



DEPARTMENT OF NATURAL RESOURCES

John W. Hickenlooper, Governor

1120 Lincoln St. Suite 801

Denver, CO 80203

Phone: (303) 894-2100

FAX: (303) 894-2109

www.colorado.gov/cogcc

March 1, 2013

CERTIFIED MAIL RETURN RECEIPT REQUESTED
7006 2150 0001 0267 4285

Mr. Jess Peonio
Axia Energy, LLC
1430 Larimer Street, Suite 400
Denver, Colorado 80202

RE: Notice of Alleged Violation #200375865
Bulldog #5-31H Completions Pit, Facility ID: 429725
Location ID: 428927
NWNE Sec 5 T7N R 90W
Moffat County, Colorado

Dear Mr. Peonio,

The Colorado Oil and Gas Conservation Commission (COGCC) is issuing a Notice of Alleged Violation (NOAV) to Axia Energy, LLC (Axia) for the Bulldog #5-31H Completions Pit, Facility ID: 429725 in response to an incident and failed field inspections dated December 10, 2012 (Document Number 669300286), December 12, 2012 (Document Number 669300288), and January 9, 2013 (Document Number 667100022).

During the January 9, 2013 inspection, Pit Facility ID 429725 had fluids with oil/condensate on the surface without appropriate cover/netting. Oil/Condensate was observed at the northeast corner of the pit where the fire occurred as well as along the southern edge of the pit. An oil absorbent boom was noted at the southeast corner of the pit. A condition of approval (COA) for Pit Facility ID 429725 included: *"For pits containing fluids other than freshwater only; the pit must be fenced and netted."* It was apparent that the facility had not been completely constructed as only 9 of the approximate 64 steel posts to hold the bird netting had steel links in place to hold the bird netting cable. The fencing had been compromised, as the high wire around the pit perimeter was observed to be down along the north side of the pit.

The pit liners had been compromised as a result of the fire, however, Mr. Shane Wentzel with Axia stated that Axia believed the upper liner was compromised near the leak detection system (not as a result of the incident and fire) and that the liner compromise may have occurred a couple of weeks prior due to hoses being placed in/out of the pit. A COA for Pit Facility ID 429725 included: *"Delivery and vacuum truck hoses will not be allowed to be placed directly onto the liner."*

An open trench/excavation was observed along the east side of Pit Facility ID 429725. This trench/excavation may potentially act as a conduit to the shallow groundwater and is a violation of the Colorado Oil and Gas Conservation Commission (COGCC) storm water Rules.

The rules cited in the NOAV are provided below along with required Abatement/Corrective Actions. The January 9, 2013 field inspection is included as Attachment 1.

DEPARTMENT OF NATURAL RESOURCES: Mike King, Executive Director
COGCC COMMISSION: Richard Alward – John Benton – Thomas L. Compton – DeAnn Craig – Tommy Holton – W. Perry Pearce – Andrew Spielman – Mike King – Chris Urbina
COGCC STAFF: Matt Lepore, Director – Margaret Ash, Field Inspection Manager – Jim Milne, Environmental Manager – Stuart Ellsworth, Engineering Manager

BASIS for COGCC RULES CITED under Rule 522.a

303. REQUIREMENTS FOR FORM 2, APPLICATION FOR PERMIT-TO-DRILL, DEEPEN, RE-ENTER, OR RECOMPLETE, AND OPERATE; FORM 2A, OIL AND GAS LOCATION ASSESSMENT.

d. Form 2A, Oil and Gas Location Assessment COAs.

324A. POLLUTION

a. The Operator shall take precautions to prevent significant adverse environmental impacts to air, water, soil, or biological resources to the extent necessary to protect public health, safety and welfare, by using cost-effective and technically feasible measures to protect environmental quality and to prevent the unauthorized discharge or disposal of oil, gas, E&P waste, chemical substance, trash, discarded equipment or other oil field waste.

604. OIL AND GAS FACILITIES

d. **Mechanical Conditions.** All valves, pipes and fittings shall be securely fasten, inspected at regular interval, and maintained in good mechanical conditions. A condition of approval for Pit Facility ID 429725 included: *"Operator shall pressure test pipelines in accordance with Rule 1101.e.(1) prior to putting into initial service any temporary surface pipelines or configuration of the permanent pipeline network."*

902 PITS-GENERAL AND SPECIAL RULES

a. Pits used for exploration and production of oil and gas shall be constructed and operated to protect public health, safety, and welfare and the environment, including soil, waters of the state, and wildlife, from significant adverse environmental, public health, or welfare impacts from E&P waste, except as permitted by applicable laws and regulations.

b. Pits shall be constructed, monitored, and operated to provide for a minimum of two (2) feet of freeboard at all times between the top of the pit wall at its point of lowest elevation and the fluid level of the pit. A method of monitoring and maintaining freeboard shall be employed. Any unauthorized release of fluids from a pit shall be subject to the reporting requirements of Rule 906.

c. Any accumulation of oil or condensate in a pit shall be removed within twenty-four (24) hours of discovery. Operators shall use skimming, steam cleaning of exposed liners, or other safe and legal methods as necessary to maintain pits in clean condition and to control hydrocarbon odors. Only de minimis amounts of hydrocarbons may be present unless the pit is specifically permitted for oil or condensate recovery or disposal use. A Form 15 pit permit may be revoked by the Director and the Director may require that the pit be closed if an operator repeatedly allows more than de minimis amounts of oil or condensate to accumulate in a pit. This requirement is not applicable to properly permitted and properly fenced, lined, and netted skim pits that are designed, constructed, and operated to prevent impacts to wildlife, including migratory birds.

d. Where necessary to protect public health, safety and welfare or to prevent significant adverse environmental impacts resulting from access to a pit by wildlife, migratory birds, domestic animals, or members of the general public, operators shall install appropriate netting or fencing.

e. Pits used for a period of no more than three (3) years, or more than three (3) years if the Director has issued a variance, for storage, recycling, reuse, treatment, or disposal of E&P waste or fresh water, as applicable, may be permitted in accordance with Rule 903 to service multiple wells, subject to Director approval.

h. Produced water shall be treated in accordance with Rule 907 before being placed in a production pit.

903 PIT PERMITTING/REPORTING REQUIREMENTS

Form 15, Pit Facility ID 429725 COAs.

906. SPILLS AND RELEASES

a. **General.** Spills/releases of E&P waste, including produced fluids, shall be controlled and contained immediately upon discovery to protect the environment, public health, safety, and welfare, and wildlife resources. Impacts resulting from spills/releases shall be investigated and cleaned up as soon as practicable. The Director may require additional activities to prevent or mitigate threatened or actual significant adverse environmental impacts on any air, water, soil or biological resource, or to the extent necessary to ensure compliance with the concentration levels in Table 910-1, with consideration to WQCC ground water standards and classifications.

907. MANAGEMENT OF E&P WASTE

a. **General requirements.**

(1) **Operator obligations.** Operators shall ensure that E&P waste is properly stored, handled, transported, treated, recycled, or disposed to prevent threatened or actual significant adverse environmental impacts to air, water, soil or biological resources or to the extent necessary to ensure compliance with the concentration levels in Table 910-1, with consideration to WQCC ground water standards and classifications.

b. **Waste transportation.**

(1) E&P waste, when transported off-site within Colorado for treatment or disposal, shall be transported to facilities authorized by the Director or waste disposal facilities approved to receive E&P waste by the Colorado Department of Public Health and Environment. When transported to facilities outside of Colorado for treatment or disposal, E&P waste shall be transported to facilities authorized and permitted by the appropriate regulatory agency in the receiving state.

(2) **Waste generator requirements.** Generators of E&P waste that is transported off-site shall maintain, for not less than five (5) years, copies of each invoice, bill, or ticket and such other records as necessary to document the following requirements A through F:

- A. The date of the transport;
- B. The identity of the waste generator;
- C. The identity of the waste transporter;
- D. The location of the waste pickup site;
- E. The type and volume of waste; and
- F. The name and location of the treatment or disposal site.

Such records shall be signed by the transporter, made available for inspection by the Director during normal business hours, and copies thereof shall be furnished to the Director upon request.

c. **Produced water.**

(1) **Treatment of produced water.** Produced water shall be treated prior to placement in a production pit to prevent crude oil and condensate from entering the pit.

1002. STORM WATER MANAGEMENT

e. Storm water management issues.

CORRECTIVE ACTIONS

1. Submit a Form 19 – Spill Report and Form 27 – Site Investigation and Remediation Work Plan with a plan of action to the COGCC Regional EPS, to address the produced water release near the temporary manifold load in/load out area and potential release from the burned pit liner.
2. Complete a thorough investigation of the alleged compromised pit liner (area that burned and area near leak detection).
3. provide a mass balance (fluids in/out) of fluids that were transferred through the completions pit.
4. As soon as practicable, the remaining fluids shall be withdrawn from the pit. The COGCC is requesting documentation of the volume of fluids disposed and location(s) of disposal.
5. Notify the COGCC at least 72 hours prior to removal of the pit liners. (alex.fischer@state.co.us 303-894-2100 x 5138 and kris.neidel@state.co.us 970-871-1963.
6. Per Rule 205, provide a chemical inventory of all materials that were and are being used or stored onsite.
7. Repair/replace liners as necessary. Provide certification by a Professional Engineer of work done prior to putting Pit Facility into service.
8. Complete installation of fencing and netting prior to putting the Pit Facility into service.
9. After repair or replacement of the liners and prior to operating the pit, the synthetic liners(s) shall be tested by filling the pit with at least 70 percent of operating capacity of water, measured from the base of the pit (not to exceed the 2-foot freeboard requirement). The operator shall monitor the pit for leaks for a period of 72 hours prior to draining the pit and commencing operations. The leak detection system must also be monitored during the hydrostatic test. Operator shall notify the COGCC 72 hours prior to start of hydrostatic test. Test monitoring results must be maintained by the operator for the life of the pit and provided to the COGCC prior to using the pit.

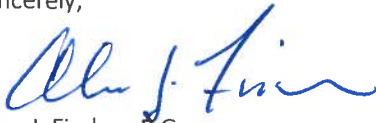
DATE CORRECTIVE ACTION REQUIRED

A Form 19 has already been received by the COGCC (Spill Tracking Number 2231734). By April 2, 2013, comply with items 1 through 9 above, including submitting a detailed Site Assessment Work plan to the COGCC Regional EPS. Coordinate with COGCC on all site assessment, remediation activities, and pit modifications.

Under no circumstances shall Pit Facility 429725 be used until **ALL** pit construction activities have been completed and compliance issues adequately addressed.

If you have any questions please contact me at 303-894-2100 X 5138 or alex.fischer@state.co.us.

Sincerely,



Alex J. Fischer, P.G.
Environmental Supervisor – Western Colorado

Cc: Matt Lepore, COGCC Director
Bob Frick, COGCC Hearings Manager
Peter Gowen, COGCC Enforcement Officer
James Milne, COGCC Environmental Manager
Kris Neidel, COGCC NW Field Inspector

Attachment 1- Field Inspections (December 10, 2012, December 12, 2012, and January 8, 2012)
Attachment 2 – NOAV #200375865

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

STATE OF COLORADO

OIL & GAS

DE

ET

OE

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Inspection Date:
12/10/2012

Document Number:
669300286

Overall Inspection:
Satisfactory

Location Identifier

Facility ID

Loc ID

Tracking Type

Inspector Name: NEIDEL, KRIS

Operator Information:

OGCC Operator Number: 10335

Name of Operator: AXIA ENERGY LLC

Address: 1430 LARIMER STREET #400

City: DENVER

State: CO

Zip: 80202

Contact Information:

Contact Name

Phone

Email

Comment

Jess, Peonio

720-746-5200

jpeonio@axiaenergy.com

Compliance Summary:

QtrQtr: LT 6

Sec: 5

Twp: 7N

Range: 90W

Inspector Comment:

Well is on flowback. Crews are monitoring the flowback and moving water (via truck) from temporary tanks on well pad to transfer tank at completions pit.

Related Facilities:

Facility ID

Type

Status

Status Date

Well Class

API Num

Facility Name

428928

WELL

DG

09/01/2012

081-07727

Bulldog 5-31H-790

429725

PIT

07/27/2012

-

Bulldog5-31H-790Completion Pit

Equipment:

Location Inventory

Special Purpose Pits:

Drilling Pits: 2

Wells: 1

Production Pits:

Condensate Tanks:

Water Tanks: 3

Separators: 1

Electric Motors:

Gas or Diesel Mortors:

Cavity Pumps:

LACT Unit:

Pump Jacks:

Electric Generators:

Gas Pipeline: 1

Oil Pipeline:

Water Pipeline: 1

Gas Compressors:

VOC Combustor:

Oil Tanks: 5

Dehydrator Units:

Multi-Well Pits:

Pigging Station:

Flare:

Fuel Tanks:

Location

Signs/Marker:

Type

Satisfactory/Unsatisfactory

Comment

Corrective Action

CA Date

WELLHEAD

Satisfactory

at location

Emergency Contact Number: (S/U/V) Satisfactory

Corrective Date:

Comment:

Corrective Action:

Date Run: 1/4/2013 Doc [#669300286]

Page 1 of 8

Good Housekeeping:					
Type	Satisfactory/Unsatisfactory	Comment	Corrective Action	CA Date	
OTHER	Satisfactory	snow on location.			

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

Equipment:					
Type	#	Satisfactory/Unsatisfactory	Comment	Corrective Action	CA Date
Dehydrator	1	Satisfactory	part of flowback equipment, crew on location overseeing flowback.		
Horizontal Heater Treater	1	Satisfactory			
Deadman # & Marked	4	Satisfactory			

Facilities:					
<input type="checkbox"/> New Tank		Tank ID: _____			
Contents	#	Capacity	Type	SE GPS	
PRODUCED WATER	2	300 BBLS	STEEL AST	,	
S/UV:	Satisfactory	Comment:			
Corrective Action:				Corrective Date:	

Paint	
Condition	Adequate
Other (Content)	_____
Other (Capacity)	_____
Other (Type)	_____

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

Venting:	
Yes/No	Comment

Flaring:				
Type	Satisfactory/Unsatisfactory	Comment	Corrective Action	CA Date

Predrill					
Location ID: 428927					
Site Preparation:					
Lease Road Adeq.: _____		Pads: _____		Soil Stockpile: _____	
Corrective Action: _____		Date: _____		CDP Num.: _____	
Form 2A COAs:					

