



02187592

04.08.15

Staff's Objection with Exhibits

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF RED) CAUSE NO. 1
MESA HOLDINGS/O&G LLC. FOR AN INACTIVE)
WELL FINANCIAL ASSURANCE VARIANCE, LA) DOCKET NO. 150300176
PLATA COUNTY, COLORADO)
)
) TYPE: GENERAL
) ADMINISTRATIVE

STAFF OBJECTION

The Staff of the Colorado Oil and Gas Conservation Commission (“Commission”) respectively requests that the Commission deny the Application for Waiver of Rule 707(a) Requirement for Additional Financial Assurance (“Application”) filed by Red Mesa Holdings/O&G LLC (“Red Mesa”) for the reasons set forth below.

INTRODUCTION

In October of 2014, Commission Staff issued a warning letter to Red Mesa indicating that Red Mesa had failed to comply with COGCC Rules of Practice and Procedure, 2 CCR 404-1 (“Rule” or “Rules”), Rule 707.a (Inactive Wells). Rule 707.a requires operators of inactive wells to post additional financial assurance. Following receipt of the warning letter, Red Mesa representatives and Staff discussed a plan to return Red Mesa to compliance with Rule 707.a. Red Mesa was unable to propose a plan that was acceptable to Staff. Moreover, a fundamental disagreement regarding the definition of “Inactive Wells” could not be overcome. Therefore, Staff informed Red Mesa that it would need to file an application with the Commission requesting a variance from Rule 707.a. Red Mesa filed an application on January 2, 2015 requesting a variance from Rule 707.a. On March 13, 2015, Red Mesa filed for bankruptcy. Staff objects to the plan and requests that the Commission deny the Application.

BACKGROUND

Rule 707.a reads as follows:

To the extent that an operator's inactive well count exceeds such operator's financial assurance amount divided by ten thousand dollars (\$10,000) for inactive wells less than three thousand (3,000) feet in total measured depth or twenty thousand dollars (\$20,000) for inactive wells greater than or equal to three thousand (3,000) feet in total measured depth, such additional wells shall be considered “excess inactive wells.” For each excess inactive well, an operator's required financial assurance amount under Rule 706 shall be increased by ten thousand dollars (\$10,000) for inactive wells less than three thousand (3,000) feet in total

measured depth or twenty thousand dollars (\$20,000) for inactive wells greater than or equal to three thousand (3,000) feet in total measured depth. This requirement shall be modified or waived if the Commission approves a plan submitted by the operator for reducing such additional financial assurance requirement, for returning wells to production in a timely manner, or for plugging and abandoning such wells on an acceptable schedule.

In determining whether such plan is acceptable, the Commission shall take into consideration such factors as: the number of excess inactive wells; the cost to plug and abandon such wells; the proportion of such wells to the total number of wells held by the operator; any business reason the operator may have for shutting-in or temporarily abandoning such wells; the extent to which such wells may cause or have caused a significant adverse environmental impact; the financial condition of the operator; the capability of the operator to manage such plan in an orderly fashion; and the availability of plugging and abandonment services. If an increase in financial assurance is ordered pursuant to this subsection, the operator may, at its option and in compliance with these 700 Series rules, submit new financial assurance or supplement its existing financial assurance.

In order to determine what qualifies as an “inactive well”, one must also review certain definitions found in the 100 Series of the Rules, including the following three definitions:

INACTIVE WELL shall mean any shut-in well from which no production has been sold for a period of twelve (12) consecutive months; any well which has been temporarily abandoned for a period of six (6) consecutive months . . .

SHUT-IN WELL shall mean a well which is capable of production or injection by opening valves, activating existing equipment or supplying a power source.

TEMPORARILY ABANDONED WELL shall mean a well that has all downhole completed intervals isolated with a plug set above the highest perforation such that the well cannot produce without removing a plug or a well which is incapable of production or injection without the addition of one or more pieces of wellhead or other equipment, including valves, tubing, rods, pumps, heater-treaters, separators, dehydrators, compressors, piping or tanks.¹

¹ Effective January 30, 2015, this definition was amended. That change has no impact on this matter.

Staff applies the following formula to an operator's inventory of inactive wells in order to determine the amount of additional financial assurance required by Rule 707.a:

of Inactive Wells < 3,000 Ft. x \$10,000

+

of Inactive Wells > 3,000 Ft. x \$20,000

-

Existing Financial Assurance

Required Additional Financial Assurance

Here, Staff applied this formula to Red Mesa's inactive wells and determined that Red Mesa must post \$270,000 in additional financial assurance. This calculation follows:

3 Inactive Wells < 3,000 Ft. x \$10,000 = \$30,000

+

15² Inactive Wells > 3,000 Ft. x \$20,000 = \$300,000

-

Existing Financial Assurance = \$60,000

Required Additional Financial Assurance = \$270,000

Exhibit 1 is a list of inactive wells at issue in this matter.

OBJECTION

The Commission should deny Red Mesa's Application for the following reasons: (1) wells that have never produced qualify as inactive wells; (2) the recent commodity price declines do not provide a basis for a modification of the requirements of Rule 707.a.; (3) Red Mesa has failed to meet its burden to show that the required financial assurance should be modified and the proposed plan is unacceptable; and (4) Red Mesa's bankruptcy creates additional concerns regarding modification of Rule 707.a.

² Staff initially believed that 13 of Red Mesa's wells were inactive. Red Mesa's initial Application addressed only those wells. After that, Staff learned that 18 of Red Mesa's wells are inactive. This Objection addresses all 18 wells.

A. The Subject Wells are “Excess Inactive Wells”

Red Mesa’s Application begins by challenging Staff’s calculation of the number of inactive wells at issue. The Application states that “Applicant alleges that other well(s) should not be classified as Excess Inactive Wells, based on completion and/or production history.” (App. pg. 2). Although the Application does not go into more detail, Staff believes that Red Mesa is arguing that only completed and formerly producing wells qualify as excess Inactive Wells (i.e. if a well has never produced, Rule 707.a does not apply). Red Mesa is wrong.

The definitions listed above are important to this analysis. The definition of an “inactive well” is not in dispute as it simply requires Staff to count the number of months since a well became shut-in or temporarily abandoned to determine whether Rule 707.a requires additional financial assurance. Here, most of the subject wells have either been shut-in or temporarily abandoned for so long that there is no need to decide whether a particular well is shut-in or temporarily abandoned for purpose of Rule 707.a.

What is in dispute is the definitions of shut-in or temporarily abandoned wells. All non-producing wells in the State of Colorado are either shut-in or temporarily abandoned. Simply put, shut-in wells are currently capable of production without the installation of necessary equipment and temporarily abandoned wells are not currently capable of production without the installation of necessary equipment. The definition of temporarily abandoned does not require a well to have *once been* capable of production - the only question is whether it is *currently* capable of production. Red Mesa’s argument would leave a gaping hole in Rule 707.a (and other rules as well³) permitting an Operator to drill a hole, refuse to complete it, and never be required to post additional financial assurance with the Commission.

B. Recent declines in commodity prices do not justify a modification of Rule 707.a under these circumstances

The Application next asserts that the current commodity prices have negatively impacted Red Mesa’s business. (App. pg. 2). What Red Mesa fails to explain is why Red Mesa failed to comply with Rule 707.a before the recent drop in commodity prices. According to the Application, Red Mesa acquired the subject wells in 2008.⁴ (App. pg. 2). Rule 707.a predates 2008. COGCC records indicate that four of the subject wells qualified as inactive wells at the time of their acquisition and most of the remaining wells became non-compliant with Rule 707.a between two to seven years ago. In fact, the 18 subject wells have, on average, been non-compliant with Rule 707.a for roughly four and a half years. Red Mesa has had plenty of time to comply with Rule 707.a and *recent* price declines are not a valid excuse.

The fact that most of the subject wells were not returned to production or plugged

³ For example, Rule 319.b.

⁴ COGCC records indicate that ownership was actually assumed 12/13/2007 for most of the subject wells. (Exhibit 1).

and abandoned, even during the time when commodity prices were relatively high,⁵ indicates that the subject wells present a real risk of abandonment to the State of Colorado. COGCC records reveal that Red Mesa sold 17,446 barrels of oil and 206,196 MCF of gas between 2012 and 2014. (Exhibit 2). Assuming conservative prices of \$50 oil and \$2 gas, Red Mesa grossed over \$1 million⁶ between 2012 and 2014 and still failed to increase its inactive well financial assurance. The recent drop in commodity prices makes it less likely that Red Mesa will comply with Rule 707.a unless the Commission demands it.

C. Red Mesa has failed to meet its burden to demonstrate that Rule 707.a should be modified

Rule 707.a provides three bases for Commission modification of the rule. Red Mesa has failed to satisfy any of the bases.

First, Rule 707.a permits modification where the Operator has submitted a plan for “reducing such additional financial assurance requirement.” Red Mesa has failed to provide such a plan or provide the plugging and reclamation costs of the subject wells. Red Mesa’s silence indicates that these costs exceed the \$20,000 required by Rule 707.a. Denise Arthur, COGCC Reclamation Supervisor, estimates that surface reclamation of most wells in Colorado costs between \$15,000 and \$25,000. Adding \$15,000 to the estimated cost of \$20,000 to plug and abandon these wells and, conservatively, each well will cost \$35,000 to plug and reclaim. Red Mesa has failed to make a compelling case that decreasing the required financial assurance from \$20,000 makes sense.

The final two bases are related and permit modification where the Operator has submitted a plan “for returning wells to production in a timely manner, or for plugging and abandoning such wells on an acceptable schedule.” Red Mesa goes to great lengths to describe the wells plugged and abandoned over the last four years. (App. pg. 3). Red Mesa has only been plugging and abandoning about four wells per year. Assuming, optimistically, that Red Mesa maintains that pace in the future, unlikely given its bankruptcy filing, Red Mesa would not be fully compliant with Rule 707.a. for another four and one-half years. Red Mesa’s plan for returning these wells to compliance appears to be to do nothing in 2015, (App. pg. 3), and to “commence” plugging and abandonment in 2016, (App. pg. 4). The Application provides no other information and appears to envision a negotiation at hearing between Red Mesa and the Commission. Red Mesa’s plan does not propose plugging wells on an *acceptable* schedule if plugging will not *commence* until 2016.

⁵ The Henry Hub natural gas spot price has varied from a low of \$1.95 in April, 2012 to a high of \$12.69 in June, 2008 (with prices consistently above \$3.00 from October, 2012 to January, 2015); West Texas Intermediate oil spot price has remained consistently above \$80 from October, 2010 to October, 2014 – all during Red Mesa’s ownership of the subject wells. (<http://www.eia.gov>). Although not perfect analogies of prices actually received by Red Mesa, Staff believes it is safe to assume that prices in Colorado followed the same general trend.

⁶ $17,446 \times 50 + 206,196 \times 2 = \$1,078,496$

One of the factors the Commission considers in determining whether a plan is acceptable under Rule 707.a. is “the extent to which such wells may cause or have caused a significant adverse environmental impact.” After Red Mesa filed the Application, COGCC conducted inspections at 17 of Red Mesa’s inactive wells. (Exhibit 1 – Summarizing inspections results); (Exhibit 3 – Summarizing inspections results); (Exhibit 4 – Inspection reports with select pictures). None of these inspections were “satisfactory” and each of the wells required corrective actions. Many of the wells include pits that will need to be properly closed. Most distressing were six wells where serious ongoing violations existed – denoted as a “violation” inspection report. (Exhibit 4). These violation inspection reports describe problems ranging from oil-stained soil to delinquent mechanical integrity tests. These inspections reveal that each inactive well inspected by COGCC will require time-consuming and expensive work in order to return to compliance. What these inspections confirm is that none of Red Mesa’s inactive wells are environmentally pristine, which is a factor the Commission must consider before modifying the requirements of Rule 707.a.

