

Field Inspection and Reporting Process

Lean Project Summary

September 29, 2015



COLORADO

**Oil & Gas Conservation
Commission**

Department of Natural Resources

Goals

A team of Operators and COGCC Personnel were challenged to propose changes so that:

- There is a standard, easy to understand and well documented Field Inspection and reporting process.
- Information is communicated in a manner in which Operators can read a Field Inspection Report (FIR) and immediately have a clear understanding of what needs to be done next to resolve the issues.
- Corrective Action (CA) dates are perceived as both fair and consistent.

Vision

“COGCC’s FIR process will provide well-founded, accurate assessments of site compliance and will identify necessary corrective actions, if any. Our findings will be delivered promptly and will be clearly written with straight forward language and clear expectations for follow-up. We will continually refine our processes to increase accuracy, consistency, and efficiency, and will engage with Operators to promptly address their questions or concerns with the goals of driving resolution of identified issues within appropriate timeframes.”

Team

- **Operators** -- Sabre Beebe, Randall Ferguson, Rusty Frishmuth, Mike Gardner, Dwayne Knudson, Susi Lara-Mesa
- **COGCC** -- Chuck Browning, Alex Fischer, Mike Leonard, Craig Quint, Jeff Rickard
- **Facilitators** - Dave Kulmann, Greg Bellomo

Process Summary

Over 5 days across 2 weeks, the team:


- Mapped the current process
- Recognized pain points and wastes
- Documented 29 issues with the current inspection and reporting process
- Specified improvements for 21 issues in 7 categories (Parking lot the others)

Within the 7 categories:

- The team developed drafts of procedures, guidance, and forms, where possible
- The team created an implementation plan to complete and follow-up on remaining items





Seven Recommendations

#1—Redesign the FIR

FORM INSP Rev X/15	State of Colorado Oil and Gas Conservation Commission 1120 Lincoln Street, Suite 801, Denver, Colorado, 80203 FIELD INSPECTION FORM		Inspection Date: _____ Submitted Date: _____ Document Number: _____																																				
Location ID: _____ Inspector Name: _____ On-Site Consultation: <input type="checkbox"/> 2A Doc Num: _____		Status Summary: <input type="checkbox"/> This is a Follow-up Inspection <input type="checkbox"/> Follow-up Inspection is Required <input type="checkbox"/> No Follow-up Inspection is Required Findings: _____ Number of Corrective Actions _____ Number of General Comments <input type="checkbox"/> Corrective Action Response Requested Follow-Up Contact: _____																																					
Operator Information: OGCC Operator Number: _____ Operator Name: _____ Address: _____ City: _____ State: _____ Zip: _____																																							
Contact Information: <table border="1" style="width: 100%;"> <thead> <tr> <th>Contact Name</th> <th>Phone</th> <th>Email</th> <th>Comment</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>				Contact Name	Phone	Email	Comment																																
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General Comments: "ADD"																																							


Overview: Redesign the FIR

Recommendation #1

Observed Issues		Recommended Changes
FIR report is too long with critical info buried inside		Put critical information on page 1 and remove sections that contain no content
FIR labels don't represent the true topic		Re-titled sections with intuitive labels (ex: "Facilities" becomes "Tanks and Berms")
Overall FIR rating is inconsistently applied		Replace overall rating with a count of CAs (red font) and # of general comments (blue font) - Add a General Comments section
FIRs are delivered without a file name or subject that references the location		Change the FIR e-mail subject line to contain the location name



Target Completion: March 30 , 2016

#2 - Develop FIR Resolution eForm

FORM Res. Rev X/15	State of Colorado Oil and Gas Conservation Commission 1120 Lincoln Street, Suite 801, Denver, Colorado, 80203 FIELD INSPECTION REPORT RESOLUTION FORM		Overall Form Status: _____ CA Response Summary: _____ _____	Inspection Date: _____ FIR Submit Date: _____ Document Number: _____			
Operator Information:							
Operator Number: _____ Operator Name: _____ Address: _____ Phone: _____ City: _____ State: _____ Zip: _____							
Location Information:							
API Number: _____ Location ID: _____ Facility ID: _____ Facility Name: _____ Section: _____ Township: _____ Range: _____ QTRQTR: _____ Lat: _____ Long: _____							
Operator Contact Information -- Click to Pull Contact from FIR <input type="checkbox"/>							
Operator Contact Name		Phone	Email				
Correction Actions (CA) Table:							
CA #	CA Verbiage and CA Date from FIR (Includes wording and category)	CA Response	Date of Completion	Basis For Review	Operator Comments	Upload Docs	Delete CA
1	DIRECTLY FROM FIR AND NOT EDITABLE	DROP DOWN. SEE BUSINESS REQ.	SEE BUSINESS REQ.	DROP DOWN. SEE BUSINESS REQ.	NO CHARATER LIMIT. FREE TEXT BOX	↑	X
2	See business req 4.03 for details on rules for this entire CA table.					↑	X