Group	User	Comment	Date
OGLA	kubeczko	<p>SITE SPECIFIC COAs:</p> <p>A closed loop system must be implemented during drilling (which operator has indicated on the Form 2A); or, if a drilling pit is constructed, it must be lined. All cuttings generated during drilling with oil based muds or high chloride/TDS mud must be kept in the lined drilling pit, or placed either in containers or on a lined/bermed portion of the well pad; prior to offsite disposal. The moisture content of any drill cuttings in a cuttings pit, trench, or pile shall be as low as practicable to prevent accumulation of liquids greater than de minimis amounts.</p> <p>Operator must ensure 110 percent secondary containment for any volume of fluids (excluding freshwater) 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) sufficiently protective of nearby surface water. 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 buried or temporary surface pipelines.</p> <p>The access road will be constructed as to not allow any sediment to migrate from the access road to nearby surface water or any drainages leading to surface water.</p> <p>The location is in an area of moderate to high run off/run-on potential; therefore the pad shall be constructed to prevent any stormwater run-on and/or stormwater runoff. Standard stormwater BMPs must be implemented at this location to insure compliance with CDPHE and COGCC requirements and to prevent any stormwater run-on and /or stormwater runoff.</p> <p>The moisture content of any freshwater generated drill cuttings in a cuttings pit, trench, or pile shall be as low as practicable to prevent accumulation of liquids greater than de minimis amounts. At the time of closure, if the freshwater generated drill cuttings are to be onsite, they must also meet the applicable standards of table 910-1.</p> <p>A form 15 Earthen Pit Permit must be submitted and approved prior to construction/use of the completions pit.</p> <p>Any pit constructed to hold oil based muds or salt based fluids and/or cuttings must be lined.</p> <p>Notify COGCC Oil and Gas Location Assessment (OGLA) Specialist for Western Colorado (Dave Kubeczko; email dave.kubeczko@state.co.us) and the COGCC Field Inspection Supervisor for Northwest Colorado (Shaun Kellerby; email shaun.kellerby@state.co.us) 48 hours prior to start of construction of the well pad, start of construction of the pit (if different), pit liner installation, and start of fracing operations (via Form 42).</p>	04/22/2012
OGLA	kubeczko	<p>FORM 15 PIT PERMIT COAs:</p> <p>Notify COGCC Oil and Gas Location Assessment (OGLA) Specialist for Western Colorado (Dave Kubeczko; email dave.kubeczko@state.co.us) and the COGCC Field Inspection Supervisor for Northwest Colorado (Shaun Kellerby; email shaun.kellerby@state.co.us) 48 hours prior to start of construction of the well pad, start of construction of the pit (if different), pit liner installation, and start of fracing operations (via Form 42).</p> <p>The completions pit must be double-lined. The pit will also require a leak detection system (Rule 904.e).</p>	04/22/2012

Delivery and vacuum truck hoses will not be allowed to be placed directly onto the pit liner. Operator will construct a loading/unloading station located next to the pit, to deliver fluids to or remove fluids from the pit by truck. The loading/unloading station shall be designed and utilized to prevent hoses from being dropped into the pits and dragged over the liner, which could lead to liner damage. The loading/unloading station will be the only permitted access for manual fluids transfers to or from the pit. Vehicles will not be allowed to approach the pit any closer than the loading/unloading station. Each station will have a catch basin in case a leak occurs while operations personnel are connecting or disconnecting hoses. Signs clearly marking the truck loading/unloading station shall be provided and maintained by the operator.

Operator must submit as-built drawings (plan view and cross-sections) of the completion pit within 14 calendar days of construction.

Operator shall pressure test pipelines in accordance with Rule 1101.e.(1) prior to putting into initial service any temporary surface pipelines or configuration of the permanent pipeline network.

After installation of the uppermost liner and prior to operating the pit, the synthetic liner(s) shall be tested by filling the pit with at least 70 percent of operating capacity of water, measured from the base of the pit (not to exceed the 2-foot freeboard requirement). The operator shall monitor the pit for leaks for a period of 72 hours prior to draining the pit and commencing operations. The leak detection system must also be monitored during the entire test. Operator shall notify the COGCC Oil and Gas Location Assessment (OGLA) Specialist for Western Colorado (Dave Kubeczko; email dave.kubeczko@state.co.us) 48 hours prior to start of the hydrotest. Hydrotest monitoring results must be maintained by the operator for the life of the pit and provided to COGCC prior to using the pit.

In lieu of conducting an initial hydrostatic test of the pit, the operator can monitor fluid levels in the pit continuously using a minimum of two pressure transducers located at the upgradient and downgradient ends of the pit (based on the original topographic profile). These pressure transducers should be linked to the operator's SCADA system such that they can be remotely monitored. In addition, the pit liner will be marked at the two foot freeboard depth line so that operations personnel (as well as COGCC inspectors) can easily verify that the required fluid free board is being maintained. The electronically collected water level measurement data shall be used to confirm changes in pit inflow and outflow during operations based on estimates from truck and/or pipeline delivery or removal activities. Any abnormalities that are noticed during operations will be reported to the operator's field supervisor immediately so that any necessary follow-up can be scheduled.

Flowback and stimulation fluids must be sent to tanks, separators, or other containment/filtering equipment before the fluids can be placed into any pipeline or pit located on the well pad or into tanker trucks for offsite disposal. The flowback and stimulation fluid tanks, separators, or other containment/filtering equipment must be placed on the well pad in an area with additional downgradient perimeter berming. The area where flowback fluids will be stored/reused must be constructed to be sufficiently impervious to contain any spilled or released material.

No portion of any pit that will be used to hold liquids shall be constructed on fill material, unless the pit and fill slope are designed and certified by a professional engineer, subject to review and approval by the director prior to construction of the pit. The construction and lining of the pit shall be supervised by a professional engineer or their agent. The entire base of the pit must be in cut.

For pits containing fluids other than freshwater only; the pit must be fenced. If the pit is not drained, or closure has not begun within 30 days after last use for well completion, the pit must be netted. The operator must maintain the fencing and netting until the pit is closed.

Submit additional disposal facilities (wells, pits, etc.), if necessary (i.e., if original disposal option changes), for pit liquid contents to COGCC via a Form 4 Sundry prior to disposal.

Pits used exclusively for drilling shall be closed in accordance with the 1000-Series Rules. Any pit(s) used for purposes other than drilling shall be closed in accordance with Rule 905. Closure of Pits, and Buried or Partially Buried Produced Water Vessels; with an approved Site Investigation and Remediation Workplan, Form 27.

At the time of pit closure, operator must submit disposal information for solids, if necessary, via a Form 4 Sundry Notice to the COGCC Location Specialist for Western Colorado (Dave Kubeczko; email dave.kubeczko@state.co.us). The disposal method will need to be approved prior to operator starting pit closure.

At the time of pit closure, operator must submit disposal information via a Form 4 Sundry Notice to Dave Kubeczko (Dave Kubeczko; email dave.kubeczko@state.co.us). The disposal method will need to be approved prior to operator starting pit closure.

Comment:

CA: Date:

Wildlife BMPs:

BMP Type	Comment
Wildlife	<div>1) Restrict post-development well site visitations to between the hours of 10:00 a.m. and 3:00 p.m. and reduce well site visitations between December 1 and April 15 in elk winter range.</div> <div>2) Establish company guidelines (policies) to minimize wildlife mortality from vehicle collisions on roads (post speed limits on private roads, conduct safety training, etc).</div> <div>3) Gate single-purpose roads and restrict general public access to reduce traffic disruptions to wildlife if applicable on private roads.</div> <div>4) Fence and net pits to exclude wildlife, with wildlife appropriate fencing and netting materials.</div> <div>5) Construct 4:1 escape ramps in completion pits with a chain link fence surface for traction. Escape ramp should extend from the edge of the pit to below the surface of the water. Escape ramps should be installed on each side of the completion pit (4 ramps per pit), and be 4 to 5 feet in width. CPW can provide more specific examples or specifications if requested by the operator.</div> <div>6) Muffle sound from compressors, pump jacks or other motors necessary to run operations at the site.(If mufflers are used, point upward to dissipate sound and vibration.)</div> <div>7) Close and immediately reclaim all roads that are redundant, not used regularly, or have been abandoned to the maximum extent possible to minimize disturbance and habitat fragmentation.</div> <div>8) Reclaim site (interim and final) to match existing vegetation.</div>

Comment:

CA: Date:

Stormwater:

Erosion BMPs	Present	Other BMPs	Present
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Corrective Action: Date:

Comments: Erosion BMPs:
Other BMPs:

Comment:

Staking:

On Site Inspection (305):

Inspector Name: NEIDEL, KRIS

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: 428928 Type: WELL API Number: 081-07727 Status: DG Insp. Status: PR

Producing Well

Comment: well is selling gas during flowback.

