

FORM

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Rev 6/99

State of Colorado

Oil and Gas Conservation Commission

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

STATE OF COLORADO

OIL & GAS

FOR OGCC USE ONLY

05/05/2011

200309442

*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 10200

Name of Operator: PETROHUNTER OPERATING COMPANY

Address: 1600 STOUT STREET

City: DENVER State: CO Zip: 80202-3113

Company Representative: PAUL MANISCALCO

Date Notice Issued:

05/05/2011

Well Name: BMU Well Number: 2520 Facility Number: 263059

Location (QtrQtr, Sec, Twp, Rng, Meridian): NWNE 35 1N 95W 6 County: RIO BLANCO

API Number: 05 103 10230 00 Lease Number:

COGCC Representative: KOEHLER BOB Phone Number: 303 894-2100 X5147

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

Date of Alleged Violation: 04/01/2008

Approximate Time of Violation:

Description of Alleged Violation:

Based on a review of COGCC's well records this well is temporarily abandoned (TA). The most recent production reported was in December 2001. Production reporting is delinquent there are no reports post March 2009. A Mechanical Integrity Test (MIT) was passed on June 3, 2004. The last Sundry Notice (Document # 1618844) requesting Continued Temporarily Abandoned Status was submitted in August 2008.

This well is in violation of COGCC Rules 319.b.(1) and 319.b.(3); the well has been TA without Director approved annual applications for Continued TA Status. Per COGCC Rule 326.b.(1) and Sundry Notice approved September 15, 2008 (Document # 1618844) a second MIT was not performed on this well either within 5 years of the initial MIT date or by April 1, 2010. The well is in violation of COGCC Rule 309 for not reporting production within 45 days after the month in which the activity occurred.

Act, Order, Regulation, Permit Conditions Cited:

Rule 309, Rule 319.b.(1), Rule 319.b.(3) and Rule 326.b.(1)

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

Perform the following by June 10, 2011: submit Form 4 to request extended TA status (should state how the well is closed to the atmosphere and the plans for the well) and submit Form 7-Operator's Monthly Report of Operations to bring production reporting up to date. Perform one of the following by July 10, 2011: 1) put the well into production; 2) pass an MIT to maintain SI or TA status, notify COGCC ten (10) days prior to the MIT, and submit Form 21 within 30 days after the MIT; or 3) plug and abandon the well (submit Form 6, Notice of Intent to Abandon, for prior approval before proceeding with P&A operations). If the well lacks mechanical integrity, then casing repair procedures must be approved by COGCC staff on Form 4-Sundry Notice prior to remediation per Rule 317.d. For compliance, repairs must be completed and mechanical integrity verified by the corrective action date.

Abatement or Corrective Action to be Completed by (date): 07/10/2011

* 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: 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: ✓ Date: 05/05/2011 Time: 9:38

Resolution Approved by: Date: