

FORM INSP
Rev 05/11

**State of Colorado
Oil and Gas Conservation Commission**

1120 Lincoln Street, Suite 801, Denver, Colorado 80203
Phone: (303) 894-2100 Fax: (303) 894-2109



DE	ET	OE	ES
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Inspection Date:
12/18/2014

Document Number:
675100798

Overall Inspection:

ACTION REQUIRED

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>438180</u>	<u>438181</u>	<u>GRANAHAN, KYLE</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>47200</u>
Name of Operator:	<u>KGH OPERATING COMPANY</u>
Address:	<u>P O BOX 2235</u>
City:	<u>BILLINGS</u> State: <u>MT</u> Zip: <u>59103-</u>

- THIS IS A FOLLOW UP INSPECTION
- FOLLOW UP INSPECTION REQUIRED
- NO FOLLOW UP INSPECTION REQUIRED
- INSPECTOR REQUESTS FORM 42 WHEN CORRECTIVE ACTIONS ARE COMPLETED

Contact Information:

Contact Name	Phone	Email	Comment
Spencer, Stan		stan.spencer@state.co.us	
Hohn, Thomas	406-655-3381	kgh@hohneng.com	all inspections

Compliance Summary:

QtrQtr:	<u>LOT 5</u>	Sec:	<u>3</u>	Twp:	<u>1S</u>	Range:	<u>104W</u>
Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
09/12/2014	675100435	DG	DG	SATISFACTORY			No

Inspector Comment:

Form 42 notification doc # 400733667 In regards to the form 19 doc # 400701081 - I do not see a supplemental F-19 on file with an attachment consisting of a topographic map or aerial photograph showing the location of the spill, and laboratory analyses of soil samples confirming that the spill has been cleaned up to concentrations less than Table 910-1 standards.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status
438123	PIT	AC	07/15/2014		-	Meagher #3-3H	AC <input type="checkbox"/>
438180	WELL	DG	08/22/2014		103-12121	Meagher 3-3H	PR <input checked="" type="checkbox"/>
438330	PIT	AC	07/30/2014		-	Meagher 3-3H	AC <input type="checkbox"/>
439149	SPILL OR RELEASE	AC	10/03/2014		-	SPILL/RELEASE POINT	AC <input type="checkbox"/>

Equipment:

Location Inventory

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

Location

Signs/Marker:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
TANK LABELS/PLACARDS	ACTION REQUIRED	(5) 400bbl crude AST & (4) 500bbl frac flowback tanks missing all required labels/placards. See photo A1	Install sign to comply with rule 210.	01/21/2015
BATTERY	ACTION REQUIRED	Located at entrance of location, missing nearest public access rd. See photo A3	Install sign to comply with rule 210.	01/21/2015

Emergency Contact Number (S/A/V): SATISFACTORY Corrective Date: _____

Comment: 406-655-3381

Corrective Action: _____

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

Equipment:					
Type	#	Satisfactory/Action Required	Comment	Corrective Action	CA Date
Emission Control Device	1	SATISFACTORY	VOC vapor catch tank.		
Ancillary equipment	0	SATISFACTORY	(5) 400bbl crude AST, (4) 500bbl frac tanks for flowback - missing required labels		
Horizontal Separator	1	SATISFACTORY	3 stage horizontal separator		
Flare	1	SATISFACTORY			
Other	1	SATISFACTORY	Ball catcher		

Venting:	
Yes/No	Comment
NO	

Flaring:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Predrill

Location ID: 438180

Site Preparation:
 Lease Road Adeq.: _____ Pads: _____ Soil Stockpile: _____

S/A/V: _____
 Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

Group	User	Comment	Date
OGLA	kubeczkd	<p>No portion of any pit that will be used to hold liquids shall be constructed on fill material, unless the pit and fill slope are designed and certified by a professional engineer, subject to review and approval by the director prior to construction of the pit. The construction and lining (if applicable) of the pit shall be supervised by a professional engineer or their agent. The entire base of the pit must be in cut.</p> <p>Pits containing flowback fluids or produced water must be lined with a minimum 24 mil HDPE liner.</p> <p>For pits containing fluids other than freshwater only; the pit must be fenced. If the pit is not drained, or closure has not begun within 30 days after last use for well completion, the pit must be netted. The operator must maintain the fencing and netting until the pit is closed.</p> <p>Pits used exclusively for drilling shall be closed in accordance with the 1000-Series Rules. Any pit(s) used for purposes other than drilling shall be closed in accordance with Rule 905. Closure of Pits, and Buried or Partially Buried Produced Water Vessels; with an approved Site Investigation and Remediation Workplan, Form 27.</p>	05/27/2014
OGLA	kubeczkd	Operator must ensure 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 sufficiently protective of nearby surface water. Any berm constructed at the well pad location will be stabilized, inspected at regular intervals (at least every 14 days), and maintained in good condition.	05/27/2014
OGLA	kubeczkd	Notify the COGCC 48 hours prior to start of pad construction, pit construction, rig mobilization, spud, pipeline testing, start of hydraulic stimulation operations, and start of flowback operations using Form 42 (the appropriate COGCC individuals will automatically be email notified, including the LGD for hydraulic stimulation operations).	05/27/2014
OGLA	kubeczkd	<p>The moisture content of any drill cuttings in a cuttings trench or pile shall be as low as practicable to prevent accumulation of liquids greater than de minimis amounts. At the time of closure, if drill cuttings are to remain/disposed of onsite, they must also meet the applicable standards of table 910-1.</p> <p>If the well is to be hydraulically stimulated, flowback and stimulation fluids must be sent to tanks, separators, or other containment/filtering equipment before the fluids can be placed into any pipeline or storage vessel located on the well pad; or pit located adjacent to the well pad; or into tanker trucks for offsite disposal. The flowback and stimulation fluid tanks, separators, or other containment/filtering equipment must be placed on the well pad in an area constructed to be sufficiently impervious to contain any spilled or released material.</p>	05/27/2014
OGLA	kubeczkd	Operator shall pressure test pipelines in accordance with Rule 1101.e.(1) prior to putting into initial service any temporary surface or permanent buried pipelines and following any reconfiguration of the pipeline network.	05/27/2014