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: DRY LAND

Comment: no interim rec as location is ongoing completions.

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: DRY LAND

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:

Inspector Name: NEIDEL, KRIS

Corrective Action:

Date

Overall Final Reclamation

Multi-Well Location

Storm Water:

Loc Erosion BMPs	BMP Maintenance	Lease Road Erosion BMPs	Lease BMP Maintenance	Chemical BMPs	Chemical BMP Maintenance	Comment
Waddles	Pass					
Ditches	Pass	Compaction	Pass			
Silt Fences	Pass					
Compaction	Pass	Culverts	Pass	MHSP	Pass	

S/UV: Satisfactory

Corrective Date:

Comment:

No apparent soil migration; erosion or soil movement

CA:

Pits:

Pit Type: Completion

Lined: YES

Pit ID:

Lat:

Long:

Lining:

Liner Type: Other

Liner Condition: Adequate

Comment:

Fencing:

Fencing Type: Wildlife

Fencing Condition: Inadequate

Comment:

high wire is loosened near transfer tank, it is un clear why. per COA's the pit needs to have prevention of wildlife entry

Netting:

Netting Type:

Netting Condition:

Comment:

no net on pit.

Anchor Trench Present: YES

Oil Accumulation: NO

2+ feet Freeboard:

Pit (S/UV): Unsatisfactory

Comment:

pit is unsatisfactory due to no netting. in pit COA's there should be prevention of wildlife entry to pit. Inspector had discussion with the operator and was told that they netting will be installed by Christmas (dec 25, 2012)

Corrective Action:

install netting on pit and submidt form 42, notice of work completed when netting has been installed.

Date:

01/18/2013

Permit:

Facility ID

Permit Num

Expiration Date


429725

400306819

Date Run: 1/4/2013 Doc [#669300286]

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Inspector Name: NEIDEL, KRIS

FORM INSP		State of Colorado		Oil and Gas Conservation Commission				DE	ET	OE	ES
Rev 05/11		1120 Lincoln Street, Suite 801, Denver, Colorado 80203 Phone: (303) 894-2100 Fax: (303) 894-2109						Inspection Date: 12/12/2012			
FIELD INSPECTION FORM								Document Number: 669300288			
Location Identifier		Facility ID	Loc ID	Tracking Type		Inspector Name: NEIDEL, KRIS					
		428928	428927								
Operator Information:								Overall Inspection: Unsatisfactory			
OGCC Operator Number: 10335 Name of Operator: AXIA ENERGY LLC											
Address: 1430 LARIMER STREET #400											
City: DENVER		State: CO		Zip: 80202							
Contact Information:											
Contact Name		Phone		Email		Comment					
Jess, Peonio		720-746-5200		jpeonio@axiaenergy.com							
Compliance Summary:											
QtrQtr: LT 6		Sec: 5		Twp: 7N		Range: 90W					
Inspector Comment:											
on location for follow up pit inspection. pit has small about of oil on it, aprox 20 sqft.											
Related Facilities:											
Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name					
428928	WELL	DG	09/01/2012		081-07727	Bulldog 5-31H-790		<input checked="" type="checkbox"/>			
429725	PIT		07/27/2012		-	Bulldog5-31H-790Completion Pit		<input type="checkbox"/>			
Equipment:								Location Inventory			
Special Purpose Pits:		Drilling Pits: 2		Wells: 1		Production Pits:					
Condensate Tanks:		Water Tanks: 3		Separators: 1		Electric Motors:					
Gas or Diesel Mortors:		Cavity Pumps:		LACT Unit:		Pump Jacks:					
Electric Generators:		Gas Pipeline: 1		Oil Pipeline:		Water Pipeline: 1					
Gas Compressors:		VOC Combustor:		Oil Tanks: 5		Dehydrator Units:					
Multi-Well Pits:		Pigging Station:		Flare:		Fuel Tanks:					
Location											
Emergency Contact Number: (S/U/V)								Corrective Date:			
Comment:											
Corrective Action:											
Spills:											
Type	Area	Volume	Corrective action				CA Date				
<input type="checkbox"/> Multiple Spills and Releases?											

Venting:		
Yes/No	Comment	

Flaring:				
Type	Satisfactory/Unsatisfactory	Comment	Corrective Action	CA Date

Predrill

Location ID: 428927

Site Preparation:

Lease Road Adeq.: Pads: Soil Stockpile:

Corrective Action: Date: CDP Num.:

Form 2A COAs:

Group	User	Comment	Date
OGLA	kubeczko	<p>SITE SPECIFIC COAs:</p> <p>A closed loop system must be implemented during drilling (which operator has indicated on the Form 2A); or, if a drilling pit is constructed, it must be lined. All cuttings generated during drilling with oil based muds or high chloride/TDS mud must be kept in the lined drilling pit, or placed either in containers or on a lined/bermed portion of the well pad; prior to offsite disposal. The moisture content of any drill cuttings in a cuttings pit, trench, or pile shall be as low as practicable to prevent accumulation of liquids greater than de minimis amounts.</p> <p>Operator must ensure 110 percent secondary containment for any volume of fluids (excluding freshwater) 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) sufficiently protective of nearby surface water. 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 buried or temporary surface pipelines.</p> <p>The access road will be constructed as to not allow any sediment to migrate from the access road to nearby surface water or any drainages leading to surface water.</p> <p>The location is in an area of moderate to high run off/run-on potential; therefore the pad shall be constructed to prevent any stormwater run-on and/or stormwater runoff. Standard stormwater BMPs must be implemented at this location to insure compliance with CDPHE and COGCC requirements and to prevent any stormwater run-on and /or stormwater runoff.</p> <p>The moisture content of any freshwater generated drill cuttings in a cuttings pit, trench, or pile shall be as low as practicable to prevent accumulation of liquids greater than de minimis amounts. At the time of closure, if the freshwater generated drill cuttings are to be onsite, they must also meet the applicable standards of table 910-1.</p> <p>A form 15 Earthen Pit Permit must be submitted and approved prior to construction/use of the completions pit.</p> <p>Any pit constructed to hold oil based muds or salt based fluids and/or cuttings must be lined.</p> <p>Notify COGCC Oil and Gas Location Assessment (OGLA) Specialist for Western Colorado (Dave Kubeczko; email dave.kubeczko@state.co.us) and the COGCC Field Inspection Supervisor for Northwest Colorado (Shaun Kellerby; email shaun.kellerby@state.co.us) 48 hours prior to start of construction of the well pad, start of construction of the pit (if different), pit liner installation, and start of fracing operations (via Form 42).</p>	04/22/2012
OGLA	kubeczko	<p>FORM 15 PIT PERMIT COAs:</p> <p>Notify COGCC Oil and Gas Location Assessment (OGLA) Specialist for Western Colorado (Dave Kubeczko; email dave.kubeczko@state.co.us) and the COGCC Field Inspection Supervisor for Northwest Colorado (Shaun Kellerby; email shaun.kellerby@state.co.us) 48 hours prior to start of construction of the well pad, start of construction of the pit (if different), pit liner installation, and start of fracing operations (via Form 42).</p> <p>The completions pit must be double-lined. The pit will also require a leak detection system (Rule 904.e).</p>	04/22/2012

Delivery and vacuum truck hoses will not be allowed to be placed directly onto the pit liner. Operator will construct a loading/unloading station located next to the pit, to deliver fluids to or remove fluids from the pit by truck. The loading/unloading station shall be designed and utilized to prevent hoses from being dropped into the pits and dragged over the liner, which could lead to liner damage. The loading/unloading station will be the only permitted access for manual fluids transfers to or from the pit. Vehicles will not be allowed to approach the pit any closer than the loading/unloading station. Each station will have a catch basin in case a leak occurs while operations personnel are connecting or disconnecting hoses. Signs clearly marking the truck loading/unloading station shall be provided and maintained by the operator.

