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| FORM INSP Rev 05/11 | State of Colorado Oil and Gas Conservation Commission 1120 Lincoln Street, Suite 801, Denver, Colorado 80205 Phone: (303) 894-2100 Fax: (303) 894-2109 |  | DE ET OE ES |
|-------------------------------|--|--|-------------|

Inspection Date: 03/13/2012

Document Number: 663400081

Overall Inspection: Unsatisfactory

| | | | | |
|---------------------|---------------|---------------|---------------|--------------------------------------|
| Location Identifier | Facility ID | Loc ID | Tracking Type | Inspector Name: <u>EDELEN, RANDY</u> |
| | <u>200753</u> | <u>319656</u> | | |

Operator Information:

OGCC Operator Number: 10112 Name of Operator: FOUNDATION ENERGY MANAGEMENT LLC

Address: 16000 DALLAS PARKWAY #875

City: DALLAS State: TX Zip: 75248-

Contact Information:

| Contact Name | Phone | Email | Comment |
|---------------------|----------------------|---------------------------------|---------|
| Eisterhold, Racheal | 918-585-1650 ext 212 | regulatory@foundationenergy.com | |

Compliance Summary:

QtrQtr: SWSE Sec: 17 Twp: 1S Range: 60W

| Insp. Date | Doc Num | Insp. Type | Insp Status | Satisfactory /Unsatisfactory | PA P/F/I | Pas/Fail (P/F) | Violation (Y/N) |
|------------|-----------|------------|-------------|------------------------------|----------|----------------|-----------------|
| 02/06/2009 | 200205231 | PR | SI | U | | | Y |
| 02/02/2009 | 200205157 | PR | SI | U | | | Y |
| 04/18/2003 | 200037635 | ES | UN | | | P | N |
| 08/31/1995 | 500131191 | PR | PR | | | P | N |

Inspector Comment:

Location needs alot of pickup and housekeeping as well as some minor repair.Reinspection of previosly failed inspection from 2009.

Related Facilities:

| Facility ID | Type | Status | Status Date | Well Class | API Num | Facility Name |
|-------------|----------|--------|-------------|------------|-----------|------------------------|
| 119082 | PIT | CL | 02/06/2002 | | - | UPRR EHN 34-17 |
| 200753 | WELL | PR | 01/01/2011 | OW | 001-06156 | UPRR-EHN 34-17 |
| 319656 | LOCATION | AC | 04/14/2009 | | - | UPRR-EHN-61S60W 17SWSE |

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/Unsatisfactory | comment | Corrective Action | Date |
|--------|-----------------------------|---------|-------------------|------|
| Access | Satisfactory | | | |

| Signs/Marker: | | | | |
|----------------------|-----------------------------|---------|-------------------|---------|
| Type | Satisfactory/Unsatisfactory | Comment | Corrective Action | CA Date |
| WELLHEAD | Satisfactory | | | |

Emergency Contact Number: (S/U/V) Satisfactory Corrective Date: _____

Comment: _____

Corrective Action: _____

| Good Housekeeping: | | | | |
|---------------------------|-----------------------------|--|---|------------|
| Type | Satisfactory/Unsatisfactory | Comment | Corrective Action | CA Date |
| WEEDS | Unsatisfactory | Weeds growing on lease between wellhead an shed | Remove and prevent weed growth | 04/30/2012 |
| UNUSED EQUIPMENT | Unsatisfactory | Lots of unused equipment on locationCasing slips, valves, hose, pumps, etc | Remove all unused equipment | 04/30/2012 |
| TRASH | Unsatisfactory | Dirty shirt inside containment for tanks | Remove and properly dispose of all trash | 04/30/2012 |
| TRASH | Unsatisfactory | Trash all over locationCharts scattered around and blowing off leaseAnimal bones in shed | Remove and properly dispose of all trash | 04/30/2012 |
| OTHER | Unsatisfactory | Dead mice and mouse nest in electrical box | Remove material, properly attach cable clamp, and ensure box is sealed. | 04/30/2012 |

| Spills: | | | | |
|----------------|----------|-----------|---|------------|
| Type | Area | Volume | Corrective action | CA Date |
| Other | WELLHEAD | <= 5 bbls | Mineral oil is leaking out of transformer. Repair leak and remediate spill. | 04/30/2012 |
| Crude Oil | Tank | <= 5 bbls | Remove and remediate contaminated soil inside berm | 04/30/2012 |
| Crude Oil | WELLHEAD | <= 5 bbls | Repair leaks and remediate spills | 04/30/2012 |

Multiple Spills and Releases?

