



*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 10276
Name of Operator: PINE RIDGE OIL & GAS LLC
Address: 600 17TH ST STE 800S ATTN: ANDY LYDYARD, PRES & CE
City: DENVER State: CO Zip: 80202
Company Representative: MOE FELMAN

Date Notice Issued:
08/09/2010

Well Name: DOLLY VARDEN Well Number: 41-20 Facility Number: 415854
Location (QtrQtr, Sec, Twp, Rng, Meridian): NENE 20 19S 69W 6 County: FREMONT
API Number: 05 043 06181 00 Lease Number:

COGCC Representative: GINTAUTAS PETER Phone Number: 719 846-3091

THE FOLLOWING ALLEGED VIOLATION WAS FOUND BY THE COGCC REPRESENTATIVE FOR THE SITE LISTED

Date of Alleged Violation: 08/04/2010 Approximate Time of Violation: 11:30AM

Description of Alleged Violation:

A spill of exploration and production wastes from the drilling pit at the Dolly Varden occurred on or before August 4, 2010. The spill included oil and water from the pit. The COGCC was not notified of the spill not was the owner of the surface land. More than de minimus quantities of liquid hydrocarbons were present on water in the pit. The pit was not netted or bermed property and is not permitted as a skim pit. Inadequate berms are present around storage tanks on the pad. Significant adverse impacts to soils on and near the Dolly Varden 41-20 well pad have resulted from the lack of control of exploration and production wastes at the well. The operator failed to take adequate precautions to protect environmental resources and failed to manage exploration and production wastes in a manner that would protect those resources.

Act, Order, Regulation, Permit Conditions Cited:

324A.a., 324A.b., 902.a., 902.b., 902.c., 902.d., 906.a., 906.b.(1)&(2), 906.c., 906.e., 1002.f(2)a.

Abatement or Corrective Action Required to be Performed by Operator:*

Develop and submit a Site Investigation and Remediation Plan (Form 27) that will encompass how the operator suggests determining the cause and extent of the unauthorized release of E&P waste that resulted in the problems described above. The operator must include a plan to close or permit the pit and how the spill on the pad will be removed or remediated.

Abatement or Corrective Action to be Completed by (date): 08/16/2010

* Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

TO BE COMPLETED BY OPERATOR - When alleged violation is corrected, sign this notice and return to above address:

Company Representative Name: John McCarthy Title: V.P. - Operations
Signature: [Signature] Date: 1/11/11
Company Comments: Form 27 has been submitted with a full explanation attached. A reportable spill did not occur. The small amount of oil on location was from oil drippings off rods on a workover the evening prior to the inspection that had pooled in a small depression next to the wellbore and was then displaced on the location subsequent to a rainstorm. It did not result from the drilling pit overflowing as was alleged. The oil on location was removed via vacuum truck on 8/9/10 and placed in the production tank. The berms around the production tanks were completed on 8/9/10. The oil stain on the gravel on the location was removed and placed in the drilling pit. Oily soil was removed from the pit and disposed at an authorized licenced facility and the pit was closed.

*** THIS NOTICE CONSTITUTES A SEPARATE NOTICE OF ALLEGED VIOLATION FOR EACH VIOLATION LISTED ***

WARNING

Abatement and reporting time frames for Notices of Alleged Violation begin upon receipt of the Notice of five days after the date it is mailed, whichever is earlier. Each violation must be abated within the prescribed time upon receipt of this Notice, reported to the Colorado Oil and Gas Conservation Commission at the address shown above, and postmarked no later than the next business day after the prescribed time for abatement. Should abatement or corrective action fail to occur, the Director may make application to the Commission for an Order Finding Violation. Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

PENALTY PROPOSED BY THE DIRECTOR PER RULE 523

The Director may propose a penalty as listed in the table below, not to exceed a maximum of \$1,000.00 per day per violation. Such proposed penalty amount will be limited to \$10,000.00 per violation if the violation does not result in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety, or welfare. Such proposed penalty amount may be increased if aggravating factors indicate the violation: was intentional or reckless; had, or threatened to have, a significant negative impact on public health, safety, or welfare; resulted in significant waste of oil and gas resources; had a significant negative impact on correlative rights of other parties; resulted in, or threatened to result in, significant loss or damage to public or private property; involved recalcitrance or recidivism upon the part of the violator; involved intentional false reporting or record keeping; resulted in economic benefit to the violator. Such proposed penalty amount may be decreased if mitigating factors indicate the violator: self-reported; promptly, effectively and prudently responded to the violation; cooperated with the Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due to the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations and orders. The Commission has final authority over the penalty amount assessed. The Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due to the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations, and orders. The Commission has final authority over the penalty amount assessed.

BASE FINE \$500.00 PER DAY PER VIOLATION. RULES 210, 307, 311, 312, 313, 314A, 315, 405, 803, 804
BASE FINE \$1,000.00 PER DAY PER VIOLATION. RULES 205, 206, 207, 208, 209, 301, 302, 303, 305, 306, 308, 309, 310, 313A, 316A, 316B, 317, 317A, 317B, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 341, 401, 403, 404, 602, 603, 804, 805A, 805B, 807, 808, 703, 704, 705, 706, 707, 708, 709, 711, 712, 802, 805, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 1002, 1003, 1004, 1101, 1102, 1103, 1201, 1203, 1204, 1103, 1201, 1203, 1204, 1205

In accordance with Rule 523.a.(4), fines for violations for which no base fine is listed shall be determined by the Commission at its discretion.

Signature of COGCC Representative: _____ Date: _____ Time: _____
Resolution Approved by: _____ Date: _____

Operator promptly responded to concerns regarding possible spill of E&P waste and also closed drilling pit in a timely manner. No further enforcement actions are warranted with respect to possible rules violations cited above.