

August 25, 2014

Mr. Chris Collins  
Consultant for POC-I, LLC  
POC-I, LLC  
1888 Sherman Street, Suite 500  
Denver, Colorado 80203

**RE: Iles Dome Unit POC-I, LLC  
Moffat County, Colorado  
Tanks 4 and 5 Internal Inspection**

Dear Chris,

The purpose of this letter is to provide you a report of our observations and findings relative to our field investigation of the Iles Dome Unit POC-I, LLC tank 4 and 5 internal inspection. Our inspection/observations were performed on August 11, 2014 at the facility SW of Craig, Colorado. Our investigation was at your request to perform a cursory inspection of the interior of oil storage tanks number 4 and 5 on the location.



Figure 1 – Tank 4



Figure 2 – Tank 5

This investigation follows the work performed by SGM in March of this year where we performed an exterior inspection of the tanks. We previously provided Jerry Smothermon a letter report of our findings regarding that inspection dated March 28, 2014.

Consistent with our observations made in March, the roof tanks and upper 24" +/- of the upper ring exhibited a significant level of deterioration of the tank roof and affected rings. We understand that a replacement program has been set in place to remove the upper ring and roof to address this issue. Below the working "water and oil" levels, no obvious observations have been made (such as distortion, deformation, settlement, corrosion or significant leakage) that indicate the tanks inability to adequately contain and store the liquids intended. The following photos are provided to help document the conditions of the tanks observed during our investigation.



Figure 3 – Tank 4 Roof



Figure 4 – Tank 4 Walls and Floor



Figure 5 – Brace in Tank 4



Figure 6 – Down comer in Tank 4



Figure 7 – Tank 5 Down comer and Roof

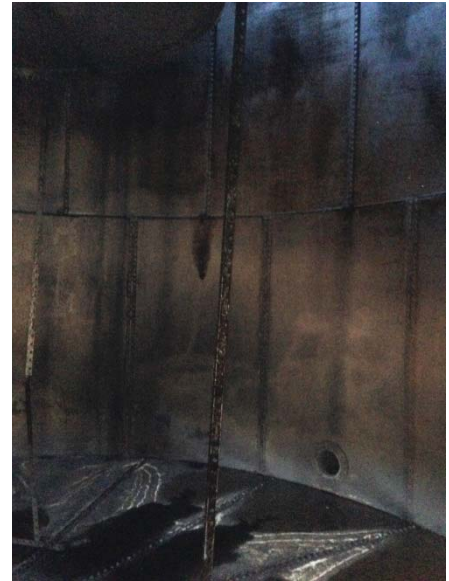


Figure 8 – Tank 5 Floor and Wall



Figure 9 – Tank 5 Wall

As was noted in our prior report to Mr. Smothermon, given the age of the tanks and the observations made, we would continue to recommend more frequent inspections (thickness measurements) be performed on the tanks to monitor performance in accordance to the API Standard 12R1. The frequent inspections (at least twice per year for two years) should be performed to compare results of thickness measurements to those recently noted in our March 2014 correspondence to assure that the performance of the tanks remains static. As well, the measurements will allow you to develop a specific rate of oxidation (particularly for the shells exposed to active water levels and loadings) as outlined in



API 12R1. Again, after two years, we believe sufficient base line data will exist to support annual inspections be performed to assure that oxidation rates remain consistent and tank wall thicknesses remain in excess of the minimums outlined in API 12B and that needed to resist the imposed stress from the liquids.

Upon your receipt and review, if you have any questions, please don't hesitate to call.

Respectfully,  
SGM-**no.**

Jeffrey S. Simonson, PE  
Principal

