


FORM
NOAV
Rev 6/99

State of Colorado
Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801, Denver, Colorado 80203 (303) 894-2100 Fax: (303) 894-2109



Project: 3671
FOR OGCC USE ONLY
05/18/2006
1175580

*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 52530
Name of Operator: MAGPIE OPERATING, INC
Address: 2707 SOUTH COUNTY RD 11
City: LOVELAND State: CO Zip: 80537
Company Representative: JAMES WARNER

Date Notice Issued:
06/01/2006

Well Name: CHALLIS*J W Well Number: 1 Facility Number: 225639
Location (QtrQtr, Sec, Twp, Rng, Meridian): SWSW 34 4N 59W 6 County: MORGAN
API Number: 05 087 06066 00 Lease Number:

COGCC Representative: FERGUSON RANDALL Phone Number: 303 894-2100

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

Date of Alleged Violation: 04/03/2006 Approximate Time of Violation:

Description of Alleged Violation:
A field inspection of the subject location was conducted by Kevin Lively on 1/5/06. An unlined earthen pit was observed. The subject site is considered to be in a sensitive area. Corrective action required that the pit be closed. Subsequently, a field inspection was conducted by Kevin Lively on 4/3/06. The earthen pit had been closed without prior COGCC approval. A FORM 27 - SITE INVESTIGATION AND REMEDIATION WORKPLAN was submitted for the pit closure and received by the COGCC on 5/1/06. Furthermore, COGCC files indicate that a Pit Permit was never approved for the location.

Act, Order, Regulation, Permit Conditions Cited:
Rules 903., 905.a., 911.

Abatement or Corrective Action Required to be Performed by Operator:*
Submit a written explanation as to why Magpie Operating Inc. closed the earthen pit at the subject site without prior COGCC approval. Show cause why the COGCC should not pursue additional enforcement regarding this matter. Additionally, Magpie shall implement the remediation workplan submitted for the pit closure and the conditions set forth by the COGCC.

Abatement or Corrective Action to be Completed by (date): 06/15/2006
* 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: Title:
Signature: Date:
Company Comments:

*** 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 or 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 \$250.00 PER DAY PER VIOLATION: RULES 210, 307, 311, 312, 313, 314A, 315, 403, 405, 803, 804
BASE FINE \$500.00 PER DAY PER VIOLATION: RULES 205, 206, 207, 208, 302, 308, 309, 310, 316A, 321, 322, 328, 329, 330, 331, 332, 401
BASE FINE \$750.00 PER DAY PER VIOLATION: RULES 605, 606A, 606B, 607
BASE FINE \$1,000.00 PER DAY PER VIOLATION: RULES 209, 301, 303, 305, 308, 316B, 317, 317A, 318, 319, 320, 323, 324, 325, 326, 327, 333, 404, 602, 603, 604, 703, 704, 705, 706, 707, 708, 709, 711, 802, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 1002, 1003, 1004, 1101, 1102, 1103
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: 06/01/2006 Time:

Resolution Approved by: RANDALL FERGUSON Date: 10/10/2007
FORM 27 WORKPLAN SUBMITTED TO COGCC ON 5/1/06 AND CONDITIONALLY APPROVED ON 6/1/06. ADDITIONAL COGCC CONDITIONS SET FORTH IN CORRESPONDENCE DATED 1/2/07. PLEASE REFER TO REMEDIATION #3671 FOR ADDITIONAL INFORMATION.

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API Number: 05 087 06066 00 Lease Number:

COGCC Representative: FERGUSON RANDALL Phone Number: 303 894-2100

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

Date of Alleged Violation: 4/3/2006 Approximate Time of Violation:

Description of Alleged Violation:
A field inspection of the subject location was conducted by Kevin Lively on 1/5/06. An unlined earthen pit was observed. The subject site is considered to be in a sensitive area. Corrective action required that the pit be closed. Subsequently, a field inspection was conducted by Kevin Lively on 4/3/06. The earthen pit had been closed without prior COGCC approval. A FORM 27 - SITE INVESTIGATION AND REMEDIATION WORKPLAN was submitted for the pit closure and received by the COGCC on 5/1/06. Furthermore, COGCC files indicate that a Pit Permit was never approved for the location.

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Abatement or Corrective Action to be Completed by (date): 6/15/2006

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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 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.

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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: 6/1/2006 Time:

Resolution Approved by: Date: