

FORM INSP
Rev 05/11

State of Colorado
Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80205 Phone: (303) 894-2100 Fax: (303) 894-2109



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Inspection Date:
12/09/2011

Document Number:
663800061

Overall Inspection:
Violation

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Tracking Type	Inspector Name: <u>LONGWORTH, MIKE</u>
	<u>419771</u>	<u>419773</u>		

Operator Information:

OGCC Operator Number: 10301 Name of Operator: DEJOUR ENERGY (USA) CORPORATION
 Address: 1401 17TH STREET #1000
 City: DENVER State: CO Zip: 80202

Contact Information:

Contact Name	Phone	Email	Comment
		ngmut@dejour.com	
ANDREWS, DAVID		david.andrews@state.co.us	
		ghaeefe@dejour.com	

Compliance Summary:

QtrQtr: LOT 2 Sec: 36 Twp: 1N Range: 103W

Inspector Comment:

Dejour fracing the Dejour Fed. 36-24A 103-11810. braden was not being monitored during job. When asked if they were monitoring braden Dejour Engineer Gary Haeefele told me there was no braden. After job was completed myself and Dejour company man walked out well and I show him where the braden was located. Ask Kenny Kuhn to check pressure when they got all the appropriate plumbing and call me with braden pressure. Kenny called a said pressure was at 0 psi. Well was drilled and casings set with out any notices to COGCC staff as per Conditions of Approval on drilling permit Doc.# 2584057.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	
419771	WELL	XX	10/08/2010		103-11810	FEDERAL 36-24A	<input checked="" type="checkbox"/>

Equipment:

Location Inventory

Special Purpose Pits: _____	Drilling Pits: _____	Wells: <u>1</u>	Production Pits: _____
Condensate Tanks: <u>1</u>	Water Tanks: <u>1</u>	Separators: <u>1</u>	Electric Motors: _____
Gas or Diesel Mortors: <u>1</u>	Cavity Pumps: _____	LACT Unit: _____	Pump Jacks: <u>1</u>
Electric Generators: _____	Gas Pipeline: <u>1</u>	Oil Pipeline: _____	Water Pipeline: _____
Gas Compressors: _____	VOC Combustor: _____	Oil Tanks: <u>1</u>	Dehydrator Units: <u>1</u>
Multi-Well Pits: _____	Pigging Station: <u>1</u>	Flare: _____	Fuel Tanks: <u>1</u>

Location

Lease Road:

Type	Satisfactory/Unsatisfactory	comment	Corrective Action	Date
Access	Satisfactory			

Emergency Contact Number: (S/U/V) _____ Corrective Date: _____
 Comment: _____
 Corrective Action: _____

Spills:				
Type	Area	Volume	Corrective action	CA Date
<input type="checkbox"/> Multiple Spills and Releases?				

Venting:	
Yes/No	Comment

Flaring:				
Type	Satisfactory/Unsatisfactory	Comment	Corrective Action	CA Date

Predrill

Location ID: 419773

Site Preparation:

Lease Road Adeq.: _____ Pads: _____ Soil Stockpile: _____
 Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

Group	User	Comment	Date
OGLA	kubeczkod	The access road will be constructed as to not allow any sediment to migrate from the access road to nearby surface water or any drainages leading to surface water.	09/08/2010
OGLA	kubeczkod	Location is in a sensitive area because of proximity to surface water (irrigation ditch to the northwest and intermittent stream to the west); therefore, operator must ensure 110 percent secondary containment for any volume of fluids contained at well site during drilling and completion operations; including, but not limited to, construction of a berm or diversion dike, diversion/collection trenches within and/or outside of berms/dikes, site grading, or other comparable measures (i.e., BMPs associated with stormwater management) sufficiently protective of the nearby surface water.	09/08/2010
OGLA	kubeczkod	The moisture content of any drill cuttings in a cuttings pit, trench, or pile shall be as low as practicable to prevent accumulation of liquids greater than de minimis amounts. At the time of closure, the drill cuttings must also meet the applicable standards of table 910-1.	09/08/2010
OGLA	kubeczkod	Operator must implement best management practices to contain any unintentional release of fluids.	09/08/2010
OGLA	kubeczkod	Location may be in a sensitive area because of shallow groundwater; therefore either a lined drilling pit or a closed loop drilling system must be implemented.	09/08/2010
OGLA	kubeczkod	The location is in an area of high run off/run-on potential; therefore the pad shall be constructed to prevent any stormwater run-on and/or stormwater runoff.	09/08/2010

