COLORADO
Energy & Carbon Management Commission
Department of Natural Resources
1120 Lincoln Street, Suite 801
Denver, CO 80203

February 16, 2024

K.P. Kauffman Company, Inc.
Attn: Ross Watzman
1700 Lincoln Street, Suite 4550
Denver, CO 80203

DIRECTOR'S ORDER PURSUANT TO RULE 901.a.

This Order is issued by the Director of the Colorado Energy and Carbon Management Commission ("ECMC" or "Commission") pursuant to Rule 901.a. of the Commission's Rules and Regulations, 2 C.C.R. § 404-1 ("Rule" or "Rules").

INTRODUCTION

K.P. Kauffman Company, Inc. (Operator No. 46290) ("KPK") is the operator of over 1,000 wells and associated flowline infrastructure in the State of Colorado, including the Facilities described in this Order.

At present, KPK has 12 open spills and 10 open remediation projects located within the boundaries of the Town of Frederick, Colorado ("Frederick").

Since January 17, 2024, KPK has reported four (4) spills that have occurred within the boundaries of Frederick (the "Spills"), all of which were determined to have been the result of flowline failures. The Spills have negatively impacted and continue to negatively impact public health, safety, and welfare, the environment and wildlife resources.

KPK is not taking the steps necessary to avoid, minimize, or mitigate the actual and potential impacts associated with the Spills described in this Order, as required by the Rules.

The Director has reasonably ascertained the following underlying facts on which this action is based and has objective grounds and reasonable cause to determine that KPK, in the conduct of oil and gas operations, is impacting and threatening to impact public health, safety, and welfare, the environment, and wildlife resources by continuing to operate the flowline facilities associated with the Spills described in this Order.

The Director finds that this situation requires immediate action and enters this Order requiring KPK to (1) immediately initiate measures to investigate, clean up and document impacts at the Spills, (2) immediately shut in and depressurize the flowline segments associated with the Spills described in this Order until such time as the Director has approved the work done to investigate, clean up, and document impacts at the spill locations, including ECMC-approved pressure testing to demonstrate the integrity of the repaired flowline segments, and (3) take additional corrective actions to address ongoing impacts and threats arising from KPK's operation of flowline facilities, as described below.

BACKGROUND

1. On April 12, 2021, the Director issued an order pursuant to Rule 901.a. requiring KPK to immediately suspend production at 87 oil and gas wells related to 29 active spill/release locations and to immediately commence work to investigate, clean up, and document impacts at the 29 spill/release locations. Many of these spills and releases occurred from flowline failures. This order remains in place.

2. In November of 2021, the Commission found that KPK engaged in 22 separate violations of ECMC Rules and a pattern of violations associated with seven spills/releases and/or remediation projects. See Order No. 1V-772. In May of 2022, ECMC Staff issued an additional seven Notices of Alleged Violation ("NOAVs") to KPK for similar incidents.

3. On August 30, 2022, the Director issued a second order pursuant to Rule 901.a. to KPK concerning KPK's failure to immediately mobilize resources and equipment to investigate and remediate the Rodgers #1 Spill, which resulted from a leaking flowline.

4. Since the April 12, 2021 Director's Order was issued, KPK has reported an additional 100 spills, including the Spills described in this Order. Since November of 2021, ECMC has issued to KPK 26 NOAVs related to alleged violations of ECMC Rules. KPK currently has 41 open spills or releases and 128 open remediation projects.

5. ECMC Rules set forth specific requirements for operators related to environmental impact prevention and flowline management and integrity. The Rules require operators to investigate, clean up, and document impacts resulting from spills and releases as soon as the impacts are discovered and to maintain and operate flowline infrastructure safely and properly in order to avoid future flowline failures. However, as described herein, KPK has consistently failed to comply with these requirements. KPK has failed to maintain flowline integrity and operate flowline infrastructure safely and properly, which presents an ongoing threat to public health, safety, welfare, the environment and wildlife resources.

6. Until KPK demonstrates flowline integrity and conducts and documents ECMC-approved pressure tests, continued operation of the flowline facilities associated with the Spills described in this Order is an ongoing threat to public health, safety, welfare, the environment, and wildlife resources.

7. The Spills described below constitute ongoing impacts to public health, safety, welfare, the environment and wildlife resources until ECMC can confirm that the contamination is investigated and removed; impacted soils are properly disposed of; clean, representative analytical samples documenting clean up are received by ECMC; and excavations are backfilled.

The Facility 4 @ Ditlev C1 Spill

8. On January 17, 2024, KPK notified ECMC of a spill (Spill ID 485898; "Facility 4 @ Ditlev C1") from the Facility 4 Consolidated Flowline (Facility ID 479608). KPK personnel discovered the Spill when they observed oil surfacing near the Ditlev-Simonsen C1 wellhead (API 05-123-08660).

9. Based on ECMC mapping data, the Facility 4 @ Ditlev C1 Spill is located approximately 300' from Centennial Park, approximately 350 feet from a pond, approximately 700 feet from a mapped wetland (freshwater emergent), approximately 800 feet from baseball fields, and approximately 1,200 feet from dense suburban development.

10. On January 25, 2024, eight days after the Facility 4 @ Ditlev C1 Spill was discovered, ECMC Staff inspected the spill location. Doc. No. 710100133. During the inspection, Staff observed that KPK had opened an excavation approximately 5' x 10' x 5', and the soil in the excavation was visibly contaminated. Id., see also Doc. No. 697602260. Orange construction fencing partially surrounded the open excavation. Repairs had already been completed to the flowline exposed within the open excavation. No KPK crews were on location during ECMC's inspections on January 25 or 26, 2024.

11. On February 12, 2024, ECMC Staff again inspected the Facility 4 @ Ditlev C1 Spill. Doc. No. 697602260. During this inspection, ECMC Staff observed that the excavation was slightly wider than observed previously. ECMC Staff observed obvious hydrocarbon staining on the walls of the excavation and free product (oil floating on water) was observed on the water within the excavation. Id., see also Doc. No. 697602261. ECMC Staff also observed hydrocarbon odors throughout the location.

