

NOAV# 1175528
PIT# 101099, 101100, 101101
Doc# 2303221
Date: 03/31/2006

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COGCC

March 31, 2006

Mr. Randall Ferguson
Colorado Oil & Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203

Re: Magpie Operating Rediess Tank Battery – Morgan County

Dear Mr. Ferguson:

As requested in your letter of February 20, 2006, Magpie Operating has developed a new plan to address the issue of existing earthen pits located at the Rediess Tank Battery in Morgan County, Colorado. We wish to propose the following alternative for your consideration.

Magpie Operating will replace the existing earthen pits with a new lined evaporation pond to be constructed in the vicinity of the tank battery. The new evaporation pond will be sized to handle the full amount of water that is recovered from the well. In addition, the evaporation pond will be engineered and designed in compliance with COGCC and CDPHE standards and requirements.

Upon installation of the new evaporation pond, the existing earthen pits will be closed and remediated in compliance with COGCC and CDPHE requirements.

In order to implement the above plan, it will be necessary for Magpie Operating to negotiate the lease or purchase of additional land area at the Rediess Tank Battery site. We currently anticipate that approximately four to five acres of additional land may be required.

Please let us know if this alternative may be acceptable to the COGCC.

Sincerely,



Ryan Warner
Vice President
Magpie Operating