

**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:

09/18/2015

Document Number:

675202039

Overall Inspection:

ACTION REQUIRED**FIELD INSPECTION FORM**

| | | | | | |
|---------------------|-------------|--------|-----------------|--------------------------|-------------|
| Location Identifier | Facility ID | Loc ID | Inspector Name: | On-Site Inspection | 2A Doc Num: |
| | 442549 | 442549 | CONKLIN, CURTIS | <input type="checkbox"/> | |

Operator Information:

OGCC Operator Number: 10433

Name of Operator: PICEANCE ENERGY LLC

Address: 1512 LARIMER STREET #1000

City: 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) 683-5419 | wbankert@laramie-energy.com | Senior Regulatory & Environmental Coordinator |

Compliance Summary:

QtrQtr: NESW Sec: 28 Twp: 9S Range: 93W

Inspector Comment:

New construction.

Related Facilities:

| Facility ID | Type | Status | Status Date | Well Class | API Num | Facility Name | Insp Status | |
|-------------|------|--------|-------------|------------|-----------|---------------------|-------------|-------------------------------------|
| 442546 | WELL | XX | 07/21/2015 | | 077-10246 | Piceance Fed 28-11E | ND | <input checked="" type="checkbox"/> |
| 442547 | WELL | XX | 07/21/2015 | | 077-10247 | Piceance Fed 28-05E | ND | <input checked="" type="checkbox"/> |
| 442548 | WELL | XX | 07/21/2015 | | 077-10248 | Piceance Fed 28-14E | ND | <input checked="" type="checkbox"/> |
| 442550 | WELL | XX | 07/21/2015 | | 077-10249 | Piceance Fed 28-13E | ND | <input checked="" type="checkbox"/> |
| 442551 | WELL | XX | 07/21/2015 | | 077-10250 | Piceance Fed 28-21E | ND | <input checked="" type="checkbox"/> |
| 442553 | WELL | XX | 07/21/2015 | | 077-10251 | Piceance Fed 28-08E | ND | <input checked="" type="checkbox"/> |
| 442555 | WELL | XX | 07/21/2015 | | 077-10252 | Piceance Fed 28-06E | ND | <input checked="" type="checkbox"/> |
| 442556 | WELL | XX | 07/21/2015 | | 077-10253 | Piceance Fed 28-12E | ND | <input checked="" type="checkbox"/> |
| 442558 | WELL | XX | 07/21/2015 | | 077-10254 | Piceance Fed 28-19E | ND | <input checked="" type="checkbox"/> |
| 442559 | WELL | XX | 07/21/2015 | | 077-10255 | Piceance Fed 28-09E | ND | <input checked="" type="checkbox"/> |
| 442560 | WELL | XX | 07/21/2015 | | 077-10256 | Piceance Fed 28-20E | ND | <input checked="" type="checkbox"/> |
| 442562 | WELL | XX | 07/21/2015 | | 077-10257 | Piceance Fed 28-15E | ND | <input checked="" type="checkbox"/> |
| 442563 | WELL | XX | 07/21/2015 | | 077-10258 | Piceance Fed 28-18E | ND | <input checked="" type="checkbox"/> |
| 442564 | WELL | XX | 07/21/2015 | | 077-10259 | Piceance Fed 28-17E | ND | <input checked="" type="checkbox"/> |
| 442565 | WELL | XX | 07/21/2015 | | 077-10260 | Piceance Fed 28-10E | ND | <input checked="" type="checkbox"/> |
| 442566 | WELL | XX | 07/21/2015 | | 077-10261 | Piceance Fed 28-07E | ND | <input checked="" type="checkbox"/> |
| 442567 | WELL | XX | 07/21/2015 | | 077-10262 | Piceance Fed 28-16E | ND | <input checked="" type="checkbox"/> |

Equipment:**Location Inventory**

Inspector Name: CONKLIN, CURTIS

| | | | |
|------------------------------|-------------------------|----------------------|-------------------------|
| Special Purpose Pits: _____ | Drilling Pits: _____ | Wells: <u>17</u> | Production Pits: _____ |
| Condensate Tanks: <u>8</u> | Water Tanks: _____ | Separators: <u>5</u> | Electric Motors: _____ |
| Gas or Diesel Mortors: _____ | Cavity Pumps: _____ | LACT Unit: _____ | Pump Jacks: _____ |
| Electric Generators: _____ | Gas Pipeline: _____ | Oil Pipeline: _____ | Water Pipeline: _____ |
| Gas Compressors: _____ | VOC Combustor: <u>1</u> | Oil Tanks: _____ | Dehydrator Units: _____ |
| Multi-Well Pits: _____ | Pigging Station: _____ | Flare: _____ | Fuel Tanks: _____ |

