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2 Division of Gas and Oil  
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5 Abingdon, VA 24212  
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8 B. T. Fulmer, Director, Division of Gas and Oil

9  
10 By Decision of the  
11 Director, Division of Gas and Oil

12 Department of Mines, Minerals and Energy )

13 Notice of Recommendation for Civil Charge

14 Division of Gas and Oil )

15 Docket # VGOB 98/04/21-0646<sup>1</sup>

16 vs. )

17 Cabot Oil and Gas Corporation )  
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30 **Proposed Action:**

31 Cabot Oil and Gas Corporation is hereby served notice that on April 21, 1998, the Division of Gas and Oil  
32 proposes to bring before the Virginia Gas and Oil Board a "Recommendation of Civil Charges" pursuant to Board Order  
33 VGOB 92/05/29-0226, herein after referred as the Civil Charge Procedural Rule for permitted gas and oil operations  
34 COGC #14, Permit #3280, File # TA-0046.

35 The Director has reviewed the evidence, history and recommendation of the Area Inspector, Mr. Gary Elde, in  
36 regards to events and circumstances surrounding the basis of the recommendation and the basis of the calculation  
37 of recommended penalties and concurs with the findings of the Area Inspector. Therefore, the Director finds that the  
38 matter shall be brought before the Virginia Gas and Oil Board at its April 21, 1998 hearing.

39 **Basis of Action:**

40 The Area Inspector, on February 13, 1998, notified site representatives, verbally, at the site of a violation of 4  
41 VAC 25-150-260, § C.17. During the inspection, the permittee began work on correcting the violation in the presence of

1 the Area Inspector. Cabot Oil and Gas Corporation was notified of the violation by written documentation sent by  
 2 certified mail on February 13, 1998 addressed to Mr. Dan Grove. The Notice of Violation instructed the permittee to  
 3 install additional erosion and sediment control measures along the length of the access road to the permitted site,  
 4 COGC #14, Permit #3280, File #TA-0046 and continue abating the Notice of Violation. It was also noted in the inspection  
 5 that the permittee has tracked mud from the permitted site onto the surface of the state highway. The Notice of  
 6 Violation required the permittee to abate the violation by February 18, 1998.

7 A follow up inspection was conducted on February 19, 1998. The Area Inspector found during his inspection  
 8 that any interim measures to abate the violation had not corrected the problems and the access road continued to  
 9 deteriorate. The permittee had continued to utilize the road, which had resulted in further off site impacts. The  
 10 permittee also continued to track mud upon the state highway. The Area Inspector determined that continued use of  
 11 the access road would result in further deterioration of the road and existing erosion and sediment control measures  
 12 and a continued increase of significant off site impact. The Area Inspector issued a Closure Order #26 on Permit  
 13 #3280 and required all persons and or equipment to be withdrawn from the site until such time that Cabot can correct  
 14 the existing conditions.

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 16 **Basis of Civil Charge Recommendation:**

<u>Factor Category</u>	<u>Point Determination</u>	<u>Recommended Points</u>
<b>Seriousness Point Determination</b>	<p>Significant off site impacts has occurred well beyond the permitted site. Continuation of permitted activities would greatly increase the potential for further off site impacts. Continued tracking of mud onto the state highway would cause potential risk of hazard to public safety.</p>	6
<b>Degree of Negligence</b>	<p>A determination of gross negligence is found based on the permittee and representative of the permittee were aware of the off site impacts when issued the Notice of Violation on February 13, 1998. The permittee continued operations without fully abating the original violation. The permittee's actions continued to create off site impacts and hazardous safety circumstances up until the time of the issuance of the Closure Order on February 19, 1998, one day after which the violation was to be abated.</p>	4

1	<b>Good Faith Credit</b>	<b>Violation was not abated before the abatement date</b>	<b>0</b>
2	<b>History of Violations</b>	<b>None</b>	<b>Reduce Base Civil Charge 10%</b>
3	<b>Total Points Assigned</b>		<b>10</b>

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6 **Recommended Civil Penalty Assessment:**