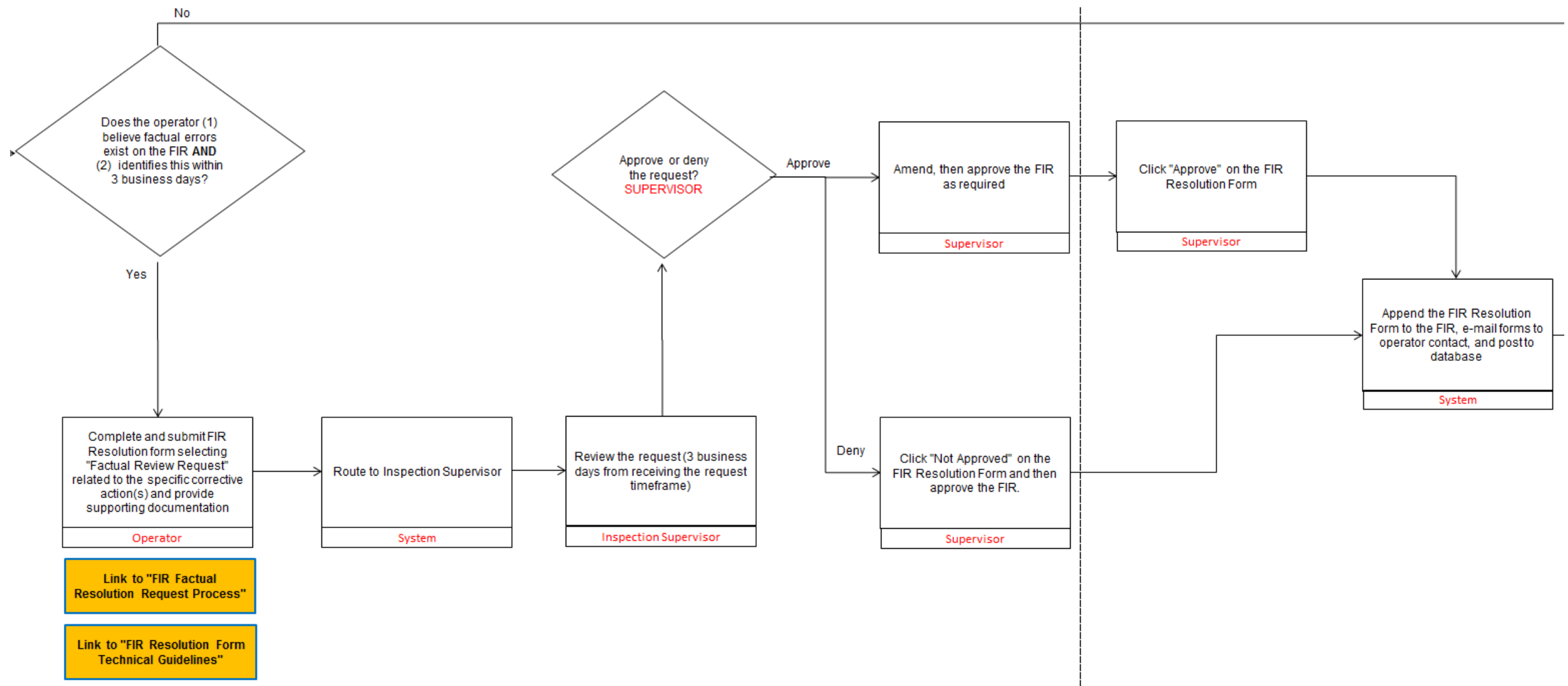
Overview: *Develop FIR Resolution eForm*

Recommendation #2

Observed Issues		Recommended Changes
No easy and transparent mechanism for Operators to formally respond to FIR findings, with CA details that become part of the record		Develop a new eForm called the “FIR Resolution Form” that allows for comments of actions performed and attachment of supplemental information (Append to FIR so becomes part of the record)
No easy way to address a FIR with multiple findings with different corrective action dates		FIR Resolution Form contains functionality to address multiple corrective action dates

Target Completion: March 30, 2016

#3 - Develop FIR Review Process to Address Factual Inaccuracies



Overview: Develop FIR Review Process to Address Factual Inaccuracies

Recommendation #3

Observed Issues

Inspections occasionally go public with factual inaccuracies and there is no formal process for Operators to object to any factual inaccuracies that may exist.



Recommended Changes

- Develop a formal process, with guidance, allowing Operators to request a formal review on a limited set of factual inaccuracies within a FIR.
- Delay posting of FIRs to the database for three business days to enable COGCC review and resolution

(1) Operator does not own or operate the location, (2) Equipment is not owned or controlled by the operator, (3) Equipment belongs to the surface owner, (4) Findings are inappropriately tied to multiple wells, (5) CA dates are not per the guidelines, (6) Corrective action dates are not attainable, (7) Requested documentation was submitted prior to the inspection, (8) Action requested was already completed prior to the inspection