Location

| | | | | |
|--------------------|------------------------------|---------|-------------------|------|
| Lease Road: | | | | |
| Type | Satisfactory/Action Required | comment | Corrective Action | Date |
| Access | SATISFACTORY | | | |

| | | | | |
|----------------------|------------------------------|----------------------|---------------------------------------|------------|
| Signs/Marker: | | | | |
| Type | Satisfactory/Action Required | Comment | Corrective Action | CA Date |
| OTHER | ACTION REQUIRED | No sign at location. | Install sign to comply with rule 210. | 10/21/2015 |

Emergency Contact Number (S/A/V): ACTION Corrective Date: 10/21/2015

Comment: No emergency contact number on loation.

Corrective Action: Install sign to comply with 210 and 305.g.

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

| | |
|-----------------|---------|
| Venting: | |
| Yes/No | Comment |
| NO | |

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

Predrill

Location ID: 442549

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 | Notify the COGCC 48 hours prior to start of pad construction, rig mobilization, spud, pipeline testing, start of hydraulic stimulation operations, and start of flowback operations (if different than the start of hydraulic stimulation operations) using Form 42 (the appropriate COGCC individuals will automatically be email notified, including the LGD for hydraulic stimulation operations). | 07/13/2015 |

| | | | |
|------|----------|---|------------|
| OGLA | kubeczkd | <p>The moisture content of drill cuttings managed onsite shall be kept as low as practicable to prevent accumulation of liquids greater than de minimis amounts. After drilling and completion operations have been completed, the drill cuttings that will remain on the well pad location (cuttings management area, the cut portion of the pad, cuttings trench, dry cuttings drilling pit), must meet the applicable standards of Table 910-1. Land-farming of E&P waste is prohibited on the location; however, this shall not preclude onsite disposal of E&P waste in accordance with COGCC Rules and permit conditions. After the drill cuttings have been amended (if necessary) and placed on the well pad, sampling frequency of the drill cuttings (to be determined by the operator) shall be representative of the material left on location. No offsite disposal of cuttings to another oil and gas location shall occur without prior approval of a an amended Waste Management Plan (submitted via a Form 4 Sundry Notice) specifying disposal location and waste characterization method. Commercial disposal of drill cuttings will only require notification to COGCC via a Form 4 Sundry Notice.</p> <p>If the wells are 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 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> <p>Potential odors associated with the completions process and/or with long term production operations must be controlled/mitigated.</p> | 07/13/2015 |
| OGLA | kubeczkd | <p>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.</p> <p>Operator will utilize, to the extent practical, all existing access and other public roads, and/or existing pipeline right-of-ways, when placing/routing the surface pipelines. This will reduce surface disturbance and fragmentation of wildlife habitat in the area.</p> | 07/13/2015 |
| OGLA | kubeczkd | <p>Operator must ensure secondary containment for any volume of fluids contained at tank site during operations (as shown on the Location Drawing and the Construction Layout Drawings attachments); 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., best management practices (BMPs) associated with stormwater management) 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 after significant precipitation events, and/or in accordance with CDPHE regulations), and maintained in good condition.</p> <p>The location is in an area of moderate to high run-on/run-off potential; therefore standard stormwater BMPs must be implemented at this location prior to construction, throughout construction, drilling, and completion operations to insure compliance with CDPHE and COGCC requirements and to prevent any stormwater run-on and /or stormwater run-off.</p> <p>The access road will be constructed and maintained as to not allow any sediment to migrate from the access road to nearby surface water or any drainages leading to surface water.</p> <p>Strategically apply fugitive dust control measures, including enforcing established speed limits on private roads, to reduce fugitive dust and coating of vegetation and deposition in water sources.</p> <p>Berms or other containment devices shall be constructed to be sufficiently impervious (corrugated steel with poly liner) to contain any spilled or released material around crude oil, condensate, and produced water storage tanks.</p> | 07/13/2015 |

S/A/V: _____

Comment:

Form 42 Doc#400878068 on file for new construction notification.