Operator must submit as-built drawings (plan view and cross-sections) of the completion pit within 14 calendar days of construction.

Operator shall pressure test pipelines in accordance with Rule 1101.e.(1) prior to putting into initial service any temporary surface pipelines or configuration of the permanent pipeline network.

After installation of the uppermost liner and prior to operating the pit, the synthetic liner(s) shall be tested by filling the pit with at least 70 percent of operating capacity of water, measured from the base of the pit (not to exceed the 2-foot freeboard requirement). The operator shall monitor the pit for leaks for a period of 72 hours prior to draining the pit and commencing operations. The leak detection system must also be monitored during the entire test. Operator shall notify the COGCC Oil and Gas Location Assessment (OGLA) Specialist for Western Colorado (Dave Kubeczko; email dave.kubeczko@state.co.us) 48 hours prior to start of the hydrotest. Hydrotest monitoring results must be maintained by the operator for the life of the pit and provided to COGCC prior to using the pit.

In lieu of conducting an initial hydrostatic test of the pit, the operator can monitor fluid levels in the pit continuously using a minimum of two pressure transducers located at the upgradient and downgradient ends of the pit (based on the original topographic profile). These pressure transducers should be linked to the operator's SCADA system such that they can be remotely monitored. In addition, the pit liner will be marked at the two foot freeboard depth line so that operations personnel (as well as COGCC inspectors) can easily verify that the required fluid free board is being maintained. The electronically collected water level measurement data shall be used to confirm changes in pit inflow and outflow during operations based on estimates from truck and/or pipeline delivery or removal activities. Any abnormalities that are noticed during operations will be reported to the operator's field supervisor immediately so that any necessary follow-up can be scheduled.

Flowback and stimulation fluids must be sent to tanks, separators, or other containment/filtering equipment before the fluids can be placed into any pipeline or pit located on the well pad or into tanker trucks for offsite disposal. The flowback and stimulation fluid tanks, separators, or other containment/filtering equipment must be placed on the well pad in an area with additional downgradient perimeter berming. The area where flowback fluids will be stored/reused must be constructed to be sufficiently impervious to contain any spilled or released material.

No portion of any pit that will be used to hold liquids shall be constructed on fill material, unless the pit and fill slope are designed and certified by a professional engineer, subject to review and approval by the director prior to construction of the pit. The construction and lining of the pit shall be supervised by a professional engineer or their agent. The entire base of the pit must be in cut.

For pits containing fluids other than freshwater only; the pit must be fenced. If the pit is not drained, or closure has not begun within 30 days after last use for well completion, the pit must be netted. The operator must maintain the fencing and netting until the pit is closed.

Submit additional disposal facilities (wells, pits, etc.), if necessary (i.e., if original disposal option changes), for pit liquid contents to COGCC via a Form 4 Sundry prior to disposal.

Pits used exclusively for drilling shall be closed in accordance with the 1000-Series Rules. Any pit(s) used for purposes other than drilling shall be closed in accordance with Rule 905. Closure of Pits, and Buried or Partially Buried Produced Water Vessels; with an approved Site Investigation and Remediation Workplan, Form 27.

At the time of pit closure, operator must submit disposal information for solids, if necessary, via a Form 4 Sundry Notice to the COGCC Location Specialist for Western Colorado (Dave Kubeczko; email dave.kubeczko@state.co.us). The disposal method will need to be approved prior to operator starting pit closure.

At the time of pit closure, operator must submit disposal information via a Form 4 Sundry Notice to Dave Kubeczko (Dave Kubeczko; email dave.kubeczko@state.co.us). The disposal method will need to be approved prior to operator starting pit closure.

Comment: CA: Date: **Wildlife BMPs:**

BMP Type

Comment

Wildlife

- 1) Restrict post-development well site visitations to between the hours of 10:00 a.m. and 3:00 p.m. and reduce well site visitations between December 1 and April 15 in elk winter range.
- 2) Establish company guidelines (policies) to minimize wildlife mortality from vehicle collisions on roads (post speed limits on private roads, conduct safety training, etc).
- 3) Gate single-purpose roads and restrict general public access to reduce traffic disruptions to wildlife if applicable on private roads.
- 4) Fence and net pits to exclude wildlife, with wildlife appropriate fencing and netting materials.
- 5) Construct 4:1 escape ramps in completion pits with a chain link fence surface for traction. Escape ramp should extend from the edge of the pit to below the surface of the water. Escape ramps should be installed on each side of the completion pit (4 ramps per pit), and be 4 to 5 feet in width. CPW can provide more specific examples or specifications if requested by the operator.
- 6) Muffle sound from compressors, pump jacks or other motors necessary to run operations at the site.(If mufflers are used, point upward to dissipate sound and vibration.)
- 7) Close and immediately reclaim all roads that are redundant, not used regularly, or have been abandoned to the maximum extent possible to minimize disturbance and habitat fragmentation.
- 8) Reclaim site (interim and final) to match existing vegetation.

Comment: CA: Date: **Stormwater:**

Erosion BMPs

Present

Other BMPs

Present

Corrective Action: Date: Comments: Erosion BMPs: Other BMPs: Comment: **Staking:****On Site Inspection (305):**

Inspector Name: NEIDEL, KRIS

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: 428928 Type: WELL API Number: 081-07727 Status: DG Insp. Status: PR

Producing Well

Comment: well is producing to sales.

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: DRY LAND

Comment: _____

Inspector Name: NEIDEL, KRIS

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: DRY LAND _____

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: _____

Inspector Name: NEIDEL, KRIS

Corrective Action:				Date	
Overall Final Reclamation		Multi-Well Location		<input type="checkbox"/>	
Storm Water:					
Loc Erosion BMPs	BMP Maintenance	Lease Road Erosion BMPs	Lease BMP Maintenance	Chemical BMPs	Chemical BMP Maintenance
S/U/V:		Corrective Date:			
Comment:					
CA:					
Permit:	Facility ID	Permit Num	Expiration Date		
	429725	400306819			
	429725	400306819			
COGCC Comments					
Comment				User	Date
location inspection is unsatsfactory due to no netting on completions pit.				neidelk	01/04/2013

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

STATE OF COLORADO

OIL & GAS

DE

ET

OE

ES

Inspection Date:
01/09/2013

Document Number:
667100022

Overall Inspection:

Violation

Location Identifier

Facility ID

Loc ID

Tracking Type

Inspector Name: FISCHER, ALEX

Operator Information:

OGCC Operator Number: 10335 Name of Operator: AXIA ENERGY LLC

Address: 1430 LARIMER STREET #400

City: DENVER State: CO Zip: 80202

Contact Information:

Contact Name	Phone	Email	Comment
NEIDEL, KRIS		kris.neidel@state.co.us	
Jess, Peonio	720-746-5200	jpeonio@axiaenergy.com	

Compliance Summary:

QtrQtr: Sec: Twp: Range:

Inspector Comment:

Describe Alleged Violation: On January 3, 2013, an incident occurred involving the explosion of a 300 bbl flowback water tank . As a result of the explosion, a fire consumed an approximate 20 foot by 15 foot portion of the pit liner. The pit was double lined and both liners were consumed to the fluid level of the pit. On January 9, 2013, COGCC Environmental and the Field Inspection Unit Staff conducted a site visit. At that time, the pit had fluids with oil/condensate on the surface. The majority of the oil/condensate was in the northeast corner of the pit where the liner was burnt, however, there was oil/condensate noted along the southern edge of the pit. An oil absorbent boom was also noted along the south east corner of the pit. The pit facility had not yet been completely constructed, as only 9 of the approximate 64 steel post to hold the bird netting were constructed with steel links to hold the bird netting cable. Excessive oil accumulation was observed in the pit without appropriate cover/netting. A condition of approval for the Pit Permit included: "For pits containing fluids other than freshwater only; the pit must be fenced and netted." Mr. Shane Wentzel with Axia was on site and stated that Axia believed that the upper liner was compromised near the leak detection system (not a result of the incident and fire) and that this may have occurred a couple of weeks ago and it was probably due to hoses being placed in/out of the pit. A condition of approval for the Pit Permit included: "Delivery and vacuum truck hoses will not be allowed to be placed directly onto the liner."

