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| FORM INSP Rev 05/11 | State of Colorado Oil and Gas Conservation Commission 1120 Lincoln Street, Suite 801, Denver, Colorado 80203 Phone: (303) 894-2100 Fax: (303) 894-2109 |  | DE ET OE ES |
|-------------------------------|--|--|-------------|

Inspection Date: 06/21/2012

Document Number: 663400495

Overall Inspection: **Unsatisfactory**

| | | | | |
|---------------------|---------------|---------------|---------------|--------------------------------------|
| Location Identifier | Facility ID | Loc ID | Tracking Type | Inspector Name: <u>EDELEN, RANDY</u> |
| | <u>202654</u> | <u>320109</u> | | |

Operator Information:

OGCC Operator Number: 54380 Name of Operator: MATRIX ENERGY LLC

Address: 1241 THOROUGHbred ROAD

City: DURANGO State: CO Zip: 81303

Contact Information:

| Contact Name | Phone | Email | Comment |
|------------------|----------------|---------------------|---------|
| Blandford, David | (970) 247-1959 | andele@frontier.net | |

Compliance Summary:

QtrQtr: NENW Sec: 10 Twp: 2S Range: 61W

| Insp. Date | Doc Num | Insp. Type | Insp Status | Satisfactory /Unsatisfactory | PA P/F/I | Pas/Fail (P/F) | Violation (Y/N) |
|------------|-----------|------------|-------------|------------------------------|----------|----------------|-----------------|
| 10/25/2007 | 200128988 | PR | PR | U | | | Y |
| 07/10/2003 | 200041636 | PR | PR | S | | P | N |

Inspector Comment:

Inspection of a producing wellUnsatisfactory inspection on 10/25/2007

Related Facilities:

| Facility ID | Type | Status | Status Date | Well Class | API Num | Facility Name |
|-------------|------|--------|-------------|------------|-----------|--|
| 202654 | WELL | PR | 03/07/1982 | OW | 001-08059 | ANDERSON 4 <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

Lease Road:

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

Signs/Marker:

| Type | Satisfactory/Unsatisfactory | Comment | Corrective Action | CA Date |
|----------------------|-----------------------------|----------------------------|---|---------|
| TANK LABELS/PLACARDS | Unsatisfactory | Tanks not properly labeled | Install sign to comply with rule 210.b. | |

| | | | | |
|----------|--------------|--|--|--|
| WELLHEAD | Satisfactory | | | |
|----------|--------------|--|--|--|

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

Comment: Verified

Corrective Action: _____

| Good Housekeeping: | | | | |
|---------------------------|-----------------------------|---|--|------------|
| Type | Satisfactory/Unsatisfactory | Comment | Corrective Action | CA Date |
| TRASH | Unsatisfactory | Gloves, rags, and other trash on location | Remove and properly dispose of all trash | 07/31/2012 |

| Spills: | | | | |
|----------------|-----------|-----------|---|------------|
| Type | Area | Volume | Corrective action | CA Date |
| Lube Oil | Pump Jack | <= 5 bbls | Remove and properly dispose of lube oil leak from pump jack gearbox | 07/31/2012 |
| Crude Oil | WELLHEAD | <= 5 bbls | Remove buildup around stuffing box | 07/31/2012 |
| Crude Oil | Tank | <= 5 bbls | Remove or remediate stained soil in tank berm | 07/31/2012 |
| Lube Oil | Pump Jack | <= 5 bbls | Remove stained soil around prime mover | 07/31/2012 |

Multiple Spills and Releases?

