

KERR-McGEE OIL & GAS ONSHORE LP
3939 CARSON AVENUE • EVANS, CO 80620

January 10, 2008

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

**RE: Kerr-McGee Oil & Gas Onshore LP
Miller Property Drilling Mud
NESW Sec. 29-3N-66W
Weld County, Colorado
COGCC Remediation No. 3998**

Dear Mr. Ferguson:

This letter serves as an update for the above-referenced issue that was self-reported by Kerr-McGee Oil & Gas Onshore LP (Kerr-McGee) to the Colorado Oil & Gas Conservation Commission (COGCC) on August 1, 2007. The COGCC issued a Notice of Alleged Violation (NOAV) to Kerr-McGee on August 31, 2007. Kerr-McGee submitted a Form 27 Site Investigation and Remediation Workplan to the COGCC on September 14, 2007 in response to the NOAV, and the COGCC approved the Form 27 on September 17, 2007. As part of Kerr-McGee's investigation, Kerr-McGee environmental personnel discussed the issue with the surface owner (Mr. Jerry Miller) and explained the need to land apply the drilling mud in accordance with COGCC Rules. After our discussions, Mr. Miller understood the need to comply with the COGCC Rules and he agreed to land apply the mud to a shale outcrop area in the field located to the southwest of where the mud was originally stockpiled.

Kerr-McGee environmental personnel inspected the site on November 28, 2007 after Mr. Miller had finished moving the drilling mud. Approximately one-half of the drilling mud had been moved by bulldozer to the shale outcrop area southwest from where it had been originally stockpiled. Mr. Miller indicated that the drilling mud remaining at each area (original stockpile and shale outcrop areas) was left approximately three to six-inches thick. This six-inch application thickness was agreed to by the COGCC in the approved Form 27. After the drilling mud had been moved, both areas were then ripped. Pictures of both areas (after the mud had been moved) are attached.

January 10, 2008

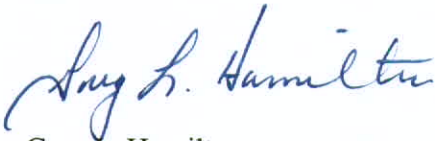
Mr. Miller also agreed to place top soil over the drilling mud after he had finished moving it. However, due to precipitation events at the time he was unable to perform this part of the operation at that time. Mr. Miller stated that he intends to cover this area with top soil next spring when weather permits. Kerr-McGee will continue to monitor this site until the area is covered with topsoil. Stormwater best management practices (BMPs) were placed around the area where the drilling mud was stockpiled (at the time of discovery). Those BMPs will be maintained and regular inspections will continue until final stabilization is achieved.

In the NOAV, the COGCC requested copies of the written authorization for land application from the surface owner. The authorization letter from Mr. Miller was included in the Form 27, however, at the time of the Form 27 submittal we had not received a signed authorization letter from the landowner to the north (onto which a thin layer of mud had been transported during a storm event). We have since received that authorization from that landowner (Mr. Gary Norton) and a copy of the letter is attached.

Please feel free to contact me at 970-506-5948 if you have any questions regarding this information.

Very truly yours,

KERR-McGEE OIL & GAS ONSHORE LP

A handwritten signature in blue ink that reads "Greg L. Hamilton". The signature is written in a cursive style with a large, stylized "G" and "H".

Greg L. Hamilton
Sr. Environmental and Regulatory Analyst

enclosure

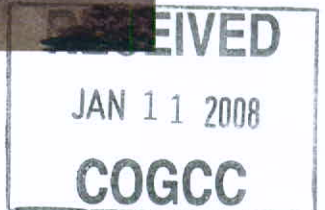
#3998



01981780



Stockpile area before land application-looking north. August 1, 2007



Stockpile area before land application-looking east. August 1, 2007

#3998



Original stockpile area after land application-looking north. November 28, 2007

RECEIVED

JAN 11 2008

COGCC



Original stockpile area after land application-looking southeast. November 28, 2007

#3998



Shale outcrop area after land application-looking north. November 28, 2007

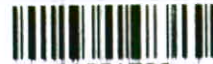
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COGCC

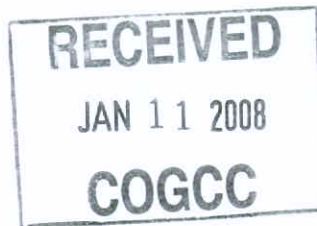


Shale outcrop area after land application-looking east. November 28, 2007



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#3998



September 6, 2007

Kerr-McGee Oil & Gas OnShore LP
1999 Broadway, Suite 3700, Denver, Colorado 80202
303-296-3600 • Fax 303-296-3601

Mr. Gary Norton
8144 S. Kearney Ct.
Centennial, CO 80112

VIA OVERNIGHT DELIVERY

**RE: Kerr-McGee Oil and Gas Onshore
Drilling Mud Disposal
SENW Sec. 29-T3N-R66W
Weld County, Colorado**

Dear Mr. Norton:

Water-based bentonitic drilling mud from Kerr-McGee Oil and Gas Onshore LP (Kerr-McGee) operations has been placed on property owned by Mr. Jerry Miller in the NESW Sec. 29-T3N-R66W, Weld County, Colorado. Mr. Miller's property is directly south of your property located in the SENE Sec. 29-T3N-R66W. Kerr-McGee recently received a Notice of Alleged Violation (NOAV) from the Colorado Oil and Gas Conservation Commission (COGCC) concluding that the mud was not placed on Mr. Miller's property in accordance with the applicable COGCC rules. We are working with Mr. Miller and the COGCC to remediate the situation on Mr. Miller's land. Unfortunately, recent rains events have washed a thin layer of the mud onto your property. Since Kerr-McGee discovered the offsite migration of the drilling mud, we have installed stormwater management best management practices (BMPs) – such as silt fence and straw bales – in an attempt to prevent further migration of the mud onto your property. A very heavy rain on the day after the BMPs were installed, resulted in a small breaching of the BMPs, allowing another thin layer of drilling mud onto your property. The BMPs were quickly repaired and should now be fortified sufficiently to contain the mud in the event of another heavy rain event.

COGCC rules allow for the land application of the drilling mud as a beneficial soil amendment, however, they require that the mud be "incorporated as a beneficial amendment into the native soils as soon as practicable". We are obligated to ensure that the mud is incorporated into the soils as required under COGCC rules. It appeared during a recent site visit that your tenant had begun to till the soils on your property to incorporate the drilling mud (as required by the rules). If this process has not yet been finished, we respectfully request that it should be completed as soon as possible.

September 6, 2007

The COGCC rules also require "written authorization from the surface owner prior to land application of water-based bentonitic drilling fluids." We certainly did not anticipate that drilling mud from Mr. Miller's property would wash onto your property, however, now that it has, we are obligated to request your approval to allow the drilling mud to remain on your property. If you will allow the drilling mud to remain on your property, please indicate your approval by completing the blank lines below. I have included two copies of this letter so that you may retain one copy for your records. Please return the completed copy to me in the enclosed, self-addressed, stamped envelope.

Please feel free to contact me at 720-929-6726 or paul.schneider@anadarko.com if you have any questions regarding this information.

Very truly yours,

KERR-McGEE OIL & GAS ONSHORE LP



Paul D. Schneider, P.G.
Staff Environmental and Regulatory Analyst

Enclosures

Approved by:


Signature

Gary Norton
Printed Name

10/23/07
Date