

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



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Inspection Date:
12/18/2014

Document Number:
675100778

Overall Inspection:

ACTION REQUIRED

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>427464</u>	<u>427485</u>	<u>GRANAHAN, KYLE</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number: 47200

Name of Operator: KGH OPERATING COMPANY

Address: P O BOX 2235

City: BILLINGS State: MT Zip: 59103-

- THIS IS A FOLLOW UP INSPECTION
- FOLLOW UP INSPECTION REQUIRED
- NO FOLLOW UP INSPECTION REQUIRED
- INSPECTOR REQUESTS FORM 42 WHEN CORRECTIVE ACTIONS ARE COMPLETED

Contact Information:

Contact Name	Phone	Email	Comment
Contact, Gen	<u>406-294-4646</u>	<u>kgh@hohneng.com</u>	<u>Thomas Hohn, PE</u>

Compliance Summary:

QtrQtr: LOT 7 Sec: 3 Twp: 1S Range: 104W

Insp. Date	Doc Num	Insp. Type	Insp Status	Satisfactory /Action Required	PA P/F/I	Pas/Fail (P/F)	Violation (Y/N)
<u>04/01/2014</u>	<u>673500915</u>	<u>PR</u>	<u>PR</u>	ACTION REQUIRED			<u>No</u>

Inspector Comment:

Follow up inspection in regards to document # 673500915. Operators have changed since this inspection; all corrective actions have been met but one. All chemical totes must be labeled on location.

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status
<u>427464</u>	<u>WELL</u>	<u>PR</u>	<u>11/01/2012</u>	<u>OW</u>	<u>103-11910</u>	<u>MEAGHER 3-1H</u>	<u>PR</u>

Equipment:

Location Inventory

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

Location

Signs/Marker:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date
<u>WELLHEAD</u>	<u>SATISFACTORY</u>	<u>Well name and legal location on sign</u>		

CONTAINERS	ACTION REQUIRED	Chemical totes next to wellhead need to be labeled. See photo A1	Install sign to comply with rule 210.	01/19/2015
BATTERY	ACTION REQUIRED	Located at tank battery, missing nearest public access road, see photo A2	Install sign to comply with rule 210.	01/19/2015
TANK LABELS/PLACARDS				

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

Comment: 1-406-655-3381

Corrective Action: _____

Spills:

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

Equipment:

Type	#	Satisfactory/Action Required	Comment	Corrective Action	CA Date
Ancillary equipment	3	SATISFACTORY	3 chemical injection totes w/secondary containment		
Deadman # & Marked	4	SATISFACTORY			
Horizontal Heated Separator	1	SATISFACTORY			
Bird Protectors	1	SATISFACTORY			
Emission Control Device	1	SATISFACTORY	Tied into tank battery		

Facilities: New Tank Tank ID: _____

Contents	#	Capacity	Type	SE GPS
PRODUCED WATER	1	<100 BBLs	STEEL AST	,

S/A/V: SATISFACTORY Comment: Same berm as condensate

Corrective Action: _____ Corrective Date: _____

Paint

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

Berms

Type	Capacity	Permeability (Wall)	Permeability (Base)	Maintenance

Corrective Action _____ Corrective Date _____

Comment _____

Facilities: New Tank Tank ID: _____

Contents	#	Capacity	Type	SE GPS

CONDENSATE	3	400 BBLs	HEATED STEEL AST	39.984710,-109.048980
S/A/V:	SATISFACTORY		Comment:	
Corrective Action:				Corrective Date:
Paint				
Condition	Adequate			
Other (Content)	_____			
Other (Capacity)	_____			
Other (Type)	_____			
Berms				
Type	Capacity	Permeability (Wall)	Permeability (Base)	Maintenance
Earth	Adequate	Walls Sufficient	Base Sufficient	Adequate
Corrective Action				Corrective Date
Comment				