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name
428928	WELL	DG	09/01/2012		081-07727	Bulldog 5-31H-790
429725	PIT				-	Bulldog5-31H-790Completion Pit

Equipment:

Location Inventory

Special Purpose Pits: _____	Drilling Pits: 2	Wells: 1	Production Pits: _____
Condensate Tanks: _____	Water Tanks: 3	Separators: 1	Electric Motors: _____
Gas or Diesel Mortors: _____	Cavity Pumps: _____	LACT Unit: _____	Pump Jacks: _____
Electric Generators: _____	Gas Pipeline: 1	Oil Pipeline: _____	Water Pipeline: 1
Gas Compressors: _____	VOC Combustor: _____	Oil Tanks: 5	Dehydrator Units: _____
Multi-Well Pits: _____	Pigging Station: _____	Flare: _____	Fuel Tanks: _____

Location

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

Comment: _____

Inspector Name: FISCHER, ALEX

Corrective Action:

Spills:

Type	Area	Volume	Corrective action	CA Date
Produced Water	Truck Loadout	> 5 bbls	Operator will define extent and remediate as appropriate.	02/28/2013

☐ Multiple Spills and Releases?

Fencing/:

Type	Satisfactory/Unsatisfactory	Comment	Corrective Action	CA Date
PIT	Unsatisfactory	High wire on wildlife fence around perimeter of fence needs to be restored.	Restore/replace highwire.	02/28/2013

Venting:

Yes/No Comment

Flaring:

Type	Satisfactory/Unsatisfactory	Comment	Corrective Action	CA Date

Predrill

Location ID: 428927

Site Preparation:

Lease Road Adeq.: _____

Pads: _____

Soil Stockpile: _____

Corrective Action: _____

Date: _____ CDP Num.: _____

Form 2A COAs:

Group	User	Comment	Date
OGLA	kubeczko	<p>SITE SPECIFIC COAs:</p> <p>A closed loop system must be implemented during drilling (which operator has indicated on the Form 2A); or, if a drilling pit is constructed, it must be lined. All cuttings generated during drilling with oil based muds or high chloride/TDS mud must be kept in the lined drilling pit, or placed either in containers or on a lined/bermed portion of the well pad; prior to offsite disposal. The moisture content of any drill cuttings in a cuttings pit, trench, or pile shall be as low as practicable to prevent accumulation of liquids greater than de minimis amounts.</p> <p>Operator must ensure 110 percent secondary containment for any volume of fluids (excluding freshwater) 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) sufficiently protective of nearby surface water. 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 buried or temporary surface pipelines.</p> <p>The access road will be constructed as to not allow any sediment to migrate from the access road to nearby surface water or any drainages leading to surface water.</p> <p>The location is in an area of moderate to high run off/run-on potential; therefore the pad shall be constructed to prevent any stormwater run-on and/or stormwater runoff. Standard stormwater BMPs must be implemented at this location to insure compliance with CDPHE and COGCC requirements and to prevent any stormwater run-on and /or stormwater runoff.</p> <p>The moisture content of any freshwater generated drill cuttings in a cuttings pit, trench, or pile shall be as low as practicable to prevent accumulation of liquids greater than de minimis amounts. At the time of closure, if the freshwater generated drill cuttings are to be onsite, they must also meet the applicable standards of table 910-1.</p> <p>A form 15 Earthen Pit Permit must be submitted and approved prior to construction/use of the completions pit.</p> <p>Any pit constructed to hold oil based muds or salt based fluids and/or cuttings must be lined.</p> <p>Notify COGCC Oil and Gas Location Assessment (OGLA) Specialist for Western Colorado (Dave Kubeczko; email dave.kubeczko@state.co.us) and the COGCC Field Inspection Supervisor for Northwest Colorado (Shaun Kellerby; email shaun.kellerby@state.co.us) 48 hours prior to start of construction of the well pad, start of construction of the pit (if different), pit liner installation, and start of fracing operations (via Form 42).</p>	04/22/2012
OGLA	kubeczko	<p>FORM 15 PIT PERMIT COAs:</p> <p>Notify COGCC Oil and Gas Location Assessment (OGLA) Specialist for Western Colorado (Dave Kubeczko; email dave.kubeczko@state.co.us) and the COGCC Field Inspection Supervisor for Northwest Colorado (Shaun Kellerby; email shaun.kellerby@state.co.us) 48 hours prior to start of construction of the well pad, start of construction of the pit (if different), pit liner installation, and start of fracing operations (via Form 42).</p> <p>The completions pit must be double-lined. The pit will also require a leak detection system (Rule 904.e).</p>	04/22/2012

Delivery and vacuum truck hoses will not be allowed to be placed directly onto the pit liner. Operator will construct a loading/unloading station located next to the pit, to deliver fluids to or remove fluids from the pit by truck. The loading/unloading station shall be designed and utilized to prevent hoses from being dropped into the pits and dragged over the liner, which could lead to liner damage. The loading/unloading station will be the only permitted access for manual fluids transfers to or from the pit. Vehicles will not be allowed to approach the pit any closer than the loading/unloading station. Each station will have a catch basin in case a leak occurs while operations personnel are connecting or disconnecting hoses. Signs clearly marking the truck loading/unloading station shall be provided and maintained by the operator.

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After installation of the uppermost liner and prior to operating the pit, the synthetic liner(s) shall be tested by filling the pit with at least 70 percent of operating capacity of water, measured from the base of the pit (not to exceed the 2-foot freeboard requirement). The operator shall monitor the pit for leaks for a period of 72 hours prior to draining the pit and commencing operations. The leak detection system must also be monitored during the entire test. Operator shall notify the COGCC Oil and Gas Location Assessment (OGLA) Specialist for Western Colorado (Dave Kubeczko; email dave.kubeczko@state.co.us) 48 hours prior to start of the hydrotest. Hydrotest monitoring results must be maintained by the operator for the life of the pit and provided to COGCC prior to using the pit.

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Submit additional disposal facilities (wells, pits, etc.), if necessary (i.e., if original disposal option changes), for pit liquid contents to COGCC via a Form 4 Sundry prior to disposal.

Pits used exclusively for drilling shall be closed in accordance with the 1000-Series Rules. Any pit(s) used for purposes other than drilling shall be closed in accordance with Rule 905. Closure of Pits, and Buried or Partially Buried Produced Water Vessels; with an approved Site Investigation and Remediation Workplan, Form 27.

At the time of pit closure, operator must submit disposal information for solids, if necessary, via a Form 4 Sundry Notice to the COGCC Location Specialist for Western Colorado (Dave Kubecko; email dave.kubecko@state.co.us). The disposal method will need to be approved prior to operator starting pit closure.