S/A/V: ACTION

Comment:

No secondary containment around flowback equipment/tanks present at time of inspection. Place Secondary containment around all tanks on location, or submit data to the Cogcc documenting that no Hydrocarbons are stored in any tank not inside of source containment. See photos A1 & A2

CA: Comply with COGCC rules and location COA's

Date: 01/21/2015

Wildlife BMPs:

BMP Type	Comment
Material Handling and Spill Prevention	Once the well is drilled and completed onsite KGH will prepare a SPCC plan for the site.

Wildlife	<p>SENSITIVE WILDLIFE AREA BMP</p> <ol style="list-style-type: none"> 1. Where oil and gas activities must occur in mule deer critical winter range or elk winter concentration areas, conduct those activities outside the time period from December 1 through April 15 (construction and drilling operations). 2. Restrict post-development well site visitations to between the hours of 10:00 AM and 3:00 PM and reduce well site visitations between December 1 and April 15 in mule deer and elk winter range. 3. Establish company guidelines to minimize wildlife mortality from vehicle collisions on roads. 4. Gate single-prupose roads and restrict general public access to reduce traffic disruptions to wildlife. 5. Close and immediately reclaim all roads that are redundant, not used regularly, or have been abandoned to the maximum extent possible to minimize disturbance and habitat fragmentation. 6. Avoid aggressive non-native grasses and shrubs iin mule deer and elk habitat restoration. 7. Reclaim mule deer and elk habitats with native shrubs, grasses, and forbs appropriate to the ecological site disturbed. 8. Restore appropriate sagebrush species or subspecies on disturbed sagebrush sites. Use locally collected seed for reseeding when possible.
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Storm Water/Erosion Control	<p>Stormwater management will be managed under KGH Operating Companys' (KGH) Stormwater Managenet Plan prepared for the project area. Prior to construction, a stormwater "perimeter" will be built around the site for initial work purposes. Once the drilling pad construction is completed, the site will be inspected and necessay Erosion Control Devices needed to manage sediment discharge from the pad will be installed. These devices may include but are not limited to: Rock Check Dams; Settling Ponds; Straw Waddles and; Silt Fencing.</p>
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S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

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:

Facility

Facility ID: 438180 Type: WELL API Number: 103-12121 Status: DG Insp. Status: PR

Workover

Comment: "Flowback"
 Flow back operations taking place at time of inspection.
 Mesa Productions on location to oversee flowback
 3 stage separator, ball catcher, flare, VOC vapor catch upright, (5) 400bbl crude AST's, (4) 500bbl frac tanks for flowback water.
 No secondary containment for flowback equipment/tanks present at time of inspection
 Tanks on location missing all required labels.

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:

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

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 _____ Well Release on Active Location Multi-Well Location

Storm Water:

Loc Erosion BMPs	BMP Maintenance	Lease Road Erosion BMPs	Lease BMP Maintenance	Chemical BMPs	Chemical BMP Maintenance	Comment
		Gravel	Pass			
		Compaction	Pass			
				MHSP	Fail	Flowback equipment/tanks missing containment
Berms	Pass					
Gravel	Pass					
		Ditches	Pass			

Compaction	Pass				
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S/A/V: **ACTION REQUIRED** Corrective Date: **01/21/2015**

Comment: **Place Secondary containment around all tanks on location, or submit data to the Cogcc documenting that no Hydrocarbons are stored in any tank not inside of source containment. Snow cover prevented a full evaluation of stormwater BMP's – no evidence of soil migration at time of inspection.**

CA: **Comply with COGCC rules**

Pits: NO SURFACE INDICATION OF PIT

Permit:	Facility ID	Permit Num	Expiration Date
	438330	400615539	
	438123	400568838	
	438330	400615539	

Attached Documents

You can go to COGCC Images (<https://cogcc.state.co.us/weblink/>) and search by document number:

Document Num	Description	URL
675100799	A1	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3512535
675100800	A2	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3512536
675100801	A3	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3512537

ACTION REQUIRED

ANY ACTION REQUIRED items listed on this report indicate that the oil and gas facility or the oil and gas operations listed on the report may be in violation of the rules and regulations of the Colorado Oil and Conservation Commission (“COGCC”) and corrective action is required.

There is reasonable cause to believe that a violation of the Oil and Gas Conservation Act, or of any rule, regulation, or order of the Commission, or of any permit issued by the Commission, has occurred. The Operator’s compliance with this Inspection Report is required to resolve these alleged violations. This document requires the Operator to timely respond to the COGCC and to comply with directives as listed by the **Corrective Action Deadline Date**. Failure to do so will result in the issuance of a Notice of Alleged Violation and initiation of enforcement proceedings in which COGCC will seek monetary penalties for the alleged violations pursuant to § 34-60-121, C.R.S. and Rule 523, COGCC Rules of Practice and Procedure, 2 CCR 404-1. (Please note that the COGCC's penalty authority was recently increased to a maximum of \$15,000 per day and penalties are no longer capped at a maximum of \$10,000 per violation.)