



**To:** Mr. Mike Cervi, Owner, Cervi Enterprises Inc.

**From:** Verdad Oil and Gas Corporation

**Date:** January 6, 2017

**Subject:** Cervi Ranch Oil Spill – 12\_26\_16

Dear Mr. Cervi –

I am writing this letter regarding and your discussion with Arthur Beecherl regarding the mechanical failure, freezing weather and human error that caused an accidental release of oil on Verdad's Cervi 26 pad. Below is a detailed description of what happened.

We were notified the evening of 12/26/16 that an oil leaked from a tank into the containment area at our Cervi 26 location. We discovered that Tank 1 leaked approximately 270 bbls of oil inside our lined steel containment. However, it was discovered that less than 10 barrels had escaped the liner. Tank 1 was scheduled to be hauled to sales on 12/26/16 and it is unfortunate that this was the tank that leaked. It is Verdad's standard operating procedure to try to keep tanks with as little volume as possible to prevent this type of accident.

Using our automation onsite, the operations team immediately shut-in the well remotely for safety purposes and dispatched our field operations group. The cleanup effort began immediately the evening of the 12/26. By 8PM MDT we had two vacuum trucks sucking out the containment. That night we recovered more than 200 bbls of oil and placed them into Tank 3. At 7AM MDT 12/27/16, Verdad dispatched a roustabout crew, vacuum truck, hydro vac truck and backhoe to location. It was discovered the cause of the leak was an approximate 1" diameter leak found in the NE corner of the containment liner and commenced removing 14 yds<sup>3</sup> of material around the East side of the battery. We stockpiled this material on a temporary plastic liner and then hauled the material away for disposal.

After completing the immediate effort to clean up outside the containment, we began finishing our cleanup inside the containment. We spent a day using a mix of fresh water, soap, and vac trucks to clean up the inside of the containment. We completely sprayed down the entire inside recovered another 50+ bbls of oil. We then filled the entire containment with fresh water to use gravity separation to pull any remaining oil to the surface of the water and check the containment for leaks (none were found). We then pulled all the water back out of the containment to be hauled to disposal.

Verdad reiterates that it did everything it could to clean up the spill as timely and thoroughly as possible. We notified the COGCC of the spill on 12/27/16 and I personally attempted to call you twice on 12/27/16 and again on 12/28/16. In retrospect, we should have continued the effort to notify you. We sent an initial and supplemental Form 19 to the COGCC on 12/27/16 and 12/29/16, respectively. Both were reviewed and passed by the COGCC Environmental Protection Specialist, Bob Chesson. Additionally, a third party environmental consultant from TRC Environmental was dispatched to the Cervi 26 site on 12/28/2016 and after seeing the site provided a clean report stating the site was completely clean and there was no damage done.

Verdad certainly does not want these types of instances to happen and have reviewed our standard operating procedures to prevent this type of occurrence in the future. We sincerely apologize to you that you did not reach you earlier to explain the incident. We will absolutely make a more concerted effort next time.

In the meantime we still hope to do some more roadwork on the South side of the ranch and would like to discuss with you in more detail about the spill or the road work. Please reach out to me at my contact information below at your convenience and we will execute as soon as possible.

I am happy to come meet you in your office in person next week.

Best Regards –



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