

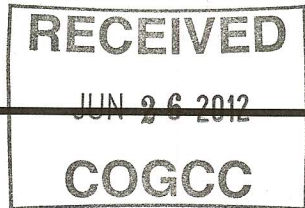


United States Department of the Interior



BUREAU OF LAND MANAGEMENT

Tres Rios Field Office
Lands and Minerals
15 Burnett Court
Durango, Colorado 81301



In Reply Refer to: BLM 3162.5-1(a) (CO-0800)
Date: 6/20/2012

Certified Mail - return receipt requested (7009-3410-0000-5257-7585)

Attn: Bob Clayton
Kinder Morgan Production Company
17801 HWY 491
CORTEZ, CO 81321

Subject: Request for remediation/ reclamation of the **McElmo Dome Unit-#22/23**

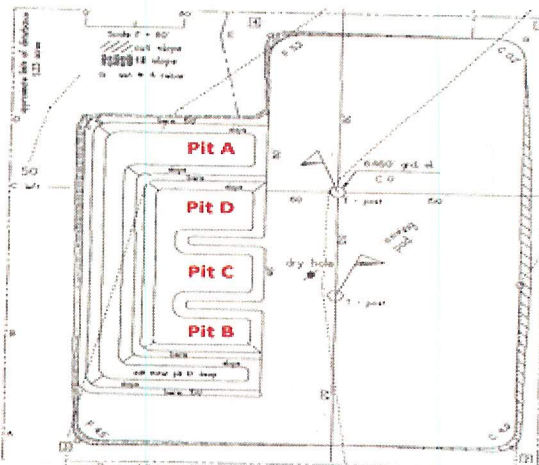
*File
Goodman Point
Location
#393066*

Dear Operator:

A **2012** surface inspection of the **McElmo Dome Unit-#22/23 well pad on June 15, 2012** revealed numerous construction, personnel, and environmental issues. This well pad is located in **Sec 32 T37N, R18W** on Federal Minerals Lease **COC22373, API # ...6688**. The APDs for the wells on pad were approved May 4, 2011, and drilled in early August 2011.

During the June 15th inspection, BLM personnel immediately noted the overall poor condition the pad, as well as a peculiar smell gassing from the brine water and freshwater reserve pits. Upon closer inspection, the freshwater pits contained a sludge comprised of standing water with construction/drilling materials at the bottom of each pool in addition to visible salt precipitation in the fresh water pits. Fluid and soil samples were taken and the following results were found:

McElmo Dome Unit GP 22/23- Pit Fluid Analysis



	Fresh Water	Pit A	Pit B	Pit C	Pit D
Conductivity	0.05-0.8ms	133.3ms	195.5ms	138.1ms	76.0ms
TDS (PPM)	<1000	66,400	97,500	68,600	38,000
Salinity	0.5ppt	102.4ppt	170.3ppt	106.7ppt	52.7ppt
Hydrocarbons Presence/Absence	None	N/A	Yes-Low	Yes-High	Yes-Low
PH (pH)	6.5-7.5	8.17	8.12	7.94	8.83

According to the onshore order 43 CFR 3160-4(7), "Earthwork for interim and final reclamation must be completed within 6 months of well completion or well plugging. All pads, pits and roads must be reclaimed to a satisfactorily re-vegetated, safe and stable condition, unless an agreement is made with the landowner or Surface Managing Agency to keep the road or pad in place. Pits containing fluids must not be breached (cut) and pit fluids must be removed or solidified before backfilling." As of 6/20/2012 a sundry requesting additional interim reclamation construction time has not been received by the BLM, making the effective due date for interim reclamation activities in February of 2012.