The Johnson 1 Spill

12. On January 23, 2024, KPK notified ECMC Staff of a spill (Spill ID 485936; "Johnson 1", Doc. No. 403666525) from the Johnson 2 flowline (Facility ID 475954). KPK personnel discovered the Johnson 1 Spill when they observed oil surfacing north of the separator at the Johnson 1 battery (Facility ID 446598).

13. The Johnson 1 Spill is directly adjacent to a multi-purpose public recreation path, and according to ECMC map data approximately 25 feet from Godding Hollow stream and a mapped wetland (riverine), approximately 350 feet from a business, and approximately 350 feet from Tipple Parkway. The location is also within a 100-year floodplain.

14. On January 25, 2024, ECMC Staff inspected the spill location. Doc. No. 710100146. As of January 25, 2024, two days after discovery, KPK had opened an excavation approximately 15' x 20' x 3' to access the flowline. ECMC Staff observed hydrocarbon impacted soils on the excavation walls and floor, and free product (oil floating on groundwater) visible in the open excavation. Id.

15. During a January 30, 2024, inspection, ECMC Staff observed that some oily waste remained on location. Staff also observed a second soil stockpile of unknown origin east of the spill area with no stormwater best management practices ("BMPs") installed. Id. ECMC Staff specifically noted that "[i]nadequate BMPs [were] in place to control stormwater run-on and runoff." Id. As noted above, the location is within a 100-year floodplain.

16. On February 12, 2024, ECMC Staff conducted an additional inspection of the Johnson 1 Spill. Doc. No. 697602258. During this inspection, ECMC Staff observed snowmelt with an oily sheen outside of the fencing boundaries. Id. Other than an apparent repair of the failed clamp on the flowline, ECMC Staff observed no changes to the remedial excavation itself between inspections conducted January 25 and February 12, 2024.

17. KPK is storing impacted soil—exploration and production waste ("E&P Waste")—on site with inadequate BMPs for stormwater and site control. Id., see also Doc. No. 710100146. During the inspection on February 12, 2024, ECMC Staff observed that the orange construction fencing utilized by KPK as site control was down, and no operator personnel were on location. Id. As noted above, the site is directly adjacent to a public recreation path.

<u>The Pan Am B 4,6,10,12 Spill</u>

18. On January 24, 2024, KPK notified ECMC of a spill (Spill ID 485939; "Pan Am B 4,6,10,12", Doc. No. 403666721) from the UPRR Pan Am B consolidated flowline (Facility ID 478831). A member of the public discovered the Pan Am B 4,6,10,12 Spill after hearing and investigating unusual noises, and finding oil surfacing from a leaking flowline.

19. On January 25, 2024, KPK filed a Form 19, Spill/Release Report (Initial), stating that surface staining at the site encompassed approximately 2,500 square feet (50' x 50'). Doc. No. 403666721. KPK also stated that the surface spill migrated onto two adjacent properties. Id.

20. Based on ECMC mapping data, the Pan Am B 4,6,10,12 Spill is adjacent to an agricultural field and is located approximately 25 feet from a mapped wetland (freshwater emergent), approximately 40 feet from Community Ditch, and approximately 200 feet from a dense business area.

21. On January 25, 2024, ECMC Staff inspected the location and observed that KPK had scraped contaminated surface soils from the approximately 50' x 50' surface expression and had dug an excavation of approximately 10' x 15' x 4'. Doc. No.

710100144. Based on ECMC Staff observations from January 25 to February 12, 2024, KPK crews have been working on the excavation since the spill was reported.

22. On February 12, 2024, ECMC Staff again inspected the Pan Am B 4,6,10,12 Spill. Doc. No. 697602265. During this inspection, Staff observed that fluid in the excavation was still visibly contaminated and the site had a strong hydrocarbon odor. Id. Staff also observed that KPK continued to store E&P Waste on site on a plastic liner, and the contaminated soil was beginning to overflow onto the site, outside of the liner. Id. Based on ECMC data, groundwater at the location is expected to exist at depths less than ten feet.

23. According to KPK's most recent Form 19, Spill/Release Report (Supplemental), the location of the spill indicates that flowline mapping in the area is inaccurate, and at least 20 unknown flowlines have been uncovered and currently remain uncapped in the excavation with unknown start or end points. Doc. No. 403669591.

The Facility 4 @ UPRR 43 PAN AM AE Spill

24. On January 25, 2024, KPK notified ECMC of a spill (Spill ID 485940; "Facility 4 @ UPRR 43 PAN AM AE") from the Facility 4 Consolidated Flowline (Facility ID 479608). The Facility 4 @ UPRR 43 PAN AM AE Spill resulted from an additional leak in the Facility 4 Consolidated Flowline, 3,300 feet east of the Facility 4 @ Ditlev C1 Spill. Doc. No. 403671122. KPK discovered the Facility 4 @ UPRR 43 PAN AM AE Spill when they were performing a pressure test after repairing the flowline associated with the Facility 4 @ Ditlev C1 Spill, discussed above. Id.

25. Based on ECMC mapping data, the Facility 4 @ UPRR 43 PAN AM AE Spill is located approximately 60 feet from dense suburban development and approximately 60 feet from Ridgway Blvd.

26. On February 12, 2024, ECMC Staff inspected the spill location. Doc. No. 697602263. During this inspection, ECMC Staff observed that KPK had fenced off the surface expression of the Facility 4 @ UPRR 43 PAN AM AE Spill with orange construction fencing, and had hydro-excavated to locate the line. ECMC Staff observed personnel "stinging" the line for repairs. Id. ECMC Staff also observed unlined and unmarked stockpiles of soil on location. Id.

27. Flowline failures, such as the failures that caused the Spills described in this Order, demand immediate operator attention and resources to minimize and mitigate ongoing adverse impacts and to prevent additional adverse impacts to public health, safety, welfare, the environment, and wildlife resources. The Spills all lie within the municipal boundaries of Frederick, and are adjacent to sensitive receptors such as residences, businesses, agriculture, publicly maintained roads, recreation areas and paths, surface water, areas of shallow groundwater, and wetlands.

28. KPK's open excavations and improperly controlled soil stockpiles are close or even directly adjacent to sensitive receptors. ECMC Staff observed contaminated soil

outside of lined areas, fluids with hydrocarbon sheen migrating outside of lined and fenced areas, ongoing hydrocarbon impacts in excavations with little or no progress documented in inspection reports from approximately January 25 to February 12, 2024. ECMC Staff also observed inadequate fencing around multiple locations, including an excavation directly adjacent to a multi-use recreation path.

29. Based on ECMC Staff's investigation and data described above, the Director has objective grounds and reasonable cause to determine that KPK's failure to maintain the integrity of its flowlines is the direct cause of impacts and ongoing threats to public health, safety, welfare, the environment, and wildlife resources. These ongoing threats exist so long as these flowline segments remain in operation and pressurized and the impacts associated with the Spills remain unremediated.

KPK's Flowline Network and Pressure Testing

30. Between March of 2019 and December of 2023, KPK reported 18 spills associated with flowlines within the municipal boundaries of Frederick. Following a period of freezing temperatures in January of 2024, KPK reported the four Spills described above in an approximately eight day period.

31. From 2014 to 2024, KPK has reported 100 spills or releases, and 18 historical releases associated with its flowlines in the Denver-Julesburg Basin. KPK's Spindle Field flowline system consolidates production through a network of lines to endpoint Facility ID 478834. Several recent spills are on or directly adjacent to consolidation lines leading to this endpoint facility.

32. On February 1, 2024, after the spills described above, ECMC Director Murphy sent a letter to KPK ("the Director's Letter"), attached hereto as Exhibit A, instructing KPK to take certain corrective actions to address the ongoing spills and flowline integrity issues, expressing doubts as to the effectiveness of KPK's pressure testing and corrosion protection practices..

33. On February 2, 2024, KPK responded to the Director's Letter. In its response, attached hereto as Exhibit B, KPK attempted to catalog the "significant work" that KPK had done in response to two of the Spills. KPK's response did not address the thrust of the Director's Letter (i.e., deactivating the line and taking steps to identify the cause of the recent spills and avoid the recurrence of similar spills). KPK neither documented taking any of the corrective actions required in the Director's Letter nor gave a date by which it would do so. KPK stated that it "intend[ed] to compile" the information asked of it, and would provide that information "as they become available." The response admitted that the lines were suffering from corrosion "most likely exacerbated by the freezing of three-phase fluids within the flowline." This response is unacceptable because it does not address the ongoing impacts and threats of further impacts, and fails to articulate what steps KPK is taking to address the flowline failures.

34. KPK, in its response to the Director's Letter, alleges that it has made certain repairs to the portions of its flowline structure where leaks have occurred. KPK also alleges

that it is conducting pressure testing on certain segments of its flowlines. KPK has performed and is performing these repairs and pressure testing consistent with its past practices. ECMC has concerns regarding the adequacy of KPK's practices for performing repairs and pressure testing meant to confirm integrity. Without written procedures or documentation of repairs, ECMC has no evidence that KPK's repairs comply with manufacturer's specifications, particularly where those repairs are made using dissimilar materials. Further, ECMC Engineering Staff disputes the accuracy of testing exceedingly long segments of flowlines in order to test a discrete portion of damaged flowlines. In order to more accurately demonstrate integrity, Engineering Staff expects KPK to test smaller, more discrete segments. Additionally, Engineering Staff disputes the efficacy of not locating the test gauging equipment within or near the repaired flowline segment. Engineering Staff disputes that KPK has adequate knowledge of maximum anticipated operating pressures, including upset conditions and the ability of existing infrastructure to withstand testing pressure as called for by design and industry-accepted standard testing practice. KPK's current testing protocols do not adequately confirm flowline integrity and completed repairs. In order to confirm integrity, KPK should be able to demonstrate integrity at higher test pressures for longer durations.

35. As of the February 6, 2024 deadline, and as of the issuance of this Order, KPK failed to comply with the corrective actions listed in the Director's Letter. KPK noted in its response to the Director's Letter that the letter "does not purport to be a unilateral order under your authority provided by Rule 901.a.".

36. Given these concerns, ECMC will not authorize return to service until KPK demonstrates that the threat to public health, safety, welfare, the environment and wildlife resources is abated. Unless and until KPK performs repair and integrity testing, in a manner approved by ECMC, KPK is ordered to take the corrective actions described below.

37. Based on ECMC Staff's investigation and data described above, the Director has objective grounds and reasonable cause to determine that KPK's maintenance, testing, and operation of these consolidation flowlines—and the associated flowline segments feeding into these flowlines—are the direct cause of the Spills and resulting impacts and ongoing threats to public health, safety, welfare, the environment, and wildlife resources. The ongoing threat of additional spills exists so long as KPK fails to take action to prevent future spills from similar causes and continues to operate these flowline facilities without adequate pressure testing and associated repairs.

38. Following a full investigation of the matters described above, the Director also has objective grounds and reasonable cause to determine that a suspension of operations is necessary at the flowline segments associated with the Spills described above to ensure that public health, safety, welfare, the environment, and wildlife resources are protected.

39. Additionally, the Director has objective grounds and reasonable cause to determine that KPK, in the conduct of oil and gas operations, is impacting and threatening to impact public health, safety, welfare, the environment, or wildlife resources, by failing

to maintain their flowline infrastructure; failing to take action to prevent future spills from similar causes; and failing to immediately investigate, clean up, document, and remediate impacts resulting from the Spill locations described above.

40. Therefore, the Director hereby requires KPK to take the following actions to avoid, minimize, or mitigate the potential impacts to public health, safety, welfare, the environment, or wildlife resources.

ORDER

In accordance with Rule 901.a., the DIRECTOR ORDERS that K.P. Kauffman Company, Inc. ("KPK"):

1. By 5pm on February 20, 2024, deactivate and depressurize the flowline segments associated with the Spills described above. This requirement will remain in effect until such time as KPK has taken the corrective actions listed below in subparagraphs 1.a.-f. KPK will submit the documentation required by this Paragraph 1 via Form 4, Sundry Notice, to Facility ID 479608 or other flowline systems, as appropriate. Once KPK has completed all corrective actions listed in this Paragraph 1, KPK may reactivate the flowline segments associated with the Spills described above. KPK will not return the flowline segments associated with the Spills described above to operation until ECMC has witnessed or approved the pressure testing described below and determined that the ongoing threat to public health, safety, welfare, the environment, and wildlife resources has been fully addressed. KPK shall:

a) By 5pm on February 20, 2024, deactivate and depressurize the flowline segments associated with the Spills described above.

b) Provide via Form 4 to the appropriate flowline facility ID documentation describing the root cause of the four Spills listed above, including but not limited to an evaluation of possible internal or external corrosion, external force, design and installation deficiencies, third party, or overpressure damage as a root cause of failure.

c) Develop and provide via Form 4 to the appropriate flowline facility ID a detailed description of measures that will be taken to prevent further recurrence of the mechanisms of failure identified in the root cause analyses.

d) Provide via Form 4 to the appropriate flowline facility ID documentation of repairs conducted in response to the four Spills listed above, and include the relevant manufacturer's specifications or applicable technical standard.

e) Provide via Form 4 to the appropriate flowline facility ID written flowline testing protocol for ECMC approval.

f) Conduct ECMC-witnessed post-repair pressure testing of the flowline segments associated with the Spills described above pursuant to a protocol pre-approved by ECMC Engineering Staff. ECMC Staff must approve the testing

protocol prior to testing. KPK will provide notice to ECMC for purposes of witnessing pressure testing no less than 72 hours in advance of the test date. KPK will submit documentation of successful test(s) via Form 4 to the appropriate flowline facility ID.

g) Questions regarding this Paragraph 1 should be addressed via email to Steven Wheeler, ECMC Integrity Engineer, at steven.wheeler@state.co.us and Diana Burn, ECMC Engineering Manager, at diana.burn@state.co.us.

2. Immediately commence, and diligently continue, work to investigate, clean up, and document impacts at the Spill locations described above, as required by Rule 912; and install best management practices to properly store, handle, and manage all E&P Waste and to secure the Spills and E&P Waste storage areas from unauthorized access, in accordance with Rule 913.b.(5).B. This work will include, but not be limited to:

a) Within 90 days of the date of discovery of each Spill, KPK will submit Supplemental Form 19 requesting closure of each of the Spills described above. Pursuant to Rule 912.b.(6)., KPK will complete all excavation of impacted material within this time period. KPK will include in the Supplemental Forms 19 submission of Table 915-1 compliant confirmation soil samples from each excavation, details of each excavation, characterisation and disposal of E&P Waste, a backfill request including a proposed schedule, and a proposed timeline for reclamation of the areas disturbed by remediation activities.

b) If groundwater is impacted or suspected to be impacted, KPK will submit a Form 27, Site Investigation and Remediation Workplan, including a proposed plan and timeline for monitoring well installation. If KPK discovers impacts to groundwater, KPK will immediately notify ECMC Environmental Staff so that a revised plan for investigation and remediation can be implemented. The Form 19 requesting closure of the corresponding Spill will include the Remediation Project number.

c) Completion of the corrective actions described in this Paragraph 2 is not required in order for KPK to reactivate the flowline segments associated with the Spills described above, so long as KPK has completed the corrective actions described above in Paragraph 1.

d) Questions regarding this Paragraph 2 should be addressed via email to Nikki Graber, DJ Basin Area Environmental Supervisor, at nikki.graber@state.co.us.

The provisions contained in the above Order shall become effective immediately. If KPK does not comply with the Order, the Director may take action to assess, shut-in, and remediate the relevant Facilities and seek costs pursuant to § 34-60-124, C.R.S.

The Director expressly reserves the right to alter, amend, or repeal any and/or all of the above orders.

EXECUTED this 16th day of February, 2024.

IN THE NAME OF THE STATE OF COLORADO

ENERGY AND CARBON MANAGEMENT COMMISSION

Julie Murphy
ECMC Director

CERTIFICATE OF SERVICE

On February 16, 2024, a true and accurate copy of this **Director's Order Pursuant to Rule 901.a.** was also emailed, as follows:

RWatzman@kpk.com
john.jacus@dgslaw.com

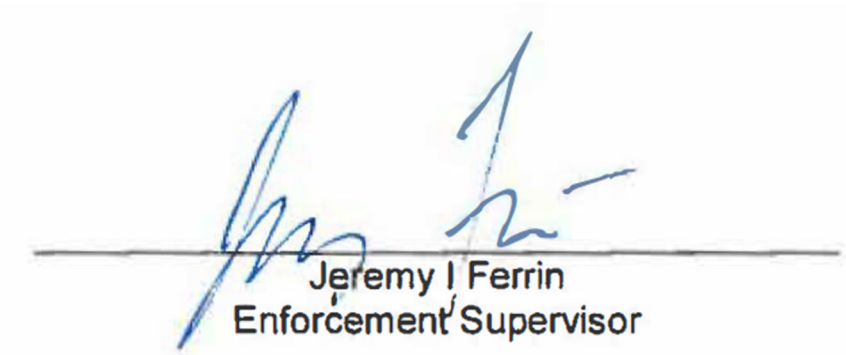


Exhibit A to 901.a. Order

COLORADO
Energy & Carbon Management Commission
Department of Natural Resources

1120 Lincoln Street, Ste. 801
Denver, CO 80203
303-894-2100

February 1, 2024

KP Kauffman Company Inc.
1700 Lincoln St. STE 4550
Denver, CO 80203

Dear Mr. Watzman,

The Energy and Carbon Management Commission ("ECMC") has reviewed K.P. Kaufmann's ("KPK") reports of two spills discovered on January 17, 2024 (Form 19 Doc Num 403661051) and January 25, 2024 (Form 19 Doc Num 403667163) (the "Spills"). ECMC requests KPK take immediate action to address these Spills.

