

December 29, 2010

Mr. Eugene Fritzler
Fritzler Resources, Inc.
P.O. Box 114
Fort Morgan, CO 80701

Re: Gebauer #1 (API #121-06776)
NOAV #200273766
NWNE Sec. 15, T-1-N, R-54-W
Washington County, Colorado

Dear Mr. Fritzler,

I performed a follow up inspection at the Gebauer #1 on December 22, 2010, to document corrective actions completed by Fritzler Resources, Inc. (Fritzler) as required by the Notice of Alleged Violation (NOAV) issued on September 30, 2010. During the inspection I observed the following changes site wide: oily dirt had been removed, junk and trash were gone, the produced water pit had been rebuilt and a skim vessel was installed to replace the former skim pit. No oil was observed on the water pit and the freeboard had been restored to greater than 2-feet.

The following issues were identified. As noted below, please respond to these concerns by January 31, 2011.

Skim Pit Closure

The NOAV required closure of the skim pit in accordance with Colorado Oil & Gas Conservation Commission (COGCC) Rule 905, which requires submittal of a Form 27 with sample results prior to closure of the pit. During the inspection it was observed that the skim pit was incorporated into the larger produced water pit and is now being used for produced water storage.

Oily Waste Disposal

The NOAV also required cleanup of all oily dirt (which is regulated as an exploration and production waste) on location and proper treatment or disposal in accordance with COGCC Rule 907.e. During the inspection small remnants of oily dirt were observed in the produced water pit banks. If the oily dirt from the site was used to rebuild the water pit, it will need to be removed immediately and properly disposed in accordance with 907.e. If this is the case, the well shall be shut in and all water removed from the pit must be disposed of in accordance with COGCC Rule 907.c to allow removal of the oily dirt. If the oily dirt was properly disposed off site, please provide disposal documentation including volume, date of transport, haul tickets and/or gate receipts from the disposal facility.

Tank Labels

During the inspection, no tank labels were observed as required by the NOAV. Please provide labels for each tank including the concrete vault with the contents, capacity and NFPA label in accordance with COGCC Rule 210.d.

Stormwater Controls

It was also noted that two to three cubic yards of dirt had been pushed into the drainage adjacent the water pit in two locations. In addition, the areas disturbed by recent construction had not been stabilized and no stormwater controls were installed to prevent sediment migration into the drainage. Immediately remove the dirt in the drainage and install stormwater controls such as silt fence or straw bales until the disturbed areas are revegetated.

Documentation: Preliminary Site Assessment, Form 27 Remediation Workplan

COGCC received the preliminary site assessment data you submitted on December 7, 2010. The results for groundwater did not indicate any impacts above regulatory standards, however, the sample located topographically downgradient was approximately 170-feet from the water pit. A complete site assessment submitted with a Form 27 has not been received to date. Please submit the Form 27 with the following additional information by January 31, 2010.

- Measured depth to static water level in each borehole below surface grade.
- Depth that soil samples were collected in each borehole.
- Soil boring logs for each borehole.
- Monitor well or piezometer construction logs and a description of groundwater sample collection method.
- Complete laboratory report including chain of custody, sample receipt information and QA/QC information.
- Laboratory results for a sample of produced water analyzed for the same constituents as the other water samples plus TPH – GRO, TPH – DRO, Semivolatiles and SAR.
- Laboratory results for a minimum of one soil sample collected from the bottom of the former skim pit analyzed for BTEX, TPH, SAR, EC, pH and metals.

Produced Water Pit

The complete site assessment results should have been submitted prior to reconstruction of the water pit to determine if ongoing use of the pit is appropriate. Due to the presence of very shallow groundwater, an unlined skim pit and produced water pit should never have been operated at this location.

There are two scenarios that could allow for continued use of the produced water pit at this location as follows:

1. The sample of the produced water is the same or better quality than the groundwater.
2. If the site assessment indicates no current impacts to shallow groundwater, then a properly constructed, permanent monitor well designated as a point of compliance (POC) shall be installed topographically downgradient of the water pit. The monitor well will

need to be located within 50-feet of the water pit and sampled on a quarterly basis to verify no impacts to groundwater. The monitor well will be properly permitted with the State Engineers Office – Division of Water Resources.

If groundwater contamination is documented in the POC well, then Fritzler will be responsible for remediation of the groundwater and proper closure of the produced water pit and associated concrete vault.

An alternate would be to properly line the water pits after verifying no residual impacts to the underlying soil or finding another method to dispose of produced water from the Gebauer #1.

A copy of the field inspection performed on December 22, 2010, and pictures of the dirt observed in the drainage have been enclosed for your reference. Notify COGCC at least three days prior to collecting the produced water sample so COGCC staff can collect a sample at the same time. Please complete the open corrective actions and provide the additional information including the Form 27, no later than January 31, 2011.

If you have any questions please call me at 303-637-7178.

