



*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 46290
Name of Operator: K P KAUFFMAN COMPANY INC
Address: 1675 BROADWAY, STE 2800 ATTN: KENT GILBERT
City: DENVER State: CO Zip: 80202
Company Representative: KENT GILBERT

Date Notice Issued:
3/13/2013

Well Name: KNUDSEN Well Number: 7 Facility Number: 219870
Location (QtrQtr, Sec, Twp, Rng, Meridian): NWNE 6 8N 52W 6 County: LOGAN
API Number: 05 075 07533 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: 12/31/2012 Approximate Time of Violation: 9:00AM
Description of Alleged Violation:
COGCC performed an inspection (Document #667500064) on 10/30/12 to check progress of remediation #4325 - for on-site land treatment of approximately 310 cubic yards of oily waste. It did not appear any treatment or routine maintenance had been performed. Oil saturated soils are still present in land treated soils. Land treatment has been in progress for over four years. Corrective actions of inspection required off-site disposal of oily waste in accordance with Rule 907.e. It also required submittal of a Sundry Form 4 with disposal documentation no later than 12/31/12. COGCC received no response from KPK. As a result, COGCC performed another inspection (Document #667500155) on 03/08/13. Oily waste remained on location in same condition as observed on 10/30/12. In addition, a recent release was observed at 200-bbl water tank and oily waste remained in place in the produced water pit.

Act, Order, Regulation, Permit Conditions Cited:
Rule 324A.a.; Rule 603.j.; Rule 902.a.; Rule 906.a.; 907.a.(1); Rule 907.e.(2); Rule 908; Rule 910

Abatement or Corrective Action Required to be Performed by Operator:*
Immediately cleanup recent release at 200 bbl produced water tank. Immediately remove all oily waste from produced water pit. Immediately dispose of all oily waste, including land treatment material related to Remediation #4325, at a properly licensed commercial solid waste disposal facility in accordance with Rule 907.e. Provide disposal documentation in accordance with Rule 907.b via Sundry Notice Form 4. Removal and disposal of oily waste was previously required no later than 12/31/12. Properly reclaim land treatment areas after removal of oily waste in accordance with Rule 1004.
Abatement or Corrective Action to be Completed by (date): 3/31/2013
* 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.
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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: [Signature] Date: 3/13/2013 Time: 9:30AM
Resolution Approved by: _____ Date: _____