The Spills described below occurred four days apart on Flowline Facility 479608. The Spills occurred close to residential development. Due in particular to the proximity of the Spills to residences, KPK must take action to ensure protection of public health, safety, and welfare.

On January 17, 2024, KPK described the discovery of a spill from a flowline as follows:

> "During a routine inspection, a KPK employee discovered the presence of oil surfacing at near the Ditlev-Simonson C1 well. appropriate personnel were notified, and the line was immediately isolated and remaining fluid was evacuated. Emergency locates were called in and once cleared, crews began excavating to investigate and repair the failed line."

(Form 19 Doc Num 403661051). The following photos were taken from the spill report:

On January 25, 2024, KPK described the discovery of the second spill as follows:

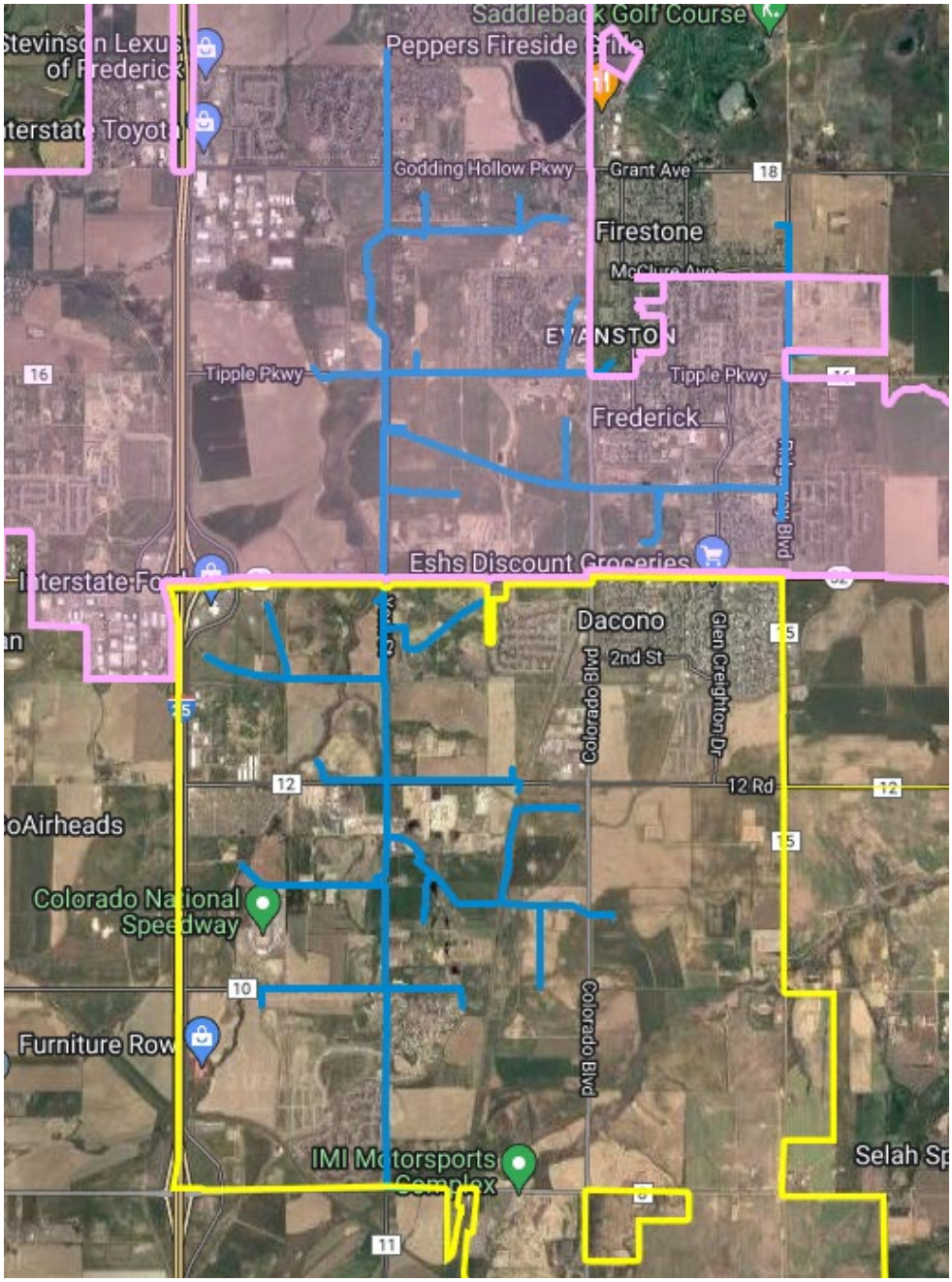
> "KPK had a spill (ID 485898) on 1/19/2024. On 1/23/24, KPK had repaired the leaking line and was performing a pressure test and found that the flowline would not pressure up. KPK immediately began walking the line to identify any leak points causing the pressure failure. This spill reported on 1/25/2024 was identified on the same flowline approximately 3300 feet east of the 485898 spill. KPK's pumper immediately went to the site, shut in the wellheads, and isolated the flowline. KPK mobilized a vac truck to evacuate the flowline. A soil berm was created surrounding

the spill, and booms and snow fence were placed around the spill. The surface staining was approximately 8 square feet (2'x4')."