Venting:	
Yes/No	Comment
NO	

Flaring:				
Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Predrill				
Location ID: 427464				
Site Preparation:				
Lease Road Adeq.: _____		Pads: _____		Soil Stockpile: _____
S/A/V: _____				
Corrective Action: _____			Date: _____	CDP Num.: _____
Form 2A COAs:				

Group	User	Comment	Date
OGLA	kubeczko	<p>SITE SPECIFIC COAs:</p> <p>Operator must ensure 110 percent secondary containment for any volume of fluids 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, 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 temporary surface pipelines or buried permanent pipelines.</p> <p>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.</p> <p>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. At the time of closure, if drill cuttings are to remain/disposed of onsite, or to be recycled and used offsite, the drill cuttings must also meet the applicable standards of table 910-1.</p>	12/27/2011

S/A/V: SATISFACTORY

Comment:

COA's met at time of inspection, all fluids have secondary containment present.

CA:

Date: _____

Wildlife BMPs:

BMP Type	Comment
Wildlife	<p>1. WHERE OIL AND GAS ACTIVITIES MUST OCCUR IN MULE DEER CRITICAL WINTER RANGE OR ELK WINTER CONCENTRATION AREAS, CONDUCT THESE ACTIVITIES OUTSIDE OF THE TIME PERIOD DECEMBER 1 THROUGH APRIL 15 (CONSTRUCTION AND DRILLING)</p> <p>2. RESTRICT POST DEVELOPMENT WELL SITE VISITATIONS TO BETWEEN THE HOURS OF 10:00 AM AND 3:00 PM, AND REDUCE WELL SITE VISITATIONS BETWEEN DECEMBER 1 AND APRIL 15 IN MULE DEER AND ELK WINTER RANGE.</p> <p>3. ESTABLISH COMPANY GUIDELINES TO MINIMIZE WILDLIFE MORTALITY FROM VEHICLE COLLISIONS ON ROADS.</p> <p>4. GATE SINGLE-PURPOSE ROADS AND RESTRICT GENERAL PUBLIC ACCESS TO REDUCE TRAFFIC DISRUPTIONS TO WILDLIFE.</p> <p>5. 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.</p> <p>6. AVOID AGGRESSIVE NON-NATIVE GRASSES AND SHRUBS IN MULE DEER AND ELK HABITAT RESTORATION.</p> <p>7. RECLAIM MULE DEER AND ELK HABITAT WITH NATIVE SHRUBS, GRASSES, AND FORBS APPROPRIATE TO THE ECOLOGICAL SITE DISTURBED.</p> <p>8. RESTORE APPROPRIATE SAGEBRUSH SPECIES OR SUBSPECIES ON DISTURBED SAGEBRUSH SITES. USE LOCALLY COLLECTED SEED FOR RESEEDING WHERE POSSIBLE.</p>
Storm Water/Erosion Control	<p>STORMWATER MANAGEMENT WILL BE MANAGED UNDER KGH OPERATING COMPANY'S (KGH) PROPOSED STORMWATER MANAGEMENT PLAN PREPARED FOR THE PROJECT AREA. A STORMWATER PLAN AND PERMIT WILL BE SUBMITTED TO CDPHE AS REQUIRED. PRIOR TO CONSTRUCTION A STORMWATER "PERIMETER" WILL BE BUILT AROUND THE SITE FOR INITIAL WORK PURPOSES. ONCE THE PAD CONSTRUCTION IS COMPLETED, THE SITE WILL BE INSPECTED AND ANY NECESSARY EROSION CONTROL DEVICES NEEDED TO MANAGE SEDIMENT DISCHARGE FROM THE PAD WILL BE INSTALLED. THESE DEVICES MAY INCLUDE BUT ARE NOT LIMITED TO:</p> <ul style="list-style-type: none"> - ROCK CHECK DAMS - SETTLING PONDS - STRAW WADDLES - SILT FENCING (USED SPARINGLY)
Material Handling and Spill Prevention	<p>SPILL PREVENTION AND CONTROL AND COUNTER MEASURES (SPCC)</p> <p>ONCE THE WELLS ARE DRILLED AND COMPLETED ONSITE KGH WILL PREPARE AN SPCC PLAN FOR THE SITE.</p>

