



*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 53790 Name of Operator: MARKUS PRODUCTION, INC Address: 821 17TH ST STE 1710 MARK E BROWN City: DENVER State: CO Zip: 80293 Company Representative: MARK BROWN

Date Notice Issued: 12/20/2007

Well Name: JOLLY Well Number: 41X-6 Facility Number: 237325 Location (QtrQtr, Sec, Twp, Rng, Meridian): NENE 6 3S 55W 6 County: WASHINGTON API Number: 05 121 09826 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: 8/17/2007 Approximate Time of Violation: Description of Alleged Violation: An unlined earthen pit at the tank battery was improperly constructed in a sensitive area adjacent to Plum Bush Creek. Produced water from the pit appears to be percolating below the berm at the southeast corner resulting in a release to the environment. At the time of the inspection on 8/17/07 there was also less than 2-feet of freeboard in the pit.

Act, Order, Regulation, Permit Conditions Cited: 324 A. a., 324 A. b., 902 c., 906 a., 907 a.(1), 907 a.(2)

Abatement or Corrective Action Required to be Performed by Operator: Immediately discontinue use of the produced water pit at the tank battery. Perform a Site Investigation per COGCC Rule 905 to assess soils and shallow groundwater that are potentially impacted by a release from the pit. Submit a Form 27, Site Investigation and Remediation Workplan for approval prior to performing the site investigation. Abatement or Corrective Action to be Completed by (date): 1/31/2008 * 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, 207, 311, 312, 313, 314A, 315, 403, 405, 603, 604 BASE FINE \$500.00 PER DAY PER VIOLATION: RULES 208, 209, 209, 302, 308, 309, 310, 316A, 321, 322, 328, 329, 330, 331, 332, 401 BASE FINE \$750.00 PER DAY PER VIOLATION: RULES 305, 608A, 608B, 607 BASE FINE \$1,000.00 PER DAY PER VIOLATION: RULES 202, 301, 303, 305, 306, 318B, 317, 317A, 318, 319, 320, 323, 324, 325, 326, 327, 333, 404, 602, 603, 604, 703, 704, 705, 706, 707, 708, 709, 711, 802, 801, 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: 12/20/07 Time: Resolution Approved by: [Signature] Date: 5/6/08 * see closure letter dated 5/6/08.