

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

IN THE MATTER OF ALLEGED VIOLATIONS OF) CAUSE NO. 1V
THE RULES AND REGULATIONS OF THE COLORADO)
OIL AND GAS CONSERVATION COMMISSION BY)
JACK GRYNBERG DBA GRYNBERG PETROLEUM CO.) DOCKET NO. 1210-OV-14
MOFFAT COUNTY, COLORADO)

NOTICE OF ORDER FINDING VIOLATION HEARING

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

Pursuant to Rule 522.c., the Colorado Oil and Gas Conservation Commission ("Commission" or "COGCC") Staff will apply to the Commission on October 1, 2012, for an Order Finding Violation ("OFV") against Jack Grynberg DBA Grynberg Petroleum Company ("Grynberg") (Operator No. 36200).

Hiawatha State 4-3 Well

On or about March 31, 2008, Grynberg, owner and operator, spud the Hiawatha State 4-3 Well (API No. 05-081-07313) ("Well"), located in the NW¼ SE¼, Section 3, Township 11 North, Range 101 West, 6th P.M.

On November 9, 2009, Colorado Oil and Gas Conservation Commission ("COGCC" or "Commission") Staff ("Staff") issued Notice of Alleged Violation ("NOAV") No. 200221984 to Grynberg for its operations at the Hiawatha State 4-3 Well. The NOAV cited violations of Rules 324A.a., 602, 902.a., 902.b., 902.c., 904.b.(2), 904.c.(1), 906.a. and 906.b., which required certain abatement or corrective actions to be taken by Grynberg by November 27, 2009. In November 2010, COGCC Staff inspected the Well and believed that Grynberg had not complied with the abatement or corrective actions set forth in the NOAV.

On February 23, 2011, Jack J. Grynberg, President of Grynberg Petroleum Company, submitted a signed Site Investigation and Remediation Workplan (Remediation No. 5585), Form 27 (Document No. 2524431), to the Commission which, among other things, stated Grynberg's planned abatement and corrective actions for closure of the drilling/reserve pit and remediation of the E&P waste (NOAV No. 200221984) for its operations at the Hiawatha State 4-3 Well. The Remediation Workplan stated that any impacted soils potentially excavated from this location will be disposed of at a commercial disposal facility, and soils will be excavated and stockpiled on-site pending analytical results, upon which the soils will be disposed of at a commercial disposal facility and documented in an update to this Form 27 (Document No. 2524431). On March 1, 2011, COGCC Staff approved and signed the Site Investigation and Remediation Workplan (Remediation No. 5585), Form 27 (Document No. 2524431).

On May 16, 2011, the Commission issued an Administrative Order by Consent, Order No. 1V-367 to Grynberg for its operations at the Hiawatha State 4-3 Well which, among other things, found Grynberg violated Rules 902.b., 902.c., 904.b.(2) and 906.a. for its operations at the Hiawatha State 4-3 Well.

On October 6, 2011, COGCC Staff was informed that approximately 4,000 cubic yards of E&P waste from the Hiawatha State 4-3 flowback completion pit and flare pit was disposed of at an unapproved facility in Utah. Furthermore, according to Brad Hill, Oil and Gas Permit Manager for the Utah Division of Oil, Gas and Mining, who collected the samples and analytical results, and Robert Herbert, Utah Division of Water Quality, the 4,000 cubic yards of material disposed of at the unapproved Utah facility contained diesel range organics from about 22,600 to 23,800 mg/kg disposed of at the unapproved Utah facility contained diesel range organics from about 22,600 to 23,800 mg/kg. Additionally, it was observed that the E&P waste material was not spread out or incorporated into the ground. This disposal of E&P waste was inconsistent with the staff approved Site Investigation and Remediation Workplan (Remediation No. 5585), Form 27 (Document No. 2524431).

On November 18, 2011, COGCC Staff issued NOAV No. 200329114 to Grynberg for its operations at the Hiawatha State 4-3 Well. The NOAV cited violations of the following Rules:

a. Rule 905.b., which provides pits not used exclusively for drilling operations, buried or partially buried produced water vessels, and emergency pits shall be closed in accordance with an approved Site Investigation and Remediation Workplan, Form 27, and shall be submitted for prior Director approval and shall include a description of the proposed investigation and remediation activities in accordance with Rule 909;

b. Rule 907.b.(1), which provides that E&P waste, when transported off-site within Colorado for treatment or disposal, shall be transported to facilities authorized by the Director or waste disposal facilities approved to receive E&P waste by the Colorado Department of Public Health and Environment, and when transported to facilities outside of Colorado for treatment or disposal, E&P waste shall be transported to facilities authorized and permitted by the appropriate regulatory agency in the receiving state;