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

| Equipment: | | | | | |
|-----------------------------|---|-----------------------------|------------------------------------|-------------------------------|------------|
| Type | # | Satisfactory/Unsatisfactory | Comment | Corrective Action | CA Date |
| Deadman # & Marked | 4 | Satisfactory | | | |
| Pump Jack | 1 | Unsatisfactory | Leaking | Repair and maintain equipment | 07/31/2012 |
| Flow Line | 1 | Satisfactory | | | |
| Ancillary equipment | 1 | Satisfactory | Propane tank | | |
| Ancillary equipment | 1 | Satisfactory | Liquids drop out on tank tops line | | |
| Emission Control Device | 1 | Satisfactory | | | |
| Prime Mover | 1 | Unsatisfactory | Leaking | Repair and maintain equipment | 07/31/2012 |
| Ancillary equipment | 1 | Satisfactory | Chemical pump and barrel | | |
| Horizontal Heated Separator | 1 | Satisfactory | | | |

| | | | | | |
|--------------------|--|-----------------------------------|---------------------|-----------------------|------------|
| Facilities: | | <input type="checkbox"/> New Tank | Tank ID: _____ | | |
| Contents | # | Capacity | Type | SE GPS | |
| CRUDE OIL | 2 | 300 BBLS | STEEL AST | 39.898490,-104.193670 | |
| S/U/V: | Satisfactory | Comment: | | | |
| Corrective Action: | | | | Corrective Date: | |
| Paint | | | | | |
| Condition | Adequate | | | | |
| Other (Content) | _____ | | | | |
| Other (Capacity) | Not labeled, from Manufacturer's tag | | | | |
| Other (Type) | _____ | | | | |
| Berms | | | | | |
| Type | Capacity | Permeability (Wall) | Permeability (Base) | Maintenance | |
| Earth | Adequate | Walls Sufficient | Base Sufficient | Inadequate | |
| Corrective Action | Remove and prevent growth of all noxious weeds | | | Corrective Date | 07/31/2012 |
| Comment | Hard armored with stones, weeds growing on and inside berm | | | | |
| Venting: | | | | | |
| Yes/No | Comment | | | | |
| NO | | | | | |
| Flaring: | | | | | |
| Type | Satisfactory/Unsatisfactory | Comment | Corrective Action | CA Date | |
| | | | | | |

Predrill

Location ID: 320109

Site Preparation:

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

Form 2A COAs:

Comment: _____

CA: _____ **Date:** _____

Wildlife BMPs:

Comment: _____

CA: _____ **Date:** _____

Stormwater:

| Erosion BMPs | Present | Other BMPs | Present |
|--------------|---------|------------|---------|
| | | | |

Corrective Action: _____ Date: _____

Comments: Erosion BMPs: _____
 Other BMPs: _____

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: 202654 Type: WELL API Number: 001-08059 Status: PR Insp. Status: PR

Producing Well

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

Inspector Name: EDELEN, RANDY

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

Storm Water:

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

S/U/V: Satisfactory _____ Corrective Date: _____

Comment: _____

CA: _____

Pits:

Pit Type: Produced Water Lined: YES Pit ID: 113896 Lat: 39.898540 Long: -104.193100

Lining:

Liner Type: HDPE Liner Condition: Adequate

Comment: _____

Fencing:

Fencing Type: None Fencing Condition: _____

Comment: _____

Netting:

Netting Type: _____ Netting Condition: _____

Comment: No Netting

Anchor Trench Present: YES Oil Accumulation: NO 2+ feet Freeboard: _____

Pit (S/U/V): Unsatisfactory Comment: No level indicator

Corrective Action: Install netting to prevent wildlife ingress
Install a level indicator Date: 07/31/2012

Pits:

Pit Type: Skimming/Settling Lined: YES Pit ID: _____ Lat: 39.898540 Long: -104.193100

Lining:

Liner Type: _____ Liner Condition: _____

Comment: Cement vault

Fencing:

Fencing Type: None Fencing Condition: _____

Comment: _____

Netting:

Netting Type: _____ Netting Condition: _____

Comment: Cover was removed and at least one dead bird was observed in the pit, replaced same

Anchor Trench Present: NO Oil Accumulation: YES 2+ feet Freeboard: _____

Pit (S/U/V): Unsatisfactory Comment: _____

Corrective Action: Install secondary containment around pit Date: 07/31/2012