

NOAV# 1175528
PIT# 101099, 101100, 101101
Doc# 2303226
Date: 08/04/2005

August 4, 2005

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

RE: Rediess Tank Battery / Earthen Pits
NESW Section 18 – T1N – R56W
Morgan County, Colorado

Dear Mr. Warner:

A field inspection was conducted of the subject facility on May 16, 2005. A covered skim pit and three (3) earthen produced water pits were observed. Additionally, oily soil was observed to the east of the earthen pits. Laboratory results of a representative soil sample indicated a Total Recoverable Petroleum Hydrocarbon (TRPH) concentration of 29,000 mg/kg.

As you recall, representatives of Magpie Operating, Inc. (Magpie) attended a meeting at the Colorado Oil & Gas Conservation Commission (COGCC) offices on June 24, 2005. The purpose of the meeting was to discuss the findings of the recent field inspection. As you were made aware, the subject lease is within the City of Brush Wellfield, a specified area established by the Water Quality Control Commission (WQCC) of the Colorado Department of Public Health and Environment (CDPHE). The specified area covers all unconfined ground waters within the saturated zone and is classified for domestic and agricultural use. The ground water quality standards in Tables 1-4 of the Colorado Basic Standards for Ground Water are assigned to all unconfined ground water in the specified area.

According to the Sensitive Area Identification Decision Tree (Figure 901-1), the Rediess pits are within a WQCC classified area and are therefore located in a sensitive area. COGCC records indicate that the produced water at the Redeiss lease exceeds the Basic Standards for Ground Water. As per Rule 901.f., unlined production pits in sensitive areas are generally not approved. COGCC files indicate that two of the three pits at the site were permitted in 1990 and prior to the adoption of the 900 Series rules for E&P Waste Management. The third pit does not appear to have been permitted.

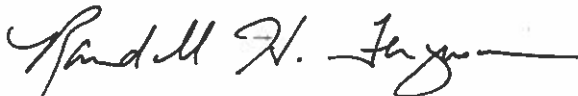
Based on the aforementioned findings, please find attached a Notice of Alleged Violation (NOAV) issued on August 4, 2005 to Magpie for the skim pit and the three unlined produced water pits located within a sensitive area and for impacted soils that exceed the COGCC Allowable Concentrations and Levels for Organics in Soils in sensitive areas. Corrective action includes the submittal of a Form 27 – Site Investigation and Remediation Workplan that includes the following:

- To determine if the disposal of produced water in the Redeiss pits has impacted the unconfined aquifer in the area, samples of the produced water and water samples from the nearby agricultural water well to the northwest (windmill) must be collected and submitted for analyses. Analyses shall include Total Dissolved Solids (TDS), BTEX (benzene, toluene, ethylbenzene, xylenes), Dissolved Metals (calcium, iron, magnesium, manganese, potassium, sodium), Anions (chloride, bromide, sulfate, nitrite, nitrate), Alkalinity (carbonate, bicarbonate), Conductivity, and pH. Please be aware that COGCC staff must be present to witness the sampling and reserves the right to collect duplicate samples.
- Remediation of the oily soils observed east and southeast of the earthen pits (see photos).

Furthermore, Magpie has two options: 1) install liner material in the skim pit and 3 produced water pits as per Rule 904, or 2) close the skim pit and 3 produced water pits in accordance with Rule 905. Both options will require the submittal of a supplemental workplan for COGCC approval. **Magpie must cease any discharge of produced water into the pits by September 30, 2005.** Magpie must also inform the COGCC of further plans for the Redeiss lease and the unlined pits by October 31, 2005.

Should you have any questions, I may be reached at (303) 894-2100 ext.118.

Respectfully,



Randall H. Ferguson
Environmental Protection Specialist

Attachments

Cc: Brian Macke – COGCC Director
Debbie Baldwin – COGCC
Kevin Lively – COGCC

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Sent To Jim Warner / Maggie Oper.
2707 S. County Rd 11
Loveland, CO 80537

PS Form 3800, June 2002 See Reverse for Instructions

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1. Article Addressed to:
Mr. Jim Warner
Maggie Operating, Inc.
2707 S. County Road 11
Loveland, CO 80537

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