



April 9, 2013

Colorado Oil & Gas Conservation Commission  
Alex Fischer  
Environmental Supervisor – Western Colorado  
1120 Lincoln St. – Suite #801  
Denver, CO 80203

RE: Notice of Alleged Violation – letter dated March 1, 2013  
Bulldog #5-31H-790 Completion Pit – Facility #429725  
Location ID: #428927  
NWNE Section 5, T7N/R90W  
Moffat County, Colorado

Mr. Fischer:

Axia Energy, LLC wishes to provide to the COGCC a formal update concerning the Notice of Alleged Violation (NOAV - Document #667100022) and letter dated March 1, 2013.

At the current time, all production fluids have been removed from the subject pit. Any fluids that are presently in the pit have accumulated as a result of precipitation and/or snow melt. Axia Energy is currently performing soils analysis to assess any potential contamination. When weather conditions and snowmelt no longer preclude sustained activities, Axia will finalize the evaluation and perform any necessary remediation, then complete repairs to the compromised pit liner. At the time of the incident, Axia Energy was investigating a potential upper liner compromise and awaiting sampling results from the leak detection system. The cause of the upper liner compromise is still unknown. It should be noted that Axia's investigation of possible causes has determined that the "placement of hoses on the liner" is not attributable to the liner compromise. Thus, the COA of *"Delivery and vacuum truck hoses will not be allowed to be placed directly onto the liner"* was not violated as indicated in the NOAV. Axia Energy had constructed a manifold and tank system to properly unload fluid into the pit.

Regarding the NOAV comment(s) related to fencing and netting, prior to the incident on January 3, 2013, the pit had been properly fenced (per the COAs) to protect wildlife from entering the pit. The missing high wire on the north side of the pit (described in the NOAV) is believed to have been caused by the incident on January 3, 2013 or the subsequent actions taken during the emergency response activities.

Below please find the requested "Corrective Actions" listed in the letter dated March 1, 2013, and the current status:

- 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 liner.

- Form 19 – submitted 1/11/13
- Form 27 – submitted 4/9/13

Soil samples have been taken to fully investigate the potential contamination at the site. Once final results and analysis is available, the data will be provided to the COGCC and remediation or a request for liner repair will be made.

- 2) Complete a thorough investigation of the alleged compromised liner (area that burned and area near leak detection).

- All indications, from monitoring the fluid level of the pit and additional investigation, are that the bottom liner was not compromised below the fluid level and that no fluid from the pit was released to the ground.
- Soil sampling will be conducted prior to the repair and replacement of the liner to evaluate any contamination. Should contamination be identified, the soil will be removed to uncontaminated depths and replaced as necessary. (see Form 27)

- 3) Provide a mass balance (fluids in/out) of fluids that were transferred through the completions pit.

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- See submitted Form 27

- 4) As soon as practicable, the remaining fluids shall be withdrawn from the pit. The COGCC is requesting documentation of the fluids disposed and location(s) of disposal.

- Pit has been emptied of production fluids – any fluid accumulation from precipitation and/or snowmelt will be periodically withdrawn until replacement/repair of the liners.
- Volumes and disposal locations related to the removal of production fluids is attached - see submitted Form 27.

- 5) Notify the COGCC at least 72 hours prior to removal of the pit liners.

- Axia Energy does not plan on removal of the existing damaged liners, but rather laying two new liners over the damaged liners and seaming to undamaged portion of the pit.
- Notification will be made at least 72 hours prior to operations.

- 6) Per Rule 205, provide a chemical inventory of all materials that were and are being used or stored at the site.

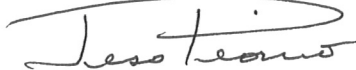
- Methanol tank with containing berm – 500 gallon tank w/ +/- 250 gallons in tank

- 7) Repair/replace liners as necessary. Provide certification by a Professional Engineer of work done prior to putting Pit Facility into service.
- Axia Energy requests that the liner installation company provide certification of seams and overall integrity of the liner rather than a Professional Engineer certification.
- 8) Complete installation of fencing and netting prior to putting the Pit Facility into service.
- Any required construction activity related to fencing and/or netting will be completed and notification made 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.
- Axia will notify the COGCC 72 hours prior to commencing the hydrostatic test.

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Should you have any questions or concerns at any time, please contact me at (720) 746-5212.

Sincerely,



Jess Peonio  
Regulatory Manager