The Application notes that fully one-quarter of Red Mesa’s wells are inactive. (App. pg. 3). While there are certainly valid reasons to shut-in wells, and recent commodity prices are an excellent example, Rule 707.a requires that Operators provide additional financial assurance in case those wells are abandoned to the State of Colorado. The 700 Series Rules, those dealing with financial assurance, generally assume producing wells. Producing wells are very unlikely to be abandoned to the State and so Rule 706 permits the posting of financial assurance for individual wells or the posting of a statewide blanket financial assurance. A statewide blanket financial assurance is typically sufficient to cover the cost of abandoning 3-5 wells. The balance struck by the Commission in crafting these rules was premised on the basic assumption that an operator has an inventory of *producing* wells. Once a well become inactive, and thus more likely to be abandoned, Operators are required to post additional financial assurance to ensure that the State of Colorado has the funds necessary to plug and reclaim a well should it be abandoned to the State. If an operator shuts-in a field or purchases an uneconomic field for speculative reasons, the operator may do so, but only after posting additional financial assurance should the speculation prove unwise or market prices fail to recover in a timely manner. The Application seeks to upend this process, leaving the State vulnerable. Providing additional financial assurance is the cost of shutting-in wells in Colorado and has been since Red Mesa began operating these wells.

It bears noting that additional financial assurance posted to cover inactive wells can be returned to the Operator once the subject wells no longer qualify as inactive. Once Red Mesa posts the required additional financial assurance, it can then begin the process of working to get that money⁷ released and Red Mesa can approach operations in this field however it sees fit. The Commission will not need to second guess those plans or oversee operations. Instead, once each well is returned to production or plugged and abandoned, Red Mesa can request the release of \$20,000. That is the elegance of Rule 707.a. - assuming the proper financial assurance is posted, the State

⁷ Staff assumes that an insurance bond is not available to Red Mesa.

of Colorado is protected from possible abandonment and the Commission (and Staff) are not forced to micro-manage field operations that are best left in the Operator's hands.

Because Red Mesa has failed to satisfy any of the bases provided in Rule 707.a, the Application must be denied.

D. Red Mesa's bankruptcy raises additional concerns regarding the Application

Moreover, the Application's deficiencies are minor in comparison to the effect of Red Mesa's decision to declare bankruptcy. The Commission cannot grant a requested variance unless the applicant can demonstrate that it would not violate the basic intent of the Oil and Gas Conservation Act ("Act"), § 34-60-101 *et. seq.*, C.R.S. See *e.g.* 502.b.(1). Section 106(13) of the Act states that the Commission "shall require every operator to provide assurance that it is financially capable of fulfilling" rules promulgated to protect health, safety, and welfare of the general public in the conduct of oil and gas operations.⁸ The Commission is not authorized by the Act to grant a variance to a rule that was designed to protect the public and the State of Colorado from the future insolvency of an Operator, where that Operator has affirmatively represented to the Commission that it is now insolvent.

For the foregoing reasons, the Application must be denied.

RELIEF REQUESTED

1. Staff respectfully requests that the Commission deny the Application for Waiver of Rule 707(a) Requirement for Additional Financial Assurance filed by Red Mesa Holdings/O&G LLC, for the reasons set forth above.

STAFF PRESENTATION AT THE HEARING

A. Witness List

Stuart Ellsworth, COGCC Engineering Manager, may testify about plugging and abandonment costs generally, information regarding the subject wells as indicated by COGCC records, and Red Mesa's Application and plan to return to compliance.

Martha Ramos, COGCC Financial Assurance Supervisor, may testify about Staff processes with respect to the 700 Series rules, communications with Red Mesa relevant to this matter, and Red Mesa's Application and plan to return to compliance.

⁸ Referring to § 34-60-106(11), C.R.S. See *also* Rule 701: "The rules in this series pertain to the provision of financial assurance by operators to ensure the performance of certain obligations imposed by the Oil and Gas Conservation Act (the Act), §34-60-106 (3.5), (11), (12) and (17) C.R.S., as well as the use of the Oil and Gas Conservation and Environmental Response Fund, §34-60-124 C.R.S., as a mechanism to plug and abandon orphan wells, perform orphaned site reclamation and remediation, and to conduct other authorized environmental activities."

Jane Stanczyk, COGCC Permit Manager, may testify about Staff processes with respect to the 700 Series rules, communications with Red Mesa relevant to this matter, and Red Mesa's Application and plan to return to compliance.

Alex Fischer, COGCC West Environmental Supervisor, may testify about the environmental condition of the subject wells, as determined by recent inspections.

B. Exhibit List

- Exhibit 1 – List of Inactive Wells
- Exhibit 2 – Production Information
- Exhibit 3 – Summarizing inspections results
- Exhibit 4 – Inspection reports with select pictures

C. Estimated Time Required for Case Presentation

Staff anticipates its case presentation to require 1/2 hour.

Respectfully Submitted,

/s/ Jeremy I. Ferrin

Jeremy I. Ferrin, Enforcement Officer

CERTIFICATE OF SERVICE

I hereby certify on April 8, 2015, a true and correct copy of this Staff Objection was served by electronic mail upon the following:

Jill Dorancy
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/s/ Jeremy I. Ferrin

Jeremy I. Ferrin, Enforcement Officer

Exhibit 1

<u>API Number</u>	<u>Well Name</u>	<u>Depth</u>	<u>Last Sales</u>	<u>Ownership Assumed</u>	<u>707a Compliance Past-Due¹</u>	<u>Last Inspection Date</u>	<u>Inspection Status</u>
05-067-05766	DUDLEY 1	3480	No sales - Spud Date: 9/10/1951	12/13/2007	2678 days	03/16/2015	Action Required
05-067-05346	DUDLEY 2	3465	No sales - Spud Date: 1/1/1924	12/13/2007	2678 days	03/13/2015	Action Required
05-067-05811	DUDLEY 3	2970	11/2006	12/13/2007	2678 days	03/13/2015	Violation
05-067-06620	RED MESA DEEP 1	9905	No sales - Spud Date: 4/28/1983	12/13/2007	2678 days	02/20/2015	Violation
05-067-09337	FERGUSON 2 F-12Y	3555	No sales - Spud Date: 3/19/2007	12/13/2007	2581 days	03/16/2015	Violation
05-067-06033	J C K 3	3338	01/2008	12/13/2007	2263 days	03/13/2015	Violation
05-067-07829	SUZANNE JUMBO 1	1062	12/2008	12/13/2007	1929 days	03/16/2015	Action Required
05-067-09774	COMPTON 3	3484	No sales - Spud Date: 8/10/2009	8/10/2009	1707 days	03/16/2015	Action Required
05-067-09783	MACY 2	3542	No sales - Spud Date: 8/17/2009	8/17/2009	1700 days	03/16/2015	Action Required
05-067-06301	TAYLOR TW 1 21-1	3330	08/2009	12/13/2007	1686 days	03/16/2015	Action Required
05-067-06542	TAYLOR NO.2 32-1	3405	08/2009	12/13/2007	1686 days	03/18/2015	Action Required
05-067-06511	J C K 4	3500	08/2009	12/13/2007	1686 days	03/13/2015	Violation
05-067-09864	GREER 34-3	3671	No sales - Spud Date: 8/13/2011	8/13/2011	973 days	03/16/2015	Action Required
05-067-09710	HARRIS 5	3520	09/2011	8/13/2009	925 days	02/09/2015	Violation
05-067-06394	TAYLOR NO.2 33-2	3400	11/2011	12/13/2007	864 days	03/18/2015	Action Required
05-067-06226	FERGUSON NO.1 F-7	3540	07/2013	12/13/2007	256 days	03/24/2015 03/16/2015	Action Required Action Required
05-067-06242	COMPTON 2	3429	09/2013	12/13/2007	195 days	NA	NA
05-067-60012	TURNER 2	950	02/2014	12/13/2007	44 days	12/31/2014	Action Required

18 inactive wells total (3x10,000 = \$30,000 and 15x\$20,000= \$300,000) \$30,000 + \$300,000 = \$330,000 - \$60,000 (PA bond) = \$270,000

¹ As of April 13, 2015. Beginning when ownership was assumed, if Rule 707.a compliance was already past due, or one year after date of last sales, or one year after Spud Date.

Exhibit 1

The information compiled in this Exhibit summarizes information contained in the files of the Commission, including information contained on Scout Cards, Form 7s - Operator's Monthly Report of Operations, and Inspection Reports. All of this information is available on the COGIS Database. Most of these file are not included as attachments or exhibits due to their voluminous nature. Pursuant to Rule 519.c., the Commission may take administrative notice of document in the files of the Commission.



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COGIS - Production Data Inquiry

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You requested production by:	operators
Operator number:	10254
Maximum records are limited to:	5000
Year range:	2012 to 2015
For monthly detail:	Click on year

Annual Production by Operator - 3 record(s) returned.

Operator	Year	Oil Production (barrels)	Oil Sales (barrels)	Gas Production (MCF)	Gas Sales (MCF)	Water Production (barrels)
RED MESA HOLDINGS/O&G LLC - #10254	2012	6,771	6,962	42,881	39,838	1,135
RED MESA HOLDINGS/O&G LLC - #10254	2013	6,127	5,908	39,520	37,863	3,748
RED MESA HOLDINGS/O&G LLC - #10254	2014	4,567	4,576	26,311	25,397	666

Exhibit 3

API Number	Well Name	Pits	Insp Status	Corrective Action	CA Date (s)	Notes*	Additional Notes (Field)
067-06242	COMPTON 2	N (pit#119750 appears to be associated with adjacent Compton#3)	NA	NA	NA	NA	NA
067-09774	COMPTON 3	N (pit#119750 appears to be associated with adjacent Compton#2)	Action Required 3/16/15 674900387	BMPs	04/17/2015	No environmental issues or pits	Storm water issues, noted in previous inspection.
067-05766	DUDLEY 1	#115566 combined pit for #1 and #2 (10x10 for entrained water); 1995 Pit Inventory also references #115565	Action Required 3/16/15 674900374	Access road, location sign, open pit	4/17/15, 5/18/15	Also, an open drilling pit west of pump jack was noted in 2012 Inspection violation (#661700387)	Open earthen pit approx. 20' x 40'.
067-05346	DUDLEY 2	#115566 combined pit for #1 and #2 (10x10 for entrained water); 1995 Pit Inventory also references #115565	Action Required 3/13/15 67490338	Location sign, wrong operator	04/13/2015	Pit isn't related to Dudley #1 and #2 on scout card, but should be	Well is TA, no surface indication of pit
067-05811	DUDLEY 3	N	Violation 3/13/15 674900335	Location sign, stained soils	04/13/2015	Notation of freestanding oil pool, substantial leak at battery, and oil soaked soil in 2012 inspection violation (661700303)	Stained soils at well head, location sign on the ground.

