

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF ALLEGED VIOLATIONS OF THE) CAUSE NO. 1V
 RULES AND REGULATIONS OF THE COLORADO OIL)
 AND GAS CONSERVATION COMMISSION BY) DOCKET NO. 0812-OV-21
PIONEER NATURAL RESOURCES USA, INC.,)
 LAS ANIMAS COUNTY, COLORADO)

NOTICE OF ADMINISTRATIVE ORDER BY CONSENT

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

On June 21, 2005, Pioneer Natural Resources USA, Inc. ("Pioneer") began drilling ("spudded") the Muleherder #14-14 Well ("Muleherder #14-14," API #05-071-08363) located in the SW¼ SW¼ of Section 14, Township 32 South, Range 68 West, 6th P.M.

On July 2, 2005, Pioneer completed the Muleherder #14-14 Well and reported first gas sales on September 3, 2005.

On January 10, 2006, staff ("Staff") of the Colorado Oil and Gas Conservation Commission ("COGCC" or "Commission") conducted a field inspection of the Muleherder #14-14 well site. The well site failed the inspection because it was not in compliance with Rule 902.g., which prohibits construction of unlined pits on fill material. Staff requested that this pit be closed.

On April 4 and 5, 2006, Purgatoire Valley Construction Co. ("Purgatoire"), a contractor for Pioneer, closed the pit. Closure had been delayed due to weather, road and soil conditions.

On April 10, 2006, Staff, accompanied by representatives of Pioneer, conducted a follow-up inspection of the Muleherder #14-14 well site. Both parties observed that a release of E&P waste had occurred during closure of the pit. The released material flowed off the well site, down an arroyo and entered a shallow (1-2 inches deep) wetlands of the San Pablo Canyon waterway located 600 feet northeast of the well site.

On April 11, 2006, Pioneer's investigation of the incident revealed that Purgatoire had not emptied the pit prior to closure. Pioneer estimated that approximately 200 barrels of E&P waste had been released.

On April 17, 2006, Pioneer submitted a Spill/Release Report (Form 19, #1393050) to the COGCC. On April 19, 2006, Staff reported the discharge to surface water to the Water Quality Control Division ("WQCD") of the Colorado Department of Public Health and Environment, pursuant to Article VI of the "Memorandum of Agreement" between WQCD and COGCC, adopted February 15, 2000.

On September 18, 2006, Staff issued Notice of Alleged Violation ("NOAV") #200095990 to Pioneer (Operator #10084) for violation of the following Rules:

RULE NO.	DESCRIPTION OF ALLEGED VIOLATION(S)
324A.a.	Failing to take precautions to prevent the unauthorized discharge or disposal of exploration and production ("E&P") waste
902.a.	Failing to construct and operate a pit used for E&P of oil and gas to protect waters of the state from significant adverse environmental impacts from E&P waste
902.g.	Constructing unlined drilling pits on fill material
906.a.	Failing to control and contain spills/releases of E&P waste immediately upon discovery and failing to investigate and clean up as soon as practicable impacts from spills/releases of E&P waste
906.b.(1)	Failing to report to the COGCC on Spill/Release Form 19 within 10 days of discovery spills or releases of E&P waste exceeding five barrels
906.b.(2)	Failing to report verbally to the Director within 24 hours of discovery spills or releases of E&P waste that exceed 20 barrels
906.b.(3)	Failing to report verbally to the Director as soon as practicable after

	discovery spills or releases of any size that impact or threaten to impact any waters of the state
907.a.(1)	Failing to ensure that E&P waste is properly stored, handled or disposed to prevent threatened or actual significant adverse environmental impacts to water, soil or biological resources
907.a.(2)	Failing to conduct E&P waste management activities and failing to construct and operate facilities to protect the waters of the state from significant adverse impacts from E&P waste

The NOAV corrective actions required Pioneer to provide to the COGCC, by October 30, 2006, a Site Investigation and Remediation Workplan, Form 27, a detailed list of all chemicals and products brought onsite or produced onsite, and to describe how issues with pit closure and reporting of spills and releases would be addressed to avoid similar incidents in the future.

On January 27, 2007, Pioneer submitted its final response to the NOAV by submitting a letter report to the COGCC that included a general description of chemicals and products used during drilling, cementing, completion and fracture stimulation, a brief discussion of how issues with pit closures had changed, and site photographs. Pioneer also submitted a Form 27 with the letter report, describing its reclamation and remediation work, which had been completed on April 25 through 27, 2006. On February 23, 2007, Staff visited the site and gave it a satisfactory inspection.

Pioneer should be found in violation of Rule 324A.a., because its contractor failed to take adequate precaution to protect environmental quality and to prevent the unauthorized discharge of E&P waste.

