



pennsylvania

DEPARTMENT OF ENVIRONMENTAL PROTECTION

OIL & GAS MANAGEMENT

NOTICE OF VIOLATION

Certified Mail 7000 1670 0005 1026 2874

March 18, 2014

Chevron Appalachia LLC
600 Corporate Drive
Moon Township PA 15108-2973

Dear Chevron:

This is a Notice of Violation ("NOV") for events that occurred at the Lanco B pad in Dunkard Township, Greene County, Pennsylvania, in February 2014. There are three Marcellus Shale conservation wells on this location, identified as the Lanco 6H (Permit No. 059-25887), Lanco 7H (Permit No. 059-25888), and Lanco 8H (Permit No. 059-25889). These wells are owned and operated by Chevron Appalachia, LLC ("Chevron").

On February 11, 2014, during activities to prepare the Lanco 7H for production, an explosion and fire occurred at the Lanco 7H, which caused other equipment to burn. As a result of the explosion, fire, and resultant heat, the Lanco 6H well head was damaged and also ignited. During these events, one individual died and another was injured on the well site. These fires burned until sometime on February 15, 2014. Gas was emitted uncontrollably to the air until the wells were capped on February 23, 2014, for the 7H well and February 25, 2014, for the 6H well. In addition to gas emissions, the Lanco 6H and 7H wells discharged production fluids into the air and onto the well pad until the wells were capped. On multiple occasions during these events, Chevron failed to provide access to properly identified Department personnel and agents to the Lanco well site, access road, and vicinity.

As a result of the above, and based on the Department's observations and investigation to-date, Chevron is responsible for the following violations:

1. Failure to use efforts and endeavors to effectively prevent explosions and fires, a violation of Section 3219 of the Oil and Gas Act, 58 Pa. C.S. § 3219.
2. Failure to construct and operate a well to ensure that the well integrity is maintained and health, safety, environment, and property are protected, a violation of 25 Pa. Code § 78.73(a).
3. Hazardous venting of gas, violations of 25 Pa. Code §§ 78.74, 79.15.
4. Failure to prevent waste of gas due to blowout equipment not in good working condition, a violation of 25 Pa. Code § 79.12.
5. Failure to provide to provide access to a permitted oil and gas facility to properly identified Department personnel and agents, a violation of 58 Pa. C.S. § 3258(a), (b), and the express conditions of the well permits which allow entry without notice or a search warrant.

6. Emission of fugitive air contaminants without approval, a violation of 25 Pa. Code §§ 123.1(a).
7. Open burning outside of an air basin, a violation of 25 Pa. Code § 129.14(b).
8. Construction, modification, or operation of an air contamination source without Department approval, violations of Sections 6.1(a) and 6.1(b) of the Air Pollution Control Act, 35 P.S. §§ 4006.1(a), 4006.1(b), and 25 Pa. Code §§ 127.11 and 127.402.
9. Discharge of production fluids onto the ground, a violation of 25 Pa. Code §§ 78.54, 78.56(a), and 78.57, and a violation of Section 301 of the Solid Waste Management Act, 35 P.S. § 6018.301.

Violations 1, 2, 3, 5, and 9, above, constitute unlawful conduct under Section 3259(1), (2), and (3) of the Oil and Gas Act, 58 Pa. C.S. § 3259(1)-(3). Violations 3 and 4, above, constitute unlawful conduct under Section 12(a) of the Oil and Gas Conservation Law, 58 P.S. § 412(a). Violations 6, 7, and 8, above, constitute unlawful conduct under Section 8 of the Air Pollution Control Act, 35 P.S. § 4008. Violation 9, above, constitutes unlawful conduct under Section 610(4) of the Solid Waste Management Act, 35 P.S. § 6018.610(4).

Each day that each one of the violations listed above occurred could constitute a separate violation. All violations are subject to the enforcement and penalty provisions as provided in the relevant statutes. 58 Pa. C.S. § 3256; 58 P.S. § 412; 35 P.S. § 4009.1; 35 P.S. § 6018.605.

These events also constitute a well control emergency. The Department may pursue its costs in responding to these events under the Oil and Gas Act and the Air Pollution and Control Act. 58 Pa. C.S. §§ 3254.1, 3256; 35 P.S. § 4007.3(b).

Please submit a written response to this Notice of Violation within 10 business days.

DEP's investigation of these events is on-going. Your full cooperation with the investigation is required by law. 58 Pa. C.S. §§ 3258, 3259(3). Additional violations may be identified. This NOV, therefore, does not constitute DEP's final evaluation of these events and may be expanded.

This Notice of Violation is neither an order nor any other final action of the Department of Environmental Protection. It neither imposes nor waives any enforcement action available to the Department under any of its statutes. If the Department determines that an enforcement action is appropriate, you will be notified of the action.

If you have any questions in this matter, please contact me at 412.442.4000.

Sincerely,



Alan Eichler, Program Manager
District Oil and Gas Operations
Southwest Region