Sincerely,



John E. Axelson, P.G.
Environmental Protection Specialist

Enclosures

Cc. David Neslin – COGCC Director
Debbie Baldwin – COGCC Environmental Manager
Steve Lindblom – COGCC Environmental Supervisor

COGIS - Field Inspection Report

API Number:	05-121-06776	Name:	GEBAUER #1
Location:	NWNE 15 1N 54W	Lat: 40.058501	Long: -103.402695
Operator #:		Operator Name:	FRITZLER RESOURCES INC
Inspection Date:	12/22/2010	Inspector:	JOHN AXELSON

Inspection was: **Unsatisfactory**

Insp. Type: **ES** Insp. Stat: **PR** Plugged: Pass/Fail:
 Violation: **Y** NOAV Sent: **Y**
 UIC Violation Type:
 Inj. Pressure:
 Date Corrective Action Due: **1/31/2010** Brhd. Pressure:
 T-C Ann. Pressure:
 Date Remedied:

Pit Inspection

Pit Type: **PW** Oil on Pit: **N** Freeboard:
 Number of Pits: **1** Number covered or lined: **0** Number uncovered or unlined: **0**
 Comments: **PRODUCED WATER PIT HAS BEEN REBUILT. FORMER SKIM PIT HAS BEEN INCORPORATED INTO WATER PIT. SKIM TANK INSTALLED. REFERENCE FACILITY ID 101056**

Pit Type: **SS** Oil on Pit:
 Number of Pits: Number covered or lined: Number uncovered or unlined:
 Comments: **SKIM PIT WAS NOT CLOSED - HAS BEEN INCORPORATED INTO PRODUCED WATER PIT.**

Tank Battery Equipment Concrete Tanks: **1**

Field Inspection Comments and Observations

Insp. Comment	Inspection/Violation Comments
ACTION	PROVIDE FORM 27 WITH COMPLETE SITE ASSESSMENT INCLUDING LABORATORY REPORT. PROVIDE DOCUMENTATION FOR REMOVAL OF ALL OILY SOIL. IF IT WAS DISPOSED OFF SITE PROVIDE HAUL TICKETS AND GATE RECEIPTS FROM WASTE FACILITY. IF SITEWIDE OILY SOIL WAS USED TO REBUILD WATER PITS, IMMEDIATELY REMOVE IT AND PROPERLY DISPOSE IN ACCORDANCE WITH COGCC RULE 907.E. REMOVE DIRT FROM DRAINAGE AND STABILIZE DISTURBED AREAS NEXT TO DRAINAGE TO PREVENT SEDIMENT MIGRATION INTO DRAINAGE. WITH THE FORM 27, PROVIDE SAMPLE RESULTS FOR A MINIMUM OF ONE SOIL SAMPLE COLLECTED FROM BOTTOM OF FORMER SKIM PIT TO VERIFY NO REMAINING CONTAMINANTS ABOVE TABLE 910-1 STANDARDS. IF OILY SOIL WAS USED IN WATER PIT CONSTRUCTION CONTACT COGCC PRIOR TO SAMPLING FOR SKIM PIT. PROPERLY LABEL STEEL PRODUCTION TANKS, SKIM VESSEL AND CONCRETE VAULT IN ACCORDANCE WITH RULE 210.D. INCLUDING CONTENTS, CAPACITY AND NFPA LABEL.
FIREWALL	BERMS HAVE BEEN REBUILT IN GOOD CONDITION.
	WEEDS HAVE BEEN COTROLLED, DRUMS, JUNK & TRASH

GENHOUSE	WERE REMOVED FROM LOCATION SINCE PREVIOUS INSPECTION. TANKS STILL NOT PROPERLY LABELLED.
MISC	INSPECTION PERFORMED AS FOLLOW UP TO NOAV #200273766 AND SUBSEQUENT SPILL REPORT #2523453. PRELIMINARY SUMMARY OF SITE ASSESSMENT RECEIVED BY COGCC ON 12/7/10.
SPILCOM	OILY SOIL OBSERVED ON 9/28/10 AT TANK BATTERY, TREATER, CONCRETE VAULT, SKIM PIT, PRODUCED WATER PIT AND PUMPING UNIT HAS BEEN REMOVED. ADEQUATE FREEBOARD HAS BEEN RESTORED TO PRODUCED WATER PIT. AREA EAST OF WATER PITS WHERE OIL CRUSTED SOILS WERE OBSERVED HAS BEEN REMOVED. OIL WAS CLEANED OFF PANEL TANK. SOME REMNANTS OF OILY SOIL OBSERVED IN WATER PIT BANKS. ESTIMATE 2-3 CUBIC YARDS SOIL WAS PUSHED INTO DRAINAGE ADJACENT TO WATER PIT. DISTURBED AREAS NOT STABILIZED AND NO STORMWATER CONTROLS TO PREVENT SEDIMENT FROM ENTERING DRAINAGE.
TANKBAT	1: 250 BBL AND 1: 200 BBL STEEL TANKS, VERTICAL TREATER, PROPANE TANK, PUMPING UNIT, 1: 120 BBL FIBERGLASS SKIM VESSEL, PARTIALLY BURIED CONCRETE VAULT.

Fritzler Resources, Inc. - Gebauer #1, API #121-06776
NWNE Sec 15, T-1-N, R-54-W, Washington County
Inspection #200290315 December 22, 2010



Areas with dirt in drainage adjacent to water pit.



Close up of dirt pushed into drainage.

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Inspection #200290315 December 22, 2010



Area adjacent to drainage needs stormwater controls to prevent sediment migration.



Disturbed area below water pit needs stormwater controls.