

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

IN THE MATTER OF ALLEGED VIOLATIONS OF THE)	CAUSE NO. 1V
RULES AND REGULATIONS OF THE COLORADO OIL)	
AND GAS CONSERVATION COMMISSION BY MAGPIE)	DOCKET NO. 0806-OV-05
OPERATING, INC. , LARIMER COUNTY, COLORADO)	

NOTICE OF ADMINISTRATIVE ORDER BY CONSENT

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

On August 31, 2007, the staff ("Staff") of the Colorado Oil and Gas Conservation Commission ("COGCC" or "Commission") inspected oil and gas operations of Magpie Operating, Inc. ("Magpie") at the Stugart 1 Well (the "Well"), located in the NE¼ SW¼ of Section 30, Township 5 North, Range 68 West, 6th P.M.

Staff observed the accumulation of oil on a produced water pit, which is a violation of Rules 902.h. and 907.c.(1). Rule 902.d. requires the removal within 24 hours of any accumulation of oil on a produced water pit.

On September 14, 2007, Staff issued Notice of Alleged Violation ("NOAV") #1617951 to Magpie for violation of several rules, including Rules 902.d. and 907.c.(1) for the accumulation of oil on a produced water pit. The NOAV was sent by facsimile to Magpie on September 14, 2007 and via U.S. Postal Service on September 17, 2007.

The NOAV and the accompanying cover letter required Magpie to remove oil from the produced water pit within 24 hours and to keep it off. (The NOAV also required Magpie to conduct other abatement or corrective actions related to rule violations that are not the subject of this Administrative Order by Consent ("AOC" or "order") but may be in future AOCs or recommended Orders Finding Violation).

On September 27, 2007 and October 12, 2007, Staff conducted follow-up inspections at the Well and discovered that no abatement had been done and oil remained on the produced water pit. Staff concluded from the lack of abatement that oil had not been removed within 24 hours, in violation of the NOAV, and that oil had accumulated and remained on the produced water pit at the Well for at least 10 days.

Magpie should be found in violation of the following rules for the accumulation of oil on the produced water pit at the Well:

- a. Rule 902.d., failure to remove oil from the pit within 24 hours of discovery;
- b. Rule 907.c.(1), failure to treat produced water prior to placement in a production pit to prevent crude oil from entering the pit.

Rule 523.c. provides for the assessment of a base fine of \$1,000 for violation of each of Rules 902.d. and 907.c.(1). Magpie should be fined a total of \$2,000 for violation of Rules 902.d. and 907.c.(1) for the accumulation of oil on the produced water pit at the Well.

On April 30, 2008, COGCC staff issued an AOC to Magpie Operating, Inc. for violation of Rule 902.d., accumulation of oil on a pit shall be removed within 24 hours of discovery and Rule 907.c.(1), produced water shall be treated prior to placement into a production pit to prevent crude oil from entering the pit for the Stugart 1 Well, located in the NE¼ SW¼ of Section 30, Township 5 North, Range 68 West, 6th P.M., proposing a fine of Two Thousand dollars (\$2,000) for violation of the rules. On April 30, 2008, Magpie Operating, Inc. agreed to and accepted the AOC, including the fine of Two Thousand dollars (\$2,000).

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: Tuesday, June 10, 2008
 Wednesday, June 11, 2008

Time: 8:30 a.m.

Place: Two Rivers Convention Center
159 Main Street, *Colorado River Room*
Grand Junction, CO 81501

Directions: <http://www.tworiversconvention.com/>

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 May 27, 2008, 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 13 copies shall be filed with the Commission. **Anyone who files a protest or intervention must be able to participate in a prehearing conference during the week of May 27, 2008.** 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
May 9, 2008