Exhibit 3

067-06226	FERGUSON NO.1 F-7	Pit ID #119808	Action Required 3/16/15 674900410	Unused equipment, stained soils, BMPs	3/30/15, 4/23/15	No environmental issues	Oil stained soil around well head. Location BMPs have failed.
			Action Required 3/24/15 674601589	Leaking wellhead	03/30/2015	No environmental issues	NA
067-09337	FERGUSON 2 F-12Y	N	Violation 3/16/15 674900393	location sign, rig anchors	04/17/2015	Oil and oil saturated soil inspection violation in 2007 (200109793). Complaint resulting in deeper surface casing conductor resolved.	SE rig anchor is not marked.
067-09864	GREER 34-3	N	Action Required 3/16/16 674900390	Unused equipment, rig anchors, secondary containment, labels	04/17/2015	No environmental issues or pits	Unlabeled, compromised 5 gal. container w/ fluids. Unlabeled AST without secondary containment.
067-09710	HARRIS 5	N	Violation 2/9/2015 674601450	Requires MIT	04/13/2015	No environmental issues or pits	NA

Exhibit 3

067-06033	J C K 3	Pit #119769 1995 Pit Inventory also appear to reference Pit ID #119794 at tank battery ("burm w/ pit")	Violation 3/13/15 674900340	Access road, stained soils, weeds, rig anchors, leaking equipment	3/23/15, 4/13/15	2002 Complaint #200029556 , Inspection #663401278 , and NOAV #1229017 for oil in cellar and oily soil (resolved)	Overgrown access road, stained soils at wellhead, well is TA, leaking prime mover.
067-06511	J C K 4	1995 Pit Inventory references 40x40 pit at JCK #1 and #4 (no pit ID)	Violation 3/13/15 674900345	Access road, location sign	04/13/2015	1995 inspection noted oil in cellar (#500148019)	Access road needs rocks cleared from it, illegible sign.
067-09783	MACY 2	N	Action Required 3/16/15 674900378	Unused equipment, BMPs	04/17/2015	No environmental issues or pits	Unused equipment on site, storm water issues
067-06620	RED MESA DEEP 1	N	Violation 2/20/2015 674601477	Requires MIT	03/20/2015	No environmental issues or pits	Trash on location
067-07829	SUZANNE JUMBO 1	N	Action Required 3/16/15 674900383	Unused equipment, location sign	04/17/2015	Inspection #200004272 indicates that separator discharges to fishing pond/creek	No access road to location, stock piled 55 gal drums.
067-06301	TAYLOR TW 1 21-1	Pit ID #119754. 1995 Pit inventory also references pit #119755 (as pits A - cellar and B - prod. Water)	Action Required 3/16/15 674900405	Open pit, unused equipment, rig anchors, location sign, BMPs	4/23/15, 5/22/15	No environmental issues	No location sign, unmarked rig anchors, unused equipment, open earthen

Exhibit 3

							pit.
067-06542	TAYLOR NO.2 32-1	Pit ID #119782 (unclear if this is correct Pit ID #)	Action Required 3/18/15 674900396	Access road, location sign, open pit, weeds, debris	4/20/15, 5/20/15	2011 Inspection (#200317760) directed operator to sample and remediate pit & referenced old pit on downhill side of pad	Access road is washed out, open earthen pit, debris on locaiton.
067-06394	TAYLOR NO.2 33-2	N	Action Required 3/18/15 674900420	location sign, rig anchors	04/23/2015	No environmental issues	NA
067-60012	TURNER 2	N	Action Required 12/31/15 674900228	Unused equipment, location sign	04/30/2015	No environmental issues	NA

FORM INSP <small>Rev 05/11</small>	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: <u>02/09/2015</u>
						Document Number: <u>674601450</u>
						Overall Inspection: ALLEGED VIOLATION
FIELD INSPECTION FORM		Location Identifier: <u>374683</u> Facility ID: <u>385931</u> Loc ID: <u>385931</u>		Inspector Name: <u>Maclaren, Joe</u>		On-Site Inspection <input type="checkbox"/> 2A Doc Num: _____

Operator Information:

OGCC Operator Number: 10254

Name of Operator: RED MESA HOLDINGS/O&G LLC

Address: 5619 DTC PARKWAY - STE 800

City: GREENWOOD State: CO Zip: 80111

- 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
Ellsworth, Stuart		stuart.ellsworth@state.co.us	
Lionette, Dave	(303)957-2038	dlionette@madisoncap.com	Madison Capital - Primary Operator Contact
Dembrowski, Rich	(505) 330-3523	rich@rsmresources.com	Madison Capital - Local SW Contact

Compliance Summary:

QtrQtr: SWSW Sec: 22 Twp: 33N Range: 12W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
08/18/2014	674600798	PR	SI	ACTION REQUIRED	P		No
07/29/2010	200264722	PR	UN	SATISFACTORY			Yes
08/17/2009	200216907	DG	WO	SATISFACTORY			No

Inspector Comment:

This status of this well is "shut in and awaiting completion" per document #1535157 submitted to the COGCC on 7/5/2013. Production volumes have never been submitted to COGCC (spud date 8/13/2009); No MIT is on file in the COGCC database; The overall inspection status is Alleged Violation based on COGCC Rule 326.b.(1) where well must be put on to production; or a successful mechanical integrity test shall be performed on each shut-in well within two (2) years of the initial shut-in date; or well must be properly plugged and abandoned. This was also noted on the previous field inspection Doc #674600798 performed on 08/18/2014.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status
374683	WELL	SI	12/18/2014	OW	067-09710	HARRIS 5	SI <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): SATISFACTORY Corrective Date: _____

Comment: _____

Corrective Action: _____

Good Housekeeping:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
WEEDS	SATISFACTORY	Corrective Action Completed; Weeds removed and controlled per CAR on 8/18/14 inspection.		

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
Deadman # & Marked	4	SATISFACTORY	All rig anchors are marked.		

Venting:	
Yes/No	Comment

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

Predrill

Location ID: 374683

Site Preparation:

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

S/A/V: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

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: _____

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: 374683 Type: WELL API Number: 067-09710 Status: SI Insp. Status: SI

Idle Well

Purpose: Shut In Temporarily Abandoned Reminder: _____

S/A/V: _____ CA Date: 04/13/2015

CA: Well must be either:
1) Per COGCC Rule 326.b.(1) a successful mechanical integrity test shall be performed on each shut-in well within two (2) years of the initial shut-in date or
2) Be properly plugged and abandoned . Shut-in and temporarily abandoned wells must be properly reported on COGCC Form 7, Operator's Monthly Production Report.

Comment: _____

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? _____ CM _____ CA _____ CA Date _____
 Guy line anchors removed? _____ CM _____ CA _____ CA Date _____
 Guy line anchors marked? Pass CM _____ CA _____ CA Date _____

1003b. Area no longer in use? _____ Production areas stabilized? Pass
 1003c. Compacted areas have been cross ripped? _____
 1003d. Drilling pit closed? Pass Subsidence over on drill pit? Pass
 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? Pass 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? _____ I _____

Comment:

Overall Interim Reclamation In Process

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 _____

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
		Culverts	Pass			
Compaction	Pass	Compaction	Pass			
Gravel	Pass	Gravel	Pass			

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

Y

Comment:

CA:

Pits: NO SURFACE INDICATION OF PIT

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		<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:25%;">DE</td> <td style="width:25%;">ET</td> <td style="width:25%;">OE</td> <td style="width:25%;">ES</td> </tr> </table>	DE	ET	OE	ES
DE	ET	OE	ES				
			Inspection Date: <u>02/20/2015</u> Document Number: <u>674601477</u> Overall Inspection: <div style="border: 2px solid red; padding: 2px; display: inline-block;">ALLEGED VIOLATION</div>				
FIELD INSPECTION FORM							
Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection <input type="checkbox"/>	2A Doc Num: _____		
	<u>215015</u>	<u>385662</u>	<u>Maclaren, Joe</u>				

Operator Information:

OGCC Operator Number: 10254

Name of Operator: RED MESA HOLDINGS/O&G LLC

Address: 5619 DTC PARKWAY - STE 800

City: GREENWOOD State: CO Zip: 80111

- 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
Hughes, Jim		jimo.hughes@state.co.us	
Lionette, Dave	(303)957-2038	dlionette@madisoncap.com	Madison Capital Primary Contact
Labowskie, Steve		steve.labowskie@state.co.us	
Weems, Mark		mark.weems@state.co.us	
Ellsworth, Stuart		stuart.ellsworth@state.co.us	

Compliance Summary:

QtrQtr: SENW Sec: 23 Twp: 33N Range: 12W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
09/16/2013	663401193	PA	TA	ALLEGED VIOLATION	I		Yes
09/04/2007	200119403	CO	TA	ACTION REQUIRED			Yes
09/03/2007	200119402	CO	TA	SATISFACTORY			No
05/22/2007	200112649	CO	TA	ACTION REQUIRED		Fail	Yes
07/19/2004	200057516	MT	TA	SATISFACTORY		Pass	No
06/24/2004	200057515	CC	TA	SATISFACTORY		Pass	No
11/22/2002	200032805	ES	TA	SATISFACTORY		Pass	No
11/20/2002	200031928	ID	TA	SATISFACTORY		Pass	No
09/24/2002	200030779	CO	SI	ACTION REQUIRED			Yes
07/26/2002	200030767	ES	SI	ACTION REQUIRED			
07/26/2002	200030499	CO	TA	ACTION REQUIRED		Fail	Yes
01/11/2002	200031927	CO	TA	ACTION REQUIRED		Fail	Yes
02/17/1998	500148280	ID	SI			Pass	No
12/30/1996	500148279	CA	TA			Pass	No
12/24/1996	500148278	CA	TA			Pass	No
12/23/1996	500148277	CA	TA			Pass	No
12/20/1996	500148276	CA	TA			Pass	No

12/19/1996	500148275	CA	TA		Pass	No
12/18/1996	500148274	CA	TA		Pass	Yes
08/10/1995	500148273	ID	SI		Pass	No

Inspector Comment:

The COGCC database and the Red Mesa spreadsheet (provided by operator) lists the current well status as "PA". The wellhead is still in place. Records indicate well plugged. See Idle Well section of this report. This was also noted on the previous inspection #663401193 performed on 09/16/2013. Photo's uploaded.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status	
215015	WELL	PA	04/30/2014	GW	067-06620	RED MESA DEEP 1	TA	<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): SATISFACTORY

Corrective Date: _____

Comment: _____

Corrective Action: _____

Good Housekeeping:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
TRASH		Trash around wellhead and north edge of lease road.		

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: 215015

Site Preparation:

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

S/AV: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

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: 215015 Type: WELL API Number: 067-06620 Status: PA Insp. Status: TA

Exhibit 4

Idle Well

Purpose: Shut In Temporarily Abandoned Reminder: _____

S/A/V: _____

CA Date: 03/20/2015

CA: Well must be either:
1) Per COGCC Rule 326.b.(1) a successful mechanical integrity test shall be performed on each temporarily abandoned well within thirty (30) days of the date the well becomes incapable of production or
2) Be properly plugged and abandoned.
3) A sundry requesting continued temporarily abandoned status should be submitted to Stuart Ellsworth at the COGCC within thirty (30) days of receipt of this report - the sundry should detail the plan for the future operation of the well. Shut-in and temporarily abandoned wells must be properly reported on COGCC Form 7, Operator's Monthly Production Report.

Comment: Current well status is incorrect. Wellhead remains on location (not PA). Records indicate well is plugged.

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: _____

Comment: _____

1003a. Debris removed? _____ CM _____

CA _____ CA Date _____

Waste Material Onsite? _____ In _____ 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? _____ I _____

Comment: _____

Overall Interim Reclamation In Process

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 _____

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	Pass	Compaction	Pass			

S/A/V: _____	Corrective Date: _____
Comment: _____	
CA: _____	

Pits: NO SURFACE INDICATION OF PIT

Attached Documents

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

Document Num	Description	URL
674601480	Existing Wellhead	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3555036
674601481	Trash on edge lease road	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3555037

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:
03/24/2015

Document Number:
674601589

Overall Inspection:

ACTION REQUIRED

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>214622</u>	<u>325352</u>	<u>Maclaren, Joe</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>10254</u>
Name of Operator:	<u>RED MESA HOLDINGS/O&G LLC</u>
Address:	<u>5619 DTC PARKWAY - STE 800</u>
City:	<u>GREENWOOD</u> State: <u>CO</u> Zip: <u>80111</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
Labowskie, Steve		steve.labowskie@state.co.us	
Lionette, Dave	(303)957-2038	dlionette@madisoncap.com	Madison Capital Primary Contact

Compliance Summary:

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
03/25/2013	669400512	PR	PR	SATISFACTORY	I		No
10/26/2009	200221360	PR	PR	SATISFACTORY			No
05/26/2006	200090801	PR	PR	ACTION REQUIRED		Fail	Yes
05/16/2001	200018738	PR	PR	ACTION REQUIRED		Fail	Yes
08/22/1997	500147599	PR	PR			Pass	No
07/17/1996	500147598	PR	PR			Pass	No
09/14/1995	500147597	PR	PR				No

Inspector Comment:

This field inspection was conducted to investigate a possible wellhead gas leak. The wellhead/ equipment is leaking natural gas as confirmed during this field inspection. Refer to the Venting section of this report for details. Photo's uploaded can be accessed via link(s) at end of report.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status	
214622	WELL	PR	11/30/2013	OW	067-06226	FERGUSON NO.1 F-7	SI	<input checked="" type="checkbox"/>

Equipment:

Location Inventory

--

Predrill

Location ID: 214622

Site Preparation:

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

S/AV: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

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: 214622 Type: WELL API Number: 067-06226 Status: PR Insp. Status: SI

Idle Well

Purpose: Shut In Temporarily Abandoned Reminder: _____

S/AV: _____ CA Date: _____

CA: Last production reported 16 MCF/ day (gas only) on Nov 2014.