(Form 19 Doc Num 403667163). The following photos were taken from the spill report:

The flowline identified in both Forms 19 is the active status Facility ID 479608, known as the Facility 4 Consolidation multiphase flowline ("Flowline Facility 479608"). According to documentation submitted by KPK, Flowline Facility 479608 consists of 41 individual segments constructed of carbon steel, HDPE, and "other" pipe material, ranging from 3" to 14" diameter and totalling 113,700.8' (21.5 miles) in length. See Attachment.

Flowline Facility 479608 (blue line) is situated entirely within the municipal boundaries of Frederick (outlined and shaded pink) and Dacono (outlined in yellow), as show below:



According to the Form 44 submitted by KPK to register Flowline Facility 479608, "KPK regularly inspects and pressure tests all lines to ensure corrosion is not occurring." (Form 44, Doc Num 402626345). Attached to the Form 44 is the following record of pressure test from 2020:

Facility Eas 4 N

Minutes	Battery Oil Line	Battery H2O	Battery Sales Line	1" Line	Inlet Line	Header	Flow line #1	Flow Line #2	Flow Line LAYER #2	Flow Line SWATH #1
PSI										
1	20	20	30	15	20	60	60	65	45	45
2	20	20	30	15	20	60	60	65	45	45
3	20	20	30	15	20	60	60	65	45	45
4	20	20	30	15	20	60	60	65	45	45
5	20	20	30	15	20	60	60	65	45	45
6	20	20	30	15	20	60	60	65	45	45
7	20	20	30	15	20	60	60	65	45	45
8	20	20	30	15	20	60	60	65	45	45
9	20	20	30	15	20	60	60	65	45	45
10	20	20	30	15	20	60	60	65	45	45
11	20	20	30	15	20	60	60	65	45	45
12	20	20	30	15	20	60	60	65	45	45
13	20	20	30	15	20	60	60	65	45	45
14	20	20	30	15	20	60	60	65	45	45
15	20	20	30	15	20	60	60	65	45	45
16	20	20	30	15	20	60	60	65	45	45
17	20	20	30	15	20	60	60	65	45	45
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26	20	20	30	15	20	60	60	65	45	45
27	20	20	30	15	20	60	60	65	45	45
28	20	20	30	15	20	60	60	65	45	45
29	20	20	30	15	20	60	60	65	45	45
30	20	20	30	15	20	60	60	65	45	45

Name: Kevin Buck Date: 2/7/2020

The column headers shown on the pressure test document do not match the flowline segments listed as associated with the flowline facility. The indicated pressure readings show no variability over the 30 minute tests and are all factors of 5 or 10 PSI, both of which are inconsistent and unexpected for a typical flowline pressure test. Therefore, ECMC considers the 2020 pressure test an invalid demonstration of the integrity of Flowline Facility 479608. According to ECMC records, KPK has not submitted other records of annual, periodic, ongoing, or post-repair integrity testing of Flowline Facility ID 479608.

ECMC Rule 912.d requires operators to determine and document the cause of spills and to implement measures to prevent reoccurance. Rule 1102.i requires operators to take reasonable actions to prevent failure and leakage from flowlines. Rule 1102.j requires

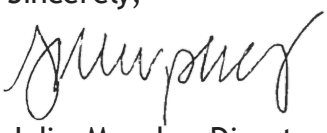
operators to verify the integrity of any replaced or repaired segment of flowline before returning it to service and that repairs must be in accordance with manufacturer's standards or an applicable technical standard. Rule 1102.k states that no flowline may be in active status and operated until it has demonstrated integrity. Rule 1104.b requires operators to conduct an integrity test of any segment of flowline at any time upon request of the Director.

Based on the information and Rules referenced above, ECMC requires that KPK take the following actions:

1. By close of business on February 6, 2024, deactivate and depressurize Flowline Facility 479608.
2. Provide documentation describing the cause of the Spills, including, but not limited to, an evaluation of possible internal or external corrosion, external force, design and installation deficiencies, third party, or overpressure damage as a root cause of failure.
3. Develop and provide a detailed description of the measures that will be taken to prevent reoccurance of the mechanisms of failure identified in the root cause analysis.
4. Provide documentation of repairs conducted in response to the Spills from Flowline Facility 479608 and include the relevant manufacturer's specifications or applicable technical standard.
5. Conduct ECMC-witnessed post-repair pressure testing of Flowline Facility 479608. Submit documentation of successful test(s).

Submit the documentation required above via Form 4 Sundry Notice to Facility ID 479608. KPK will provide notice to ECMC for witnessing the pressure test no less than 72-hours in advance. Following the witnessing and documentation of a pressure test that demonstrates integrity in accordance with ECMC Rule 1104 on Flowline Facility 479608, KPK may return the flowline to service.

Sincerely,



Julie Murphy, Director
Energy and Carbon Management Commission

Cc: Jeffrey Kauffman
John Peterson
Scott Cuthbertson
Greg Deranleau
Diana Burn
Jeff Peterson
Caitlin Stafford
Mimi Larsen
Mike Leonard
Megan Adamczyk

ATTACHMENT
Flowline Facility 479608 Segments

Facility ID	Segment Key	Operator Feature ID	Fluid Type	Material Type	Pipe Size	Status	Length (ft)
479608	13065	Facility 4 East Consolidation 1	Multiphase	Carbon Steel	8	Active	10601.39
479608	13066	Thomas L Russell Consolidation	Multiphase	Carbon Steel	4	Active	6605.54
479608	13067	UPRR 43 PAN AM I Consolidation 2	Multiphase	Carbon Steel	8	Active	6235.38
479608	13068	UPRR 42 PAN AM AV 1 Consolidation	Multiphase	Carbon Steel	10	Active	5691.43
479608	13069	Firecracker Consolidation 1	Multiphase	Carbon Steel	12	Active	5305.5
479608	13070	Firestone Brozovich Consolidation	Multiphase	Carbon Steel	6	Active	4742.3
479608	13071	Dacono Investments Trustee Consolidation	Multiphase	Carbon Steel	6	Active	4727.65
479608	13072	Facility 4 North Consolidation 2	Multiphase	Carbon Steel	10	Active	4683.27
479608	13073	Facility 4 North Consolidation 3	Multiphase	Carbon Steel	10	Active	4136.66
479608	13074	C.E. Wingo 1 Consolidation	Multiphase	Carbon Steel	10	Active	4085.4
479608	13075	UPRR 43 PAN AM I Consolidation 4	Multiphase	Carbon Steel	4	Active	3728.29

