



*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 1350
Name of Operator: ALLISON DRILLING COMPANY INC
Address: 1873 BELLAIRE ST STE 1105
City: DENVER State: CO Zip: 80222
Company Representative: BILL ALLISON

Date Notice Issued:
12/01/2004

Well Name: DAN GAY Well Number: 1-B Facility Number: 233239
Location (QtrQtr, Sec, Twp, Rng, Meridian): SESE 35 3S 53W 6 County: WASHINGTON
API Number: 05 121 05267 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: 07/22/2004 Approximate Time of Violation:
Description of Alleged Violation:
HISTORIC COGCC FIELD INSPECTIONS STATE THAT PRODUCED WATER FROM THE DAN GUY PITS OVERFLOWED TO A LOW TOPOGRAPHIC AREA DOWNGRADIENT TO THE PITS. THE DAN GAY #1-B AND DAN GAY B #2 WELLS WERE PLUGGED AND ABANDONED IN 1995. THE PRODUCED WATER PITS HAVE BEEN PREVIOUSLY BACKFILLED. RECENTLY, FIELD INSPECTIONS WERE CONDUCTED BY COGCC STAFF ON JULY 14, JULY 22, AND NOVEMBER 12, 2004. OILY SOILS WERE OBSERVED IN AND AROUND THE TANK BATTERY/PIT AREA AND ALONG THE LEASE ROAD TO THE DAN GAY 1-B WELLSITE. PRODUCED WATER IMPACTED SOILS WERE OBSERVED DOWNGRADIENT TO THE PIT AREA AND WITHIN THE LOW TOPOGRAPHIC AREA. LABORATORY RESULTS OF REPRESENTATIVE SOIL SAMPLES INDICATE SOIL CONDITIONS THAT EXCEED THE COGCC STANDARDS IN TABLE 910-1. SEE COPY OF LAB REPORT AND ATTACHED PHOTOGRAPHS.

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

Abatement or Corrective Action Required to be Performed by Operator:*
SUBMIT A FORM 27 - SITE INVESTIGATION AND REMEDIATION WORKPLAN TO ADDRESS THE OILY SOILS AND PRODUCED WATER IMPACTED SOILS AT THE SUBJECT SITE. SODIUM IMPACTED SOILS WILL LIKELY REQUIRE SOIL AMENDMENTS SUCH AS GYPSUM AND/OR SULFUR. YOU SHOULD CONTACT THE LOCAL SOIL CONSERVATION OFFICE OR OTHER SUITABLE AGENCY FOR FURTHER ADVICE.
Abatement or Corrective Action to be Completed by (date): 12/31/2004
* 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 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.
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 605, 606A, 606B, 607
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: *Ferguson Randall* Date: 12/01/2004 Time:
Resolution Approved by: _____ Date: _____

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