's Monthly Report of Operations ("Form 7"), within 45 days after the end of each month. The specific Class II fluids reported on Form 7 are produced in fluids and any gas or fluids used during enhanced recovery unity operations. Produced fluids include, but are not limited to, produced water and fluids recovered during drilling, casing cement, pressure testing, completion, workover, and formation stimulation of all oil and gas wells including production, exploration, injection, service and monitoring wells.

During a routine inspection on August 15, 2019 (document no. 688305504), COGCC staff observed that the last reported production occurred in June 2018. Staff provided a corrective action date of September 20, 2019, to submit the missing Monthly Reports of Operations.

During follow up inspections on March 25, 2020 (document no. 688307463), April 20, 2020 (document no. 70060095), June 12, 2020 (document no. 688308027), and February 26, 2021 (document no. 688309828), COGCC staff observed production records have not been updated. As of April 12, 2021, COGCC records do not show any Monthly Reports of Operations since June 2018.

Operator failed to submit Monthly Reports of Operations, violating Rule 309.b (currently found at Rule 413.b).

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 05/14/2021

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

Operator shall submit Monthly Reports of Operations to comply with Rule 309.b (currently found at Rule 413.b).

Rule: 309

Rule Description: Operator's Monthly Report of Operations

Initial Discovery Date: 08/15/2019

Was this violation self-reported by the operator? No

Date of Violation: 08/15/2018

Approximate Time of Violation:

Was this a discrete violation of obvious duration? Unknown

Description of Alleged Violation:

Pursuant to Rule 309.a (currently found at Rule 413.a), KTM Operating, LLC ("Operator") shall report all existing oil and gas wells that are not plugged and abandoned on the Operator's Monthly Report ("Form 7"), within 45 days after the end of each month. A well must be reported every month from the month that it is spud until it has been reported for one month as abandoned. Each formation that is completed in a well shall be reported every month from the time that it is completed until it has been abandoned and reported for one month as abandoned. The reported volumes shall include all fluids produced during flowback, initial testing, and completion of the well.

During a routine inspection on August 15, 2019 (document no. 688305504), COGCC staff observed that the last reported production occurred in June 2018. Staff provided a corrective action date of September 20, 2019, to submit the missing Monthly Reports of Operations.

During follow up inspections on March 25, 2020 (document no. 688307463), April 20, 2020 (document no. 70060095), June 12, 2020 (document no. 688308027), and February 26, 2021 (document no. 688309828), COGCC staff observed production records have not been updated. As of April 12, 2021, COGCC records do not show any Monthly Reports of Operations since June 2018.

Operator failed to submit Monthly Reports of Operations, violating Rule 309.a (currently found at Rule 413.a).

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 05/14/2021

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

Operator shall submit Monthly Reports of Operations to comply with Rule 309.a (currently found at Rule 413.a).

Rule: 326.b

Rule Description: Shut-in Wells

Initial Discovery Date: 08/15/2019

Was this violation self-reported by the operator? No

Date of Violation: 08/15/2018

Approximate Time of Violation:

Was this a discrete violation of obvious duration? Unknown

Description of Alleged Violation:

Pursuant to Rule 326.b (currently found at Rule 417.b), KTM Operating, LLC ("Operator") is required to perform a Mechanical Integrity Test ("MIT") on Shut-in ("SI") wells within two (2) years of the initial shut-in date and then at five (5) year intervals after an initial successful MIT.

During a routine inspection on August 15, 2019 (document no. 688305504), and follow up inspections on March 25, 2020 (document no. 688307463), April 20, 2020 (document no. 70060095), June 12, 2020 (document no. 688308027), and February 26, 2021 (document no. 688309828), COGCC staff observed that the well was shut-in.

During a record review on August 15, 2019, COGCC staff determined that Operator has not submitted Monthly Reports of Operations since June 2018.

Operator has not performed an MIT within two (2) years of the well being shut-in, violating Rule 326.b (currently found at Rule 417.b).

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 05/14/2021

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

Operator shall conduct an MIT on the well or plug and abandon the well.

Rule: 608.e.

Rule Description: Mechanical Conditions

Initial Discovery Date: 02/26/2021

Was this violation self-reported by the operator? No

Date of Violation: 02/26/2021

Approximate Time of Violation: _____

Was this a discrete violation of obvious duration? Unknown

Description of Alleged Violation:

Pursuant to Rule 608.e., all Production Facilities, valves, pipes, fittings, and vessels will be securely fastened or sealed, inspected at regular intervals, and maintained in good mechanical condition. KTM Operating, LLC ("Operator") will have all equipment engineered, operated, and maintained within the manufacturer's recommended specifications.

During a routine inspection on February 26, 2021 (document no. 688309828), COGCC staff observed the metal berms used for secondary containment for the Tanks were rusted and leaked produced water. Staff provided a corrective action to repair the metal berms and provide adequate secondary containment to prevent leaks by March 16, 2021.

During a follow-up inspection on March 31, 2021 (document no. 700600256), COGCC staff observed the corrective action was not completed. The metal berms used for secondary containment for the Tanks were rusted and leaked produced water.

Operator failed to maintain the Production Facility in good mechanical condition, violating Rule 608.e.

Abatement or Corrective Action Required to be Performed by Operator:

Corrective Action Due Date: 05/14/2021

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

Operator shall repair or replace the metal tank berms and maintain the berms in good mechanical condition.

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: 04/14/2021

COGCC Representative Signature: _____

COGCC Representative: Trent Lindley

Title: NOAV Specialist

Email: trent.lindley@state.co.us

Phone Num: (303) 894-2100x5143

CORRECTIVE ACTION COMPLETED

Rule: 309

Rule Description: Operator's Monthly Report of Operations

Corrective Action Start Date: _____

Corrective Action Complete Date: _____

Has corrective action for this violation been performed as required? _____

Description of Actual Corrective Action Performed by Operator

Rule: 309

Rule Description: Operator's Monthly Report of Operations

Corrective Action Start Date: _____ Corrective Action Complete Date: _____

Has corrective action for this violation been performed as required? _____

Description of Actual Corrective Action Performed by Operator

Rule: 326.b

Rule Description: Shut-in Wells

Corrective Action Start Date: _____ Corrective Action Complete Date: _____

Has corrective action for this violation been performed as required? _____

Description of Actual Corrective Action Performed by Operator

Rule: 608.e.

Rule Description: Mechanical Conditions

Corrective Action Start Date: _____ Corrective Action Complete Date: _____

Has corrective action for this violation been performed as required? _____

Description of Actual Corrective Action Performed by Operator

FINAL RESOLUTION

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

Enforcement Action: _____ Final Resolution Date: _____

Final Resolution Comments:

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>
402658271	NOAV ISSUED
402658272	NOAV CERTIFIED MAIL RECEIPT

Total Attach: 2 Files