Facility ID	Segment Key	Operator Feature ID	Fluid Type	Material Type	Pipe Size	Status	Length (ft)
479608	13076	Cosslett Peltier Consolidation	Multiphase	Carbon Steel	4	Active	3708.34
479608	13077	UPRR 43 Y Consolidation	Multiphase	Carbon Steel	4	Active	3682.45
479608	13078	Facility 4 South Consolidation 2	Multiphase	Other	8	Active	3650.08
479608	13079	Tom L Russell Natl Bank Trustee Consolidation	Multiphase	Carbon Steel	6	Active	3596.15
479608	13080	Tom L Russell Consolidation	Multiphase	HDPE	3	Active	3593.58
479608	13081	Wingo Houtchens Nucon Consolidation	Multiphase	Other	3	Active	3292.51
479608	13082	UPRR 43 PAN AM I Consolidation 3	Multiphase	Carbon Steel	8	Active	2948.47
479608	13083	UPRR 43 PAN AM I Consolidation 1	Multiphase	Carbon Steel	4	Active	2420.06
479608	13084	Foreman 1&2 Consolidation	Multiphase	Carbon Steel	10	Active	2108.54
479608	13085	Leppla Estate Cosslett Consolidation	Multiphase	Carbon Steel	6	Active	2105.24
479608	13086	Facility 4 South Consolidation 3	Multiphase	Carbon Steel	12	Active	2071.16
479608	13088	State Wells Consolidation	Multiphase	HDPE	3	Active	2005.49

Facility ID	Segment Key	Operator Feature ID	Fluid Type	Material Type	Pipe Size	Status	Length (ft)
479608	13089	Cosslett Consolidation	Multiphase	Carbon Steel	4	Active	1981.29
479608	13090	Facility 4 Northern Consolidation 1	Multiphase	Carbon Steel	14	Active	1968.55
479608	13091	Frederick Units ABCD Consolidation	Multiphase	Carbon Steel	8	Active	1711.22
479608	13093	Ditlev Simonsen Consolidation 1	Multiphase	Carbon Steel	8	Active	1443.64
479608	13094	UPRR 43 PAN AM I Consolidation 5	Multiphase	Carbon Steel	12	Active	1441.24
479608	13095	Facility 4 South Consolidation 1	Multiphase	HDPE	8	Active	1422.4
479608	13096	Guadagnoli Consolidation	Multiphase	Carbon Steel	4	Active	1410.6
479608	13097	Graham Consolidation	Multiphase	Carbon Steel	10	Active	1252.71
479608	13098	L F Layer Unit 2 Consolidation	Multiphase	Carbon Steel	6	Active	988.47
479608	13099	Dwight Sandin 1 Consolidation	Multiphase	Carbon Steel	4	Active	871.85
479608	13100	UPRR 42 PAN AM AE Consolidation 1	Multiphase	Carbon Steel	6	Active	777.88
479608	13101	Colorado Natl Bank Trustee Consolidation	Multiphase	Carbon Steel	6	Active	751.75

Facility ID	Segment Key	Operator Feature ID	Fluid Type	Material Type	Pipe Size	Status	Length (ft)
479608	13102	McDonald Consolidation	Multiphase	Carbon Steel	4	Active	488.7
479608	13103	Wingo CE 2 Consolidation	Multiphase	Carbon Steel	4	Active	462.82
479608	13104	Robert Houtchens UPRR 42 Consolidation	Multiphase	Carbon Steel	4	Active	314.56
479608	13105	Ditlev Simonsen Consolidation 2	Multiphase	Carbon Steel	8	Active	286.27
479608	13106	Ditlev Simonsen Consolidation 3	Multiphase	Carbon Steel	8	Active	274.15
479608	13108	Brozovick Consolidation	Multiphase	Carbon Steel	6	Active	127.83

Exhibit B to 901.a. Order

K.P. KAUFFMAN COMPANY, INC.
1700 LINCOLN STREET, SUITE 4550
DENVER, COLORADO 80203
TELEPHONE (303) 825-4822
FACSIMILE (303) 825-4825
www.kpk.com

January 2, 2024

Via Email

Julie Murphy
Director
Energy and Carbon Management Commission
1120 Lincoln Street, Suite 801
Denver, CO 80203
julie.murphy@state.co.us

Re: Letter from Director Regarding Flowline Facility 479608

Director Murphy,

K.P. Kauffman Company, Inc. ("KPK" or the "Company") is in receipt of your letter dated December 19, 2024, addressed to me and received electronically at approximately 5:05 pm yesterday, February 1, 2024 (hereafter "Director's Letter"). I subsequently received a date-corrected copy of the Director's Letter (dated Feb. 1, 2023) this morning, and another date-corrected copy dated Friday, Feb. 2, 2024, at approximately 9:34 a.m. Please accept the following in response to your Director's Letter.

KPK certainly appreciates your concern expressed in the Director's Letter regarding two recent spill/release events, timely reported by KPK via Forms 19, on one segment of multiphase flowline located off the main Facility 4 Consolidation trunk flowline ("Flowline Facility 479608"). We note that your Director's Letter does not allege a violation or otherwise inappropriate response to those two spill release events by KPK. We also note that these two releases, both discovered by KPK personnel, were evidenced shortly following record subzero temperatures experienced across the region and the State between January 12th and 16th. See, e.g., National Weather Service January 2024 Climate Summary for the Denver Area (available at: https://www.weather.gov/media/bou/January2024Climate.pdf).

