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SCS TRACER ENVIRONMENTAL

Formerly Tracer Environmental Sciences & Technologies, Inc., now a part of SCS Engineers.

December 24, 2012

Jerry Salera
Division of Oil, Gas, and Geothermal Resources (DOGGR)
Department of Conservation
801 K Street, MS 20-22
Sacramento, CA 95814-3530

RE: Description of Proposed Aquifer Exemption for ERG Resources, LLC

Dear Mr. Salera,

At the request of ERG Resources, LLC (ERG), SCS Tracer is providing you with the additional information requested for ERG's current Aquifer Exemption application. Per your phone conversation with ERG on December 22, 2012 please find included with this letter a copy of the following items:

1. A description of the areas and zone to be included in the exempted aquifer
2. 24" x 36" copies of the maps submitted on December 13, 2012 (hardcopies to follow)
3. 24" x 36" copies of the cross-sections submitted on December 13, 2012 (hardcopies to follow)

This information is to supplement the Aquifer Exemption Application package that was submitted on December 5, 2012.

If you have any questions, please contact me at the letterhead address.

Sincerely,
SCS Tracer Environmental

Michelle R Ricker

Michelle Ricker
Project Manager
SCS Tracer Environmental
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805-346-6127 (fax)
mricker@scsengineers.com

ERG Operating Company, LLC
Cat Canyon Oilfield – Description of Proposed Aquifer Exemption

ERG proposes to exempt a portion of the Sisquoc formation in the Cat Canyon State-Designated Oilfield. The proposed exempt aquifer is located in an area historically developed for oil production. Aquifer exemptions in the Sisquoc formation have been granted in areas adjacent to the proposed exempted aquifer, per the California Department of Oil, Gas, and Geothermal Resources (DOGGR) "Application for Primacy in the Regulation of Class II Injection Wells under Section 1425 of the Safe Drinking Water Act" (dated April 1981). Please refer to the map submitted on December 13, 2012 for the boundaries of the proposed exempted aquifer.

The area of the proposed exempted aquifer is found with the following:

Portions of SW/4 of the SW/4, NE/4 of the SW/4, E/2 of the NW/4, NE/4, E 2/3 of the SE/4 of Section 24, T9N/R33W

SW/4, SE/4 and portions of the NW/4 and the W/2 of the NE/4 of Section 24 T9N/R33W