Target Completion: March 30, 2016
Dependent upon FIR Resolution eForm

#4 - Develop Guidance for CA Documentation and Re-Inspection

CORRECTIVE ACTION AND RE-INSPECTION MATRIX

Rule Number	Rule Title	Rule Class	Presumptive Time for Corrective Actions (Months unless otherwise stated)	FIR ISSUE LANGUAGE	STANDARD CORRECTIVE ACTION LANGUAGE	PROPOSED CORRECTIVE ACTION TIMEFRAME	FOLLOW-UP INSPECTION REQUIRED TIMEFRAME
DEFINITIONS (100 Series)							
GENERAL RULES (200 Series)							
201	Effective Scope of Rules and Regulations	X					
202	Office and Duties of Director	X					
203	Office and Duties of Secretary	X					
204	General Functions of Director	X					
205	Access to Records	1	1				
205A	Hydraulic Fracturing Chemical Disclosure	1	1				
206	Reports	1	1	Production not reported	Report production via Form 7	30-days (Monthly reporting required Rules 206, 309)	AMI / 30 days
207	Tests and Surveys	2	1				
208	Corrective Action	X					
209	Protection of Coal Seams and Water-Bearing Formations	2	6				
210	Signs and Markers	2	1	No lease sign at	Auto populates: Install sign to comply with Rule 210	30 - 90 days	AMI / 6 mths
210.d.	Signs and Markers Tanks and Containers	2	1	No labeling on	Auto populates: Install sign to comply with Rule 210	30 - 90 days	AMI / 6 mths
211	Naming of Fields	X					
212	Safety	X					

Overview: Develop Guidance for CA documentation and Re-inspection

Recommendation #4

Observed Issues

- FIR Corrective Actions and associated dates are not standardized leading to:
- Inconsistent or unattainable CA dates on FIRs
 - Findings on FIRs contain subjective language
 - Rules are not cited on the FIR
 - Re-inspections (i.e., follow-up inspections) do not always happen in a timely manner (unsure when it is a re-inspection vs. a new inspection)



Recommended Changes

- Develop guidance and associated matrix that addresses the following:
- Standard CA timeframes
 - Standard CA language for typical findings
 - Rule citation
 - Standard timeframes for re-inspections / follow-up inspections

~70 Rules Analyzed During the Lean Event!

MORE TO DO!!

Target Completion: October 31 to December 31, 2015

#5—Clarify Internal FIR Guidance

Observed Issues

The current guidance to inspectors on completing the FIR does not address key areas, resulting in:

- A single finding put into the FIR multiple times in different sections
- A single location-specific finding (e.g. berm) is not only tied to the location ID but also tied to every well associated with that location
- FIRs not always sent timely to Operators
- A lack of clarity as to whom the operator needs to follow up with to address findings




Recommended Changes


- Update the existing FIR internal guidance document to clearly address these identified issues
- Train inspectors on the new procedures and monitor to ensure impact

Target Completion: October 31 to December 31, 2015

#6—Immediate Operator Notification

Observed Issue		Recommended Change
Certain field issues require immediate (verbal) notification of Operators		Develop formal guidance regarding the circumstances when COGCC staff, on an oil and gas location, must immediately contact the operator

#7—Alternative Means of Inspection

Observed Issue		Recommended Change
Certain corrective actions can be adequately inspected via photos or video, or other supplemental documentation		Develop guidance detailing when a corrective action on a FIR can be formally resolved without an on-site re-inspection from the COGCC

Target Completion for Both: October 31 to December 31, 2015

Interpretative Review (1 of 3)

The need:

- A process has been designed for reviewing and adjusting FIRs in the case of *fact-based* issues (#3)
- The team believes that developing a process for reviewing *interpretation* issues will benefit the Operators and COGCC in the long run, but is more challenging
- There are many unknowns (frequency, net time required, timeliness requirements, etc) that must be better understood before rolling out such a process

Interpretative Review (2 of 3)

The numbers: Based on an analysis of YTD interpretation issues associated with the FIRs on Lean team operators:

- The operators (+ 1 additional) have had 2641 inspections (approx 10% of all inspections conducted state-wide), with 379 requiring corrective actions (14%)
- Operators indicated they did, or would have, requested review on 80 inspections (3% of total)
- Of these 80 reviews
 - 43 were rooted in fact-based issues (1.6% of total)
 - 37 were interpretation issues (1.4% of total)
- The 37 interpretation reviews have their root in a few unique interpretation issues (stormwater, weeds, reclamation, owner equipment on location, etc)
- The team believes addressing these critical few issues will alleviate a majority of the reasons for review

Interpretative Review (3 of 3)

The Plan

- The team recommends designing and launching a pilot with these goals:
 - Identify trends with interpretations across the state and rules prone to interpretation - develop further guidance and/or clarifications and trends within the inspector group
 - Learn how much time is currently being spent to resolve issues and how long resolution takes
 - Learn how the number of interpretation reviews changes over time (anticipate #s dropping after similar patterns are observed and further guidance/training is provided and shared with operators)
 - Make progress on reducing confusion on the critical few issues requiring interpretation
- Operators engaged: Lean team operators + potentially 1-2 operators more likely to challenge interpretation
- Timeframe: Begin pilot in TBD

Key High Level Deliverables

- High level to-be flowchart of the entire process with links to Guidance/SOP
- (6) new procedures/guidance, (1) updated guidance, (2) mock-ups for technology enhancements (Forms), (1) CA matrix
- Communication plan
- Implementation plan
- Parking lot items

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