Pioneer should be found in violation of Rule 902.a., for failing to construct and operate a pit used for exploration and production of oil and gas to protect waters of the state.

Pioneer should be found in violation of Rule 902.g. because its contractor constructed an unlined drilling pit on fill material.

Pioneer should be found in violation of Rule 907.a.(1), for failing to ensure that E&P waste was properly stored, handled or disposed to prevent threatened significant adverse environmental impacts to water, soil or biological resources.

Rule 523. specifies a base fine of One Thousand dollars (\$1,000) for each day of violation of Rule 324A., Rule 902., and Rule 907. The pit for the Muleherder #14-14 Well was constructed sometime prior to the June 21, 2005 spud date. Pioneer's contractor knew of the spill on April 4, 2006, when it began closing the pit, but failed to report it to Pioneer. On April 10, 2006, Pioneer saw the spill when its representatives accompanied Staff on an inspection of the site.

In accordance with Rule 523.a., the Commission should assess a monetary penalty of Fourteen Thousand dollars (\$14,000) against Pioneer for violation of Rule 324A.a. (failing to take adequate precaution to protect environmental quality and to prevent the unauthorized discharge of E&P waste), Rule 902.a. (failing to construct and operate an exploration and production pit to protect waters of the state), Rule 902.g. (constructing a pit in fill material), and Rule 907.a.(1) (failing to ensure that E&P waste is properly stored, handled or disposed to prevent threatened significant adverse environmental impacts to water, soil or biological resources).

Pursuant to Article IX, of the "Memorandum of Agreement" between WQCD and COGCC, adopted February 15, 2000, Staff conferred with WQCD enforcement staff in determining the monetary penalty against Pioneer for violations of standards for surface waters established by the Water Quality Control Commission. WQCD indicated it agrees with the fine and the terms of this AOC and will not pursue any additional penalty.

On October 15, 2008, COGCC staff issued an Administrative Order by Consent ("AOC") to Pioneer Natural Resources USA, Inc. for violation of Rule 324A.a. (failing to take adequate precaution to protect environmental quality and to prevent the unauthorized discharge of E&P waste), Rule 902.a. (failing to construct and operate an exploration and production pit to protect waters of the state), Rule 902.g. (construction of a pit in fill material), and Rule 907.a.(1) (failing to ensure that E&P waste is properly stored, handled or disposed to prevent threatened significant adverse environmental impacts to water, soil or biological resources) at the Muleherder

#14-14 Well site (API #05-071-08363) located in the SW¼ SW¼ of Section 14, Township 32 South, Range 68 West, 6th P.M., proposing a fine of Fourteen Thousand dollars (\$14,000). On October 29, 2008, Pioneer Natural Resources USA, Inc. agreed to and accepted the AOC, including the fine of Fourteen Thousand dollars (\$14,000).

NOTICE IS HEREBY GIVEN, that the Oil and Gas Conservation Commission of the State of Colorado, pursuant to the above, has scheduled the above-entitled matter for hearing on:

Date: Tuesday, December 9, 2008*
Wednesday, December 10, 2008*
Thursday, December 11, 2008*

Time: 8:30 a.m.

Place: Terrace Room, Sheraton Hotel
1550 Court Place
Denver, CO 80202

* Please check the Public Announcements at <http://cogcc.state.co.us/> for exact day and location.

In accordance with the Americans with Disabilities Act, if any party requires special accommodations as a result of a disability for this hearing, please contact Margaret Humecki at (303) 894-2100 ext. 139, prior to the hearing and arrangements will be made.

Pursuant to said hearing in the above-entitled matter at the time and place aforesaid, or at any adjourned meeting, the Commission will enter such orders as it deems appropriate to protect the health, safety and welfare of the public and to prevent the waste of oil and gas, either or both, in the operations of said field, and to carry out the purposes of the statute.

In accordance with Rule 509., any interested party desiring to protest the granting of the application or to intervene on the application should file with the Commission a written protest or intervention no later than November 21, 2008, briefly stating the basis of the protest or intervention. Such interested party shall, at the same time, serve a copy of the protest or intervention to the person filing the application. An original and 13 copies shall be filed with the Commission. **Anyone who files a protest or intervention must be able to participate in a prehearing conference during the week of November 24, 2008.** Pursuant to Rule 503.f., if a party who has received notice under Rule 503.b. wishes to receive further pleadings in the above-referenced matter, that party must file a protest or intervention in accordance with these rules.

IN THE NAME OF THE STATE OF COLORADO

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By _____
Patricia C. Beaver, Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, CO 80203
November 3, 2008