7	<b>Points Assigned = 10</b>	<b>Base Civil Charge Amount = \$2,700</b>
8	<b>History of Violations applied</b>	<b>- 10% of Base                      270</b>
	<b>Total Amount Recommended</b>	<b>\$2,430</b>

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11 Signed this 2<sup>nd</sup> day of March, 1998

12 *Byron A. Tupper* (signature)

13 Director, Division of Gas and Oil

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**VIRGINIA:**

**BEFORE THE VIRGINIA GAS AND OIL BOARD**

**IN RE: VGOB DOCKET NO. 98-0421-0647**

**RECOMMENDATION BY THE VIRGINIA GAS AND OIL INSPECTOR herein "Inspector") THAT THE VIRGINIA GAS AND OIL BOARD (herein "Board") IMPOSE A CIVIL CHARGE AGAINST CABOT OIL AND GAS CORPORATION (herein "Operator") PURSUANT TO BOARD ORDER ENTERED IN VGOB DOCKET NO. 92-0529-0226 (herein "Civil Charge Procedural Rules") FOR ITS PERMITTED GAS AND OIL OPERATIONS COGC#14, PERMIT #3280, file #TA-0046 (herein referred to as "Permitted Activities")**

1. **Hearing Date and Place:** This matter came on before the Board for final hearing at 9:00 a.m. on April 21, 1998, Dickenson conference Room, Southwest Virginia, pursuant to Va. Code § 45.1-361.8.C. and the Civil Charge Procedural Rules, upon the Inspector's recommendation that the Board impose a civil charge on the Operator for its violation of 4 VAC 25-150-260, § C.17 as more particularly set forth in the Notice of Violation written on February 13, 1998 and the Closure Order issued on February 19, 1998 with respect to the Permitted Activities.
2. **Appearances:** Elizabeth McClanahan of the firm Penn, Stuart, et al appeared for the Operator; Sandra B. Riggs, Assistant Attorney General, was present to advise the Board.
3. **Jurisdiction:** Pursuant to Va. Code § 45.1-361.1 et seq., the Board finds that it has jurisdiction over the subject matter.
4. **Findings of Fact:**
  - a. Chronology of Relevant Events:
    1. On or about January 27, 1998 the Operator commenced the drilling of Well COGC #14 (herein "Well") reaching its total depth of 5,700 feet on or about February 6, 1998.
    2. On or about February 7, 1998 the Operator finished pulling the drill pipe, ran casing, cemented the casing, and pumped into the hole, among other things, 250 gallons of 15% hydrochloric acid as an inhibitor.
    3. On February 13, 1998 an inspector from the Virginia Division of Gas and Oil (herein "DGO") inspected the site of the Permitted Activities, orally notified the Operator that there existed a violation of Section C.17 of 4 VAC 25-150-260 with respect to the condition of the access road to the Well site (herein "Violation"), and on the same day issued to the Operator by certified mail a written Notice of Violation with respect to the Violation requiring that the Operator install additional erosion and sediment control measures along the length of the access road to the Well and abate the Violation by February 18, 1998. The Notice of Violation was not appealed by the Operator and became final.
    4. On February 13, 1998, the Operator completed the Well, and noted in its report that the "Lease rd in rough condition due to rain and snow melting".
    5. On February 14 and 15, 1998, the Operator's report indicates that they were "Waiting on frac crew".

6. On February 16, 1998 the frac trucks arrived and fractured the Well.
7. On February 17 and 18 , the Operator was swabbing the Well and retrieving fluids. The Operator had not abated the Violation by February 18, 1998 as required by the Notice issued on February 13, 1998.
8. On February 19, 1998, while swabbing and retrieval of fluid was continuing, the Operator's report indicates that "The VA Oil & Gas Inspector shut down operations due to bad road & weather conditions."
9. On February 19, 1998, the Inspector issued a Closure Order for the Permitted Operations due to the Operator's failure to abate the Notice of Violation, the Operator's continued use of the road, and the resulting continual deterioration of the road's condition. The Closure Order was not appealed by the Operator and became final.
10. On or about March 27, 1998 the Closure Order was lifted so that the Operator could commence abatement of the Violation and the related off-site disturbances.