Wildlife BMPs:

BMP Type	Comment

<p>PROPOSED BMPs</p>	<p>production, then final reclamation would be carved out on the existing 3.9 miles of access road at the end of the life of the project.</p> <p>For the access road, all available vegetation and top soil would be salvaged and windrowed along the edge of the road disturbance for eventual reclamation operations. Limited topsoil is available along the access route. The topsoil that is available will be salvaged for later reclamation. No topsoil would be used for construction purposes. Some topsoil will be used during interim reclamation to ensure vegetation production. This will also help in keeping the topsoil viable for final reclamation. The topsoil will be spread over the interim and final reclaimed areas the maximum depth given the limited amount of topsoil available for salvage.</p> <p>Access road interim reclamation would involve stabilization of the road toe and cut slopes, diversion ditches, and other stormwater features. Primarily this will involve planting the exposed soil with a BLM approved seed mix. Dejour will coordinate with the BLM AO if additional stabilization such as applying</p> <p>hydro -mulch or fabric matting are needed. Interim reclamation will be performed within 6 months of spuding, weather depending.</p> <p>For the well pad, all available vegetation and top soil would be salvaged and stockpiled for reclamation operations. No topsoil would be used for construction purposes. Topsoil and separate subsoil piles would be located to minimize erosion to local drainage channels. A BLM approved seed mix would be applied to the topsoil pile along with a fibrous type matting to help protect soil viability.</p> <p>Seed mixes and soil amendments would be free of noxious weeds. Noxious weeds will be treated in accordance with the BLM AO. Dejour would be responsible for noxious weed control on all disturbed areas including access roads, well pad area, and pipeline route.</p> <p>Upon completion, reclamation of life -of- project disturbance would be initiated. Reclamation operations would include:</p> <ul style="list-style-type: none">i. complete cleanup of the disturbed areas (well pads, access roads, etc.);ii. restoration of the disturbed areas to the approximate ground contour that existed prior to construction;iii. ripping of compacted areas;iv. replacement of topsoil over all disturbed areas;v. seeding of reclaimed areas with the BIA/BLM approved seed mixture;
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	<p>vi. fertilizing, if considered necessary by the BIA/BLM Authorized Officer;</p> <p>vii. a cattle fence may be installed around the reclaimed area to keep out cattle until vegetation is established per the BIA/BLM Authorized Officer.</p> <p>A preliminary weed inventory would be conducted to determine baseline weed conditions in areas proposed for disturbance. This inventory will help in setting realistic goals in determining success in meeting weed cover goals.</p> <p>Dejour's noxious weed strategy includes weed treatment prior to the start of construction, during operations, and as part of final reclamation. Weed treatment will consist of annual noxious weed monitoring and treatment, by a qualified pesticide applicator, annually following construction and prior to seed setting for the life of the project.</p> <p>Dejour is responsible for coordinating with the BLM AO and the Rio Blanco County weed supervisor regarding acceptable weed control methods.</p>
PROPOSED BMPs	<p>Dejour Energy (USA) Corp.</p> <p>Federal 36 -24A Best Management Practices</p> <p>The Federal 36 -24A lease is on BLM managed lands and minerals and is subject to the BLM's project requirements including water resource and wildlife protection measures. Draft BLM APD and NEPA</p> <p>Environmental Assessment have both been submitted for this project. The BLM requirements relevant to protection of wildlife and water resources are summarized below.</p> <p>BMPs</p> <p>The BLM established the area as Wildlife Serve Winter Range and applied a no development activity stipulation on the lease between December 1 and April 30.</p> <p>Drilling fluids will be contained in tanks on site until shipped to a permitted disposal facility. Cuttings will be stored in a lined drill cuttings trench on location. The liner will be 24 mil or thicker. After drilling is completed, the cuttings will be tested for toxicity per CDPHE requirements. The cuttings will</p> <p>be pulled from the trench and placed on a new, separate liner and allowed to dry if necessary. Toxicity test results will be provided to the BLM AO prior to final disposal of cuttings. Depending on the testing results, the cuttings may be buried onsite if they are determined to be non -toxic at a minimum of 3 feet below the ground surface, or hauled to an appropriate waste handling facility. The liner will be removed and hauled to an appropriate waste handling facility, also depending on testing results.</p>

The closed loop system will be used and thus avoiding the need for constructing a reserve pit. The mud will be stored in onsite tanks that are part of a closed loop system.

