

Inspector Name: Binschus, Chris

**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:

10/23/2015

Document Number:

682400025

Overall Inspection:

ACTION REQUIRED**FIELD INSPECTION FORM**

| | | | | | |
|---------------------|-------------|--------|-----------------|--------------------------|-------------|
| Location Identifier | Facility ID | Loc ID | Inspector Name: | On-Site Inspection | 2A Doc Num: |
| | 443555 | 443555 | Binschus, Chris | <input type="checkbox"/> | |

Operator Information:OGCC Operator Number: 10459Name of Operator: EXTRACTION OIL & GAS LLCAddress: 370 17TH STREET SUITE 5300City: DENVER State: CO Zip: 80202

- ☒ 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 |
|---------------|--------------|---------------------------------------|-----------------|
| Noto, John | | john.noto@state.co.us | |
| Owens, Matt | 720-382-2693 | COGCCInspections@extracti onog.com | All inspections |
| Andrews, Doug | | doug.andrews@state.co.us | |

Compliance Summary:QtrQtr: NENW Sec: 36 Twp: 12N Range: 62W

| Insp. Date | Doc Num | Insp. Type | Insp Status | Satisfactory /Action Required | PA P/F/I | Pas/Fail (P/F) | Violation (Y/N) |
|------------|-----------|------------|-------------|----------------------------------|-------------|-------------------|--------------------|
| 10/20/2015 | 682400002 | | | ACTION REQUIRED | | | No |

Inspector Comment:

This is a follow up construction inspection for Inspection #682400002. Any corrective actions from previous inspections that have not been addressed are still applicable. Corrective action dates from previous Inspection #682400002 will be used for the number of days out of compliance.

Related Facilities:

| Facility ID | Type | Status | Status Date | Well Class | API Num | Facility Name | Insp Status | |
|-------------|------|--------|-------------|------------|-----------|---------------|-------------|-------------------------------------|
| 443556 | WELL | XX | 10/14/2015 | | 123-42282 | Silverback 3 | XX | <input checked="" type="checkbox"/> |
| 443557 | WELL | XX | 10/14/2015 | | 123-42283 | Silverback 1 | XX | <input checked="" type="checkbox"/> |
| 443558 | WELL | XX | 10/14/2015 | | 123-42284 | Silverback 2 | XX | <input checked="" type="checkbox"/> |

Equipment:Location Inventory

| | | | |
|-----------------------------|------------------------|----------------------|-------------------------|
| Special Purpose Pits: _____ | Drilling Pits: _____ | Wells: <u>3</u> | Production Pits: _____ |
| Condensate Tanks: _____ | Water Tanks: <u>6</u> | Separators: <u>3</u> | Electric Motors: _____ |
| Gas or Diesel Motors: _____ | Cavity Pumps: _____ | LACT Unit: _____ | Pump Jacks: _____ |
| Electric Generators: _____ | Gas Pipeline: _____ | Oil Pipeline: _____ | Water Pipeline: _____ |
| Gas Compressors: _____ | VOC Combustor: _____ | Oil Tanks: <u>9</u> | Dehydrator Units: _____ |
| Multi-Well Pits: _____ | Pigging Station: _____ | Flare: <u>1</u> | Fuel Tanks: _____ |

Location

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

Corrective Date: _____

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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: 443555

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 | Onsite treatment and reuse of drill cuttings must be successfully completed prior to the indicated date that Interim Reclamation will begin. In the event that treatment and reuse of drill cuttings is not completed prior to this date, Operator shall submit a 502.b Variance Request Letter to extend the time period or dispose of the drill cuttings at commercial facility. | 09/21/2015 |
| OGLA | HouseyM | Any accumulation of fluid in treatment area(s) shall be removed upon detection. All treatment area(s) shall be monitored after any significant precipitation event. | 10/08/2015 |
| OGLA | HouseyM | Precautions (such as a synthetic liner) shall be used to prevent potential impacts to the subsurface soil and shallow groundwater resulting from the onsite remediation stockpiles. | 10/08/2015 |
| OGLA | HouseyM | All berms placed around the stockpile locations shall be sufficient to prevent stormwater run on and runoff. Berms shall be maintained and constructed of non-E&P waste material. | 10/08/2015 |
| OGLA | andrewsd | The Operator shall prepare and submit for prior Director approval a Form 27 Site Investigation and Remediation Workplan for the onsite land treatment of oily waste (drill cuttings that contain hydrocarbons) in accordance with Rule 909.c.(3). The Form 27 shall include a site map showing the site layout and stockpile locations, a description of the confirmation sampling program, a description of and any pertinent literature about proposed amendments to enhance remediation of the drill cuttings, and a diagram of where cuttings will be beneficially reused. | 09/23/2015 |