At the time of pit closure, operator must submit disposal information via a Form 4 Sundry Notice to Dave Kubecko (Dave Kubecko; email dave.kubecko@state.co.us). The disposal method will need to be approved prior to operator starting pit closure.

Comment:

CA: Date:

Wildlife BMPs:

BMP Type	Comment
Wildlife	<div>1) Restrict post-development well site visitations to between the hours of 10:00 a.m. and 3:00 p.m. and reduce well site visitations between December 1 and April 15 in elk winter range.</div> <div>2) Establish company guidelines (policies) to minimize wildlife mortality from vehicle collisions on roads (post speed limits on private roads, conduct safety training, etc).</div> <div>3) Gate single-purpose roads and restrict general public access to reduce traffic disruptions to wildlife if applicable on private roads.</div> <div>4) Fence and net pits to exclude wildlife, with wildlife appropriate fencing and netting materials.</div> <div>5) Construct 4:1 escape ramps in completion pits with a chain link fence surface for traction. Escape ramp should extend from the edge of the pit to below the surface of the water. Escape ramps should be installed on each side of the completion pit (4 ramps per pit), and be 4 to 5 feet in width. CPW can provide more specific examples or specifications if requested by the operator.</div> <div>6) Muffle sound from compressors, pump jacks or other motors necessary to run operations at the site.(If mufflers are used, point upward to dissipate sound and vibration.)</div> <div>7) Close and immediately reclaim all roads that are redundant, not used regularly, or have been abandoned to the maximum extent possible to minimize disturbance and habitat fragmentation.</div> <div>8) Reclaim site (interim and final) to match existing vegetation.</div>

Comment:

CA: Date:

Stormwater:

Erosion BMPs	Present	Other BMPs	Present
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Corrective Action: Date:

Comments: Erosion BMPs:
Other BMPs:

Comment:

Staking:

On Site Inspection (305):

Inspector Name: FISCHER, ALEX

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:

Environmental

Spills/Releases:

Type of Spill: WATER

Description: At temporary manifold to pit.

Estimated Spill Volume: 23

Comment: Operator will evaluate and remediate impacted area.

Corrective Action: Evlauate and remediate impacted area.

Date: 02/28/2013

Reportable: YES

GPS: Lat 40.600627

Long -107.512497

Proximity to Surface Water: 1000

Depth to Ground Water: 40

Water Well:

DWR Receipt Num: 9119754

Owner Name: HOEFER, JOHN

GPS : 40.594353

Lat Long -107.523467

Field Parameters:

Sample Location:

Waste Management:

Type	Management	Condition	Comment	GPS (Lat) (Long)
	Pits	Inadequate	Condensate on surface of fluids in pit.	40.600627 - 107.512497

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: DRY LAND

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: DRY LAND

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		Multi-Well Location		<input type="checkbox"/>	
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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:

Pits:

Pit Type: CompletionLined: YESPit ID: 428927Lat: 40.599719Long: -107.511350

Lining:

Liner Type: HDPELiner Condition: Inadequate

Comment: Fire compromised liner; Operator rep beleived that upper liner was compromised near leak detection prior to the fire.

Fencing:

Fencing Type: WildlifeFencing Condition: Inadequate

Comment: High wire fence needs to be restored on fenced perimeter of pit.

Netting:

Netting Type: Netting Condition:

Comment: Post and appratus to hold netting up was in in construction phase. (Links were welded or secured on 9 of the 64 posts.

Anchor Trench Present: Oil Accumulation: YES2+ feet Freeboard:

Pit (S/U/V): Comment: Fire burnt liner down to fluid level.

Corrective Action: Take pit out of service immediately.Date: 01/09/2013

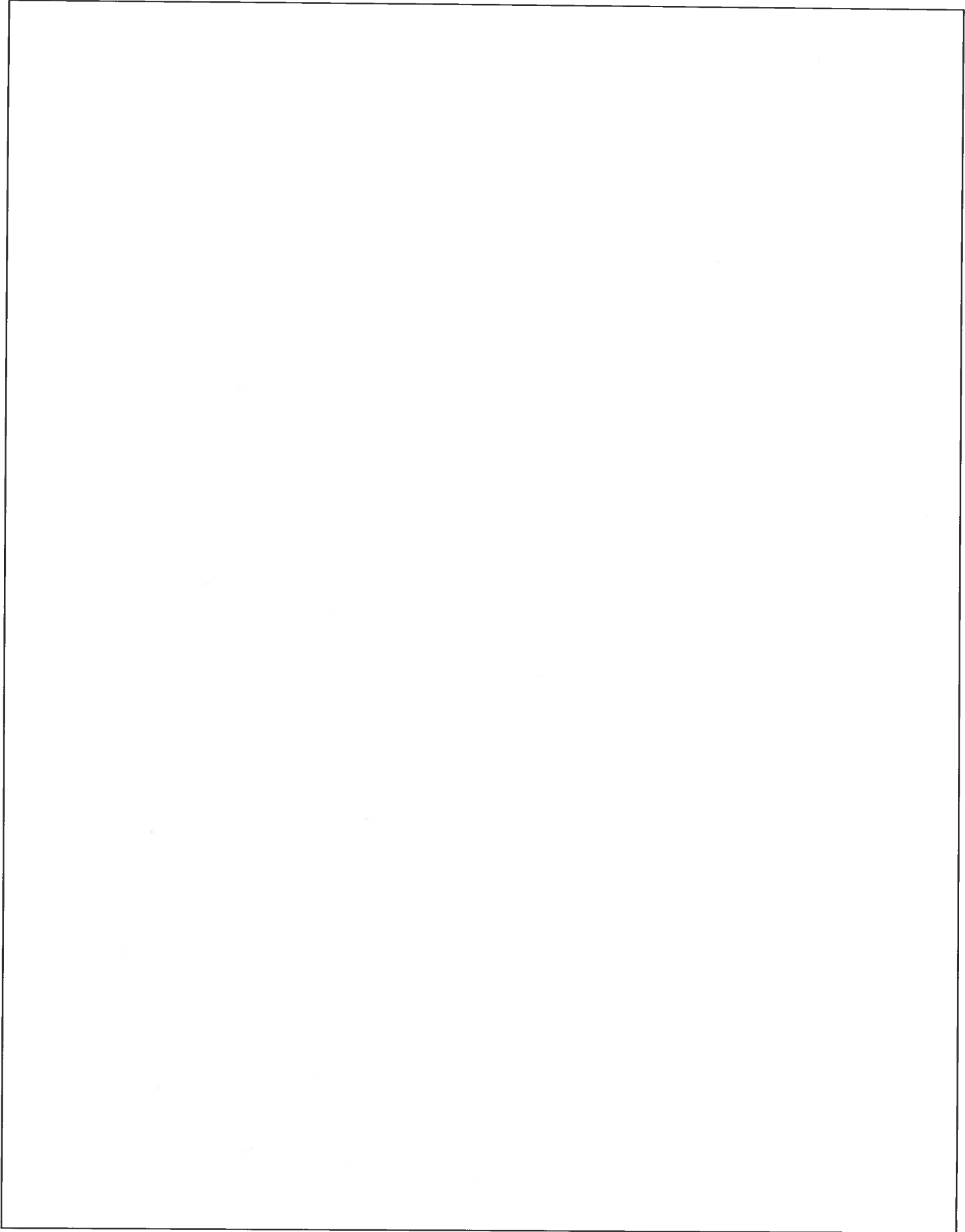
Permit:	Facility ID	Permit Num	Expiration Date
	429725	400306819	
	429725	400306819	