As of June, 2012, reclamation work had not begun on the GP# 22/23 well pad. A subsequent phone conversation occurred with the operator contact, Mr. Bob Clayton, on 6/19/2012 at 10:30 MST. In it, the following items were discussed for immediate attention:

6/19/2012- Inspection Issues- To Be Remediated by 7/5/2012

1. No well-site identification or signage.
Operator must install proper identification.
Reference- 43 CFR 3162.6(a)
2. Blasting caps, cement bags, coke cans/bottles, bits of liner and human waste documented outside of the edge of disturbance.
Operator must remove and dispose of properly.
Reference- General EA Reclamation COA #1, Cultural COA #11
3. Stormwater ditches and berms are not satisfactory.
Operator must install stormwater abatement as prescribed within COAs.
Reference- General EA Construction and Drilling COA #11, COA #5, Cultural COA #11.
4. Old access leg to pre-existing well pad remains un-reclaimed and is still in use by operator.
Operator must discontinue use of access and re-claim the road as is prescribed in the COAs.
Reference- General EA Cultural COAs #20
5. Recent spills and staining of hydrocarbon based products on pad in abundance.
Operator must excavate and remove hydrocarbon laden soils, and test any soils left in the spill area.
Reference- 43 CFR 3162.5-1
6. Pit materials/cuttings outside of designated pits, piled on west corner of pad.
Operator must remove cuttings pile, or place on liner surrounded by an earthen berm.
Reference- 43 CFR 3162.5-1

7. Pit materials/cuttings spilled onto pad and under liner in excavation/shallow trench in front of pit system.
Operator must repair/replace liner in removed sections and dispose of pit cuttings and liner materials at an offsite approved location.
Reference- General EA Construction and Drilling COA #10
8. 6''-8'' holes at the base of every fence post holding "bird flagging" in liner.
Operator must replace liner sections where holes from bird flagging have occurred.
Reference- General EA Construction and Drilling COA #10
9. Pit materials spilled down access road.
Operator must remove and dispose of at an offsite approved location.
Reference- 43 CFR 3162.5-1
10. No secondary containment around pit area (berm).
Operator must install impermeable berms surrounding pits, insuring a minimum of 2 feet of available freeboard at all times.
Reference- General EA Construction and Drilling COA #9
11. Wildlife fence and bird netting has fallen into the pits.
Operator must repair or replace bird netting and remove from pit. Repair or replace broken fence sections and remove from pit.
Reference- General EA Construction and Drilling COA #10

6/19/2012-Inspection Issues- To be remediated by 8/23/2012

1. Pit contents out of conformance with the surface use plan.
Operator must remove contents and test for CATIon, ANIon, Diesel Spectrum (HC), TPH, Conductivity, and Salinity.
Reference- General EA Construction and Drilling COA #17
2. Pit contents out of conformance with surface use plan.
Operator must after submitting results of soils testing to BLM, dispose of materials at an appropriate off-site location.
Reference- General EA Construction and Drilling COA #10, COA #17 43CFR 3160, Order #7 (3)(e).
3. Pit materials/cuttings spilled onto pad and under liner.
Operator must test soils under and adjacent to pit/pit liner for CATIon, ANIon, Diesel Spectrum(HC), TPH, Conductivity, and Salinity. Dispose of at an appropriate off-site location.
Reference- General EA Construction and Drilling COA #10.
4. Pit materials/cuttings soiled liners present on pad.
Operator must remove and dispose of at an offsite location.
Shredding and disposing of pit liners onsite is not permitted. Do not cut at solids line and dispose of onsite, do not backfill materials on top of liner and dispose of onsite.
Reference- General EA Construction and Drilling COA #10.

Questions or concerns regarding inspection issues or timing may be addressed to Ryan Joyner at (970) 385-1242. Failure to comply within the specified time frame to this Order

of the Authorized Officer may incur incidents of non-compliance (INC) under Title 43CFR 3162.1(a).

As per 43 CFR 3165.3 you may request a State Director Review of any instruction, order, or decision of the authorized officer. This request must be filed in writing within 20 business days of receipt of this order with the Colorado State Director.

Sincerely,

Richard A. Rymerson
BLM Minerals Staff Chief
Tres Rios Field Office

CC: COGCC