



DEPARTMENT OF NATURAL RESOURCES
Bill Owens, Governor
 1120 Lincoln St., Suite 801
 Denver, CO 80203
 Phone: (303) 894-2100
 FAX: (303) 894-2109
 www.oil-gas.state.co.us

June 1, 2006

Mr. Jim Warner
 Magpie Operating, Inc.
 2707 South County Road 11
 Loveland, CO 80537



RE: Challis #1 Pit Closure / Remediation #3671
 SWSW Section 34 – T4N – R59W
 Morgan County, Colorado

Dear Mr. Warner:

Please find attached a Notice of Alleged Violation (NOAV) issued by the Colorado Oil and Gas Conservation Commission (COGCC) on June 1, 2006 for closure of the subject pit without prior COGCC approval. Subsequent to the pit closure, a Form 27 – Site Investigation and Remediation Workplan was submitted to the COGCC.

The workplan is approved with the following conditions:

- The workplan states that the pit is believed to be clean. To determine this surface and subsurface soil samples must be collected and analyzed. Observations made by COGCC staff during the 1/5/06 field inspection indicated a pit size of approximately 15 x 40 feet. Therefore, Magpie shall collect soil samples from at least two locations within the former pit area. At each location, soil samples shall be collected at the surface, at five feet below ground surface (fbgs), and at ten fbgs.
- Each soil sample must be submitted to a laboratory and analyzed for Total Recoverable Petroleum Hydrocarbons (TRPH), Sodium Adsorption Ratio (SAR), Electrical Conductivity (EC), and pH. If shallow ground water is encountered, a representative sample must be collected and analyzed for BTEX. Submit the lab results to the COGCC with a site map showing soil and/or ground water sample locations in order to determine if any remediation is required.
- Notify the COGCC at least 48 hours prior to soil sampling activities in order for the COGCC to witness same.

Should you have any questions, please call me at (303) 894-2100 ext.118.

Sincerely,

Randall H. Ferguson
 Environmental Protection Specialist

Attachment

Cc: Brian Macke – COGCC Director
 Debbie Baldwin – COGCC Environmental Manager
 Kevin Lively - COGCC

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 Street, Apt. No.;
 or PO Box No. 2707 S. CR 11
 City, State, ZIP+4 Loveland, CO 80537

PS Form 3800, June 2002 See Reverse for Instructions

PLACED STICKER AT TOP OF ENVELOPE TO THE RIGHT

7002 3150 0000 9264 3361

SECTION ON DELIVERY

Items 1, 2, and 3. Also complete Restricted Delivery is desired. Name and address on the reverse can return the card to you. card to the back of the mailpiece, front if space permits.

Delivered to:
Jim Warner
Warner Operating, Inc.
S. County Road 11
Loveland, CO 80537

A. Signature
 Warner Agent
 Addressee

B. Received by (Printed Name) Neil Warner C. Date of Delivery 6-2-06

D. Is delivery address different from item 1? Yes
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