Comment: _____

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? _____ CM _____

CA _____ CA Date _____

Waste Material Onsite? _____ CM _____

CA _____ CA Date _____

Unused or unneeded equipment onsite? **Fail** CM _____

CA **Remove unused equipment** CA Date **04/23/2015**

Pit, cellars, rat holes and other bores closed? _____ CM _____

CA _____ CA Date _____

Guy line anchors removed? _____ CM _____

CA _____ CA Date _____

Guy line anchors marked? **Fail** CM _____

CA **Mark or remove all rig anchors** CA Date **04/23/2015**

1003b. Area no longer in use? _____ Production areas stabilized ? **Pass**

1003c. Compacted areas have been cross ripped? _____

1003d. Drilling pit closed? **Pass** Subsidence over on drill pit? **Pass**

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? **Pass** 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? _____ I _____

Comment: _____

Overall Interim Reclamation In Process

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 _____

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

S/A/V: ACTION REQUIRED Corrective Date: 04/23/2015

Comment: Storm water run off erosion on location. BMPs along southern edge of location have failed.

CA: Properly install and maintain storm water BMPs to control and prevent storm water erosion.

Pits: NO SURFACE INDICATION OF PIT

Attached Documents

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

Document Num	Description	URL
674601613	Area on wellhead/ natural gas leak	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3576353
674601614	Unused tubulars on location	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3576354
674601615	Disassembled pumping unit	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3576355

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.)

Exhibit 4



08/24/2015 11:05

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:
12/31/2014

Document Number:
674900228

Overall Inspection:

ACTION REQUIRED

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>216613</u>	<u>307036</u>	<u>Hughes, Jim</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>10254</u>
Name of Operator:	<u>RED MESA HOLDINGS/O&G LLC</u>
Address:	<u>5619 DTC PARKWAY - STE 800</u>
City:	<u>GREENWOOD</u> State: <u>CO</u> Zip: <u>80111</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
Larson, Rich	(970) 588-3302	rlarson@redmesa1.com	VP/Field Superintendent
Fischer, Alex		alex.fischer@state.co.us	
Labowskie, Steve		steve.labowskie@state.co.us	

Compliance Summary:

QtrQtr: SENE Sec: 27 Twp: 33N Range: 12W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
09/08/2011	200321772	PR	PR	SATISFACTORY			No
10/26/2009	200221361	PR	PR	SATISFACTORY			No
12/04/2007	200123215	PR	PR	SATISFACTORY			Yes
10/30/2007	200121404	PR	PR	SATISFACTORY			No
09/04/2007	200121810	CO	AO	ACTION REQUIRED			Yes
06/22/2007	200117283	CO	PR	ACTION REQUIRED			Yes
05/25/2007	200112797	CO	PR	ACTION REQUIRED		Fail	Yes
12/11/2002	1104922	ES	PR	SATISFACTORY		Pass	No
07/26/2002	200030807	ES	PR	SATISFACTORY		Pass	No
07/26/2002	200030492	CO	PR	ACTION REQUIRED		Fail	Yes
07/26/2002	200030764	ES	PR	ACTION REQUIRED			
07/10/2002	200030806	ES	PR	SATISFACTORY		Pass	No
03/13/2002	200030804	ES	PR	SATISFACTORY		Pass	No
01/31/2002	200030803	ES	PR	SATISFACTORY		Pass	No
01/11/2002	200030801	CO	PR	ACTION REQUIRED		Fail	Yes
01/11/2002	200030802	CO	PR	ACTION REQUIRED		Fail	Yes
08/20/1997	500150807	PR	PR			Pass	No
07/12/1996	500150806	PR	PR			Pass	No
08/15/1995	500150805	PR	PR				No

Exhibit 4

Inspector Comment:
On December 31, 2014 COGCC SW EPS Jim Hughes conducted an environmental field inspection of the Red Mesa Holdings Turner #2 location. For the most recent field inspection report of this facility, please refer to document #200321772.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status	
216613	WELL	PR	02/29/2012	GW	067-60012	TURNER 2	PR	<input checked="" type="checkbox"/>
263065	PIT	AC	03/22/2002		-	TURNER 2	AC	<input 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

Lease Road:

Type	Satisfactory/Action Required	comment	Corrective Action	Date
Main	SATISFACTORY			

Signs/Marker:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
TANK LABELS/PLACARDS	ACTION REQUIRED		Install sign to comply with rule 210.	04/30/2015
WELLHEAD	SATISFACTORY	Location sign by pump jack. Support is in disrepair and sign is facing pump jack.		

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

Comment:

Corrective Action:

Good Housekeeping:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
UNUSED EQUIPMENT	ACTION REQUIRED	Disconnected and unused equipment on location.	Remove unused equipment from location.	02/01/2015

Spills:

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

Exhibit 4

Fencing/:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
PUMP JACK	SATISFACTORY	Protective fencing surrounding pumping unit.		

Equipment:					
Type	#	Satisfactory/Action Required	Comment	Corrective Action	CA Date
Flow Line	1	SATISFACTORY			
Vertical Separator	1	SATISFACTORY			
Deadman # & Marked	4	SATISFACTORY			
Ancillary equipment	1	SATISFACTORY	Electrical supply panel		
Pump Jack	1	SATISFACTORY			
Gas Meter Run	1	SATISFACTORY			

Facilities:				
<input type="checkbox"/> New Tank	Tank ID: _____			
Contents	#	Capacity	Type	SE GPS
PRODUCED WATER	2	OTHER	STEEL AST	37.076665,-108.131503
S/AV:	ACTION REQUIRED	Comment:	Install labels to comply with Rule 210.d	
Corrective Action:	West tank does not have contents, capacity, or NFPA placard. East tank is labeled "KCL".			Corrective Date: 04/30/2015

Paint

Condition	
Other (Content)	_____
Other (Capacity)	210 bbl.
Other (Type)	_____

Berms

Type	Capacity	Permeability (Wall)	Permeability (Base)	Maintenance
Earth	Adequate	Walls Sufficient	Base Sufficient	Adequate
Corrective Action				Corrective Date
Comment				

Venting:	
Yes/No	Comment

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

Predrill

Location ID: 216613

Site Preparation:

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

S/AV: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

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: 216613 Type: WELL API Number: 067-60012 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? _____ 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: _____

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
Berms	Pass					
Ditches	Pass					

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

Y

Comment: _____

CA: _____

Pits: NO SURFACE INDICATION OF PIT

Permit:	Facility ID	Permit Num	Expiration Date
	263065	1120193	
	263065	1120193	

Attached Documents

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

Document Num	Description	URL
674900229	Insufficient labels on western tank.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3520458
674900230	Unused equipment on location.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3520459

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.)

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:
03/13/2015

Document Number:
674900335

Overall Inspection:

ALLEGED VIOLATION

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>214395</u>	<u>325247</u>	<u>Hughes, Jim</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>10254</u>
Name of Operator:	<u>RED MESA HOLDINGS/O&G LLC</u>
Address:	<u>5619 DTC PARKWAY - STE 800</u>
City:	<u>GREENWOOD</u> State: <u>CO</u> Zip: <u>80111</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
Fischer, Alex		alex.fischer@state.co.us	
Lionette, Dave	(303)957-2038	dlionette@madisoncap.com	All Insoections
Labowskie, Steve		steve.labowskie@state.co.us	
Ferrin, Jeremy		jeremy.ferrin@state.co.us	
Ellsworth, Stuart		stuart.ellsworth@state.co.us	

Compliance Summary:

QtrQtr: SWNW Sec: 23 Twp: 33N Range: 12W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
05/03/2012	661700303	SI	SI	ALLEGED VIOLATION	P		Yes
08/12/1997	500147312	PR	PR			Pass	No
06/12/1996	500147311	PR	PR			Pass	No
08/10/1995	500147310	PR	PR				No

Inspector Comment:

On March 13, 2015 COGCC SW EPS Jim Hughes conducted an environmental field inspection of the Red Mesa Holdings Dudley #3. For the most recent field inspection report of this facility, please refer to document #661700303. The overall inspection status shall remain the same as that report until all corrective actions have been completed. Tank battery mentioned in previous inspection has since been removed.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status
214335	WELL	PA	01/01/1999		067-05726	PULLIAM-EROMAN 1	PA <input type="checkbox"/>
214395	WELL	SI	12/01/2006	OW	067-05811	DUDLEY 3	EI <input checked="" type="checkbox"/>

Equipment:

Location Inventory

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Exhibit 4

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

Lease Road:

Type	Satisfactory/Action Required	comment	Corrective Action	Date
Access	SATISFACTORY			

Signs/Marker:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
WELLHEAD	ACTION REQUIRED	Sign is laying on the ground.	Install sign to comply with rule 210.	04/14/2015

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

Comment: _____

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
Other	1	SATISFACTORY	Domestic gas tap. Gauge reads 0 psi.		
Pump Jack	1	SATISFACTORY	Electric motor has been removed, inactive.		

Venting:

Yes/No	Comment

Flaring:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Predrill

Location ID: 214395

Site Preparation:

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

S/AV: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

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: 214395 Type: WELL API Number: 067-05811 Status: SI Insp. Status: EI

Environmental

Spills/Releases:

Type of Spill: OIL Description: Well head Estimated Spill Volume: _____

Comment: Stained soils around well head.

Corrective Action: Remove/remediate stained soils around well head. Date: 04/13/2015

Reportable: NO GPS: Lat 37.090732 Long -108.127391

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? _____ 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: _____

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

S/A/V: _____ Corrective Date: _____

Comment: _____

CA: _____

Pits: NO SURFACE INDICATION OF PIT

Attached Documents

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

Document Num	Description	URL
674900336	Dudley #3 pump jack.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3568908
674900337	Dudley #3 well head and domestic gas tap.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3568909

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:
03/13/2015

Document Number:
674900338

Overall Inspection:

ACTION REQUIRED

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>214054</u>	<u>385333</u>	<u>Hughes, Jim</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>10254</u>
Name of Operator:	<u>RED MESA HOLDINGS/O&G LLC</u>
Address:	<u>5619 DTC PARKWAY - STE 800</u>
City:	<u>GREENWOOD</u> State: <u>CO</u> Zip: <u>80111</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
Fischer, Alex		alex.fischer@state.co.us	
Labowskie, Steve		steve.labowskie@state.co.us	
Ferrin, Jeremy		jeremy.ferrin@state.co.us	
Ellsworth, Stuart		stuart.ellsworth@state.co.us	
Lionette, Dave	(303) 957-2038	dlionette@madisoncap.com	

Compliance Summary:

QtrQtr: SWNW Sec: 23 Twp: 33N Range: 12W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
08/12/1997	500146654	PR	PR			Pass	No
06/12/1996	500146653	ID	SI			Fail	Yes
08/10/1995	500146652	PR	PR				Yes

Inspector Comment:

On March 13, 2015 COGCC SW EPS Jim Hughes conducted an environmental field inspection of the Red Mesa Holdings Dudley #2. For the most recent field inspection report of this facility, please refer to document #500146654.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status
214054	WELL	SI	12/01/2014	OW	067-05346	DUDLEY 2	EI <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: _____

Predrill

Location ID: 214054

Site Preparation:

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

S/AV: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

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: 214054 Type: WELL API Number: 067-05346 Status: SI Insp. Status: EI

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? _____ 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: _____

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

S/A/V: _____ Corrective Date: _____

Comment: _____

CA: _____

Pits: NO SURFACE INDICATION OF PIT

Attached Documents

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

Document Num	Description	URL
674900339	Dudley #2 well head and location sign.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3568911

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.)

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:
03/13/2015

Document Number:
674900340

Overall Inspection:

ALLEGED VIOLATION

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>214432</u>	<u>325267</u>	<u>Hughes, Jim</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>10254</u>
Name of Operator:	<u>RED MESA HOLDINGS/O&G LLC</u>
Address:	<u>5619 DTC PARKWAY - STE 800</u>
City:	<u>GREENWOOD</u> State: <u>CO</u> Zip: <u>80111</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
Fischer, Alex		alex.fischer@state.co.us	
Ferrin, Jeremy		jeremy.ferrin@state.co.us	
Lionette, Dave	(303) 957-2038	dlionette@madisoncap.com	
Ellsworth, Stuart		stuart.ellsworth@state.co.us	
Labowskie, Steve		steve.labowskie@state.co.us	

Compliance Summary:

QtrQtr: SENW Sec: 23 Twp: 33N Range: 12W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
10/15/2013	663401278	SI	SI	ALLEGED VIOLATION	I		Yes
01/22/2008	200125781	ID	SI	SATISFACTORY			No
10/30/2007	200121362	PR	PR	ACTION REQUIRED			Yes
09/05/2007	200121906	PR	PR	ACTION REQUIRED			Yes
09/04/2007	200119407	CO	PR	SATISFACTORY			No
09/04/2007	200119410	PR	PR	ACTION REQUIRED			Yes
05/21/2007	200112654	CO	PR	ACTION REQUIRED		Fail	Yes
11/20/2002	200031929	PR	PR	SATISFACTORY		Pass	No
07/26/2002	200030495	CO	PR	ACTION REQUIRED		Pass	No
07/26/2002	200030766	ES	PR	ACTION REQUIRED			
01/22/2002	1104915	PR	PR	ACTION REQUIRED		Fail	Yes
08/12/1997	500147354	PR	PR			Pass	No
06/12/1996	500147353	PR	PR			Fail	Yes
08/15/1995	500147352	PR	PR				Yes

Inspector Comment:

On March 13, 2015 COGCC SW EPS Jim Hughes conducted an environmental field inspection of the Red Mesa Holdings JCK #3. For the most recent field inspection report of this facility, please refer to document #663401278. Overall inspection status shall remain the same as that document until all corrective actions have been performed.

Exhibit 4

Related Facilities:								
Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status	
214432	WELL	SI	06/30/2011	OW	067-06033	J C K 3	EI	<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 Motors: _____	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

Lease Road:				
Type	Satisfactory/Action Required	comment	Corrective Action	Date
Access	ACTION REQUIRED	Access road is overgrown with weeds	Clear vegetation from access road.	04/13/2015

Signs/Marker:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
WELLHEAD	SATISFACTORY			

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

Comment: _____

Corrective Action: _____

Good Housekeeping:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
WEEDS	ACTION REQUIRED	Weeds around perimeter of location and along access road.	Clear weeds from location and access road.	04/13/2015

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
Flow Line	1	SATISFACTORY	Disconnected		
Ancillary equipment	1	SATISFACTORY	Valve set with handle		
Deadman # & Marked	2	ACTION REQUIRED	Only N rig anchors are marked.	Mark or remove all rig anchors.	04/13/2015
Ancillary equipment	1	SATISFACTORY	240 volt electric supply, disconnected.		

Exhibit 4

Pump Jack	1	ACTION REQUIRED	Lube oil leak onto concrete pad. Electric motor has been removed.	Remove/repair leaking equipment from location. Proximity to wetlands/creek warrant quick response.	03/23/2015
-----------	---	------------------------	---	--	------------

Venting:	
Yes/No	Comment

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

Predrill

Location ID: 214432

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

S/AV: _____
 Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:
S/AV: _____ **Comment:**
CA: **Date:** _____

Wildlife BMPs:
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

Exhibit 4

Inspector Name: Hughes, Jim

Facility ID: 214432 Type: WELL API Number: 067-06033 Status: SI Insp. Status: EI

Environmental

Spills/Releases:

Type of Spill: OIL Description: Well head Estimated Spill Volume: _____

Comment: Well head and surrounding area stained with oil and white residue.

Corrective Action: Remove/remediate stained soils around well head. Date: 03/23/2015

Reportable: NO GPS: Lat 37.090740 Long -108.122780

Proximity to Surface Water: 40 Depth to Ground Water: _____

Water Well:

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

Field Parameters:

Sample Location: _____

Complaint:

Tracking Num	Category	Assigned To	Description	Incident Date
200112651	TRASH	Weems, Mark	The complainant wants to remain anonymous at this time. The trash at the well site is bothering.	05/21/2007

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? _____ 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: _____

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

S/A/V: _____ Corrective Date: _____

Comment: _____

CA: _____

Pits: NO SURFACE INDICATION OF PIT

Attached Documents

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

Exhibit 4

Document Num	Description	URL
674900341	JCK #3 pump jack and location sign.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3568913
674900342	Proximity of location to wetland/creek.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3568914
674900343	Disconnected flow line and riser.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3568915
674900344	Overgrown access road and flow line.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3568916

Exhibit 4



03.13.2015 15:23

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:
03/13/2015

Document Number:
674900345

Overall Inspection:

ALLEGED VIOLATION

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>214907</u>	<u>325506</u>	<u>Hughes, Jim</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>10254</u>
Name of Operator:	<u>RED MESA HOLDINGS/O&G LLC</u>
Address:	<u>5619 DTC PARKWAY - STE 800</u>
City:	<u>GREENWOOD</u> State: <u>CO</u> Zip: <u>80111</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
Labowskie, Steve		steve.labowskie@state.co.us	
Ellsworth, Stuart		stuart.ellsworth@state.co.us	
Fischer, Alex		alex.fischer@state.co.us	
Ferrin, Jeremy		jeremy.ferrin@state.co.us	
Lionette, Dave	(303) 957-2038	dlionette@madisoncap.com	

Compliance Summary:

QtrQtr: SWSW Sec: 23 Twp: 33N Range: 12W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
09/16/2013	663401196	PR	SI	ALLEGED VIOLATION	I		Yes
09/05/2007	200121293	PR	PR	ACTION REQUIRED			Yes
05/22/2007	200112656	PR	PR	SATISFACTORY		Fail	Yes
08/14/1997	500148021	PR	PR			Pass	No
06/12/1996	500148020	PR	PR			Pass	No
08/10/1995	500148019	PR	PR				Yes

Inspector Comment:

On March 13, 2015 COGCC SW EPS Jim Hughes conducted an environmental field inspection of the Red Mesa Holdings JCK #4, accompanied by the landowner, Scott Herrera. For the most recent field inspection report of this facility, please refer to document #663401196. The overall inspection status of this report shall remain the same as that document until all corrective actions have been performed.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status	
214907	WELL	PR	03/20/2013	OW	067-06511	J C K 4	EI	<input checked="" type="checkbox"/>

Equipment:

Location Inventory

Predrill

Location ID: 214907

Site Preparation:

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

S/AV: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

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: 214907 Type: WELL API Number: 067-06511 Status: PR Insp. Status: EI

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? _____ 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: _____

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
Berms	Pass					
Ditches	Pass					

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

Y

Comment: _____

CA: _____

Pits: NO SURFACE INDICATION OF PIT

Attached Documents

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

Document Num	Description	URL
674900346	JCK #4 well head with rod.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3568918
674900347	Disconnected electric supply lines.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3568919
674900348	Location diversion ditch.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3568920
674900349	Access road and cut slope.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3568921

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:
03/16/2015

Document Number:
674900374

Overall Inspection:

ACTION REQUIRED

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>214363</u>	<u>325231</u>	<u>Hughes, Jim</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>10254</u>
Name of Operator:	<u>RED MESA HOLDINGS/O&G LLC</u>
Address:	<u>5619 DTC PARKWAY - STE 800</u>
City:	<u>GREENWOOD</u> State: <u>CO</u> Zip: <u>80111</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
Labowskie, Steve		steve.labowskie@state.co.us	
Ferrin, Jeremy		jeremy.ferrin@state.co.us	
Lionette, Dave	(303) 957-2038	dlionette@madisoncap.com	
Fischer, Alex		alex.fischer@state.co.us	
Ellsworth, Stuart		stuart.ellsworth@state.co.us	

Compliance Summary:

QtrQtr: SWNW Sec: 23 Twp: 33N Range: 12W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
06/05/2012	661700387	SI	SI	ACTION REQUIRED	I		No
08/12/1997	500147265	PR	PR			Pass	No
06/12/1996	500147264	PR	PR			Fail	Yes
08/10/1995	500147263	PR	PR				No

Inspector Comment:

On March 16, 2015 COGCC SW EPS Jim Hughes conducted an environmental field inspection of the Red Mesa Holdings Dudley #1. For the most recent field inspection report of this facility, please refer to document #661700387. The overall inspection status shall remain the same as that report until all corrective actions have been performed.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status	
214363	WELL	SI	01/01/1999	OG	067-05766	DUDLEY 1	EI	<input checked="" type="checkbox"/>

Equipment:

Location Inventory

--

Exhibit 4

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

Lease Road:				
Type	Satisfactory/Action Required	comment	Corrective Action	Date
Access	ACTION REQUIRED	Overgrown two track through field. Exposed flow line in access road.	Maintain access road.	04/17/2015

Signs/Marker:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
WELLHEAD	ACTION REQUIRED	Wrong operator listed on location sign.	Install sign to comply with rule 210.	04/17/2015

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

Comment: _____

Corrective Action: _____

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

Fencing/:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
PUMP JACK	SATISFACTORY			

Equipment:					
Type	#	Satisfactory/Action Required	Comment	Corrective Action	CA Date
Ancillary equipment	1	SATISFACTORY	Riser and valve handle SW of well head.		
Flow Line	2	SATISFACTORY			
Pump Jack	1	SATISFACTORY	Electric pump jack, power is shut off at breaker box.		

Venting:	
Yes/No	Comment

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

Predrill

Location ID: 214363

Site Preparation:

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

S/A/V: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

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: _____
 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: 214363 Type: WELL API Number: 067-05766 Status: SI Insp. Status: EI

Idle Well

Purpose: Shut In Temporarily Abandoned Reminder: _____

S/A/V: ACTION

CA Date: 09/17/2015

CA: Well must be either: 1) Put on production or 2) Per COGCC Rule 326.b.(1) a mechanical integrity test shall be performed on each shut-in well within two (2) years of the initial shut-in date or 3) Be properly plugged and abandoned . Shut-in and temporarily abandoned wells must be properly reported on COGCC Form 7, Operator's Monthly Production Report.

Comment: _____

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? _____ 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: _____

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
		Culverts	Pass			

S/A/V: SATISFACTOR Corrective Date: _____

Y

Comment: _____

CA: _____

Pits: NO SURFACE INDICATION OF PIT

Pit Type: _____ Lined: NO Pit ID: _____ Lat: 37.090554 Long: -108.125437

Lining:

Liner Type: _____ Liner Condition: _____

Comment: Approximately 20' by 40' area with standing water inside of pit.

Fencing:

Fencing Type: None Fencing Condition: _____

Comment: _____

Netting:

Netting Type: _____ Netting Condition: _____

Comment: _____

Anchor Trench Present: _____ Oil Accumulation: _____ 2+ feet Freeboard: _____

Pit (S/A/V): ACTION Comment: Unpermitted pit on location. Standing water within pit area.

Corrective Action: Remove fluids from pit. Properly close pit per 900 series Rules. Date: 05/18/2015

Attached Documents

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

Document Num	Description	URL
674900375	Riser and valve handle SW of well head.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3570491
674900376	Dudley #1 pump jack.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3570492
674900377	Earthen pit SW of well head.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3570493

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.)

Exhibit 4



03.16.2015 10:54

FORM INSP <small>Rev 05/11</small>	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: <u>03/16/2015</u>
						Document Number: <u>674900378</u>
						Overall Inspection: <b style="border: 1px solid red; padding: 2px;">ACTION REQUIRED
FIELD INSPECTION FORM						
Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection		
	<u>412964</u>	<u>412925</u>	<u>Hughes, Jim</u>	<input type="checkbox"/>	2A Doc Num: _____	

Operator Information:

OGCC Operator Number: 10254

Name of Operator: RED MESA HOLDINGS/O&G LLC

Address: 5619 DTC PARKWAY - STE 800

City: GREENWOOD State: CO Zip: 80111

- 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
Ferrin, Jeremy		jeremy.ferrin@state.co.us	
Fischer, Alex		alex.fischer@state.co.us	
Labowskie, Steve		steve.labowskie@state.co.us	
Ellsworth, Stuart		stuart.ellsworth@state.co.us	
Lionette, Dave	(303) 957-2038	dlionette@madisoncap.com	

Compliance Summary:

QtrQtr: NWSE Sec: 14 Twp: 33N Range: 12W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
08/26/2009	200217385	ES	DG	SATISFACTORY			No
08/17/2009	200216905	DG	DG	SATISFACTORY			No

Inspector Comment:

On March 16, 2015 COGCC SW EPS Jim Hughes conducted an environmental field inspection of the Red Mesa Holdings Macy #2. For the most recent field inspection report of this facility, please refer to document #200217385.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status
412964	WELL	TA	10/24/2012	DA	067-09783	MACY 2	EI <input checked="" type="checkbox"/>

Equipment: Location Inventory

Special Purpose Pits: _____	Drilling Pits: <u>1</u>	Wells: <u>1</u>	Production Pits: _____
Condensate Tanks: _____	Water Tanks: <u>1</u>	Separators: <u>1</u>	Electric Motors: _____
Gas or Diesel Mortors: <u>2</u>	Cavity Pumps: _____	LACT Unit: _____	Pump Jacks: <u>1</u>
Electric Generators: _____	Gas Pipeline: <u>1</u>	Oil Pipeline: <u>1</u>	Water Pipeline: <u>1</u>
Gas Compressors: <u>1</u>	VOC Combustor: _____	Oil Tanks: <u>1</u>	Dehydrator Units: <u>1</u>
Multi-Well Pits: _____	Pigging Station: _____	Flare: _____	Fuel Tanks: _____

Location

Exhibit 4

Lease Road:				
Type	Satisfactory/Action Required	comment	Corrective Action	Date
Access	SATISFACTORY	Locked gate on access road.		

Signs/Marker:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
WELLHEAD	SATISFACTORY	Free standing sign near location entrance.		

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

Comment: _____

Corrective Action: _____

Good Housekeeping:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
STORAGE OF SUPL	ACTION REQUIRED	Poly pipe, steel pipe, concrete pad, and propane tank in NW corner of location.	Remove equipment and supplies from location.	04/17/2015
DEBRIS	ACTION REQUIRED	Threaded pipe end caps near well head.	Remove debris from location.	04/17/2015

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
Deadman # & Marked	4	SATISFACTORY			

Venting:	
Yes/No	Comment

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

Predrill				
Location ID: <u>412964</u>				
Site Preparation:				
Lease Road Adeq.: _____		Pads: _____		Soil Stockpile: _____
S/A/V: _____				
Corrective Action: _____			Date: _____	CDP Num.: _____
Form 2A COAs:				

Group	User	Comment	Date
Agency	fischera	pertend	07/15/2009

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

CA: _____ **Date:** _____

Wildlife BMPs:

BMP Type	Comment
PROPOSED BMPs	<p>Red Mesa Holdings O &G LLC, Macy #2 Well, Proposed BMPs</p> <ol style="list-style-type: none"> 1. A Master Stormwater Management Plan for the Red Mesa field dated 3/09 has been electronically submitted to the COGCC. 2. A Spill Prevention, Control and Countermeasure Plan, Red Mesa Gas Field Production Facility, dated 12/08, has been electronically submitted to the COGCC. 3. Per COGCC Rule 1002.f.(2)A "covering materials and activities and stormwater diversion ", Red Mesa has devised Waste Management and Materials Pollution Control measures (see pages 85 -90 of Appendix P of Volume II of Master Stormwater Management Plan for the Red Mesa Field dated 3/09). Key points of the plan include storage areas, hazardous materials, MSDS, liquid materials and petroleum products, soil stockpiles, and spill cleanup. 4. Per COGCC Rule 1002.f.(2)B "materials handling and spill prevention procedures and practices ", Red Mesa devised Waste Management and Materials Pollution Control measures (see pages 90 -104 of Appendix P of Volume II, Master Stormwater Management Plan for the Red Mesa Field and Sections D "Tank Truck Loading ", G "Discharge Notification Procedures ", H "Equipment Shut -off Procedures ", J "Oil Spill Contingency Plan", and K "Facility Maps and Equipment Diagrams" of the Spill Prevention, Control, and Countermeasure Plan, Red Mesa Gas Field Production Facility). Per these above listed sections of the plans, Red Mesa has addressed how it will handle materials, prevent spills, and respond to incidents. Field personnel have been trained pursuant to the plans. 5. Per COGCC Rule 1002.f.(2)D "self- inspection, maintenance, and good housekeeping procedures and schedules ", Red Mesa devised "Good Housekeeping BMPs" in Section 3, "Good Housekeeping BMPs ", and Section 5, "Inspections" of Volume I of the Master Stormwater Management Plan.

6. Per COGCC Rule 1002.f.(2)E "spill response procedures ", Red Mesa electronically submitted a Spill Prevention, Control and Countermeasure Plan, Red Mesa Gas Field, dated 12/08, to the COGCC. This plan provides specifics on facility information, spill response and reporting, and spill prevention, control, and countermeasures.

7. Per COGCC Rule 1002.f.(3), Red Mesa devised "Selecting Post - Construction BMPs in Section 4 of Volume I of the Master Stormwater Management Plan. In addition, Red Mesa abides by the stormwater regulations of the CDPHE /CWQCD. This includes post- construction BMPs, stabilization thresholds, and required inspection times. A copy of the CDPHE /CWQCD standards is included in Volume II of Red Mesa's Master Stormwater Management Plan as Appendix "0 ".

8. This well is located on flat lands with a slope of less than 10 %. Stormwater will be routed around the pad using a combination of BMPs (berms, ditches, waddles, silt fences, etc).

9. BMPs for pad construction will be installed in appropriate intervals of distance (approx. every 5- 10') to ensure that stormwater is intercepted before it gets to the well pad Sediment control BMPs will be installed where stormwater discharge occurs via a series of waddles or checkdams approximately every 5'(s 2.2 of Volume I of Master Stormwater Plan).

10. Inspections will be conducted weekly and after /during any rain or runoff event (see Section 2.3 of Volume I of Master Stormwater Plan).

11. Materials handling will be per Sections D "Tank Truck Loading ", G "Discharge Notification Procedures ", H "Equipment Shut -off Procedures ", J "Oil Spill Contingency Plan", and K "Facility Maps and Equipment Diagrams" of Red Mesa's Spill Prevention, Control and Countermeasure Plan, Red Mesa Gas Field Production Facility, dated 12/08.

12. Spill Control and reporting will be pursuant to Section 2.0 "Spill Response and Reporting" of Red Mesa's Spill Prevention, Control and Countermeasure Plan, Red Mesa Gas Field Production Facility, dated 12/08.

13. See attached "General Site Layout" showing approximate location of BMPs during construction for the proposed well. Please note that this map is subject to change upon commencement of construction.

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:	412964	Type:	WELL	API Number:	067-09783	Status:	TA	Insp. Status:	EI

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			
Waddles	Fail					

S/A/V: ACTION REQUIRED Corrective Date: 04/17/2015

Comment: Wattles on SE and E sides of location have filled up with sediment. Stormwater run off erosional channel present near location entrance.

CA: Maintain storm water BMPs to prevent erosion.

Pits: NO SURFACE INDICATION OF PIT

Attached Documents

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

Document Num	Description	URL
674900379	Supplies stored on NW corner of location.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3570514
674900380	Macy #2 well head and debris.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3570515
674900381	Storm water run off near location entrance.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3570516

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.)

Exhibit 4



03.16.2015 11:35

FORM INSP <small>Rev 05/11</small>	State of Colorado Oil and Gas Conservation Commission <small>1120 Lincoln Street, Suite 801, Denver, Colorado 80203 Phone: (303) 894-2100 Fax: (303) 894-2109</small>		DE	ET	OE	ES
			Inspection Date: <u>03/16/2015</u>			
			Document Number: <u>674900383</u>			
			Overall Inspection: <b style="border: 1px solid red; padding: 2px;">ACTION REQUIRED			
Location Identifier		Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
		<u>216223</u>	<u>326319</u>	<u>Hughes, Jim</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number: 10254

Name of Operator: RED MESA HOLDINGS/O&G LLC

Address: 5619 DTC PARKWAY - STE 800

City: GREENWOOD State: CO Zip: 80111

- 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
Ferrin, Jeremy		jeremy.ferrin@state.co.us	
Lionette, Dave	(303) 957-2038	dlionette@madisoncap.com	
Labowskie, Steve		steve.labowskie@state.co.us	
Ellsworth, Stuart		stuart.ellsworth@state.co.us	
Fischer, Alex		alex.fischer@state.co.us	

Compliance Summary:

QtrQtr: SENW Sec: 27 Twp: 33N Range: 12W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
01/24/2008	200127272	PR	PR	SATISFACTORY			No
05/21/2001	200018735	ID	TA	SATISFACTORY		Pass	No
02/03/2000	200004272	ES	PR	SATISFACTORY		Fail	Yes

Inspector Comment:

On March 16, 2015 COGCC SW EPS Jim Hughes conducted an environmental field inspection of the Red Mesa Holdings Suzanne Jumbo #1. For the most recent field inspection of this facility, please refer to document #200127272.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status
214005	WELL	PA	05/27/1968		067-05292	BRAZIL 1	PA <input type="checkbox"/>
216223	WELL	SI	06/30/2009	GW	067-07829	SUZANNE JUMBO 1	EI <input checked="" type="checkbox"/>

Equipment: Location Inventory

Exhibit 4

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

Lease Road:

Type	Satisfactory/Action Required	comment	Corrective Action	Date
Access	SATISFACTORY	Locked gate on county road.		

Signs/Marker:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
WELLHEAD	ACTION REQUIRED	Wrong operator listed on location sign.	Install sign to comply with rule 210.	04/17/2015

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

Comment: _____

Corrective Action: _____

Good Housekeeping:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
STORAGE OF SUPL	ACTION REQUIRED	Stock pile of 55 gal. drums NE of well head.	Remove unused equipment from location.	04/17/2015

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
Ancillary equipment	1	SATISFACTORY	Approximately 200 gal. AST with 12.5 psi on pressure gauge.		

Venting:

Yes/No	Comment

Flaring:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Predrill

Location ID: 216223

Site Preparation:

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

S/AV: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

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: 216223 Type: WELL API Number: 067-07829 Status: SI Insp. Status: EI

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? _____ 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: _____

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
Ditches	Pass					Location BMP between well head and pond.

S/A/V: SATISFACTOR Corrective Date: _____

Y

Comment: _____

CA: _____

Pits: NO SURFACE INDICATION OF PIT

Attached Documents

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

Document Num	Description	URL
674900384	Stock piled 55 gal. drums, yellow line has 12.5 psi.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3570579
674900385	Steel tank attached to well head supply.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3570580
674900386	L and M Ventures Brazil #1 PA marker.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3570581

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.)

Exhibit 4



03.16.2015 12:28

Exhibit 4



03.16.2015 12:24

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:
03/16/2015

Document Number:
674900387

Overall Inspection:

ACTION REQUIRED

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>412859</u>	<u>412851</u>	<u>Hughes, Jim</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>10254</u>
Name of Operator:	<u>RED MESA HOLDINGS/O&G LLC</u>
Address:	<u>5619 DTC PARKWAY - STE 800</u>
City:	<u>GREENWOOD</u> State: <u>CO</u> Zip: <u>80111</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
Ellsworth, Stuart		stuart.ellsworth@state.co.us	
Lionette, Dave	(303) 957-2038	dlionette@madisoncap.com	
Ferrin, Jeremy		jeremy.ferrin@state.co.us	
Fischer, Alex		alex.fischer@state.co.us	
Labowskie, Steve		steve.labowskie@state.co.us	

Compliance Summary:

QtrQtr: NWSE Sec: 21 Twp: 33N Range: 12W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
01/08/2013	669400374			SATISFACTORY	I		No
01/12/2011	200295969	RT	UN	SATISFACTORY			No

Inspector Comment:

On March 16, 2015 COGCC SW EPS Jim Hughes conducted an environmental field inspection of the Red Mesa Holdings Compton #3. For the most recent field inspection report of this facility, please refer to document #669400374.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status
412859	WELL	WO	11/20/2009	OW	067-09774	COMPTON 3	EI <input checked="" type="checkbox"/>

Equipment:

Location Inventory

Special Purpose Pits: _____	Drilling Pits: <u>1</u>	Wells: <u>1</u>	Production Pits: _____
Condensate Tanks: _____	Water Tanks: <u>1</u>	Separators: <u>1</u>	Electric Motors: _____
Gas or Diesel Mortors: <u>2</u>	Cavity Pumps: _____	LACT Unit: _____	Pump Jacks: <u>1</u>
Electric Generators: _____	Gas Pipeline: <u>1</u>	Oil Pipeline: <u>1</u>	Water Pipeline: _____
Gas Compressors: <u>1</u>	VOC Combustor: _____	Oil Tanks: <u>2</u>	Dehydrator Units: <u>1</u>
Multi-Well Pits: _____	Pigging Station: _____	Flare: _____	Fuel Tanks: _____

Location

Exhibit 4

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

Signs/Marker:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
WELLHEAD	SATISFACTORY	Free standing sign at intersection of access road and main road.		

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

Comment: _____

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
Other	1	SATISFACTORY	Well head. Pressure gauge on well head reads 300 psi.		
Deadman # & Marked	4	SATISFACTORY			

Venting:	
Yes/No	Comment

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

Predrill

Location ID: 412859

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

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

Form 2A COAs:

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

CA: _____ **Date:** _____

Wildlife BMPs:	
BMP Type	Comment
PROPOSED BMPs	Red Mesa Holdin*s O &G LLC Compton #3 We . Pro.osed BMPs

1. A Master Stormwater Management Plan for the Red Mesa field dated 3/09 has been electronically submitted to the COGCC.
2. A Spill Prevention, Control and Countermeasure Plan, Red Mesa Gas Field Production Facility, dated 12/08, has been electronically submitted to the COGCC.
3. Per COGCC Rule 1002.f.(2)A "covering materials and activities and stormwater diversion ", Red Mesa has devised Waste Management and Materials Pollution Control measures (see pages 85 -90 of Appendix P of Volume II of Master Stormwater Management Plan for the Red Mesa Field dated 3/09). Key points of the plan include storage areas, hazardous materials, MSDS, liquid materials and petroleum products, soil stockpiles, and spill cleanup.
4. Per COGCC Rule 1002.1(2)B "materials handling and spill prevention procedures and practices ", Red Mesa devised Waste Management and Materials Pollution Control measures (see pages 90 -104 of Appendix P of Volume 11, Master Stormwater Management Plan for the Red Mesa Field and Sections D "Tank Truck Loading ", G "Discharge Notification Procedures ", H "Equipment Shut- offProcedures ", J "Oil Spill Contingency Plan", and K "Facility Maps and Equipment Diagrams" of the Spill Prevention, Control, and Countermeasure Plan, Red Mesa Gas Field Production Facility). Per these above listed sections of the plans, Red Mesa has addressed how it will handle materials, prevent spills, and respond to incidents. Field personnel have been trained pursuant to the plans.
5. Per COGCC Rule 1002.f(2)D "self- inspection, maintenance, and good housekeeping procedures and schedules ", Red Mesa devised "Good Housekeeping BMPS" in Section 3, "Good Housekeeping BMPs ", and Section 5, "Inspections" of Volume 1 of the Master Stormwater Management Plan.
- h. Per COGCC Rule 1002.f.(2)E "spill response procedures ", Red Mesa electronically submitted a Spill Prevention, Control and Countermeasure Plan, Red Mesa Gas Field, dated 12/08, to the COGCC. This plan provides specifics on facility information, spill response and reporting, and spill prevention, control, and countermeasures.
7. Per COGCC Rule 10021(3), Red Mesa devised "Selecting Post - Construction BMPs in Section 4 of Volume I of the Master Stormwater Management Plan. In addition, Red Mesa abides by the stormwater regulations of the

C:DPHE/CWQCD. This includes post - construction BMPs, stabilization thresholds, and required inspection times. A copy of the CDPHE/CWQCD standards is included in Volume I1 of Red Mesa's Master Stormwater Management Plan as Appendix "0".

8. The Compton #3 is located on rather flat lands with a slope of less than 10 %. Stormwater will be routed around the pad using a combination of BMPs (berms, ditches, waddles, silt fences, etc).

9. BMPs for pad construction will be installed in appropriate intervals of distance (approx. every 5- 10') to ensure that stormwater is intercepted before it gets to the well pad. Sediment control BMPs will be installed where stormwater discharge occurs via a series of waddles or checkdams approximately every 5'(see Section 2.2 of Volume I of Master Stormwater Plan).

10. Inspections will be conducted weekly and after /during any rain or runoff event (see Section 2.3 of Volume I of Master Stormwater Plan).

11. Materials handling will be per Sections D "Tank Truck Loading ", G "Discharge Notification Procedures ", H "Equipment Shut -off Procedures ", J "Oil Spill Contingency Plan", and K "Facility Maps and Equipment Diagrams" of Red Mesa's Spill Prevention, Control and Countermeasure Plan, Red Mesa Gas Field Production Facility, dated 12/08.

12. Spill Control and reporting will be pursuant to Section 2.0 "Spill Response and Reporting" of Red Mesa's Spill Prevention, Control and Countermeasure Plan, Red Mesa Gas Field Production Facility, dated 12/08.

13. See attached "General BMP Layout" showing approximate location of BMPs during construction for the proposed well. Please note that this map is subject to change upon commencement of construction.

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: 412859 Type: WELL API Number: 067-09774 Status: WO Insp. Status: EI

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
Waddles	Fail					Wattles are undercut on western edge of location.
Gravel	Pass	Gravel	Pass			

S/A/V: ACTION REQUIRED Corrective Date: 04/17/2015

Comment: Storm water BMPs along western edge of location need attention. Run off channels have formed underneath wattles.

CA: Maintain storm water BMPs to control run off erosion.

Pits: NO SURFACE INDICATION OF PIT

Attached Documents

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

Document Num	Description	URL
674900388	Compton #3 well head. Pressure gauge reads 300 psi.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3570628
674900389	Undercut wattles along western edge of location.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3570629

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.)

Exhibit 4



03-16-2015 12:53

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:
03/16/2015

Document Number:
674900390

Overall Inspection:

ACTION REQUIRED

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>424597</u>	<u>424598</u>	<u>Hughes, Jim</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>10254</u>
Name of Operator:	<u>RED MESA HOLDINGS/O&G LLC</u>
Address:	<u>5619 DTC PARKWAY - STE 800</u>
City:	<u>GREENWOOD</u> State: <u>CO</u> Zip: <u>80111</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
Fischer, Alex		alex.fischer@state.co.us	
Ellsworth, Stuart		stuart.ellsworth@state.co.us	
Ferrin, Jeremy		jeremy.ferrin@state.co.us	
Labowskie, Steve		steve.labowskie@state.co.us	
Lionette, Dave	(303) 957-2038	dlionette@madisoncap.com	

Compliance Summary:

QtrQtr:	<u>NWSW</u>	Sec:	<u>34</u>	Twp:	<u>33N</u>	Range:	<u>12W</u>
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Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
11/28/2012	669400297	XX	WO	SATISFACTORY	I		No
09/05/2012	669400100	XX	WO	ALLEGED VIOLATION	F		Yes
08/15/2011	200318536	DG	DG	SATISFACTORY			No

Inspector Comment:

On March 16, 2015 COGCC SW EPS Jim Hughes conducted an environmental field inspection of the Red Mesa Holdings Greer #34-3. For the most recent field inspection report of this facility, please refer to document #669400297. There is no secondary containment for a steel AST connected to the well head.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status
424597	WELL	WO	04/17/2013	LO	067-09864	GREER 34-3	EI <input checked="" type="checkbox"/>

Equipment:

Location Inventory

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

Exhibit 4

Location					
Lease Road:					
Type	Satisfactory/Action Required	comment	Corrective Action	Date	
Main	SATISFACTORY				
Access	SATISFACTORY				
Signs/Marker:					
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date	
WELLHEAD	SATISFACTORY	Free standing sign near location entrance.			
Emergency Contact Number (S/A/V):		SATISFACTORY		Corrective Date: _____	
Comment: _____					
Corrective Action: _____					
Good Housekeeping:					
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date	
UNUSED EQUIPMENT	ACTION REQUIRED	Unused sections of flow line and rods near well head.	Remove unused equipment from location.	04/17/2015	
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
Pump Jack	1	SATISFACTORY	Gas powered.		
Deadman # & Marked	4	ACTION REQUIRED	SE anchor is not marked.	Mark or remove all rig anchors.	04/17/2015
Facilities: <input type="checkbox"/> New Tank Tank ID: _____					
Contents	#	Capacity	Type	SE GPS	
OTHER	1	OTHER	STEEL AST	37.059362,-108.144443	
S/A/V:	ACTION REQUIRED		Comment: Unlabeled steel AST of approximately 210 bbl. capacity.		
Corrective Action:	Install labels and placard per Rule 605.a.12.			Corrective Date: 04/17/2015	
Paint					
Condition	Adequate				
Other (Content) _____					
Other (Capacity) _____					
Other (Type) _____					
Berms					
Type	Capacity	Permeability (Wall)	Permeability (Base)	Maintenance	
Other	Inadequate	Walls Insufficient	Base Insufficient		
Corrective Action	Install secondary containment per COAs and Rule 605.a.4.			Corrective Date 04/17/2015	

Exhibit 4

Comment	No secondary containment.
---------	---------------------------

Venting:	
Yes/No	Comment

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

Predrill

Location ID: 424597

Site Preparation:

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

S/AV: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

Group	User	Comment	Date
OGLA	kubeczkod	<p>GENERAL SITE COAs:</p> <p>Reserve pit (or any other pit used to contain/hold fluids) must be lined or a closed loop system must be implemented during drilling.</p> <p>Operator must ensure 110 percent 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 (i.e., best management practices (BMPs) associated with stormwater management). 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.</p> <p>Operator must implement best management practices to contain any unintentional release of fluids, including any fluids conveyed via temporary surface pipelines.</p>	07/07/2011

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

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: 424597 Type: WELL API Number: 067-09864 Status: WO Insp. Status: EI

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	Broken, unlabeled container near well head.
Compaction	Fail					

S/A/V: **ACTION REQUIRED** Corrective Date: **04/17/2015**

Comment: Storm water run off on southern edge of location. Unlabeled 5 gal. container partially full of viscous brown liquid. Container has no lid and top is cracked and broken.

CA: Install location BMPs to control storm water. Properly label and store 5 gal. container, or remove from location.

Pits: NO SURFACE INDICATION OF PIT

Attached Documents

Exhibit 4

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

Document Num	Description	URL
674900391	Greer #34-3 well head, pump jack and container.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3570657
674900392	Storm water run off erosional channel.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3570658

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.)

Exhibit 4



03.16.2015 13:34

Exhibit 4

Location

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

Signs/Marker:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
WELLHEAD	ACTION REQUIRED	Free standing sign in cellar next to well head.	Install sign to comply with rule 210. Place sign in a conspicuous place.	04/17/2015

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

Comment: _____

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
Deadman # & Marked	4	ACTION REQUIRED	SE anchor is not marked.	Mark or remove all rig anchors	04/17/2015

Venting:	
Yes/No	Comment

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

Predrill

Location ID: 289752

Site Preparation:

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

S/AV: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

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: 289752 Type: WELL API Number: 067-09337 Status: SI Insp. Status: EI

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? _____ 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: _____

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
Compaction	Pass	Compaction	Pass			

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

Comment: _____

CA: _____

Pits: NO SURFACE INDICATION OF PIT

Attached Documents

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

Document Num	Description	URL
674900394	Ferguson #2 F-12Y location and sign in cellar.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3570710
674900395	Ferguson #2 F-12Y well head and sign.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3570711

FORM INSP <small>Rev 05/11</small>	State of Colorado Oil and Gas Conservation Commission <small>1120 Lincoln Street, Suite 801, Denver, Colorado 80203 Phone: (303) 894-2100 Fax: (303) 894-2109</small>		DE	ET	OE	ES
			Inspection Date: <u>03/18/2015</u>			
			Document Number: <u>674900396</u>			
			Overall Inspection: <b style="border: 1px solid red; padding: 2px;">ACTION REQUIRED			
Location Identifier		Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
		<u>214937</u>	<u>325520</u>	<u>Hughes, Jim</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number: 10254

Name of Operator: RED MESA HOLDINGS/O&G LLC

Address: 5619 DTC PARKWAY - STE 800

City: GREENWOOD State: CO Zip: 80111

- 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
Fischer, Alex		alex.fischer@state.co.us	
Lionette, Dave	(303) 957-2038	dlionette@madisoncap.com	
Ellsworth, Stuart		stuart.ellsworth@state.co.us	
Ferrin, Jeremy		jeremy.ferrin@state.co.us	
Labowskie, Steve		steve.labowskie@state.co.us	

Compliance Summary:

QtrQtr: NENE Sec: 32 Twp: 33N Range: 12W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
07/28/2011	200317760	PR	TA	ACTION REQUIRED			Yes
08/22/1997	500148087	PR	PR			Pass	No
07/15/1996	500148086	PR	PR			Pass	No
12/04/1995	500148085	PR	PR			Fail	Yes

Inspector Comment:

On March 18, 2015 COGCC SW EPS Jim Hughes conducted an environmental field inspection of the Red Mesa Holdings Taylor #2 32-1. For the most recent field inspection report of this facility, please refer to document #200317760. The overall inspection status of this report shall remain the same as that document until all corrective actions have been performed.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status	
214937	WELL	TA	04/30/2014	OW	067-06542	TAYLOR NO.2 32-1	EI	<input checked="" type="checkbox"/>

Equipment: Location Inventory

Exhibit 4

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

Lease Road:

Type	Satisfactory/Action Required	comment	Corrective Action	Date
Access	ACTION REQUIRED	Access road has washed out.	Repair access road to allow access to location.	05/20/2015
Main	SATISFACTORY			

Signs/Marker:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
WELLHEAD	ACTION REQUIRED	Wrong operator listed on location sign.	Install sign to comply with rule 210.	04/20/2015

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

Comment: _____

Corrective Action: _____

Good Housekeeping:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
WEEDS	ACTION REQUIRED	Vegetation throughout location. Well head is obscured by brush and weeds.	Remove overgrown vegetation from access road and location.	04/20/2015
DEBRIS	ACTION REQUIRED	Unused pallets and boards around well head and on location. Steel cable on edge of ravine.	Remove debris and unused equipment from location.	04/20/2015

Spills:

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

Venting:

Yes/No	Comment

Flaring:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Predrill

Location ID: 214937

Site Preparation:

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

S/AV: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

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: 214937 Type: WELL API Number: 067-06542 Status: TA Insp. Status: EI

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? _____ 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: _____

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
		Culverts	Fail			Access road has been washed out.

S/A/V: **ACTION REQUIRED** Corrective Date: **05/20/2015**

Comment: **Access road has washed out in drainage bottom. Poly pipe exposed in washed out section.**

CA: **Repair access road to allow vehicle access to location.**

Pits: NO SURFACE INDICATION OF PIT

Pit Type: _____ Lined: NO Pit ID: _____ Lat: 37.067291 Long: -108.165317

Lining:

Liner Type: _____ Liner Condition: _____

Comment: Unlined pit on SE edge of location.

Fencing:

Fencing Type: None Fencing Condition: _____

Comment: _____

Netting:

Netting Type: _____ Netting Condition: _____

Comment: _____

Anchor Trench Present: _____ Oil Accumulation: _____ 2+ feet Freeboard: _____

Pit (S/A/V): _____ Comment: **Unlined pit on SE edge of location. Pit is located on the edge of the ravine to the E of location. Exposed pipe and valve protrude from underneath the pit berm to the east.**

Corrective Action: **Close pit per 900 series Rules.** Date: **05/20/2015**

Attached Documents

Exhibit 4

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

Document Num	Description	URL
674900401	Taylor #2 32-1 well head	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3573307
674900402	Unlined pit on SE edge of location.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3573308
674900403	Steel pipe and valve protruding through pit berm	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3573309
674900404	Washed out access road.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3573310

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.)

Exhibit 4



03.18.2015 15:56

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:
03/16/2015

Document Number:
674900405

Overall Inspection:

ACTION REQUIRED

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>214697</u>	<u>333794</u>	<u>Hughes, Jim</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>10254</u>
Name of Operator:	<u>RED MESA HOLDINGS/O&G LLC</u>
Address:	<u>5619 DTC PARKWAY - STE 800</u>
City:	<u>GREENWOOD</u> State: <u>CO</u> Zip: <u>80111</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
Ellsworth, Stuart		stuart.ellsworth@state.co.us	
Lionette, Dave	(303) 957-2038	dlionette@madisoncap.com	
Fischer, Alex		alex.fischer@state.co.us	
Labowskie, Steve		steve.labowskie@state.co.us	
Ferrin, Jeremy		jeremy.ferrin@state.co.us	

Compliance Summary:

QtrQtr: NESW Sec: 21 Twp: 33N Range: 12W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
01/12/2011	200295976	RT	SI	SATISFACTORY			No
09/09/2008	200208094	PR	PR	SATISFACTORY			No
08/11/1997	500147729	PR	PR			Pass	No
06/10/1996	500147728	PR	PR			Pass	No
09/21/1995	500147727	PR	PR				Yes

Inspector Comment:

On March 16, 2015 COGCC SW EPS Jim Hughes conducted an environmental field inspection of the Red Mesa Holdings Taylor TW #1 21-1. For the most recent field inspection report of this facility, please refer to document #200295976.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status
119754	PIT		09/23/1999		-	TAYLOR 21-1	<input checked="" type="checkbox"/>
119755	PIT		09/23/1999		-	TAYLOR 21-1	<input type="checkbox"/>
214697	WELL	TA	04/30/2014	GW	067-06301	TAYLOR TW 1 21-1	EI <input checked="" type="checkbox"/>
216580	WELL	PA	02/29/2012	GW	067-40000	ALAN 1	PA <input type="checkbox"/>

Equipment:

Location Inventory

Predrill

Location ID: 214697

Site Preparation:

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

S/AV: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

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: 119754 Type: PIT API Number: - Status: _____ Insp. Status: _____

Facility ID: 214697 Type: WELL API Number: 067-06301 Status: TA Insp. Status: EI

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: _____

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: _____

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
Compaction	Fail	Compaction	Pass			

S/A/V: ACTION REQUIRED Corrective Date: 05/22/2015

Comment: Storm water run off channel from location to pit on the west side of the location.

CA: Install and maintain location BMPs to prevent further erosion of pad.

Pits: NO SURFACE INDICATION OF PIT

Pit Type: _____ Lined: NO Pit ID: 119754 Lat: 37.087777 Long: -108.157836

Lining:

Liner Type: _____ Liner Condition: _____

Comment: _____

Fencing:

Fencing Type: None Fencing Condition: _____

Comment: _____

Netting:

Netting Type: _____ Netting Condition: _____

Comment: _____

Anchor Trench Present: _____ Oil Accumulation: _____ 2+ feet Freeboard: _____

Pit (S/A/V): ACTION Comment: Overgrown pit to the west of location.

Corrective Action: Close pit in accordance with the 900 series Rules. Date: 05/22/2015

Attached Documents

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

Document Num	Description	URL
674900406	Taylor TW #1 21-1 well head and domestic tap.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3573962
674900407	Valve access and handle.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3573963
674900408	View from pit towards location.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3573964
674900409	Overgrown pit to the west of the well head.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3573965

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.)

Exhibit 4

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

Lease Road:

Type	Satisfactory/Action Required	comment	Corrective Action	Date
Access	SATISFACTORY			

Signs/Marker:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
WELLHEAD	SATISFACTORY	Location sign mounted to pump jack guard fence.		

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

Comment: _____

Corrective Action: _____

Good Housekeeping:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
UNUSED EQUIPMENT	ACTION REQUIRED	Tubulars laying on the ground next to pump jack.	Remove unused equipment from location.	04/23/2015

Spills:

Type	Area	Volume	Corrective action	CA Date
Crude Oil	WELLHEAD	<= 5 bbls	Remove/remediate impacted material from around well head.	03/30/2015

Multiple Spills and Releases?

Fencing/:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Equipment:

Type	#	Satisfactory/Action Required	Comment	Corrective Action	CA Date
Gas Meter Run	1	SATISFACTORY			
Deadman # & Marked	4	SATISFACTORY			
Pump Jack	1	SATISFACTORY	Prime mover has been removed, inactive.		

Venting:	
Yes/No	Comment

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

Predrill

Location ID: 214622

Site Preparation:

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

S/A/V: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

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: _____

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: 214622 Type: WELL API Number: 067-06226 Status: PR Insp. Status: EI

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? _____ 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: _____

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
Compaction	Fail					

S/A/V: ACTION REQUIRED Corrective Date: 04/23/2015

Comment: Storm water run off erosion on location. BMPs along southern edge of location have failed.

CA: Properly install and maintain storm water BMPs to control and prevent storm water erosion.

Pits: NO SURFACE INDICATION OF PIT

Attached Documents

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

Document Num	Description	URL
674900411	Ferguson #1 F-7 well head and pump jack.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3573987
674900412	Straw bale BMP along S edge of location has failed.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3573988

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.)

Exhibit 4



03.16.2015 14:30

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:
03/18/2015

Document Number:
674900420

Overall Inspection:

ACTION REQUIRED

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>214790</u>	<u>325450</u>	<u>Hughes, Jim</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>10254</u>
Name of Operator:	<u>RED MESA HOLDINGS/O&G LLC</u>
Address:	<u>5619 DTC PARKWAY - STE 800</u>
City:	<u>GREENWOOD</u> State: <u>CO</u> Zip: <u>80111</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
Lionette, Dave	(303) 957-2038	dlionette@madisoncap.com	
Labowskie, Steve		steve.labowskie@state.co.us	
Fischer, Alex		alex.fischer@state.co.us	

Compliance Summary:

QtrQtr: NWNW Sec: 33 Twp: 33N Range: 12W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
12/02/2014	667700480	PR	PR	ACTION REQUIRED	I		No
04/17/2013	669400575	PR	PR	SATISFACTORY	I		No
01/22/2008	200126825	PR	PR	SATISFACTORY			No
08/22/1997	500147889	PR	PR			Pass	No
07/15/1996	500147888	PR	PR			Pass	No
12/04/1995	500147887	PR	PR				No

Inspector Comment:

On March 18, 2015 COGCC SW EPS Jim Hughes conducted an environmental field inspection of the Red Mesa Holdings Taylor #2 33-2. For the most recent field inspection report of this facility, please refer to document #667700480. The overall inspection status of this report shall remain the same as that document until all corrective actions have been performed.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status	
214790	WELL	PR	06/30/2009	OW	067-06394	TAYLOR NO.2 33-2	EI	<input checked="" type="checkbox"/>

Equipment:

Location Inventory

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Exhibit 4

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

Lease Road:

Type	Satisfactory/Action Required	comment	Corrective Action	Date
Access	SATISFACTORY			

Signs/Marker:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
WELLHEAD	ACTION REQUIRED	Location sign found in bushes on the ground S of well head.	Install sign to comply with rule 210.	04/23/2015

Emergency Contact Number (S/A/V): ACTION Corrective Date: 04/23/2015

Comment: Sign is laying on the ground S of location.

Corrective Action: Install sign to comply with Rule 210.

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
Deadman # & Marked	4	ACTION REQUIRED	SW anchor is not marked.	Mark or remove all rig anchors.	04/23/2015

Venting:

Yes/No	Comment

Flaring:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Predrill

Location ID: 214790

Site Preparation:

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

S/AV: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

S/AV: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

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: 214790 Type: WELL API Number: 067-06394 Status: PR Insp. Status: EI

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? _____ 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: _____

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
Compaction	Pass	Compaction	Pass			

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

Comment: _____

CA: _____

Pits: NO SURFACE INDICATION OF PIT

Attached Documents

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

Document Num	Description	URL
674900421	Taylor #2 33-2 well head and location.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3574350
674900422	Taylor #2 33-2 well head	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3574351

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.)