COGCC Comments

Comment	User	Date
<div>Describe Alleged Violation: On January 3, 2013, an incident occurred involving the explosion of a 300 bbl flowback water tank . As a result of the explosion, a fire consumed an approximate 20 foot by 15 foot portion of the pit liner. The pit was double lined and both liners were consumed to the fluid level of the pit. On January 9, 2013, COGCC Environmental and the Field Inspection Unit Staff conducted a site visit. At that time, the pit had fluids with oil/condensate on the surface. The majority of the oil/condensate was in the northeast corner of the pit where the liner was burnt, however, there was oil/condensate noted along the southern edge of the pit. An oil absorbent boom was also noted along the south east corner of the pit. The pit facility had not yet been completely constructed, as only 9 of the approximate 64 steel post to hold the bird netting were constructed with steel links to hold the bird netting cable. Excessive oil accumulation was observed in the pit without appropriate cover/netting. A condition of approval for the Pit Permit included: "For pits containing fluids other than freshwater only; the pit must be fenced and netted." Mr. Shane Wentzel with Axia was on site and stated that Axia believed that the upper liner was compromised near the leak detection system (not a result of the incident and fire) and that this may have occurred a couple of weeks ago and it was probably due to hoses being placed in/out of the pit. A condition of approval for the Pit Permit included: "Delivery and vacuum truck hoses will not be allowed to be placed directly onto the liner."</div> <div>Additionally, there is an open excavation/trench to the east of completions pit. The openexcavation/ trench may potentiall act as a conduit to shallow ground water. The excavation/trench is also a violation of stormwater rules 1002.f.</div>	fischera	01/29/2013

Date Run: 1/29/2013 Doc [#66710022]

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*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 10335
Name of Operator: AXIA ENERGY LLC
Address: 1430 LARIMER STREET #400 ATTN: JESS PEONIO
City: DENVER State: CO Zip: 80202
Company Representative: JESS PEONIO

Date Notice Issued:
03/01/2013

Well Name: Well Number: Facility Number: 429725
Location (QtrQtr, Sec, Twp, Rng, Meridian): NWNE 5 7N 90W 6 County: MOFFAT
API Number: 05 Lease Number:

COGCC Representative: FISCHER ALEX Phone Number: 303 894-2100 X5138

THE FOLLOWING ALLEGED VIOLATION WAS FOUND BY THE COGCC REPRESENTATIVE FOR THE SITE LISTED

Date of Alleged Violation: 01/03/2013 Approximate Time of Violation:

Description of Alleged Violation:

During the January 9, 2013 inspection, Pit Facility ID 429725 had fluids with oil/condensate on the surface without appropriate cover/netting. The pit liners had been compromised as a result of the fire, however, Mr. Shane Wentzel with Axia stated that Axia believed the upper liner was compromised near the leak detection system (not as a result of the incident and fire) and that the liner compromise may have occurred a couple of weeks prior due to hoses being placed in/out of the pit. A COA for Pit Facility ID 429725 included: "Delivery and vacuum truck hoses will not be allowed to be placed directly onto the liner."

Act, Order, Regulation, Permit Conditions Cited:
303.d; 324.A.a.; 604.d; 902.a., b., c., d., e., h.; 903; 906.a.; 907.a.(1), 907.b.(1), 907.b.(2), 907.c.(1).; and 1002.e

Abatement or Corrective Action Required to be Performed by Operator:*

SEE ATTACHMENT 1 TO DOCUMENT NUMBER 200375865, NOAV NOTICE.

Abatement or Corrective Action to be Completed by (date): 04/02/2013

* Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

TO BE COMPLETED BY OPERATOR - When alleged violation is corrected, sign this notice and return to above address:

Company Representative Name: Title:

Signature: Date:

Company Comments:

*** THIS NOTICE CONSTITUTES A SEPARATE NOTICE OF ALLEGED VIOLATION FOR EACH VIOLATION LISTED ***

WARNING

Abatement and reporting time frames for Notices of Alleged Violation begin upon receipt of the Notice or five days after the date it is mailed, whichever is earlier. Each violation must be abated within the prescribed time upon receipt of this Notice, reported to the Colorado Oil and Gas Conservation Commission at the address shown above, and postmarked no later than the next business day after the prescribed time for abatement. Should abatement or corrective action fail to occur, the Director may make application to the Commission for an Order Finding Violation. Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

PENALTY PROPOSED BY THE DIRECTOR PER RULE 523

The Director may propose a penalty as listed in the table below, not to exceed a maximum of \$1,000.00 per day per violation. Such proposed penalty amount will be limited to \$10,000.00 per violation if the violation does not result in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety, or welfare. Such proposed penalty amount may be increased if aggravating factors indicate the violation: was intentional or reckless; had, or threatened to have, a significant negative impact on public health, safety, or welfare; resulted in significant loss or damage to public or private property; involved recalcitrance or recidivism upon the part of the violator; involved intentional false reporting or record keeping; resulted in economic benefit to the violator. Such proposed penalty amount may be decreased if mitigating factors indicate the violator: self-reported; promptly, effectively and prudently responded to the violation; cooperated with the Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations and orders. The Commission has final authority over the penalty amount assessed.

the Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due to the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations, and orders. The

BASE FINE \$250.00 PER DAY PER VIOLATION: RULES 210, 307, 311, 312, 313, 314A, 315, 403, 405, 803, 804
BASE FINE \$500.00 PER DAY PER VIOLATION: RULES 205, 208, 207, 208, 302, 308, 309, 310, 316A, 321, 322, 328, 329, 330, 331, 332, 401
BASE FINE \$750.00 PER DAY PER VIOLATION: RULES 605, 606A, 606B, 607
BASE FINE \$1,000.00 PER DAY PER VIOLATION: RULES 209, 301, 303, 305, 308, 316B, 317, 317A, 318, 319, 320, 323, 324, 325, 326, 327, 333, 404, 602, 603, 604, 703, 704, 705, 708, 707, 708, 709, 711, 802, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 1002, 1003, 1004, 1101, 1102, 1103

In accordance with Rule 523.a.(4), fines for violations for which no base fine is listed shall be determined by the Commission at its discretion.

Signature of COGCC Representative: Date: 3/4/13 Time:

Resolution Approved by: Date:

ATTACHMENT 1 TO DOCUMENT NUMBER 200375865, NOAV NOTICE.

CORRECTIVE ACTIONS

1. Submit a Form 19 – Spill Report and Form 27 – Site Investigation and Remediation Work Plan with a plan of action to the COGCC Regional EPS, to address the produced water release near the temporary manifold load in/load out area and potential release from the burned pit liner.
2. Complete a thorough investigation of the alleged compromised pit liner (area that burned and area near leak detection).
3. provide a mass balance (fluids in/out) of fluids that were transferred through the completions pit.
4. As soon as practicable, the remaining fluids shall be withdrawn from the pit. The COGCC is requesting documentation of the volume of fluids disposed and location(s) of disposal.
5. Notify the COGCC at least 72 hours prior to removal of the pit liners. (alex.fischer@state.co.us 303-894-2100 x 5138 and kris.neidel@state.co.us 970-871-1963.
6. Per Rule 205, provide a chemical inventory of all materials that were and are being used or stored onsite.
7. Repair/replace liners as necessary. Provide certification by a Professional Engineer of work done prior to putting Pit Facility into service.
8. Complete installation of fencing and netting prior to putting the Pit Facility into service.
9. After repair or replacement of the liners and prior to operating the pit, the synthetic liners(s) shall be tested by filling the pit with at least 70 percent of operating capacity of water, measured from the base of the pit (not to exceed the 2-foot freeboard requirement). The operator shall monitor the pit for leaks for a period of 72 hours prior to draining the pit and commencing operations. The leak detection system must also be monitored during the hydrostatic test. Operator shall notify the COGCC 72 hours prior to start of hydrostatic test. Test monitoring results must be maintained by the operator for the life of the pit and provided to the COGCC prior to using the pit.