



*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 7800
Name of Operator: BEREN CORPORATION
Address: 2020 N BRAMBLEWOOD STREET ATTN: EMMA RICHMOND
City: WICHITA State: KS Zip: 67206
Company Representative: DANA WREATH

Date Notice Issued:
5/9/2012

Well Name: LOUDDER Well Number: 2-X Facility Number: 236552
Location (QtrQtr, Sec, Twp, Rng, Meridian): SWSE 7 4S 53W 6 County: WASHINGTON
API Number: 05 121 09042 00 Lease Number:

COGCC Representative: AXELSON JOHN Phone Number: 303 637-7178

THE FOLLOWING ALLEGED VIOLATION WAS FOUND BY THE COGCC REPRESENTATIVE FOR THE SITE LISTED
Date of Alleged Violation: 5/8/2012 Approximate Time of Violation: 10:00AM
Description of Alleged Violation:
On November 30, 2011, COGCC staff member Diana Burn performed a field inspection (Doc #662000052) at the Loudder 2-X well, tank battery and water pit complex. Several rule violations were documented with corrective actions due no later than March 2, 2012. On May 8, 2012, COGCC staff members Diana Burn and John Axelson performed a follow up inspection to verify completion of the corrective actions. It was noted that installation of signs at the well and battery was completed. Corrective actions including removal of oily waste, removal of free product from the produced water pit, skim pit compliance, tank labels and secondary containment improvements had not been performed. During the inspection the first produced water pit was approximately 20% covered with oil. The edges of the water pit were ringed with oil. Oil was still being stored in the unlined, earthen skim pit. The skim pit was surrounded by oil saturated soil. Oily waste was observed at the tank battery, treater, and in several areas of the produced water pit complex. Secondary containment was still insufficient and tanks had not been properly labeled. The water pit complex is also immediately adjacent to an unnamed tributary to Sand Creek. Six domestic water wells are located within 1/2-mile of the water pit complex. Total depths of the water wells vary between 35 to 4

Act, Order, Regulation, Permit Conditions Cited:
Rule 210.d.; Rule 323; Rule 324A.a.; Rule 324A.b.; Rule 603.j.; Rule 901.c.; Rule 901.e.; Rule 902.a.; Rule 902.b.; Rule 902.c.; Rule 902.g.; Rule 904.a.; Rule 905; Rule 906.a.; Rule 906.d; Rule 906.e.; Rule 907.e.; Rule 910; Rule 1004.e.

Abatement or Corrective Action Required to be Performed by Operator:*
Properly label all tanks in accordance with Rule 210.d. Discontinue storage of oil in unlined, earthen skim pit. Immediately recover oil from produced water pit and properly manage. Remove all oily waste from entire location and properly manage in accordance with Rule 907.e. Install stormwater controls in disturbed area on north side of water pit complex to prevent erosion. Control weeds site-wide and comply with the Noxious Weed Control Act. Maintain lease road. Improve secondary containment in accordance with Rule 906.e. Remediate impacts associated with operation of the unlined earthen skim pit. In accordance with Rule 901.c., perform a sensitive area determination including a site assessment to characterize site specific groundwater conditions. Groundwater characterization shall include site specific depth to groundwater, groundwater gradient and flow direction determination, and sampling and analysis to determine if groundwater has been impacted by disposal of produced water at the pit complex and unlined skim pit. Su
Abatement or Corrective Action to be Completed by (date): 8/9/2012
* 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 Commission has final authority over the penalty amount assessed.
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: Date: 5/9/2012 Time: 12:00PM
Resolution Approved by: Date:

Beren Corporation – Operator Number 7800
Notice of Alleged Violation #200350687
Loudder 2-X, API #121-09042
Washington County, Colorado

Date Notice Issued: 5/9/2012

Description of Alleged Violation:

On November 30, 2011, COGCC staff member Diana Burn performed a field inspection (Doc #662000052) at the Loudder 2-X well, tank battery and water pit complex. Several rule violations were documented with corrective actions due no later than March 2, 2012. On May 8, 2012, COGCC staff members Diana Burn and John Axelson performed a follow up inspection to verify completion of the corrective actions. It was noted that installation of signs at the well and battery was completed. Corrective actions including removal of oily waste, removal of free product from the produced water pit, skim pit compliance, tank labels and secondary containment improvements had not been performed. During the inspection the first produced water pit was approximately 20% covered with oil. The edges of the water pit were ringed with oil. Oil was still being stored in the unlined, earthen skim pit. The skim pit was surrounded by oil saturated soil. Oily waste was observed at the tank battery, treater, and in several areas of the produced water pit complex. Secondary containment was still insufficient and tanks had not been properly labeled. The water pit complex is also immediately adjacent to an unnamed tributary to Sand Creek. Six domestic water wells are located within ½-mile of the water pit complex. Total depths of the water wells vary between 35 to 49 feet indicating very shallow groundwater conditions. Surface water was present in the tributary at the time of the inspection. Areas directly below the water pit appear to have been impacted in the past. Based on shallow groundwater conditions and surface water, the pit complex appears to be located in a sensitive area.

Act, Order, Regulation, Permit Conditions Cited:

Rule 210.d.; Rule 323; Rule 324A.a.; Rule 324A.b.; Rule 603.j.; Rule 901.c.; Rule 901.e.; Rule 902.a.; Rule 902.b.; Rule 902.c.; Rule 902.g.; Rule 904.a.; Rule 905; Rule 906.a.; Rule 906.d; Rule 906.e.; Rule 907.e.; Rule 910; Rule 1004.e.

Abatement or Corrective Action Required to be Performed by Operator:

Properly label all tanks in accordance with Rule 210.d. Discontinue storage of oil in unlined, earthen skim pit. Immediately recover oil from produced water pit and properly manage. Remove all oily waste from entire location and properly manage in accordance with Rule 907.e. Install stormwater controls in disturbed area on north side of water pit complex to prevent erosion. Control weeds site-wide and comply with the Noxious Weed Control Act. Maintain lease road. Improve secondary containment in accordance with Rule 906.e. Remediate impacts associated with operation of the unlined earthen

skim pit. In accordance with Rule 901.c., perform a sensitive area determination including a site assessment to characterize site specific groundwater conditions. Groundwater characterization shall include site specific depth to groundwater, groundwater gradient and flow direction determination, and sampling and analysis to determine if groundwater has been impacted by disposal of produced water at the pit complex and unlined skim pit. Submit a Form 27 for COGCC prior approval with proposed monitor well locations and sampling and analysis plan in accordance with Rules 909 & 910. If site assessment verifies sensitive area conditions and or contamination to groundwater, pit complex will have to be properly closed and an alternative produced water disposal method will be required. If groundwater is contaminated an appropriate remediation plan will be required. If the site assessment does not indicate sensitive area conditions and there is no impact to groundwater, produced water pit complex can continue to be used if operated in compliance with all pit rules. Skim pit could be placed back into service if properly upgraded or replaced with other skimming equipment to prevent reoccurrence of impacts to environment. Document all soil disposal information with haul tickets and gate receipts and include with Form 27 submittal.

Abatement or Corrective Action to be Completed by (date): August 9, 2012.