

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

STATE OF COLORADO
OIL & GAS

FOR OGCC USE ONLY
05/25/2004
1126718

*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 23320
Name of Operator: DECLAR OIL & GAS INC
Address: P O BOX 1455
City: FORT MORGAN State: CO Zip: 80701
Company Representative: LEWIS CAMP

Date Notice Issued:
05/28/2004

Well Name: REGGIE Well Number: 1 Facility Number: 225492
Location (QtrQtr, Sec, Twp, Rng, Meridian): NWNE 6 2N 57W 6 County: MORGAN
API Number: 05 087 05905 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: 05/06/2004 Approximate Time of Violation:
Description of Alleged Violation:
During a routine field inspection on 5/6/04, oil was observed on the produced water pit. Two spill areas were also observed. One spill area is located to the west of the production tanks. Lab results of a representative sample indicated soil conditions that exceed the COGCC Allowable Concentrations and Levels for Organic and Inorganic in Soils: a Total Petroleum Hydrocarbon (TPH) concentration at 40,000 mg/kg, Sodium Adsorption Ratio (SAR) at 98, and Electrical Conductivity (EC) at 24.9 mmhos/cm. The other spill area is located east of the production tanks. Lab results of a representative sample indicated soil conditions that exceed the COGCC Allowable Concentrations for Organics in Soils: a TPH concentration at 26,000 mg/kg. Significantly oily soil was observed as berm material on the south berm of the tank battery. Additionally, produced water impacted areas were observed immediately west of the earthen pit. These two areas of soil impacts were not sampled.

Act, Order, Regulation, Permit Conditions Cited:
Rules 324A.a., 902.d., 906.a., 906.b., 907.a.(1), 910.a.

Abatement or Corrective Action Required to be Performed by Operator:*
Remove oil from the pit if this hasn't already been performed. Submit a FORM 19 - SPILL/RELEASE REPORT for any reportable spills as per Rule 906. Submit a FORM 27 - SITE INVESTIGATION AND REMEDIATION WORKPLAN for the remediation of impacted soils. Due to the proximity of the spills to the county road ditches and/or irrigation ditches, TPH cleanup standards will be for sensitive areas at 1,000 mg/kg. Remediation of produced water impacted soils may require the application of soil amendments such as sulfur and/or gypsum. You are advised to contact the local soil conservation office or other suitable agency for further advice.

Abatement or Corrective Action to be Completed by (date): 06/30/2004
* 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 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

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 805, 806A, 806B, 807
BASE FINE \$1,000.00 PER DAY PER VIOLATION:	RULES 209, 301, 303, 305, 306, 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: 05/28/2004 Time:
Resolution Approved by: RANDALL FERGUSON Date: 08/31/2004
FORM 27 SUBMITTED ON 6/25/04. APPROVED BY COGCC ON 8/31/04 WITH CONDITIONS (SEE COGCC CORRESPONDENCE DATED 8/31/04). REFER TO REMEDIATION #3215 FOR ADDITIONAL INFORMATION.