

**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION**

IN THE MATTER OF:

Chevron Appalachia, LLC	:	Oil and Gas Act
1550 Coraopolis Heights Road	:	The Oil and Gas Conservation Law
Coraopolis, PA 15108-0611	:	

CONSENT ASSESSMENT OF CIVIL PENALTY

This Consent Assessment of Civil Penalty ("CACP") is entered into this 21st day of May 2015, by and between the Commonwealth of Pennsylvania, Department of Environmental Protection ("Department") and Chevron Appalachia, LLC ("Chevron").

The Department has found and determined the following:

A. The Department is the agency with the duty and authority to administer and enforce the Chapter 32 of Title 58 of the Pennsylvania Consolidated Statutes, 58 Pa. C.S. §§ 3201 – 3274 ("Oil and Gas Act"); Oil and Gas Conservation Law, Act of July 25, 1961, P.L. 825, *as amended*, 58 P.S. §§ 401 – 419 ("Oil and Gas Conservation Law"); Section 1917-A of the Administrative Code of 1929, Act of April 9, 1929, P.L. 177, as amended, 71 P.S. § 510-17 ("Administrative Code"); and, the rules and regulations promulgated thereunder ("Regulations").

B. Chevron is a Pennsylvania limited liability company that is engaged in various oil and gas exploration and production activities in Pennsylvania. Chevron's business address is: 1550 Coraopolis Heights Road, Coraopolis, PA 15108-0611.

C. Chevron is the "owner" and "operator," as those terms are defined in Section 3203 of the Oil and Gas Act, 58 Pa. C.S. § 3203, and the "operator" as that term is defined in Section 2 of the Oil and Gas Conservation Law, 58 P.S. § 402, of the following unconventional and conservation gas wells at a well site in Dunkard Township, Greene County ("Lanco Well Site"):

1. Lanco Unit 6H (“Lanco 6H”) gas well, Permit No. 37-059-25887-00 in Dunkard Township, Greene County;
2. Lanco Unit 7H (“Lanco 7H”) gas well, Permit No. 37-059-25888-00 in Dunkard Township, Greene County; and
3. Lanco Unit 8H (“Lanco 8H”) gas well; Permit No. 37-059-25889 in Dunkard Township, Greene County.

D. On or after February 11, 2014, an explosion and fire occurred during the preparation of the Lanco 7H gas well for production, damaging and igniting the Lanco 6H gas well, Lanco 7H gas well, and other equipment. Chevron extinguished the fires on or about February 15, 2014.

E. As a result of the explosion and fire, as described in Paragraph D, above, an individual died and another was injured on the Lanco Well Site.

F. On and after February 11, 2014, natural gas was emitted to the air until the wells were capped on or about February 23, 2014 for the Lanco 7H gas well and on or about February 25, 2014 for the Lanco 6H gas well.

G. On or after February 17, 2014, until the wells were capped, production fluids discharged from the damaged Lanco 6H and Lanco 7H gas wells.

H. In response to the fire and explosion incident, Chevron mobilized and deployed a team of emergency response, well control, and environmental personnel to the Lanco Well Site. Department personnel also responded to the fire and explosion incident at the Lanco Well Site to assure protection of the public and the environment.

I. On the dates and at the location set forth in Paragraph D, Chevron violated Section 3219 of the Oil and Gas Act, 58 Pa. C.S. § 3219, by not using efforts and endeavors effectively to prevent explosions and fires at the Lanco Well Site.

J. On the dates and at the location set forth in Paragraph E, Chevron violated 25 Pa. Code § 78.73(a) by not constructing and operating wells at the Lanco Well Site to ensure that well integrity was maintained and that health, safety, environment, and property were protected.

K. On the dates and at the location set forth in Paragraph F, Chevron violated 25 Pa. Code § 78.74 by not preventing the hazardous venting of gas.

L. On the dates and at the location set forth in Paragraph F, Chevron violated Section 4 of the Oil and Gas Conservation law, 58 P.S. § 404, by not preventing the waste of gas.

M. On the dates and at the location set forth in Paragraph G, Chevron violated 25 Pa. Code §§ 78.54, 78.56(a), and 78.57 by not properly controlling and containing production fluids.