CA:

Date:

Wildlife BMPs:

| BMP Type | Comment |
|----------|--|
| Wildlife | <p>PICEANCE ENERGY, LLC</p> <p>Best Management Practices (BMP's) To Reduce Impacts to Wildlife on the Piceance 28-10 Pad For Operations in Sec. 28, Twn. 9S, Rng. 93W 6th PM Mesa County, CO</p> <p>COGCC Mapping indicates: ** NO RSO (Restricted Surface Occupancy) on the Piceance 28-10 Pad ** SWH (Black Bear) on the Piceance 28-10 Pad Note: COGCC Order 399-7 Excuses Piceance Energy from consultation with CDOW (CPW) contained in rule 306c.</p> <p>In an effort to minimize the impacts to wildlife, the following BMP's are part of Piceance Energy's (PE) standard operating procedures for drilling and operations within the Piceance Basin. This list is a partial of PE's policy.</p> <p>Initial Stages for Infrastructure and Roads</p> <p>1. Road design and General</p> <ul style="list-style-type: none"> - No firearms, no dogs on location, and no feeding of wildlife. - Minimize the amount of traffic on lease roads within 3 hours of sunrise and sunset. - Use existing routes as much as possible to avoid new disturbance and habitat fragmentation and minimize new road construction. - Maximize the topography as much as possible in designing roads to reduce, visual, noise, impacts, etc. - Participate in road sharing agreements with other Operators when possible. - Design and surface roads based on the traffic, speed, and type of vehicles to reduce, dust, mud, and environmental damage. - Locate roads away from riparian areas and bottoms of drainages as much as possible or re-route entirely. - Obtain Army Corp of Engineer Permits for any stream crossings prior to construction. - Analyze crossings and flow characteristics to determine the best method of crossing, (i.e. culvert, bridge, or low water). - Armor all stream crossings to reduce erosion and to comply with Stormwater Requirements. - Implementation of fugitive dust control measures including but not limited to water or magnesium chloride applications, and road surfacing. - Limit traffic to the minimum needed for safe and efficient operations. - No driving or parking off of disturbed areas. - Install and use locked gates or other means when allowed by landowner or Federal Agencies to prevent unauthorized travel on roads and rights-of ways. <p>2. Well pad design and location</p> <ul style="list-style-type: none"> - Locate well pads to maximize directional drilling practices. PE currently plans and attempts to locate pads for the maximum number of wells which can safely be developed from each pad. This is normally 16-20 wells per pad which equates to roughly 4 well pads per section. - Design each location to accommodate both current and future gas production. - Locate well pads to minimize disturbance yet maximize use to reduce surface impacts. - Review State and Federal GIS mapping to avoid Sensitive Wildlife Habitat (SWH), Restricted Surface Occupancy (RSO) areas, steep slopes, etc., as much as possible with roads and pad location. - Design and install gathering lines within the disturbed area of new roads and adjacent to as much as possible to reduce disturbance construction. - Design Rights-of Way widths to the minimum needed for safe and efficient construction of pipelines - Remote Telemetry for production operations <p>3. Drilling and Production Operations</p> |

- Implement remote telemetry in all operations
- Where topographically possible and subject to landowner approval, use centralized water gathering and transportation systems.
- Install exclusionary devices to prevent bird and other wildlife access to equipment stacks, vents, and openings.
- Locate facilities to minimize visual effects (e.g. paint color, screening, etc.)
- PE implements a dewatering system in its operations. No fluid pits are constructed or used during drilling or completion operations.
- PE implements an aggressive weed management program. PE incorporates and uses the BLM Colorado River Valley Field Office's "Noxious and Invasive Weed Management Plan for Oil and Gas Operators- March 2007" for all operations. Each spring, Piceance Energy inventories all pads, roads, and pipelines to insure no noxious weeds have been introduced. If noxious weeds are found, the county will be notified and the weeds will be treated. Weeds are continuously monitored and treated throughout the growing season. Only herbicides approved by the EPA and State are used by certified weed applicators.

4. Reclamation

- Strip and segregate topsoil from other soil horizons during pad, road, and pipeline construction.
- Minimize topsoil degradation by windrowing no higher than 5 feet when possible.
- Immediately seed topsoil to reduce erosion and prevent weed establishment and maintain soil microbial activity.
- Use only certified weed free native seed mixes, unless recommended otherwise by Federal Agencies or the Landowner.
- Use locally adapted seed when available.
- Use diverse seed mixes to mirror the surrounding area unless recommended otherwise by Federal Agencies or the Landowner.
- Monitor re-vegetation success until a minimum of 75% of preferred perennial plant cover (no weeds) is established.
- Perform "interim" reclamation on all disturbed areas not needed for active producing operations.
- If possible, conduct interim and final reclamation during optimum periods (e.g. late fall/early winter or early spring).
- If needed, fence reclaimed areas to minimize livestock/wildlife impact until plant species have are capable of sustaining grazing.