Portions of the NE/4 of the NW/4, NE/4 and NW/4 of the SE/4 of Section 36

Portions of the SW/4 of Section 30

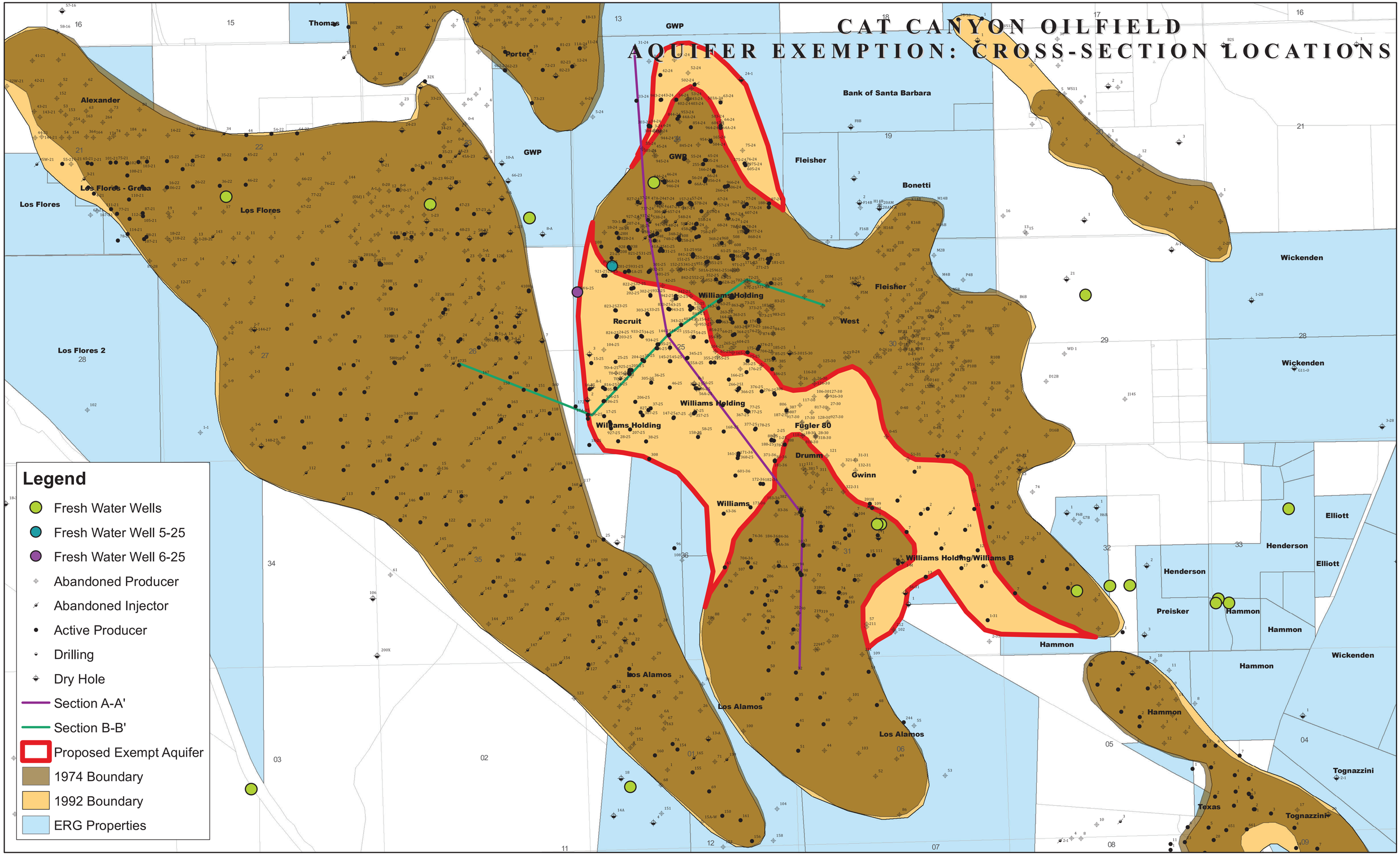
NE/4 of the NW/4 and portions of NW/4 of the NW/4, SE/4 of the NW/4, NE/4, SE/4 and E/2 of the SW/4 of Section 31, T9n/R32W

Portions of the NW/4 of the SW/4, SE/4 of the SW/4 and SW/4 of the SW/4 of Section 32, T9N/R32W

The aquifer being exempted is the portion of the Sisquoc oil sands that is found below the overlying, confining Sisquoc mudstone layer. The Sisquoc mudstone layer divides the Foxen sands from the confined Sisquoc saturated oil sands. The average depth of the exempted aquifer is approximately 2000 ft below ground surface (below the base of the Sisquoc mudstone). The Underground Source of Drinking Water (USDW) for this area is located in the Careaga sands, which are overlying the Foxen formation.

The produced water effluent from the oil and gas operations would be injected into existing, permitted wastewater disposal wells located on ERG's Los Alamos Lease. These wells are located within the boundaries of the 1974 exempted aquifer in the Monterey formation, which lies under the base of the Sisquoc formation.

CAT CANYON OILFIELD
AQUIFER EXEMPTION: CROSS-SECTION LOCATIONS



ERG Resources, L.L.C.