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

CA: _____ **Date:** _____

Wildlife BMPs:

| BMP Type | Comment |
|-------------------|--|
| Final Reclamation | Within 90 days subsequent to the time of plugging and abandonment of the entire site, superfluous debris and equipment shall be removed from the site. The Operator shall restore the surface of the Land affected by such terminated operations as near as possible to the previous state that existed prior to operations. |

| | |
|--------------------------------|--|
| Dust control | Operator shall employ practices for control of fugitive dust caused by their operations. |
| General Housekeeping | Visual Impacts: Equipment, regardless of construction date, which are observable from any public highway shall be painted with uniform, non-contrasting, non-reflective color tones (similar to the Munsell Soil Color Coding System), and with colors matched to, but slightly darker than, the surrounding landscape. |
| Drilling/Completion Operations | <p>Bioremediation of Drill Cuttings</p> <p>1. Mixing and Treatment:</p> <p>A. All cuttings shall be mixed on location</p> <p>B. Cuttings shall be mixed with additives. The amount of additives shall be determined based on laboratory analysis of untreated cuttings.</p> <p>C. Mixing shall be performed with equipment to ensure contact between the cuttings and additives</p> <p>D. Additives</p> <p>i. CMC – polymer absorbent, non-toxic, non-hazardous</p> <p>ii. Oppenheimer Piranha – bioremediation of hydrocarbons</p> <p>iii. Water soluble calcium – chemical reduction of SAR</p> <p>2. Stockpile Management:</p> <p>A. Treated, solidified cuttings shall be stored on location in individual well stockpiles. One stockpile per well. Each stockpile shall be marked with the name of the well.</p> <p>B. Stockpiles shall be windrows with a height as tall as practical. Taller windrows aid in the retention of warmth increasing microbial activity.</p> <p>C. Leachate shall be managed by absorbent material. The inherent properties of CMC reduces leachate levels of TDS to below standards based on laboratory analysis.</p> <p>D. An earthen berm, one foot in height, shall be constructed around the stockpile(s) to minimize storm water runoff</p> <p>E. As the solidified cuttings dry, a protective crust layer will form on the surface of the stockpile. This crust layer helps retain moisture and heat within the stockpile while also protecting the native landscape from windborne contaminated particulate. Care shall be taken by the Operator and all contractors to minimize stockpile disturbance until a properly trained soil sampling technician visits the site.</p> <p>3. Sampling & Testing:</p> <p>A. The stockpile of treated cuttings will be sampled and tested according to standard laboratory and sampling protocols and COGCC table 910-1. Stockpiles will be sampled in increments no greater than 100 cubic yards. Ten samples shall be taken from each segment of the stockpile of treated drill cuttings, mixed and then one composite sample will be used for testing. Samples will be taken from the stockpile in such a way as to preserve any potential volatile organic compounds. Ten random samples shall be taken of the stockpile of subsoil for use as a source for background data.</p> <p>B. After the cuttings have achieved the threshold limits specified in table 910-1, the treated material will be thin spread on the well site and incorporated into the reclamation fill material.</p> <p>A permanent record of the laboratory analysis shall be maintained by the Operator.</p> |
| Planning | A meeting with the surface owner will determine the fencing plan. |
| Interim Reclamation | Operator shall be responsible for segregating the topsoil, backfilling, repacking, reseeding, and recontouring the surface of any disturbed area so as not to interfere with Owner's operations and shall reclaim such area to be returned to pre-existing conditions as best as possible with control of all weeds. |
| Drilling/Completion Operations | One of the first wells drilled on the pad will be logged with openhole Resistivity Log and Gamma Ray Log from the kick-off point into the surface casing. All wells on the pad will have a cement bond log with gamma-ray run on production casing (or on intermediate casing if production liner is run) into the surface casing. The horizontal portion of every well will be logged with a measured-while-drilling gamma-ray log. The Form 5, Completion Report, for each well on the pad will list all logs run and have those logs attached. The Form 5 for a well without open-hole logs shall clearly state "No open-hole logs were run" and shall clearly identify (by API#, well name & number) the well in which openhole logs were run. |
| Emissions mitigation | 805.b.(3)A. Green completion practices are not required for this area as it is considered exploratory. If it is determined that the wells will produce gas in economic quantities, then Extraction will negotiate with nearby midstream operators to connect to their gas sales line. |
| 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. An Access Road Permit will be applied for through Weld County. |