b. Pursuant to the Civil Charge Procedural Rules, the Inspector found and recommended to the Board the assessment of the following points and penalties:

Seriousness	Significant actual or potential damage/threat/waste.	6 Points
Negligence	Gross	4 Points
Good Faith Credit	Violation not abated prior to set abatement date	0
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Total Points		10

Base Civil Charge Amount Based on 10 Points = \$2,700.00

Less Reduction Based on Prior History = 10%

Inspector's Recommended Civil Charge Amount = \$2,430.00

c. The Operator presented two mitigating factors in support of its request for a waiver of the Inspector's recommended civil charges, or in the alternative for the reduction of same.

1. That the testimony of the Inspector, the Operator's employees, and the Operator's records and exhibit reflecting the climatological observations for Richlands, VA for the period February 1, 1998 through February 28, 1998 all indicated that extreme inclement weather between the date of the drilling of the well and the date of abatement of the Violation, both rain and melting snow, had saturated the ground hampering Operator's efforts to abate the Violation and worsening the access road's condition; and
2. Once the 250 gallons of 15% hydrochloric acid was introduced into the Well bore on February 7, 1998, it set into force a set of actions which had to be completed within two weeks, or else damage would have been done to the Well resulting in its possible loss. It was for this reason that the Operator continued using the access road exacerbating its noncompliant condition.

5. **Conclusions and Findings.** In accordance with the determinations required by the Civil Charge Procedural Rules for the Assessment of Points and Charges and the testimony presented by the Inspector and the Operator, the Board denies the Operator request for a waiver of the civil charges in this matter but grants the Operator's request for a reduction in the recommended charges due to the mitigating circumstances set forth above, and the Board establishes the civil charges to be as follows:

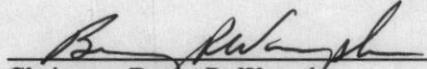
Seriousness Point Determination:	Significant actual or potential damage/threat/waste	6 Points
Degree of Negligence:	Negligence	2 Points
Good Faith Points:	Prompt and diligent efforts were taken	-1 Point
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Total Points:		7 Points

Base Civil Charge Amount Based on 7 Points: \$950.00

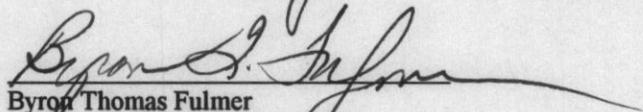
Less Reduction Based on Prior History: 10%

Civil Charge Amount: \$855.00

**DONE AND EXECUTED** this 4<sup>th</sup> day of May, 1998, by a majority of the Virginia Gas and Oil Board.

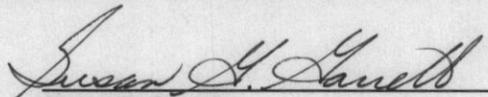
  
Chairman, Benny R. Wampler

**DONE AND PERFORMED** this 8<sup>th</sup> day of May, 1998, by Order of this Board.

  
Byron Thomas Fulmer  
Principal Executive to the Staff  
Virginia Gas and Oil Board

STATE OF VIRGINIA )  
COUNTY OF WISE )

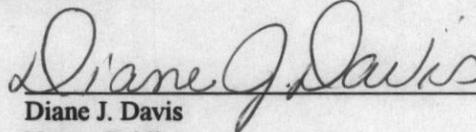
Acknowledged on this 4<sup>th</sup> day of May, 1998, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny R. Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

  
Susan G. Garrett  
Notary Public

My Commission Expires: 07/31/98

COUNTY OF VIRGINIA )  
COUNTY OF WASHINGTON )

Acknowledged on this 4<sup>th</sup> day of May, 1998, personally appeared before me a notary public in and for the Commonwealth of Virginia, appeared Byron Thomas Fulmer, being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

  
Diane J. Davis  
Notary Public

My Commission Expires 9/30/2001