The drilling contractor and, if needed, the completion contractor are required to have an SPCC if they go over the aboveground oil storage capacity greater than 1,320 U.S. gallons. These SPCCs will be reviewed prior to work, and will be available for viewing at the request of the BLM AO. Dejour will develop an SPCC plan for production the phase.

Topsoil would be located along the edge of the well pad in a manner to minimize erosion to local drainage channels. Salvaged topsoil would be covered with a material that will control wind erosion and also allow for air /water exchange to maintain topsoil viability (possible materials include hydromulch,

erosion control matting, and/or seeding). The soil cover will be put in place as soon as possible. Disturbed areas will be stabilized immediately upon completion of pipeline installation activities. In areas with slopes steep enough to cause surface erosion, erosion control blankets, waddles, hydromulch,

or other appropriate BMPS may be used to stabilize soils. A Stormwater Management Plan per State of Colorado requirements will be prepared and followed during construction and reclamation operations.

Produced water will be stored in a tank battery. There will be a minimum of two tanks on location depending on production testing; if a third would be required, the type, size, and use would depend on the production testing.

Road construction and upgrades will follow the BLM Roads Manual 9113 (BLM 1985), with guidance provided by the Surface Operating Standards and Guidelines for Oil and Gas Exploration and

Development (The Gold Book) Fourth Edition — Revised 2007 (BLM 2007).

To facilitate reclamation in the event that this well is not productive, road upgrades and maintenance for the exploratory phase will involve the minimum standard necessary to access the well site while protecting resource values. This would entail leaving the first 3.9 miles of road in its current state, with

improvements generally limited to blading and installing water crossings where necessary within the existing road bed (which currently varies from about 13 -15 feet).

Low water crossing techniques will be used in order to reduce potential impacts to ephemeral streams. One new low water crossing is proposed along this section of access road.

The new or reconstructed access roads will not exceed 10% grade.

If the well moves into a production phase all existing roads would be brought to a BLM Resource

Road standard required by the BLM Road Manual 9113 (BLM 1985) and described in the Gold Book (BLM 2007). A detailed design will be submitted and approved by the BLM prior to construction for all cut and fill slopes, crown and ditching, surfacing, diversions and other road related facilities.

Road construction of an oil and gas road may include clearing and grubbing of brush and trees, windrowing of topsoil, construction of reinforced rolling dips and grade dips where feasible, installation of culverts, ditches, and side drainages to provide ditch relief and sediment control, construction of retaining structures on steep slopes (as approved by the BLM), placement of slash and topsoil on cut and fill slopes, placement of erosion control matting on cut and fill slopes as designated by BLM, and seeding of all disturbed areas outside of the travel way.

The construction of crown and ditch will be used in areas where resource damage is possible, such as on steep slopes and along rerouted road segments. A typical crown and ditch road cross section is included on Sheet 12.

Pad construction will use a balanced cut and fill approach, and no cut material is expected to be left over.

A flat pad design will keep stormwater runoff from draining off the pad. A series of erosion control features, including a diversion berm to move stormwater to three- sediment traps along the south and west edges of the pad, will be installed. Additional controls include installation of runoff protection along the north and east sides of the pad. The boundary of proposed surface disturbance covers 2.5 acres.

Construction of the well pad is expected to result in approximately 2.51 acres of short-term disturbance.

If the well produces in economic quantities, approximately 1.57 acres of the well pad will be reclaimed resulting in an estimated 0.95 acres of long -term disturbance. The short-term goal of reclamation will be to stabilize disturbed areas as rapidly as possible, while the long -term goal will be to return any land not needed for operations to conditions equal to those that existed prior to disturbance. All reclamation will be in accordance with BLM requirements, including approved reclamation seed mixtures and rates, soil salvage and protection measures, and noxious weed control.

Reclamation practices would involve recontouring the area to approximate pre - construction contours, ripping compacted areas, planting a BLM AO approved seed mix, incorporating soil amendments on steeper slopes as needed, spreading topsoil to maximum depth given the limited available topsoil in the area, carrying out weed control measures and using BMP as needed to control erosion.