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|--------------|---|
| Construction | Guy line anchors: All guy line anchors shall be brightly marked pursuant to Rule 604.c.(2)Q. Tank berms will 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. Secondary containment devices will be sufficiently impervious to contain any spilled or released material. |
|--------------|---|

S/A/V: _____ Comment: _____

CA: _____ Date: _____

Stormwater:

| | | | |
|--------------|---------|------------|---------|
| Erosion BMPs | Present | Other BMPs | Present |
| DITCHES | No | | |

S/A/V: ACTION
REQUIRED

Corrective Action: Need to install Stormwater BMPs Date: 10/23/2015

Comments: Erosion BMPs: Stormwater BMPs need to be installed for access road, west disturbance location, east disturbance location, and for the topsoil stockpile. The topsoil stockpile also needs to be stabilized. Refer to pictures in Doc #682400030.

Other BMPs: _____

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: <u>443556</u> | Type: <u>WELL</u> | API Number: <u>123-42282</u> | Status: <u>XX</u> | Insp. Status: <u>XX</u> |
|----------------------------|-------------------|------------------------------|-------------------|-------------------------|

| | | | | |
|----------------------------|-------------------|------------------------------|-------------------|-------------------------|
| Facility ID: <u>443557</u> | Type: <u>WELL</u> | API Number: <u>123-42283</u> | Status: <u>XX</u> | Insp. Status: <u>XX</u> |
|----------------------------|-------------------|------------------------------|-------------------|-------------------------|

| | | | | |
|----------------------------|-------------------|------------------------------|-------------------|-------------------------|
| Facility ID: <u>443558</u> | Type: <u>WELL</u> | API Number: <u>123-42284</u> | Status: <u>XX</u> | Insp. Status: <u>XX</u> |
|----------------------------|-------------------|------------------------------|-------------------|-------------------------|

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:

Lat _____ Long _____
 DWR Receipt Num: _____ Owner Name: _____ GPS : _____

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: _____

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

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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 _____

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 |
|---|-----------|------------|
| Additional disturbance along the County Road 136 bar ditch appears to exceed the 2A (Doc. #400878161) permitted area. This issue is being forwarded onto OGLA for further assessment. | binschusc | 10/28/2015 |

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This is a follow up construction inspection for Inspection #682400002 made on 10/20/15. Corrective actions were issued for no stormwater control BMPs prior to construction. I received a Form 42, Doc #400924122, from the operator on 10/23/15 stating that the corrective actions were performed on 10/22/15. Based on my re-inspection on 10/23/15, stormwater control BMPs are still inadequate. Stormwater control BMPs still need to be installed for the access road (Pictures 1-6 Doc. #682400030). Stormwater control ditch needs to be constructed along the western location and the East stormwater control ditch needs to be reconstructed (Picture 7, 9, and 11 Doc. #68240030). The topsoil stockpile was built on top of the East stormwater control ditch (Pictures 10-11 Doc #682400030). The topsoil stockpile needs to be stabilized and stormwater controls need to be installed. Please refer to additional photos in Doc. #682400030.

binschusc

10/28/2015

Need to install Stormwater control BMPs as soon as possible. Corrective action dates from previous Inspection #682400002 will be used for the number of days out of compliance.

Attached Documents

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

| Document Num | Description | URL |
|--------------|------------------------------|---|
| 682400030 | Construction Location Photos | http://ogccweblink.state.co.us/DownloadDocumentPDF.aspx?DocumentId=3712802 |

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.)