

Inspector Name: Colby, Lou

**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

Inspection Date:
08/14/2015Document Number:
680100091

Overall Inspection:

ACTION REQUIRED**FIELD INSPECTION FORM**

| | | | | | |
|---------------------|-------------|--------|-----------------|--------------------------|-------------|
| Location Identifier | Facility ID | Loc ID | Inspector Name: | On-Site Inspection | 2A Doc Num: |
| | 335048 | 335048 | Colby, Lou | <input type="checkbox"/> | |

Operator Information:OGCC Operator Number: 10433Name of Operator: PICEANCE ENERGY LLCAddress: 1512 LARIMER STREET #1000City: DENVER State: CO Zip: 80202

- ☐ 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 |
|----------------|--------------|-----------------------------|---|
| Bankert, Wayne | 970-812-5310 | wbankert@laramie-energy.com | Senior Regulatory & Environmental Coordinator |

Compliance Summary:QtrQtr: NWSE Sec: 29 Twp: 7S Range: 93W

| Insp. Date | Doc Num | Insp. Type | Insp Status | Satisfactory /Action Required | PA P/F/I | Pas/Fail (P/F) | Violation (Y/N) |
|------------|-----------|------------|-------------|-------------------------------|----------|----------------|-----------------|
| 04/23/2013 | 663800916 | | | ACTION REQUIRED | I | | No |

Inspector Comment:**Reclamation and stormwater focused Inspection.****Related Facilities:**

| Facility ID | Type | Status | Status Date | Well Class | API Num | Facility Name | Insp Status | |
|-------------|------|--------|-------------|------------|-----------|----------------|-------------|-------------------------------------|
| 296100 | WELL | PR | 10/27/2013 | GW | 045-15910 | MCCLUNG 29-02D | PR | <input checked="" type="checkbox"/> |
| 296101 | WELL | PR | 10/28/2013 | GW | 045-15911 | MCCLUNG 29-06B | PR | <input checked="" type="checkbox"/> |
| 296102 | WELL | PR | 03/12/2009 | GW | 045-15912 | MCCLUNG 29-11A | PR | <input checked="" type="checkbox"/> |

Equipment:**Location Inventory**

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

Location

Emergency Contact Number (S/A/V): _____

Corrective Date: _____

Comment: _____

Inspector Name: Colby, Lou

Corrective Action:

Spills:

| Type | Area | Volume | Corrective action | CA Date |
|------|------|--------|-------------------|---------|
|------|------|--------|-------------------|---------|

☐ Multiple Spills and Releases?

Venting:

| Yes/No | Comment |
|--------|---------|
| | |

Flaring:

| Type | Satisfactory/Action Required | Comment | Corrective Action | CA Date |
|------|------------------------------|---------|-------------------|---------|
| | | | | |

Predrill

Location ID: 335048

Site Preparation:

Lease Road Adeq.: Pads: Soil Stockpile:

S/A/V:

Corrective Action: Date: CDP Num.:

Form 2A COAs:

| Group | User | Comment | Date |
|---------------|----------|--|------------|
| Environmental | fischera | COA- The transfer at the facilities/locations referenced in the Production Water Reuse and Minimization Plan shall be valid until July 31, 2014. | 07/31/2013 |
| Environmental | fischera | Provide a map/diagram illustrating all transfer and receiving facilities/locations by August 30, 2013. | 07/31/2013 |

| | | | |
|---------------|----------|---|------------|
| Environmental | fischera | <p>Operator has stated that they will not be using large volume storage tanks (LVSTs) to hold produced or flowback water. 500 bbl frac tanks will be used.</p> <p>Request to withdraw Doc No.s 1 message Wayne Bankert Tue, Jul 30, 2013 at 8:53 AM To: "Fischer - DNR, Alex" Cc: Randy Natvig Alex,</p> <p>After visiting with you, Piceance Energy is requesting withdrawal of the following three Sundries referencing LVST's with</p> <p>Document ID No:</p> <p>400432966</p> <p>400432968</p> <p>400432971</p> <p>Thank you</p> <p>Wayne P. Bankert</p> <p>Senior Regulatory & Environmental Coordinator</p> <p>Piceance Energy, LLC</p> <p>Laramie Energy II, LLC</p> <p>601 28 1/4 Rd. Suite D</p> <p>Grand Junction, CO 81506</p> <p>O: 970-812-5310</p> <p>C: 970-985-5383</p> <p>F: 970-683-5594</p> <p>wbankert@laramie-energy.com</p> | 07/31/2013 |
| Environmental | fischera | COA- Produced water or flowback or other exploration and production waste shall not be temporarily stored in LVSTs. Produced water or flowback water shall be temporarily stored in frac tanks. | 07/31/2013 |