The 1.2 miles of new or reconstructed access roads would be completely reclaimed at the end of the life of the project. Interim reclamation would also occur along the entire 5.1 miles stretch of access road if the well moves into production and road upgrades are carried out. If the road were upgraded for

Stormwater:

Comment: _____

Staking: _____

On Site Inspection (305):

Surface Owner Contact Information:
 Name: _____ Address: _____
 Phone Number: _____ Cell Phone: _____

Operator Rep. Contact Information:
 Landman Name: _____ Phone Number: _____
 Date Onsite Request Received: _____ Date of Rule 306 Consultation: _____
 Request LGD Attendance: _____

LGD Contact Information:
 Name: _____ Phone Number: _____ Agreed to Attend: _____

Summary of Landowner Issues:

Summary of Operator Response to Landowner Issues:

Onsite Inspection Memorandum Summarizing Discussions at Inspection as Attachment:

Well

Facility ID: 419771 API Number: 103-11810 Status: XX Insp. Status: WO

Well Stimulation

Stimulation Company: _____ Stimulation Type: _____
 Other: _____

Observation:

Maximum Casing Recorded: _____ PSI Tubing: _____
 Surface: _____ Intermediate: _____
 Production: _____ Instantaneous Shut-In Pressure (ISIP) _____
 Bradenhead Psi: _____ Frac Flow Back: _____ Fluid: _____ Gas: _____

BradenHead

Comment: Braedn was not monitored during Frac job.

CA: See NOAV

CA Date: 01/01/2012

Environmental

Spills/Releases:

Type of Spill: _____ Description: _____ Estimated Spill Volume: _____
 Comment: _____
 Corrective Action: _____ Date: _____
 Reportable: _____ GPS: Lat _____ Long _____
 Proximity to Surface Water: _____ Depth to Ground Water: _____

Water Well: _____ Lat _____ Long _____
 DWR Receipt Num: _____ Owner Name: _____ GPS : _____

Field Parameters:

Sample Location: _____

Emission Control Burner (ECB): _____
 Comment: _____
 Pilot: _____ Wildlife Protection Devices (fired vessels): _____

Reclamation - Storm Water - Pit

Interim Reclamation:
 Date Interim Reclamation Started: _____ Date Interim Reclamation Completed: _____
 Land Use: RANGELAND
 Comment: _____

1003a. Debris removed? _____ CM _____
 CA _____ CA Date _____
 Waste Material Onsite? _____ CM _____
 CA _____ CA Date _____
 Unused or unneeded equipment onsite? _____ CM _____
 CA _____ CA Date _____
 Pit, cellars, rat holes and other bores closed? _____ CM _____
 CA _____ CA Date _____
 Guy line anchors removed? _____ CM _____
 CA _____ CA Date _____
 Guy line anchors marked? _____ CM _____
 CA _____ CA Date _____

1003b. Area no longer in use? _____ Production areas stabilized ? _____
 1003c. Compacted areas have been cross ripped? _____
 1003d. Drilling pit closed? _____ Subsidence over on drill pit? _____
 Cuttings management: _____
 1003e. Areas no longer needed for drilling or subsequent operations for have been re-vegetated to 80% of pre-existing? _____
 Production areas have been stabilized? _____ Segregated soils have been replaced? _____

RESTORATION AND REVEGETATION

Cropland
 Top soil replaced _____ Recontoured _____ Perennial forage re-established _____
Non-Cropland
 Top soil replaced _____ Recontoured _____ 80% Revegetation _____

1003 f. Weeds Noxious weeds? _____
 Comment: _____

Overall Interim Reclamation

Final Reclamation/ Abandoned Location:

Date Final Reclamation Started: _____ Date Final Reclamation Completed: _____

Final Land Use: RANGELAND _____

Reminder: _____

Comment: _____

Well plugged _____ Pit mouse/rat holes, cellars backfilled _____

Debris removed _____ No disturbance /Location never built _____

Access Roads Regraded _____ Contoured _____ Culverts removed _____

Gravel removed _____

Location and associated production facilities reclaimed _____ Locations, facilities, roads, recontoured _____

Compaction alleviation _____ Dust and erosion control _____

Non cropland: Revegetated 80% _____ Cropland: perennial forage _____

Weeds present _____ Subsidence _____

Comment: _____

Corrective Action: _____ Date _____

Overall Final Reclamation

Storm Water:

Loc Erosion BMPs	BMP Maintenance	Lease Road Erosion BMPs	Lease BMP Maintenance	Chemical BMPs	Chemical BMP Maintenance	Comment

S/U/V: _____ Corrective Date: _____

Comment: _____

CA: _____