

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF ALLEGED VIOLATIONS)	CAUSE NO. 1V
OF THE RULES AND REGULATIONS OF THE)	
COLORADO OIL AND GAS CONSERVATION)	DOCKET NO. 0708-OV-05
COMMISSION BY PETROGULF CORPORATION,)	
GARFIELD COUNTY, COLORADO)	

NOTICE OF ADMINISTRATIVE ORDER BY CONSENT

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

On December 1, 2005, the Colorado Oil and Gas Conservation Commission ("COGCC") approved an Application for Permit-to-Drill ("APD") from Petrogulf Corporation ("Petrogulf"), for the Hooker #30-10 Well (the "Well") located in the NW¼ NE¼ of Section 30, Township 6 South, Range 93 West, 6th P.M. The APD for the Well had an expiration date of November 30, 2006.

Petrogulf began drilling the Well on February 6, 2006 and completed the Well on February 28, 2006. Petrogulf reported first production from the Well was on June 13, 2006.

On August 28, 2006, Mr. Bobby Hooker, the surface owner, filed a complaint with the COGCC alleging that there was still fluid in the reserve pit and that the reserve pit should have been closed. Although Petrogulf had set no time period for pit closure with Mr. Hooker, Petrogulf proceeded to close the pit.

On November 11, 2006, Mr. Hooker complained that the reserve pit at the Well was being closed improperly. He reported the pit was being back-filled while the pit still contained large amounts of fluid.

COGCC staff inspected the site on November 24, 2006. The inspection report noted that the reserve pit had been breached, an unauthorized pit had been dug adjacent to the reserve pit, and reserve pit contents were being drained into the unauthorized pit.

COGCC staff issued a Notice of Alleged Violation ("NOAV") for the Well on November 24, 2006, for alleged violations of (a) Rule 324A.a., requiring the operator to take precautions to prevent significant adverse environmental impacts to air, water, soil, or biological resources, (b) Rule 903.a.(1), requiring permits for drilling pits, production pits, and special purpose pits, (c) Rule 907.a.(1), requiring operators to ensure that E&P waste is properly disposed of, (d) Table 910-1, specifying allowable concentrations for soil, and (e) Rule 1003.d.(2), requiring the drilling pit to be sufficiently dry prior to backfilling.

The NOAV required (a) removal of all contaminated material from the new, unauthorized pit and closure of it immediately, (b) removal of all free fluids from the remaining open pit area of the reserve pit, (c) excavation of the entire reserve pit area and removal of all hydrocarbon contaminated materials that exceed 10,000 ppm TPH, (d) drying of the fill materials in the pit prior to backfilling the pit, (e) obtaining third-party sampling and analysis of the soil to ensure all materials left behind are below the action levels stated in Table 910-1, (f) notifying COGCC staff and landowner 48 hours in advance of the time of sampling so they can witness it, and (g) disposing of all contaminated soil in an approved manner. The abatement date was originally set as January 1, 2007, but was later extended to March 1, 2007.

Laboratory analysis of soil samples taken from the pit by a third-party contractor on December 5, 2006 indicate petroleum hydrocarbons were not present above action levels, addressing a portion of the NOAV. However, Sodium Adsorption Ratios measured were above the action levels contained in Table 910-1, and the remaining requirements to excavate the pit area and dry the fill materials have not been fully completed to date.

Rule 523.c. specifies a base fine of One Thousand dollars (\$1,000) per day for each violation of Rule 903 and Rule 1003.

A monetary penalty of Two Thousand dollars (\$2,000.00) should be assessed against Petrogulf Corporation, in accordance with Rule 523.c., for continuing violation of Rule 903.a.(1) and Rule 1003.d.(2).

Petrogulf should be required to excavate the reserve pit area, dry the fill material prior to backfilling, and then close the pit to ensure stability of the reclaimed area. Petrogulf should notify the COGCC staff of excavation operations to enable staff to witness them. If contaminated soils are encountered during the operation they should be disposed of in an approved manner and in accordance with Rule 907.e.

On May 29, 2007, COGCC staff issued an Administrative Order by Consent ("AOC") to Petrogulf Corporation for violation of Rule 903.a.(1), requiring permits for drilling pits and production pits, and Rule 1003.d.(2), requiring the drilling pit to be sufficiently dry prior to backfilling, for the Hooker #30-10 Well located in the NW¼ NE¼ of Section 30, Township 6 South, Range 93 West, 6th P.M., and proposing a fine of Two Thousand dollars (\$2,000.00) for violation of the rule. On July 24, 2007, Petrogulf Corporation agreed to and accepted the AOC, including the fine of Two Thousand dollars (\$2,000.00).

NOTICE IS HEREBY GIVEN, that the Oil and Gas Conservation Commission of the State of Colorado, pursuant to the above, has scheduled the above-entitled matter for hearing on:

Date: Monday, August 27, 2007
Tuesday, August 28, 2007

Time: 9:00 a.m.

Place: Southwest Weld County Services Complex, South Wing
4209 Weld County Road 24½
Longmont, Colorado 80504

In accordance with the Americans with Disabilities Act, if any party requires special accommodations as a result of a disability for this hearing, please contact Margaret Humecki at (303) 894-2100 ext. 139, prior to the hearing and arrangements will be made.

Pursuant to said hearing in the above-entitled matter at the time and place aforesaid, or at any adjourned meeting, the Commission will enter such orders as it deems appropriate to protect the health, safety and welfare of the public and to prevent the waste of oil and gas, either or both, in the operations of said field, and to carry out the purposes of the statute.

In accordance with Rule 509., any interested party desiring to protest the granting of the application or to intervene on the application should file with the Commission a written protest or intervention no later than August 13, 2007, briefly stating the basis of the protest or intervention. Such interested party shall, at the same time, serve a copy of the protest or intervention to the person filing the application. An original and nine (9) copies shall be filed with the Commission (Rule 503.). **Anyone who files a protest or intervention must be able to participate in a prehearing conference during the week of August 13, 2007.** Pursuant to Rule 503.f., if a party who has received notice under Rule 503.b. wishes to receive further pleadings in the above-referenced matter, that party must file a protest or intervention in accordance with these rules.

IN THE NAME OF THE STATE OF COLORADO

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By _____
Patricia C. Beaver, Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203
August 7, 2007