N. The violations described in Paragraphs I, J, K, L, and M, above, constitute unlawful conduct under Section 3259 of the Oil and Gas Act, 58 Pa. C.S. § 3259, Section 12 of the Oil and Gas Conservation Law, 58 P.S. § 412; a public nuisance under Section 3252 of the Oil and Gas Act, 58 Pa. C.S. § 3252; and, subject Chevron to a claim for civil penalties under Section 3256 of the Oil and Gas Act, 58 Pa. C.S. § 3256, and Section 12 of the Oil and Gas Conservation Law, 58 P.S. § 412.

O. On or about March 18, 2014, the Department sent a Notice of Violation (“NOV”) to Chevron identifying what it believed at the time were violations of law at the Lanco Well Site related to the fire and explosion described above. The NOV is not an agency action or adjudication, and represents the agency’s understanding of this matter and its position as of the date the NOV was sent.

P. The Department has incurred costs associated with responding to the Lanco Well Site fire and explosion. These costs have been included as part of the settlement of the Department’s claim for civil penalties in this CACP.

After full and complete negotiation of all matters set forth in this CACP and upon mutual exchange of the covenants herein, the parties desiring to avoid litigation and intending to be legally bound, it is hereby ASSESSED by the Department and AGREED to by Chevron as follows:

1. Assessment. In resolution of the Department's claim for civil penalties, which the Department is authorized to pursue under 3256 of the Oil and Gas Act, 58 Pa. C.S § 3256, Section 12 of the Oil and Gas Conservation Law, 58 P.S. § 412, the Department hereby assesses a civil penalty of NINE HUNDRED THIRTY-NINE THOUSAND FIVE HUNDRED FIFTY-TWO AND 79/100 DOLLARS (\$939,552.79) which Chevron hereby agrees to pay.

2. Civil Penalty Settlement. Upon signing this CACP, Chevron shall pay the civil penalty assessed in Paragraph 1, above. This payment is in settlement of the Department's claim for civil penalties for the violations set forth in Paragraphs I, J, K, L, and M, above, for the dates set forth in Paragraphs D, E, F, and G above. The payment shall be by corporate check or the like made payable to the "Commonwealth of Pennsylvania" and sent to the Department of Environmental Protection, Bureau of Oil and Gas Management, 400 Waterfront Drive, Pittsburgh, PA 15222-4745, or by wire transfer to the account number provided by the Department for deposit by the Department into the appropriate special funds, as identified by the Department.

3. Findings.

a. Chevron agrees that the findings in Paragraphs A through H, above, are true and correct and, in any matter or proceeding involving Chevron and the Department, Chevron shall not challenge the accuracy or validity of these findings.

b. The parties do not authorize any other persons to use the findings in this CACP in any matter or proceeding.


4. Reservation of Rights. The Department reserves all other rights with respect to any matter addressed by this CACP, including the right to require abatement of any conditions resulting from the events described in the findings. Chevron reserves the right to challenge any action which the Department may take, but waives the right to challenge the content or validity of this CACP.


5. Execution of CACP. This CACP may be signed in counterparts, and delivered electronically in a portable document format (pdf), each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties have caused this CACP to be executed by their duly authorized representatives. The undersigned representatives of Chevron certify, under penalty of law, as provided by 18 Pa. C. S. § 4904, that they are authorized to execute this CACP on behalf of Chevron; that Chevron consents to the entry of this CACP as an ASSESSMENT of the Department; that Chevron hereby knowingly waives any right to a hearing under the statutes referenced in this CACP; and that Chevron knowingly waives its right to appeal this CACP, and to challenge its content or validity, which rights may be available under Section 4 of the Environmental Hearing Board Act, Act of July 13, 1988, P.L. 530, No. 1988-94, 35 P.S. § 7514; the Administrative Agency Law, 2 Pa. C.S. § 103(a) and Chapters 5A and 7A; or any other provision of law. Signature by Chevron's attorney certifies only that the agreement has been signed after consulting with counsel.

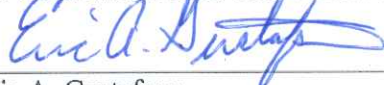
FOR CHEVRON APPALACHIA, LLC:



Name A. NIGEL HEARNE, PRESIDENT
President or Vice President


Name RICHARD GUSTON
~~Secretary or Treasurer~~ FINANCE OFFICER


Name Elizabeth A. Jaffner
Attorney for Chevron Appalachia, LLC

FOR THE COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF ENVIRONMENTAL PROTECTION:


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