



BEATTY & WOZNIAK, P.C.
Energy in the Law

COGCC Update: Policy on the Use of Modular Large Volume Tanks in Colorado

By: [Jill Fulcher](#)

On June 13, 2014, the Colorado Oil and Gas Conservation Commission (“COGCC”) issued a policy addressing the use of modular large volume tanks (“MLVT” or “MLVTs”) primarily used to hold large volumes of fresh water during new well completions. MLVTs have been increasingly used in Colorado in place of conventional in-ground pits or mobile steel tanks. MLVTs are free-standing steel structures capable of holding up to 50,000 barrels (bbls) or more of water in a synthetic liner (traditional mobile steel tanks store approximately 500 bbls). While MLVTs meet the regulatory definition of an “Oil and Gas Facility,” they are not explicitly referenced under current COGCC rules. Additionally, there have been approximately five MLVT failures reported to the COGCC since October 2011. Accordingly, the COGCC issued this policy to address design criteria, site preparation and installation, and contingency planning when using MLVTs in Colorado.

Among other things, the policy limits MLVT use to the storage of freshwater used in oil and gas operations; however, the Director will consider requests to store recycled E&P waste in MLVTs on a case-by-case basis pursuant to a variance request or a waste management plan as outlined in COGCC rules. Operators must also notify the COGCC prior to utilizing an MLVT by indicating such use on a Form 2A, Oil and Gas Location Assessment, or, for an existing Oil and Gas Location, on a Form 4, Sundry Notice. While the policy explicitly states that MLVTs need not be considered when determining whether a proposed Oil and Gas Location is located within a Designated Setback Location, an operator proposing to locate an MLVT within 1,000 feet of a

building unit must include best management practices within its Form 2A. Further, if a building unit is located down gradient from a proposed MLVT, the operator must include best management practices, including berming or secondary containment, to minimize potential adverse impacts to the building unit. Finally, the COGCC will not approve MLVTs within 500 feet of a building unit or 1,000 feet of a High Occupancy Building Unit unless the operator provides the Director with its reasons for siting the MLVT at the proposed location.

While not required with a Form 2A or Form 4, operators must provide the COGCC, upon request, with the MLVT design package – certified and sealed by a Licensed Professional Engineer – which indicates that the design specifications will sufficiently withstand the loads resulting from using the MLVT. Operators must maintain records from the contractors that install the MLVTs, which indicate that the MLVTs were installed according to their design package specifications. MLVTs must be located 75 feet from a wellhead, fire vessel, heater-treater, or a compressor with a rating of 200 horsepower or more, and 50 feet from a separator, well test unit, or other non-fired equipment. Finally, in addition to testing requirements, including daily visual inspections of the exterior walls of MLVTs, operators must develop a contingency/emergency response plan for MLVT leaks or catastrophic failures of tank integrity. The contingency/emergency response plan must be made available to the COGCC upon request.

For further information on the Modular Large Volume Tank Policy, please contact [Rob Willis](#) or [Jill Fulcher](#).

2014, Beatty & Wozniak, P.C. All rights reserved.

This newsletter does not constitute legal advice. The views expressed in this newsletter are the views of the authors and not necessarily the views of the firm. Please consult with legal counsel for specific advice and or information.

Read our complete [legal disclaimer](#).