

FORM INSP
Rev 05/11

**State of Colorado
Oil and Gas Conservation Commission**

1120 Lincoln Street, Suite 801, Denver, Colorado 80203
Phone: (303) 894-2100 Fax: (303) 894-2109



DE	ET	OE	ES
----	----	----	----

Inspection Date:
01/14/2015

Document Number:
674101990

Overall Inspection:

ACTION REQUIRED

FIELD INSPECTION FORM

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection	2A Doc Num:
	<u>439611</u>	<u>439608</u>	<u>Rickard, Jeff</u>	<input type="checkbox"/>	

Operator Information:

OGCC Operator Number:	<u>10485</u>
Name of Operator:	<u>VERDAD OIL & GAS CORPORATION</u>
Address:	<u>5950 CEDAR SPRINGS RD #200</u>
City:	<u>DALLAS</u> State: <u>TX</u> Zip: <u>75235</u>

- 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
Beecherl, Arthur	214-838-2783	abeecherl@beecherl.com	
Kulmann, Dave		dave.kulmann@state.co.us	

Compliance Summary:

QtrQtr: NENE Sec: 28 Twp: 1N Range: 65W

Inspector Comment:

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name	Insp Status
439604	WELL	XX	10/31/2014		123-40506	Young 01N-65W-28-6N	XX
439605	WELL	XX	10/31/2014		123-40507	Young 01N-65W-28-7N	XX
439607	WELL	XX	10/31/2014		123-40508	Young 01N-65W-28-1C	XX
439609	WELL	XX	10/31/2014		123-40509	Young 01N-65W-28-2N	XX
439611	WELL	DG	11/29/2014		123-40511	Young 01N-65W-28-8N	WK
439612	WELL	XX	10/31/2014		123-40512	Young 01N-65W-28-3N	XX
439616	WELL	XX	10/31/2014		123-40515	Young 01N-65W-28-9C	XX

Equipment:

Location Inventory

Special Purpose Pits: _____	Drilling Pits: _____	Wells: <u>9</u>	Production Pits: _____
Condensate Tanks: _____	Water Tanks: <u>2</u>	Separators: <u>4</u>	Electric Motors: _____
Gas or Diesel Mortors: _____	Cavity Pumps: _____	LACT Unit: _____	Pump Jacks: _____
Electric Generators: _____	Gas Pipeline: _____	Oil Pipeline: _____	Water Pipeline: _____
Gas Compressors: <u>1</u>	VOC Combustor: <u>2</u>	Oil Tanks: <u>6</u>	Dehydrator Units: _____
Multi-Well Pits: _____	Pigging Station: _____	Flare: _____	Fuel Tanks: _____

Location

Emergency Contact Number (S/A/V): _____

Corrective Date: _____

Comment: _____

Corrective Action: _____

Spills:

Type	Area	Volume	Corrective action	CA Date
------	------	--------	-------------------	---------

Multiple Spills and Releases?

Venting:

Yes/No	Comment

Flaring:

Type	Satisfactory/Action Required	Comment	Corrective Action	CA Date

Predrill

Location ID: 439611

Site Preparation:

Lease Road Adeq.: _____ Pads: _____ Soil Stockpile: _____

S/A/V: _____

Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

Group	User	Comment	Date
OGLA	andrewsd	Unnecessary or excessive flaring is prohibited. Operator shall direct all salable quantity gas to a sales line as soon as practicable or shut in and conserved.	10/29/2014
OGLA	andrewsd	Operator shall provide notice to COGCC 48 hours prior to commencing construction of this Oil and Gas Location via Form 42.	10/22/2014

S/A/V: _____ **Comment:** _____

CA: _____ **Date:** _____

Wildlife BMPs:

BMP Type	Comment
General Housekeeping	Fencing requirements. A permanent fencing plan will be reviewed by the surface owner, & the applicant.
Drilling/Completion Operations	Blowout preventer equipment ("BOPE"). A double ram and annular preventer will be used during drilling. At least the drilling company shall have a valid well blowout prevention certifications.
Drilling/Completion Operations	Pit level indicators. Not applicable; a closed-loop system will be used and no pits shall be dug.
Drilling/Completion Operations	Guy line anchors. All guy line anchors shall be brightly marked pursuant to Rule 604.c.(2)Q.
Final Reclamation	Well site cleared. Within 90-day subsequent to the time of plugging and abandonment of the entire site, superfluous debris and equipment shall be removed from the site.
Material Handling and Spill Prevention	Berm construction. Tank berms shall be constructed of steel rings with a synthetic or engineered liner and designed to contain 150% of the capacity of the largest tank. All berms will be visually checked periodically to ensure proper working condition.
Dust control	Per Rule 805: Oil & Gas Facilities and equipment shall be operated in such a manner that odors and dust do not constitute a nuisance or hazard to public welfare.
Final Reclamation	Identification of plugged and abandoned wells. P&A'd wells shall be identified pursuant to 319.a.(5).
Material Handling and Spill Prevention	Load-lines. All load-lines shall be bull-plugged or capped.