S/A/V: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

S/A/V: _____ **Comment:** _____

CA: _____ **Date:** _____

Stormwater:

Comment: _____

Staking:

On Site Inspection (305):

Surface Owner Contact Information:

Name: _____ Address: _____

Inspector Name: Colby, Lou

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: 296100 Type: WELL API Number: 045-15910 Status: PR Insp. Status: PR

Facility ID: 296101 Type: WELL API Number: 045-15911 Status: PR Insp. Status: PR

Facility ID: 296102 Type: WELL API Number: 045-15912 Status: PR Insp. Status: PR

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: _____

Comment: _____

| | | |
|--------|---|--------------------|
| 1003a. | Debris removed? Pass CM | |
| | CA _____ | CA Date _____ |
| | Waste Material Onsite? Pass CM | |
| | CA _____ | CA Date _____ |
| | Unused or unneeded equipment onsite? Pass CM | |
| | CA _____ | CA Date _____ |
| | Pit, cellars, rat holes and other bores closed? Pass CM | |
| | CA _____ | CA Date _____ |
| | Guy line anchors removed? Fail CM | |
| | CA Remove or Mark | CA Date 09/22/2015 |
| | Guy line anchors marked? Fail CM | |
| | CA Mark or remove | CA Date 09/22/2015 |

| | | |
|--------|--------------------------------|---------------------------------------|
| 1003b. | Area no longer in use? Fail | Production areas stabilized ? Pass |
|--------|--------------------------------|---------------------------------------|

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? Fail
 Production areas have been stabilized? Pass Segregated soils have been replaced? _____

RESTORATION AND REVEGETATION

Cropland

| | | |
|-------------------------|-------------------|---------------------------------------|
| Top soil replaced _____ | Recontoured _____ | Perennial forage re-established _____ |
|-------------------------|-------------------|---------------------------------------|

Non-Cropland

| | | |
|-------------------------|---------------------|--------------------------|
| Top soil replaced _____ | Recontoured Fail | 80% Revegetation Fail |
|-------------------------|---------------------|--------------------------|

1003 f. Weeds Noxious weeds? I

Comment: Fail of Interim Reclamation is attributed to Large areas no longer needed for production that have not been reclaimed. CA is to reclaim areas no longer needed for use by end of Fall 2015. Refer to Overall status and photos attached.

Overall Interim Reclamation Fail

Final Reclamation/ Abandoned Location:

| | |
|---------------------------------------|---|
| Date Final Reclamation Started: _____ | Date Final Reclamation Completed: _____ |
|---------------------------------------|---|

Final Land Use: _____

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 _____ |
|---------------------|------------------|

Inspector Name: Colby, Lou

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 |
|------------------|-----------------|-------------------------|-----------------------|---------------|--------------------------|---------|
| Compaction | Fail | | | | | |
| Berms | Fail | | | | | |
| Retention Ponds | Pass | | | | | |
| Drains | Fail | | | | | |

S/A/V: ACTION REQUIRED

Corrective Date: 12/01/2015

Comment: Extended Corrective Action date given so that Stormwater BMP installation and plan can be incorporated with Interim Reclamation activities (refer to Interim Reclamation Corrective Actions).

CA: Reinstall BMPs, stabilize berms and cut slope areas.

Pits: ☐ NO SURFACE INDICATION OF PIT

COGCC Comments

| Comment | User | Date |
|--|--------|------------|
| Location does not meet reclamation regulations. Corrective Action is to Reclaim areas on the well pad no longer needed for production operations. Reclamation activities should begin by end of Fall 2015. | colbyl | 08/22/2015 |

Attached Documents

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

| Document Num | Description | URL |
|--------------|-----------------------|---|
| 680100093 | Piceance McClung pics | http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3667627 |

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.)