PICEANCE ENERGY, LLC
 BMPS FOR
 Sensitive Wildlife Habitat and Restricted Surface Occupancy
 Areas Specific to Piceance Energy, LLC
 Operations within the Piceance Basin
 Mesa County, CO

Sensitive Wildlife Habitat (SWH)

Black Bear

- Initiate a food and waste/refuse management program that uses bear-proof food storage containers and trash receptacles.
- Initiate an education program that reduces bear conflicts.
- Establish policy to prohibit keeping food and trash in sleeping quarters.
- Establish policy to support enforcement of state prohibition on feeding of black bear.
- Report bear conflicts immediately to CPW .

Signature /s/ Wayne P. Bankert Date 5/8/2014
 Wayne P. Bankert
 Senior Reg. & Env. Coordinator

Storm Water/Erosion
 Control

CDPHE Stormwater Certification Number COR03K454 for North Vega Project Area will include this location.

| | | |
|--|--------------------------------------|-------------------------|
| 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: 442546 | Type: WELL | API Number: 077-10246 | Status: XX | Insp. Status: ND | |
| Facility ID: 442547 | Type: WELL | API Number: 077-10247 | Status: XX | Insp. Status: ND | |
| Facility ID: 442548 | Type: WELL | API Number: 077-10248 | Status: XX | Insp. Status: ND | |
| Facility ID: 442550 | Type: WELL | API Number: 077-10249 | Status: XX | Insp. Status: ND | |
| Facility ID: 442551 | Type: WELL | API Number: 077-10250 | Status: XX | Insp. Status: ND | |
| Facility ID: 442553 | Type: WELL | API Number: 077-10251 | Status: XX | Insp. Status: ND | |
| Facility ID: 442555 | Type: WELL | API Number: 077-10252 | Status: XX | Insp. Status: ND | |
| Facility ID: 442556 | Type: WELL | API Number: 077-10253 | Status: XX | Insp. Status: ND | |
| Facility ID: 442558 | Type: WELL | API Number: 077-10254 | Status: XX | Insp. Status: ND | |
| Facility ID: 442559 | Type: WELL | API Number: 077-10255 | Status: XX | Insp. Status: ND | |
| Facility ID: 442560 | Type: WELL | API Number: 077-10256 | Status: XX | Insp. Status: ND | |

Inspector Name: CONKLIN, CURTIS

| | | | | | | | | | |
|--------------|--------|-------|------|-------------|-----------|---------|----|---------------|----|
| Facility ID: | 442562 | Type: | WELL | API Number: | 077-10257 | Status: | XX | Insp. Status: | ND |
| Facility ID: | 442563 | Type: | WELL | API Number: | 077-10258 | Status: | XX | Insp. Status: | ND |
| Facility ID: | 442564 | Type: | WELL | API Number: | 077-10259 | Status: | XX | Insp. Status: | ND |
| Facility ID: | 442565 | Type: | WELL | API Number: | 077-10260 | Status: | XX | Insp. Status: | ND |
| Facility ID: | 442566 | Type: | WELL | API Number: | 077-10261 | Status: | XX | Insp. Status: | ND |
| Facility ID: | 442567 | Type: | WELL | API Number: | 077-10262 | Status: | XX | Insp. Status: | ND |

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, RECREATIONAL

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 _____

Inspector Name: CONKLIN, CURTIS

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, RECREATIONAL

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 | Gravel | Pass | | | |
| Retention Ponds | Pass | | | | | |
| Berms | Pass | Check Dams | Pass | | | |

Inspector Name: CONKLIN, CURTIS

| | | | | | | |
|------------------|------|------------|------|--|--|--|
| Compaction | Pass | Compaction | Pass | | | |
| Slope Roughening | Pass | | | | | |
| Ditches | Pass | Culverts | Pass | | | |

S/A/V: SATISFACTOR Corrective Date: _____
Y _____

Comment: _____

CA: _____

Pits: ☒ NO SURFACE INDICATION OF PIT

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.)