



*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 10335
Name of Operator: AXIA ENERGY LLC
Address: 1430 LARIMER STREET #400 ATTN: JESS PEONIO
City: DENVER State: CO Zip: 80202
Company Representative: JESS PEONIO

Date Notice Issued:
03/01/2013

Well Name: Well Number: Facility Number: 429725
Location (QtrQtr, Sec, Twp, Rng, Meridian): NWNE 5 7N 90W 6 County: MOFFAT
API Number: 05 Lease Number:

COGCC Representative: FISCHER ALEX Phone Number: 303 894-2100 X5138

THE FOLLOWING ALLEGED VIOLATION WAS FOUND BY THE COGCC REPRESENTATIVE FOR THE SITE LISTED
Date of Alleged Violation: 01/03/2013 Approximate Time of Violation:
Description of Alleged Violation:
During the January 9, 2013 inspection, Pit Facility ID 429725 had fluids with oil/condensate on the surface without appropriate cover/netting. The pit liners had been compromised as a result of the fire, however, Mr. Shane Wentzel with Axia stated that Axia believed the upper liner was compromised near the leak detection system (not as a result of the incident and fire) and that the liner compromise may have occurred a couple of weeks prior due to hoses being placed in/out of the pit. A COA for Pit Facility ID 429725 included: "Delivery and vacuum truck hoses will not be allowed to be placed directly onto the liner."

Act, Order, Regulation, Permit Conditions Cited:
303.d; 324.A.a.; 604.d; 902.a., b., c., d., e., h.; 903; 906.a.; 907.a.(1), 907.b.(1), 907.b.(2), 907.c.(1).; and 1002.e

Abatement or Corrective Action Required to be Performed by Operator:*
SEE ATTACHMENT 1 TO DOCUMENT NUMBER 200375865, NOAV NOTICE.
Abatement or Corrective Action to be Completed by (date): 04/02/2013
* Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

TO BE COMPLETED BY OPERATOR - When alleged violation is corrected, sign this notice and return to above address:
Company Representative Name: Title:
Signature: Date:
Company Comments:

*** THIS NOTICE CONSTITUTES A SEPARATE NOTICE OF ALLEGED VIOLATION FOR EACH VIOLATION LISTED ***

WARNING
Abatement and reporting time frames for Notices of Alleged Violation begin upon receipt of the notice or five days after the date it is mailed, whichever is earlier. Each violation must be abated within the prescribed time upon receipt of this Notice, reported to the Colorado Oil and Gas Conservation Commission at the address shown above, and postmarked no later than the next business day after the prescribed time for abatement. Should abatement or corrective action fail to occur, the Director may make application to the Commission for an Order Finding Violation. Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

PENALTY PROPOSED BY THE DIRECTOR PER RULE 523
The Director may propose a penalty as listed in the table below, not to exceed a maximum of \$1,000.00 per day per violation. Such proposed penalty amount will be limited to \$10,000.00 per violation if the violation does not result in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety, or welfare. Such proposed penalty amount may be increased if aggravating factors indicate the violation; was intentional or reckless; had, or threatened to have, a significant negative impact on public health, safety, or welfare; resulted in significant waste of oil and gas resources; had a significant negative impact on correlative rights of other parties; resulted in, or threatened to result in, significant loss or damage to public or private property; involved recalcitrance or recidivism upon the part of the violator; involved intentional false reporting or record keeping; resulted in economic benefit to the violator. Such proposed penalty amount may be decreased if mitigating factors indicate the violator: self-reported; promptly, effectively and prudently responded to the violation; cooperated with the Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations and orders. The Commission has final authority over the penalty amount assessed.
The Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due to the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations, and orders. The
BASE FINE \$250.00 PER DAY PER VIOLATION: RULES 210, 307, 311, 312, 313, 314A, 315, 403, 405, 803, 804
BASE FINE \$500.00 PER DAY PER VIOLATION: RULES 205, 208, 207, 209, 302, 308, 309, 310, 316A, 321, 322, 328, 329, 330, 331, 332, 401
BASE FINE \$750.00 PER DAY PER VIOLATION: RULES 805, 806A, 806B, 807
BASE FINE \$1,000.00 PER DAY PER VIOLATION: RULES 209, 301, 303, 305, 308, 316B, 317, 317A, 318, 319, 320, 323, 324, 325, 326, 327, 333, 404, 802, 803, 804, 703, 704, 705, 706, 707, 708, 709, 711, 802, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 1002, 1003, 1004, 1101, 1102, 1103
In accordance with Rule 523.a.(4), fines for violations for which no base fine is listed shall be determined by the Commission at its discretion.

Signature of COGCC Representative: Date: 3/4/13 Time:
Resolution Approved by: Date:

ATTACHMENT 1 TO DOCUMENT NUMBER 200375865, NOAV NOTICE.

CORRECTIVE ACTIONS

1. Submit a Form 19 – Spill Report and Form 27 – Site Investigation and Remediation Work Plan with a plan of action to the COGCC Regional EPS, to address the produced water release near the temporary manifold load in/load out area and potential release from the burned pit liner.
2. Complete a thorough investigation of the alleged compromised pit liner (area that burned and area near leak detection).
3. provide a mass balance (fluids in/out) of fluids that were transferred through the completions pit.
4. As soon as practicable, the remaining fluids shall be withdrawn from the pit. The COGCC is requesting documentation of the volume of fluids disposed and location(s) of disposal.
5. Notify the COGCC at least 72 hours prior to removal of the pit liners. (alex.fischer@state.co.us 303-894-2100 x 5138 and kris.neidel@state.co.us 970-871-1963.
6. Per Rule 205, provide a chemical inventory of all materials that were and are being used or stored onsite.
7. Repair/replace liners as necessary. Provide certification by a Professional Engineer of work done prior to putting Pit Facility into service.
8. Complete installation of fencing and netting prior to putting the Pit Facility into service.
9. After repair or replacement of the liners and prior to operating the pit, the synthetic liners(s) shall be tested by filling the pit with at least 70 percent of operating capacity of water, measured from the base of the pit (not to exceed the 2-foot freeboard requirement). The operator shall monitor the pit for leaks for a period of 72 hours prior to draining the pit and commencing operations. The leak detection system must also be monitored during the hydrostatic test. Operator shall notify the COGCC 72 hours prior to start of hydrostatic test. Test monitoring results must be maintained by the operator for the life of the pit and provided to the COGCC prior to using the pit.