| Fencing/: | | | | |
|------------------|-----------------------------|---------|-------------------|---------|
| Type | Satisfactory/Unsatisfactory | Comment | Corrective Action | CA Date |
| | Satisfactory | | | |

| Equipment: | | | | | |
|---------------------|---|-----------------------------|--|--|------------|
| Type | # | Satisfactory/Unsatisfactory | Comment | Corrective Action | CA Date |
| Submersible Pump | 1 | Unsatisfactory | Transformer needs repair | See spills | 04/30/2012 |
| Ancillary equipment | 1 | Satisfactory | Panels from shed laying on ground | Repair and maintain shed | 04/30/2012 |
| Deadman # & Marked | 4 | Unsatisfactory | Missing marker at deadmanUnused deadman laying on location | Mark deadman and remove unused equipment | 04/30/2012 |

| | | | | |
|---------------------|---|-----------------------------------|---------------------|---|
| Tanks/Berms: | | <input type="checkbox"/> New Tank | Tank ID: _____ | |
| Contents | # | Capacity | Type | SE GPS |
| | | | | |
| S/U/V: | | | Comment: | |
| Corrective Action: | | | | Corrective Date: |
| <u>Paint</u> | | | | |
| Condition | | | | |
| Other (Content) | _____ | | | |
| Other (Capacity) | _____ | | | |
| Other (Type) | _____ | | | |
| <u>Berms</u> | | | | |
| Type | Capacity | Permeability (Wall) | Permeability (Base) | Maintenance |
| Other | Adequate | Walls Sufficient | Base Sufficient | Adequate |
| Corrective Action | | | | Corrective Date |
| Comment | Fiberglass catch basin for methanol injection | | | |
| Tanks/Berms: | | <input type="checkbox"/> New Tank | Tank ID: _____ | |
| Contents | # | Capacity | Type | SE GPS |
| CRUDE OIL | 4 | 300 BBLS | STEEL AST | 39.957580, -104.132240 |
| S/U/V: | Unsatisfactory | Comment: | | Tanks are not properly labeledSurface rust on older tanks |
| Corrective Action: | Label all tanks according to regulations, including contents and volume | | | Corrective Date: 04/30/2012 |
| <u>Paint</u> | | | | |
| Condition | Inadequate | | | |
| Other (Content) | _____ | | | |
| Other (Capacity) | _____ | | | |
| Other (Type) | _____ | | | |
| <u>Berms</u> | | | | |
| Type | Capacity | Permeability (Wall) | Permeability (Base) | Maintenance |
| Earth | Adequate | Walls Sufficient | Base Insufficient | Adequate |
| Corrective Action | Repair or replace liner | | | Corrective Date 04/30/2012 |
| Comment | Liner is exposed and perforated | | | |

| | | | | | |
|---------------------|---|---|---------------------|------------------|------------|
| Tanks/Berms: | | <input type="checkbox"/> New Tank | Tank ID: _____ | | |
| Contents | # | Capacity | Type | SE GPS | |
| PRODUCED WATER | 5 | 400 BBLS | FIBERGLASS AST | , | |
| S/U/V: | Unsatisfactory | Comment: Tanks are not properly labeled, unsure of contents | | | |
| Corrective Action: | Label all tanks according to regulations, including contents and volume | | | Corrective Date: | 04/30/2012 |
| Paint | | | | | |
| Condition | Adequate | | | | |
| Other (Content) | _____ | | | | |
| Other (Capacity) | _____ | | | | |
| Other (Type) | _____ | | | | |
| Berms | | | | | |
| Type | Capacity | Permeability (Wall) | Permeability (Base) | Maintenance | |
| | | | | | |
| Corrective Action | | | | Corrective Date | |
| Comment | See steel tanks in shared berm | | | | |
| Venting: | | | | | |
| Yes/No | Comment | | | | |
| NO | | | | | |
| Flaring: | | | | | |
| Type | Satisfactory/Unsatisfactory | Comment | Corrective Action | CA Date | |
| | | | | | |

Predrill

Location ID: 319656

Site Preparation:

Lease Road Adeq.: _____ Pads: _____ Soil Stockpile: _____
Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

Wildlife BMPs:

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:

Well

Facility ID: 200753 API Number: 001-06156 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:

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: _____

Inspector Name: EDELEN, RANDY

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

Storm Water:

| Loc Erosion BMPs | BMP Maintenance | Lease Road Erosion BMPs | Lease BMP Maintenance | Chemical BMPs | Chemical BMP Maintenance | Comment |
|------------------|-----------------|-------------------------|-----------------------|---------------|--------------------------|---------|
| | | | | | | |

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

COGCC Comments

| Comment | User | Date |
|--|---------|------------|
| Location needs alot of pickup and housekeeping as well as some minor repair. Reinspection of previously failed inspection from 2009. | edelenr | 03/13/2012 |

Attached Documents

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

| Document Num | Description | URL |
|--------------|---------------------|---|
| 663400081 | INSPECTION APPROVED | http://cogcc.state.co.us/weblink/DownloadDocumentPDF.aspx?DocumentId=2896589 |