c. Rule 907.d.(2), which provides drilling fluids may be treated or disposed by injection into a Class II well permitted in accordance with Rule 325; disposal at a commercial solid waste disposal facility; or land treatment or land application at a centralized E&P waste management facility permitted in accordance with Rule 908;

d. Rule 907.e.(1), which provides that oily waste includes those materials containing crude oil, condensate or other E&P waste, such as soil, frac sand, drilling fluids, and pit sludge that contain hydrocarbons. Oily waste may be treated or disposed by disposal at a commercial solid waste disposal facility; land treatment onsite; or land treatment at a centralized E&P waste management facility permitted in accordance with Rule 908;

e. Rule 907.e.(2), which provides that oily waste includes those materials containing crude oil, condensate or other E&P waste, such as soil, frac sand, drilling fluids, and pit sludge that contain hydrocarbons. Land treatment for oily waste requires the following: A) free oil shall be removed from the oily waste prior to land treatment; B) oily waste shall be spread evenly to prevent pooling, ponding, or runoff; C) contamination of stormwater runoff, ground water, or surface water shall be prevented; D) biodegradation shall be enhanced by disking, tilling, aerating, or addition of nutrients, microbes, water or other amendments, as appropriate; E) land-treated oily waste incorporated in place or beneficially reused shall not exceed the concentrations in Table 910-1; F) when a threatened or significant adverse environmental impact from onsite land treatment exists, operators shall submit a Site Investigation and Remediation Workplan, Form 27, for approval by the Director, and treatment shall thereafter be completed in accordance with the workplan and Rules 909 and 910; G) when land treatment occurs in an area not being utilized for oil and gas operations, operators shall obtain prior written surface owner approval.

NOAV No. 200329114 required the following abatement or corrective action to be taken by Grynberg: 1) remove all material that was transported to the unauthorized facility in Utah and dispose of the material at commercial disposal facility by January 31, 2012; and 2) submit a completed and accurate Form 27, providing an account of the disposition of the E&P waste and wastes manifests to the COGCC by February 10, 2012. These actions were required to be completed by January 31, 2012 and February 10, 2012.

Rule 523.c. specifies a base fine of One Thousand dollars (\$1,000) for each day of violation of Rules 905.b., 907.b.(1), 907.d.(2), 907.e.(1) and 907.e.(2). Rule 523.a.(3) specifies that the maximum penalty for any single violation shall not exceed Ten Thousand dollars (\$10,000) regardless of the number of days of such violation, unless the violation results in significant waste of oil and gas resources, damages to correlative rights, or a significant adverse impact on public health, safety or welfare, including the environment or wildlife resources. It appears that the violations alleged occurred for a period of more than ten (10) days, however, at this time, Staff is not alleging that the violations resulted in significant waste of oil and gas resources, damages to correlative rights, or a significant adverse impact on public health, safety or welfare, including the environment or wildlife resources. Consequently, COGCC Staff has calculated a base fine of Fifty Thousand dollars (\$50,000) for violations of the Rules for the Hiawatha State 4-3 Well.

COGCC Staff therefore requests that Grynberg be found in violation of Rules 905.b., 907.b.(1), 907.d.(2), 907.e.(1) and 907.e.(2), for its operations at the Hiawatha State 4-3 Well and assessed a fine not to exceed \$50,000. Additionally, Grynberg should be ordered to complete abatement or corrective actions set forth in NOAV No. 200329114, as may be modified by Staff, and as required per the Notice of Violation and Compliance Order issued by Utah Department of Environmental Quality, Water Quality Board.

NOTICE IS HEREBY GIVEN, pursuant to: 1) the general jurisdiction granted to the Oil and Gas Conservation Commission of the State of Colorado (Commission) under § 34-60-105 C.R.S.; 2) specific powers granted pursuant to § 34-60-106 C.R.S.; 3) the Colorado Administrative Procedures Act at § 24-4-105 C.R.S.; and 4) the Commission's Series 500 Rules at 2CCR 404-1, that the Commission has scheduled the above-entitled matter for hearing on:

Date: Monday, October 1, 2012
Tuesday, October 2, 2012

Time: 9:00 a.m.

Place: Centennial Hall
Citizen's Meeting Room
124 10th Street
Steamboat Springs, CO 80487

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. 5139, 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 September 17, 2012, 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 September 17, 2012.** Pursuant to Rule 503.g., 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


Robert J. Frick, Secretary

Dated: August 23, 2012