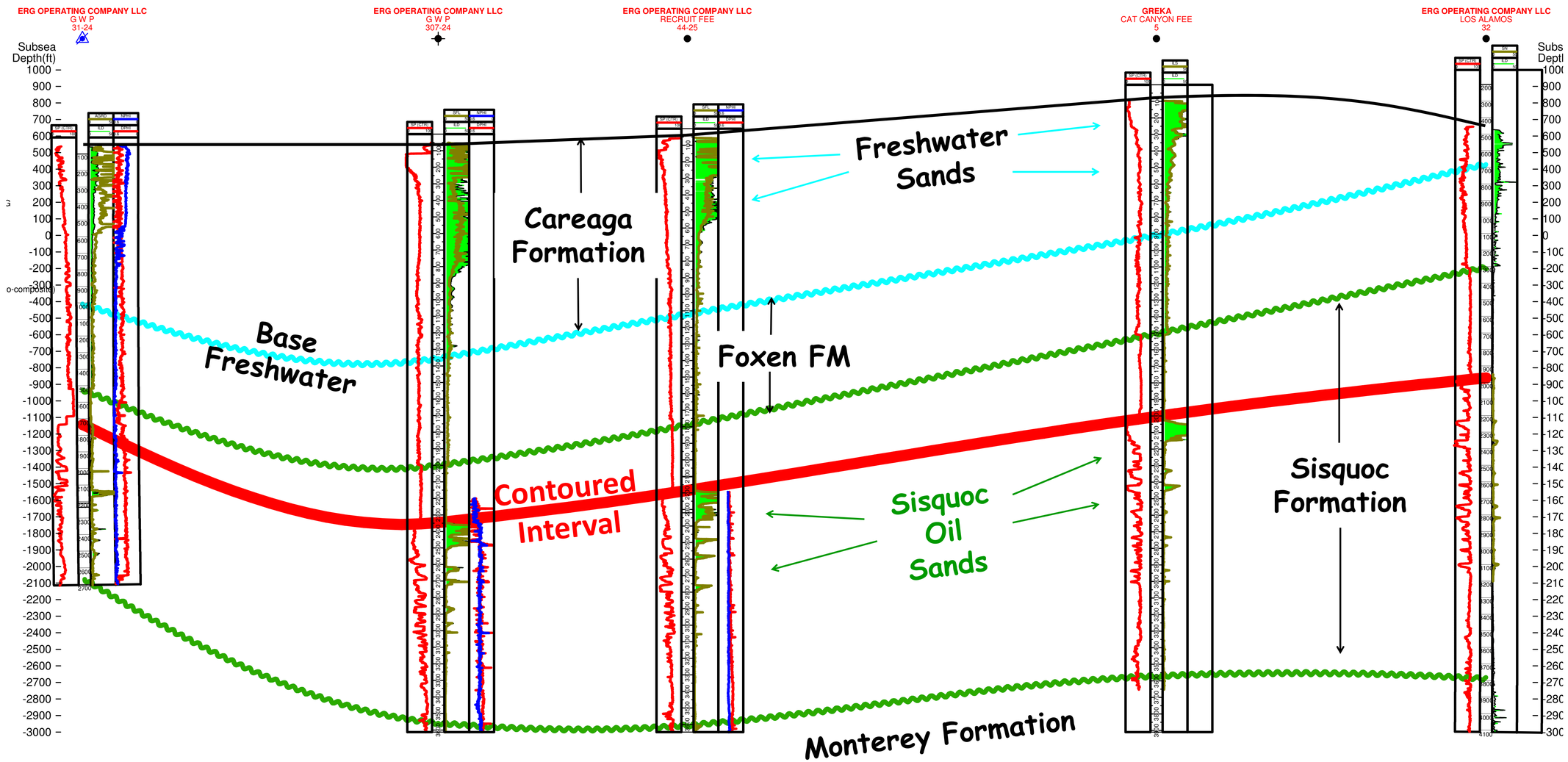
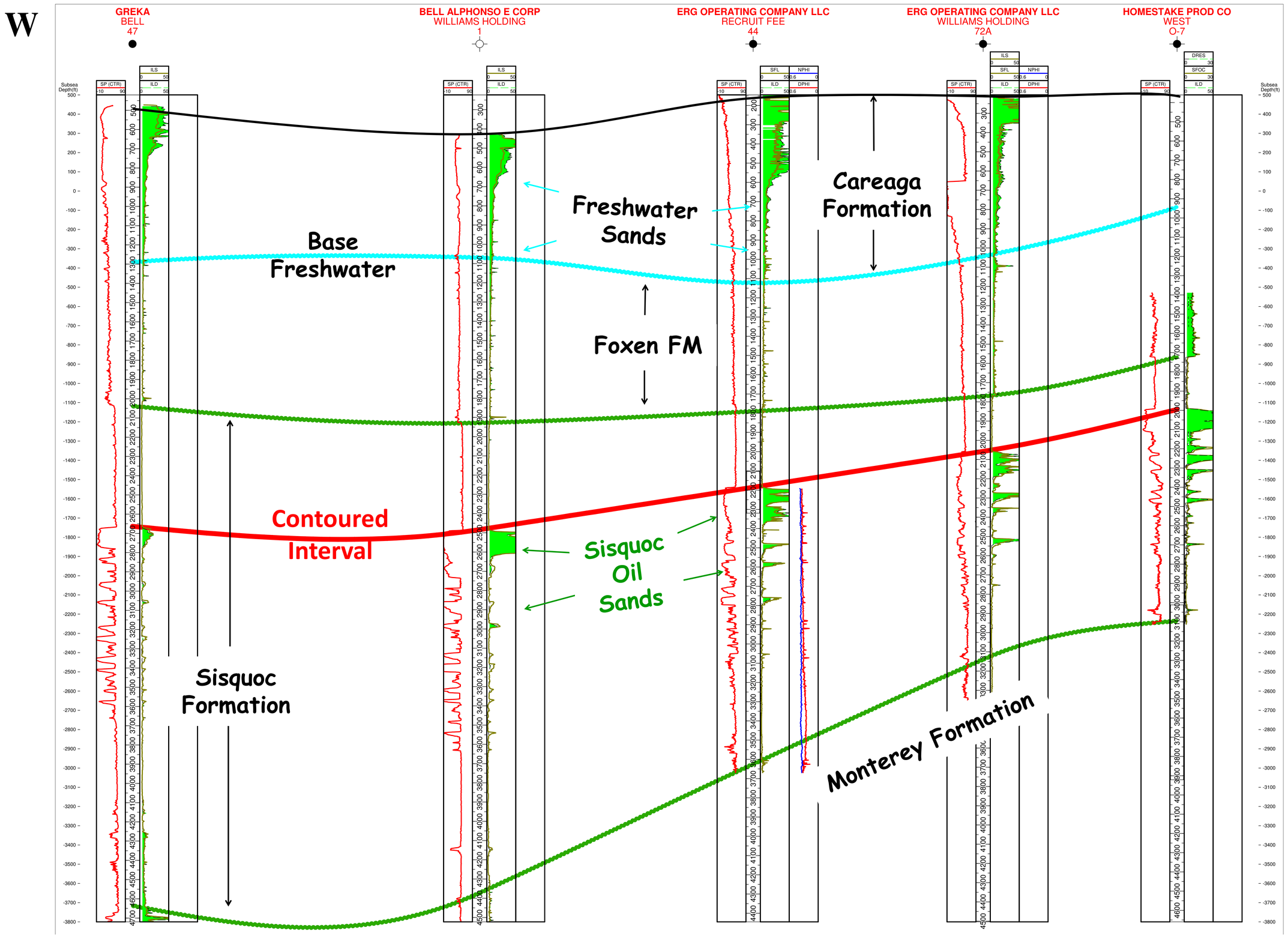
0 0.5 1 2 Miles

N

ERG OPERATING COMPANY, LLC
CAT CANYON OILFIELD
SANTA BARBARA COUNTY, CALIFORNIA
NOVEMBER 25, 2012

ERG OPERATING COMPANY
CAT CANYON OILFIELD

North-South Structural Cross Section



West-East Structural Cross Section