At the outset, KPK wishes to note that your Director's Letter does not purport to be a unilateral order under your authority provided by Rule 901.a., nor does it purport to constitute a cease-and-desist order under Rule 528. Orders under those rules provide specific procedural recourse to an operator concerning the resolution of disputes about the subject of an administrative order. The Director's Letter is therefore not issued under authority of those Rules

and would appear to be general requests made in your authority as Director of the Colorado Energy & Carbon Management Commission ("ECMC" or Commission").

Additionally, KPK notes that your Director's Letter, issued 15 days and seven days after KPK promptly reported the two spill/release events, directs KPK to "take immediate action"; however, it fails to recognize or acknowledge that significant work has been completed to address these events. That significant work, documented in Forms submitted to your staff, is also summarized below.

Concerning the spill discovered by KPK on January 17th (Spill ID 485898), KPK discovered a 6'x6' patch of oil at the surface near the Ditlev-Simonson C1 well during a routine inspection, after which the line was immediately isolated, and excavation began to investigate the cause of failure and remove immediate impacts. The cause of failure was due to internal corrosion of the 6" line at the 6 o'clock position. The line was clamped to prevent any further release of oil until it is repaired by "stinging" the line with 3" poly pipe. The impacted soil was scraped by backhoe into a containment liner for proper disposal at the Front Range Landfill.

Concerning the second spill, KPK discovered a spill of approximately 8 square feet (2'x4') located 3300 feet east of Spill ID 485898 on January 25th. In response to Spill ID 485898, KPK fully evacuated the line, repaired the leaking line, and performed a pressure test using methane gas. While pressure testing the flowline, KPK observed that line pressure would not hold and walked the line to discover the second spill. KPK recognized the proximity to a residence (approx. 65 ft southwest of the spill) of this second spill and took immediate action. As noted in the Form 19, KPK immediately went to the site, shut in the wellheads, and isolated the flowline. KPK then mobilized a vac truck to evacuate the flowline. A soil berm was created surrounding the spill area, and booms and snow fence were placed around it. KPK submitted a Form 19S today for this second spill in accordance with Rule 912.b, containing the information requested in action items 2 and 3 of your Director's Letter.

KPK determined the root cause of both releases is isolated internal corrosion of the steel flowline, most likely exacerbated by the freezing of three-phase fluids within the flowline, and has confirmed this hypothesis after excavation to repair the line. KPK intends to upgrade the affected segment of this steel consolidation flowline by "stinging" it with smaller diameter poly pipe. This lining of steel consolidation flowlines with poly pipe has proven very effective in mitigating the risk of failure due to these limited instances of internal corrosion, and significant lengths of steel consolidation lines have been upgraded by KPK in this manner in recent years.

KPK believes your request is unnecessarily overinclusive, and as a result is also not adequately protective of public health, safety, and welfare. First, your Director's Letter request includes many portions of the Facility 4 Consolidation flowline that have not experienced any issues or concerns. Instead, KPK believes that this request should be limited to the affected segment of the Facility 4 Consolidation flowline from which these two spills have emanated. Additionally, requiring KPK to deactivate and depressurize Flowline Facility 479608 in its entirety poses safety concerns and is a greater threat to public health, safety, and welfare. As noted in the

draft Shut In and Evacuation Plan prepared by KPK and submitted to the District Court in Case No. 2023CV30680, attempting to shut-in many wells and flowlines simultaneously is problematic, and just like for the Phase I effort described in that plan, shutting in and depressurizing all of Facility 4 Consolidation's wells and flowlines presents similar if not identical risks.

Finally, KPK intends, and has already provided 72-hrs notice via a phone call to Mr. Joe MacLaren to pressure test the remaining segments of the Facility 4 Consolidation flowlines. While Mr. MacLaren was not aware of the requirements outlined in your letter nor could confirm his availability to witness pressure testing, KPK plans to initiate pressure tests starting Monday February 5, 2024. Pressure testing all unaffected segments of the Facility 4 Consolidation flowline without evacuating will much more quickly confirm their continued integrity, to be followed by a broader flowline integrity management evaluation. Based on that evaluation, upgrades to certain segments of the Facility 4 Consolidation flowline can be considered and scheduled as appropriate.

While your Director's Letter recites the requirements of Rule 1102, namely, to (1) take reasonable action to prevent failure and leakage from flowlines, (2) verify the integrity of any replaced or repaired segment of flowline before returning it to service, and (3) demonstrate the integrity of active flowlines, there has been no allegation or evidence pointing to a violation of these rules. Instead, had the ECMC requested documentation prior to the issuance of this letter, KPK would have provided all of the pressure tests and repair documentation that it is required to maintain for the affected segment and the many unaffected segments. Your concerns about a single record of pressure testing in 2020 are therefore misplaced.

At this time, KPK intends to compile all information pursuant to items 2-4 of your Director's Letter and will provide them as they become available. KPK will conduct pressure tests on the active segments of Flowline Facility 479608, and will deactivate and depressurize any segment that fails a pressure test. KPK will then repair any flowlines that have lost integrity and will submit documentation of repairs including documentation of successful post-repair pressure tests.

KPK would welcome the opportunity to meet with you and your staff, including Mr. Schlagenhauf and Mr. MacLaren, at your earliest convenience to review KPK's proposed actions to be taken in response to your Director's Letter. Please contact me to schedule such a meeting.

Respectfully submitted,

Ross Watzman
General Counsel
K.P. Kauffman Company, Inc.

CERTIFICATE OF SERVICE

On February 16, 2024, a true and accurate copy of the **Director's Order Pursuant to Rule 901.a.** was mailed, certified/return receipt required (7019 1640 0001 5376 2332), as follows:

K.P. Kauffman Company, Inc.
Attn: Ross Watzman
1700 Lincoln Street, Suite 4550
Denver, CO 80203

Jeremy I Ferrin
Enforcement Supervisor

9414 8149 0990 0640 0467 70

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PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions