

August 31, 2009

Robert H. Chesson  
EPS – COGCC  
1120 Lincoln St., Suite 801  
Denver, CO 80203

RE: COGCC complaint #200216887

Dear Mr. Chesson:

Machii-Ross Petroleum Co. is in receipt of your letter of August 20, 2009, with attached NOAVs, which were delivered to our office. We have transmitted the NOAV's to Machii-Ross and it has asked that we file this response on its behalf. Peterson Energy Operating, Inc. ("PEOI") is a consultant to Machii-Ross on this operation. In response to the question raised in your letter regarding whom to serve, the proper party to notify is Machii-Ross Petroleum Co. (COGCC Operator # 52250), the operator of the property referenced in the NOAV's. Machii-Ross's address is 2901 28<sup>th</sup> Street, Suite 205, Santa Monica, CA 90405 As you directed, the NOAV addressed to MRPC II LLC (COGCC Operator #10302) will be discarded.

On behalf of Machii-Ross, we have attached a Form 27 describing their initial response. In filing a Form 27, please note that Machii-Ross does not admit that any spill or release has occurred from its facility or that it is required to remediate any spill or release of any third party that may have caused the conditions described in the NOAV. You will note in the Form 27 that the activity along WCR 18 was actually initiated by PEOI on behalf of Machii-Ross during a routine leak surveillance with a portable flame-ionization leak detector. The survey picked up a "hot spot" close to the intersection with Road 19, in front of the Evans's house, along the route of the Machii-Ross buried steel line. In the course of getting the relevant lines in the area located, DCP-Midstream personnel informed PEOI that they had a 4" poly line running along the north side of Road 18. At the direction of Machii-Ross, PEOI then excavated the road in the area of the hot spot and found and excavated a 4" steel line. At first, we

**petroleum engineering**

thought this was the Machii-Ross line, as the installation of this line preceded our tenure with Machii-Ross and the Machii-Ross personnel involved with the gas line during the early years have left the company or passed away. We thought possibly that a section of the Machii-Ross 6" steel line had been replaced with 4" steel. It turns out that the 4" steel line we excavated was actually the DCP-Midstream line they had told us was a 4" poly line. After finding no apparent leak, we pressure tested the Machii-Ross 6" line in that area. The line was pressure tested to 49 psi and bled off to 21 psi overnight and then held for 24 hours at 21 psi after that.

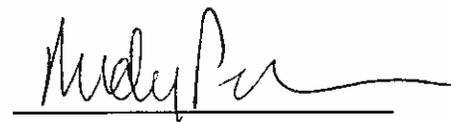
We assumed from this testing that the line did not have a leak. DCP-Midstream then dug up their 4" steel line and found the Machii-Ross 6" line close to their line. They did find a small hole in the bottom of the Machii-Ross 6" line, which we patched.

Machii-Ross does not think that its line released any gas or that any release from its line caused the methane concentrations or impact on vegetation described in the NOAV. However, as detailed in the Form 27, Machii-Ross is installing a block valve one mile west of the patch site, at the WCR 17 & 18 intersection. This will enable testing just the segment in question, over a length of approximately 1¼ miles. Only one battery ties into the line in this section, and that single valve can be blanked off for a test. After installing the block valve, the section in question will be filled with water and tested to 50 psi. COCCC personnel will be notified in time to witness the test.

Please call the undersigned with any questions.

Respectfully submitted,

PETERSON ENERGY OPERATING, INC.  
(Consultants to Machii-Ross Petroleum Co.)

A handwritten signature in black ink, appearing to read "Andy Peterson", written over a horizontal line.

Andy Peterson, President

Attachment, Form 27

cc: Machii-Ross Petroleum Co.

INFORMATIONAL ONLY - DO NOT PROCESS

FORM 27 Rev 6/99

State of Colorado Oil and Gas Conservation Commission



RECEIVED SEP 02 2009 COGCC

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

SITE INVESTIGATION AND REMEDIATION WORKPLAN

This form shall be submitted to the Director for approval prior to the initiation of site investigation and remediation activities. Form 27 is intended to be used whenever possible. Additional documentation will be required when large volumes of soil and groundwater have been impacted or involve large facilities with multiple source areas. See Rule 910. Attach as many pages as needed to fully describe the proposed work.

CAUSE OF CONDITION BEING INVESTIGATED AND REMEDIATED

Spill or Release Plug & Abandon Central Facility Closure Site/Facility Closure Other (describe): Pipeline Leak

Spill Complaint Inspection NOAV Tracking No: 200216891

OGCC Operator Number: 52250 Name of Operator: Machii-Ross Petroleum Co. Address: 2901 29th St., Suite 205 City: Santa Monica State: CA Zip: 90405 Contact Name and Telephone: Andy Peterson No: (970) 669-7411 Fax: (970) 669-4077

API Number: County: Weld Facility Name: Facility Number: Well Name: Flowline Along WCR 18 Well Number: Location: (QtrQtr, Sec, Twp, Rng, Meridian): NENE 28-2N-67W, 6th Latitude: Longitude:

TECHNICAL CONDITIONS

Type of Waste Causing Impact (crude oil, condensate, produced water, etc): Site Conditions: Is location within a sensitive area (according to Rule 901e)? Y N If yes, attach evaluation. Adjacent land use (cultivated, irrigated, dry land farming, industrial, residential, etc.): Pasture, Residential Soil type, if not previously identified on Form 2A or Federal Surface Use Plan: Olney Loamy Sand Potential receptors (water wells within 1/4 mi, surface waters, etc.): Six water wells shown on COGCC website.

Description of Impact (if previously provided, refer to that form or document): Impacted Media (check): Soils Vegetation Groundwater Surface Water Extent of Impact: Dead Vegetation How Determined: Visual

REMEDIALTION WORKPLAN

Describe initial action taken (if previously provided, refer to that form or document): During routine testing with a flame ionization detector on July 31, 2009, Machii-Ross identified a potential leak site. On August 13, 2009 a leak on the Machii-Ross line was found and patched. Describe how source is to be removed: Install block valve on Machii-Ross 6" line in NWNW 28-2N-67W. Hydrostatic test line from block valve east and north to terminus in NESE 21-2N-67W. Describe how remediation of existing impacts is to be accomplished, including removal and disposal at an injection well or licensed facility, land treatment on site, removal of impacted groundwater, insitu bioremediation, burning of oily vegetation, etc.:



Tracking Number: \_\_\_\_\_ Name of Operator: \_\_\_\_\_ OGCC Operator No: \_\_\_\_\_ Received Date: \_\_\_\_\_ Well Name & No: \_\_\_\_\_ Facility Name & No: \_\_\_\_\_

Page 2 REMEDIATION WORKPLAN (Cont.)

OGCC Employee: \_\_\_\_\_

If groundwater has been impacted, describe proposed monitoring plan (# of wells or sample points, sampling schedule, analytical methods, etc.):

Describe reclamation plan. Discuss existing and new grade recontouring; method and testing of compaction alleviation; and reseeding program, including location of new seed, seed mix and noxious weed prevention. Attach diagram or drawing. Use additional sheet for description if required.

Attach samples and analytical results taken to verify remediation of impacts. Show locations of samples on an onsite schematic or drawing.

Is further site investigation required?  Y  N If yes, describe:

Final disposition of E&P waste (landtreated and disposed onsite, name of licensed disposal facility, recycling, reuse, etc.):

IMPLEMENTATION SCHEDULE

Date Site Investigation Began: 7/31/09 Date Site Investigation Completed: \_\_\_\_\_ Date Remediation Plan Submitted: \_\_\_\_\_ Remediation Start Date: \_\_\_\_\_ Anticipated Completion Date: \_\_\_\_\_ Actual Completion Date: \_\_\_\_\_

I hereby certify that the statements made in this form are, to the best of my knowledge, true, correct, and complete.

Print Name: Andy Peterson Signed: [Signature] Title: Consultant Date: 8/31/09

OGCC Approved: [Signature] Title: EPS Date: 9/4/09