S/A/V: SATISFACTORY **Comment:** BMP's met at time of inspection

CA: _____ **Date:** _____

Stormwater:

Comment: _____

Staking:

On Site Inspection (305):

Surface Owner Contact Information:

Name: _____ Address: _____

Phone Number: _____ Cell Phone: _____

Operator Rep. Contact Information:

Landman Name: _____ Phone Number: _____
 Date Onsite Request Received: _____ Date of Rule 306 Consultation: _____
 Request LGD Attendance: _____
LGD Contact Information:
 Name: _____ Phone Number: _____ Agreed to Attend: _____
Summary of Landowner Issues:

Summary of Operator Response to Landowner Issues:

Onsite Inspection Memorandum Summarizing Discussions at Inspection as Attachment:

Facility

Facility ID: 427464 Type: WELL API Number: 103-11910 Status: PR Insp. Status: PR

Producing Well

Comment: Producing well, 2 chemical totes w/secondary containment. Plunger lift on well head. No venting or leaks present. Cellar is empty and covered.

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: RANGELAND
 Comment: _____
 1003a. Debris removed? Pass CM _____
 CA _____ CA Date _____
 Waste Material Onsite? Pass CM _____

CA _____ CA Date _____
 Unused or unneeded equipment onsite? Pass CM _____

CA _____ CA Date _____
 Pit, cellars, rat holes and other bores closed? In CM _____

CA _____ CA Date _____
 Guy line anchors removed? _____ CM _____

CA _____ CA Date _____
 Guy line anchors marked? Pass CM _____

CA _____ CA Date _____

1003b. Area no longer in use? In Production areas stabilized ? Pass

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? In
 Production areas have been stabilized? Pass 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: RANGELAND

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 _____ Well Release on Active Location Multi-Well Location

Storm Water:						
Loc Erosion BMPs	BMP Maintenance	Lease Road Erosion BMPs	Lease BMP Maintenance	Chemical BMPs	Chemical BMP Maintenance	Comment
		Gravel	Pass			
Berms	Pass					
Compaction	Pass					
Slope Roughening	Pass					
		Compaction	Pass			
		Ditches	Pass			

S/A/V: SATISFACTOR
 Y _____ Corrective Date: _____

Comment: Snow cover prevented a full evaluation of stormwater BMP's – no evidence of soil migration at time of inspection.
 CA: _____

Pits: NO SURFACE INDICATION OF PIT

Attached Documents

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

Document Num	Description	URL
675100780	A1	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3512526
675100781	A2	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3512527

ACTION REQUIRED

ANY ACTION REQUIRED items listed on this report indicate that the oil and gas facility or the oil and gas operations listed on the report may be in violation of the rules and regulations of the Colorado Oil and Conservation Commission (“COGCC”) and corrective action is required.

There is reasonable cause to believe that a violation of the Oil and Gas Conservation Act, or of any rule, regulation, or order of the Commission, or of any permit issued by the Commission, has occurred. The Operator’s compliance with this Inspection Report is required to resolve these alleged violations. This document requires the Operator to timely respond to the COGCC and to comply with directives as listed by the **Corrective Action Deadline Date**. Failure to do so will result in the issuance of a Notice of Alleged Violation and initiation of enforcement proceedings in which COGCC will seek monetary penalties for the alleged violations pursuant to § 34-60-121, C.R.S. and Rule 523, COGCC Rules of Practice and Procedure, 2 CCR 404-1. (Please note that the COGCC's penalty authority was recently increased to a maximum of \$15,000 per day and penalties are no longer capped at a maximum of \$10,000 per violation.)