



*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 100185 Name of Operator: ENCANA OIL & GAS (USA) INC Address: 370 17TH ST STE 1700 ATTN: DIANE BILESZNER City: DENVER State: CO Zip: 80202-5632 Company Representative:

Date Notice Issued: 05/01/2012

Well Name: ROSS 'G' UNIT Well Number: 1 Facility Number: 206621 Location (Qtr, Sec, Twp, Rng, Meridian): SENE 24 2N 69W 6 County: BOULDER API Number: 05 013 08116 00 Lease Number: 10453

COGCC Representative: ASH MARGARET Phone Number: 303 894-2100

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

Date of Alleged Violation: 04/26/2012 Approximate Time of Violation: Description of Alleged Violation: On 4/27/2012 a field inspection (COGCC Document #664000526) was conducted to investigate a complaint (COGCC Document #200348658) in which complainant called (4-26-2012) reported odors coming from tank battery on same location. During inspection odors were noticed from edge of the Location (#321305). Condensate was observed on the top of fluid in produced water tank, which was venting to the atmosphere. Condensate film was also indicated on outer portions of condensate tank and stairway to the tank. During inspection wells began producing to condensate tank which then vented gas and mist of condensate out of thief hatch. Inspection also indicated a small leak from fitting at wellhead. Air Pollution Control Division (APQD) Staff onsite during inspection indicate that the Emission Control Burner was not adequately sized for operations in violation of (APQD) regulations.

Act, Order, Regulation, Permit Conditions Cited: 324A.c., 805a, 906a, 907a (1), 912a

Abatement or Corrective Action Required to be Performed by Operator: 1.Remove condensate from produced water tank. May 4, 2012 2.Provide documentation as to ongoing procedure to prevent accumulation of condensate on produced water tank. May 4, 2012 3.Remove hydrocarbons from outside surfaces of equipment. May 4, 2012 4.Repair or replace equipment necessary at this Location to prevent future releases from produced condensate tank. May 4, 2012 5.Review all tank battery operations in eastern Colorado to identify tanks and other equipment that need repair or replacement to ensure that volatile organic compounds are not being released to the atmosphere in violation of APQD regulations. May 15, 2012 6.Provide report that documents causes of the upset conditions identified at this facility and results of field wide operational review. Include documentation of procedures taken to ensure upset conditions are prevented and list of any equipment that required repair or r Abatement or Corrective Action to be Completed by (date): 05/04/2012 * 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: Jennifer Lind Title: Regulatory Analyst Signature: [Signature] Date: 5/3/2012 Company Comments: Corrective actions have been taken on all "unsatisfactory" items please see page 2 for details

*** 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 of 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 for each violation. The 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 recreational 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 recklessness 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 recreational rights of other parties; resulted in or threatened to result in significant loss or damage to public or private property; involved recontamination 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 reporting or record keeping; resulted in economic benefit to the violator; cooperated with the Commission or other agencies with respect to the violation; could not reasonably control, or be promptly effectively and prudently responded to the violation; 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 310, 307, 311, 312, 313, 314A, 315, 403, 405, 803, 804 BASE FINE \$500.00 PER DAY PER VIOLATION RULES 205, 208, 207, 208, 302, 309, 309, 310, 316A, 321, 322, 329, 329, 330, 331, 332, 401 BASE FINE \$750.00 PER DAY PER VIOLATION RULES 805, 806A, 808, 807 BASE FINE \$1,000.00 PER DAY PER VIOLATION RULES 208, 301, 303, 305, 306, 315B, 317, 317A, 318, 318, 320, 323, 324, 325, 329, 329, 333, 404, 802, 803, 804, 703, 704, 705 706, 707, 708, 709, 711, 807, 801, 802, 803, 804, 905, 906, 907, 908, 909, 910, 911, 912, 9032, 1003, 1004, 1101, 1102, 1103 In accordance with Rule 523(4), fines for violations for which no base fine is stated shall be determined by the Commission at its discretion.

Signature of COGCC Representative: [Signature] Date: 5-1-2012 Time: 7:44am Resolution Approved by: [Signature] Date: 12-18-2012

NOAV 200348796, 05-123-06116

Ross G Unit #1

Encana Oil & Gas (USA) Inc., # 100185

Corrective actions taken:

- **All 4 wells to Ross G battery were immediately shut in upon inspection on 4/28/12. The wells remain shut in at this time.**
- Tank labels: Inspector was advised that the tank in question that is not labeled was the property of gathering system operator, Kerr McGee Gas Gathering, Inc., (KMG), and not in Encana's control or use. Encana contacted Kerr McGee (Rusty Hopkin 303-548-9147) and advised of NOAV on 5/1/12. KMG advised that tank in question was brand new and unused, and not tied to anything, and was property of their vendor, Baker Hughes Chemical Company. Tank will be used in the future injection of ChemTreat 7125 to treat iron sulfide in pipeline. KMG has notified their vendor, and vendor will have plaques installed within two weeks.
- Wellhead fitting leaking: Valve was replaced and area cleaned on 5/2/12.
- Thief Hatch spray: Tanks and stairway cleaned up and their hatch completely replaced by end of day on 5/2/12.
- Emission Control Device: 30" combustor was replaced week of 5/1/12 with a larger 48" combustor. Was operated with pilot flame on and tank open to combustor. COGCC inspected on 5/2/12, reported that they found some non-incinerated fumes coming from top (Using FLIR Camera Technology). We are resetting combustor on 5/7/12. Additionally, a SCADA FST was installed in automation to prevent more than one of the four producing wells from unloading at a single instance. This should prevent any "slugging of liquids from separator to tank, over-ranging the combustor.
- Remove condensate from water tank: Tank was pulled, (emptied of fluids) week of 5/1/12. Residual oil may still be in tank (less than 1/4", due to inability of 2" vacuum hose to pick up all the oil from the 6" top opening. Tank was "bottomed out" (Vacuumed all fluids that a 2" hose to bottom of tank. Some residual oil may remain as it does in all tanks. There is no bottom drain on Encana Water tanks to prevent any spillage.