Drilling/Completion Operations	Green Completions – Emission Control Systems. Test separators and associated flow lines and sand traps shall be installed on-site to accommodate Green completions techniques pursuant to COGCC Rules. In the anticipated absence of a viable gas sales line, the flow-back gas shall be thermally oxidized in an emissions control device (ECD), which will be installed and kept in operable condition for least the first 90-days of production pursuant to CDPHE rules. This ECD shall have an adequate capacity for 1.5 times the largest flow-back within a 10 mile radius, will be flanged to route gas to other or permanent oxidizing equipment and shall be provided with the equipment needed to maintain combustion where non-combustible gases are present.
Traffic control	Access roads. The access road will be constructed to accommodate local emergency vehicles. This road will be maintained for access at all times.
Drilling/Completion Operations	BOPE for well servicing operations. Adequate BOP equipment shall be used. Stabbing valves shall be installed in the event of reverse circulation and shall be prior tested with low and high pressure fluid.
Noise mitigation	Verdad will install a sound barrier on the Eastern & Northern side of the location in order to mitigate noise pollution for the offset building unit owners.
General Housekeeping	Removal of surface trash. All trash, debris and material not intrinsic to the operation of the oil and gas facility shall be removed and legally disposed of as is applicable.
Material Handling and Spill Prevention	Tank specifications. Tanks will be designed, constructed and maintained in accordance with NFPA Code 30. The tanks are visually inspected once a day for issues, and recorded inspections are conducted once a month.
Noise mitigation	Lighting abatement measures shall be implemented, including the installation of lighting shield devices on all of the more conspicuous lights, low density sodium lighting where practicable; and rig shrouding if necessary will be used to include perimeter sound walls on the location during drilling and completion activities to provide noise relief. Permanent equipment on location shall be muffled to reduce noise, or shall be appropriately buffered.
Planning	Multi-well Pads. It is a multi-well pad located in a manner which allows for resource extraction while maintaining the highest distances possible from the offsetting residential areas. Verdad's correspondence with the landowner and its SUA indicated that the tanks should be as close to the Northern property line as possible to maximize landowners plantable land once the location was reclaimed.
Drilling/Completion Operations	Closed Loop Drilling Systems – Pit Restrictions. Not applicable; a closed-loop system will be used for drilling.
Drilling/Completion Operations	Control of fire hazards. All materials which are considered fire hazards shall be a minimum of 25' from the wellhead tanks or separators. Electrical equipment shall comply with API RP 500 and will comply with the current national electrical code. An emergency response plan has been generated for this site.
Drilling/Completion Operations	Drill stem tests. Not applicable; no Drill Stem tests are planned.
Material Handling and Spill Prevention	Leak Detection Plan. Pumper will visit the location daily and visually inspect all tanks and fittings for leaks. Additionally, monthly documented SPCCP inspections are conducted pursuant to 40 CFR §112.

S/AV: _____ **Comment:** _____

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: _____

Inspector Name: Rickard, Jeff

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: 439611 Type: WELL API Number: 123-40511 Status: DG Insp. Status: WK

Complaint

Comment: **OGCC inspector on location in follow up to Complaint DOC # 200421416 regarding noise and lighting issues. At time of inspection, flow back equipment was being staged and rigged up. Three light towers remain on location. One tower is down and is waiting to be hauled off. The next tower is the the west of the location and if facing down and to the south. The last light tower is on the south side of the wellhead and is facing down and to the north. OGCC inspector was made aware that the complainant was still having noise issues and ran a sound survey. Noise survey was taken 350 feet away from the noise source to the south west. Noise on location during the sound survey was flowline being hammered together and back up alarms from a fork lift staging equipment. OGCC inspector attempted to contact complainant at 13:25 but had to leave a message on his voice mail.**

Workover

Comment: **Flowback equipment is being staged on location. At the time of inspection, crews were rigging up lines for flowback. Flow back has not started. One sand castle and sand conveyor still remain on location from fracturing.**

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: _____

Complaint:				
Tracking Num	Category	Assigned To	Description	Incident Date
200420106	OPERATOR RELATIONS HIP	Ikenouye, Teri	1. 30 day certification letter of notification to owners is dated 8-7-2014. We have yet to receive said notification much less given operator our comments. DOC.#400695515. 2. Upon receipt of notice of application to pool all mineral interests in East 1/2 of Sec.28, 65W, 1N: dated Nov. 17, 2014 and operator requesting among other items date of hearing for "proposed" well. 3. Operator has been at site since Nov. 12 and has been operating drill rig since Dec.1, 2014 without hearing.	12/23/2014
200420258	WATER WELL	Ikenouye, Teri	Operator responded to my phone call on Mon. Dec.8, 2014. Two phone conversations with John Beecherl and later with Arther Beecherl resulted in operator's conclusion that this well was "excepted" and COGCC Rules waived due to its location. 5. My request for water well monitoring was denied due to its location over 1000' from above Oil and Gas well.	12/24/2014
200420259	LIGHTING	Precup, Jim	My request for light pollution abatement was laughed at and dismissed.	12/24/2014

Emission Control Burner (ECB): N

Comment: _____

Pilot: _____ Wildlife Protection Devices (fired vessels): _____

Reclamation - Storm Water - Pit

Interim Reclamation:

Date Interim Reclamation Started: _____ Date Interim Reclamation Completed: _____

Land Use: IRRIGATED

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: _____

Inspector Name: Rickard, Jeff

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: IRRIGATED

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

S/A/V: _____ Corrective Date: _____

Comment: _____

CA: _____

Pits: NO SURFACE INDICATION OF PIT

COGCC Comments

Comment	User	Date
Stormwater issues noted in last inspection still remain.	rickardj	01/14/2015

Attached Documents

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

Document Num	Description	URL
674101992	One of three light towers on location, tower is facing north.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3528129
674101993	Location overview taken from the west looking east.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3528130
674101994	Flow back equipment being staged.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3528131
674101995	Location overview from the east looking west.	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3528132
674101996	Sound survey	http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3528133

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.)