

State of Colorado
Oil and Gas Conservation Commission

1120 Lincoln Street, Suite 801, Denver, Colorado 80203 (303) 894-2100 Fax: (303) 894-2109



FOR OGCC USE ONLY

01/10/2011

200291414

*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 10232
Name of Operator: LARAMIE ENERGY II, LLC
Address: 1512 LARIMER ST STE 1000
City: DENVER State: CO Zip: 80202
Company Representative: RANDY NATVIG

Date Notice Issued:

01/12/2011

Well Name: HONEA FED. Well Number: 24-09C Facility Number: 419429
Location (QtrQtr, Sec, Twp, Rng, Meridian): Lot 2 19 7S 93W 6 County: GARFIELD
API Number: 05 045 19930 00 Lease Number: COC-066920

COGCC Representative: KRABACHER JAY Phone Number: 970 625-2497

THE FOLLOWING ALLEGED VIOLATION WAS FOUND BY THE COGCC REPRESENTATIVE FOR THE SITE LISTED

Date of Alleged Violation: 12/29/2010 Approximate Time of Violation: 9:00AM

Description of Alleged Violation:

Laramie Energy II, LLC ("Laramie") commenced completion operations on the Honea Fed. 24-09C well without receiving prior approval by COGCC Engineering Staff on a Form 4, Sundry Notice, Request to Complete, as required by the "Notice to Operators Drilling MesaVerde Group or Deeper Wells in the Mamm Creek Field Area in Garfield County, Well Cementing Procedure and Reporting Requirements, July 23, 2004, Revised February 9, 2007" (Mamm Creek NTO). The Mamm Creek NTO was incorporated by reference through a Condition of Approval on the Form 2, Application for Permit to Drill, COGCC Document No. 400087032. Laramie self-reported this alleged violation upon discovery that the Mamm Creek NTO had not been followed.

Act, Order, Regulation, Permit Conditions Cited:

Rule 305.d. - Failure to comply with a Form 2 Condition of Approval (Mamm Creek NTO Procedure Nos. 5, 6 and 7).

Abatement or Corrective Action Required to be Performed by Operator:*

Submit a written explanation which describes how this alleged violation occurred and steps that Laramie has taken to prevent recurrence of this alleged violation.

Abatement or Corrective Action to be Completed by (date): 02/12/2011

* 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: RANDY NATVIG Title: DRILLING AND COMPLETIONS MANAGER
Signature: Randy Natvig Date: 1/27/2011
Company Comments:

SEE ATTACHED LETTER

*** 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 Commission has final authority over the penalty amount assessed.

BASE FINE \$500.00 PER DAY PER VIOLATION RULES 210, 307, 311, 312, 313, 314A, 315, 405, 808, 804

BASE FINE \$1,000.00 PER DAY PER VIOLATION: RULES 205, 206, 207, 208, 209, 301, 302, 303, 305, 306, 308, 309, 310, 313A, 316A, 316B, 317, 317A, 317B, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329,

330, 331, 332, 333, 341, 401, 408, 404, 602, 603, 604, 606A, 606B, 607, 608, 703, 704, 705, 706, 707, 708, 709, 711, 712, 802, 805, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 1002, 1003, 1004, 1101, 1102, 1103, 1201, 1203, 1204, 1103, 1201, 1203, 1204, 1205

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: [Signature] Date: 01/12/2011 Time: 9:00AM
Resolution Approved by: [Signature] Date: 1/31/2011

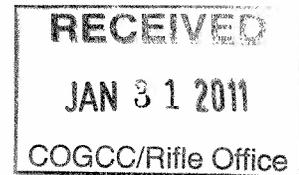


LARAMIE ENERGY II, LLC
1512 LARIMER STREET, SUITE 1000
DENVER, CO 80202

TEL: (303) 339-4400
FAX: (303) 339-4399

January 27, 2011

COGCC – Rifle Office
707 Wapiti Court, Suite 204
Rifle, CO 81650
ATTN: Jay Krabacher



Response to NOAV on Laramie Energy wells: Honea 19-05B (API # 05-045-17256-00), Honea 24-01C (API# 05-045-17257-00), Honea 24-09C API# 05-045-19930-00).

Laramie Energy II, LLC failed to submit a form 4, Request to Complete, as required by the "Notice to Operators Drilling Mesa Verde Group or Deeper Wells in the Mamm Creek Field Area in Garfield County, Well Cementing Procedure and Reporting Requirements, July 23, 2004, Revised February 9, 2007" (Mamm Creek NTO).

Laramie Energy II had a completions engineer leave the company in mid 2010. We were not completing wells for a while and when we began completing wells again I, Randy Natvig, Laramie Energy II Drilling Manager, was now also responsible for the completions. We started completing wells outside the Mamm Creek NTO area initially and when we moved into the Mamm Creek NTO area the Request to Complete Sundry was new to me and I was not aware of it being my responsibility. Once I noticed that we had missed this COA I submitted all the appropriate paperwork and files associated with the Request to Complete and notified the State of my tardiness complying with the regulations. This occurred approximately 2 weeks after initiating the completion work on the 3 wells.

In the future our Drilling and Completions Manager along with another member of our technical staff have been tasked with making sure all of the required COA's and regulatory requirements have been met prior to any and all operations. This will allow us to have a second person looking over the operations making sure we don't miss any required regulatory steps.

Sincerely,

Randy Natvig
Drilling and Completions Manager
Laramie Energy II, LLC