DEPARTMENT OF CONSERVATION

DIVISION OF OIL, GAS AND GEOTHERMAL RESOURCES

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March 21, 2007

Mr. Bill Chadick
Big West of California
6451 Rosedale Hwy.
Bakersfield, CA 93308

RE: Permit Application CA 10600003

Dear Mr. Chadick:

This letter serves as a follow-up to the meeting on March 15, 2007 which included yourself, Melinda Hicks, Dave McCoy, Brad DeWitt, Randy Adams, and myself. In that meeting you gave us an update on the above-mentioned application review process and status. You referred to a letter sent to you from the E.P.A., dated January 9, 2007, requesting that you address certain concerns that the E.P.A. had regarding your application. You requested that the DOGGR give some input on two of these items of concern, in particular Item 4 and Item 8.6.1.G.. A recap of those items and our responses are as follows:

1. Item 4. This item dealt with the E.P.A.'s concern that your proposed Class I injection in "Red Ribbon" WD-1 will not extend beyond the geographical boundaries of the exempted zone, which in this case is the Lower Santa Margarita Formation.
   According to EPA/DOGGR primacy agreement, an exemption applies to an entire zone based on one of three criteria: 1. The zone bears water over 10,000 ppm TDS, 2. The zone is oil/gas productive, and/or 3. The zone has been "grand-fathered" in due to a significant amount of pre-primacy injection. Not only does this exemption apply to the entire formation, in this case, the Santa Margarita (even though only the Upper Santa Margarita is productive), but to the entire administrative boundaries of Fruitvale Field.

2. Item 8.6.1.G. This item addressed the issue of the proposed injection adversely effecting existing or future commercial production in the same zone on adjacent properties.
   To date, there is no commercial production from the Lower Santa Margarita within Fruitvale Field. The only production from the <u>Upper</u> Santa Margarita occurs over ½ mile to the east, operated by San Joaquin Facilities Management, Inc. According to Brad Dewitt of Petrotech, San Joaquin Fac. Manage. have no plans on developing the L. Santa Margarita and therefore have no objections to your injection into this zone.

In the March 15 meeting, you also requested this office re-visit the issue of our requirement of monitoring your well "Red Ribbon" 6A for the outward movement of the plume from past injection. This requirement is hereby rescinded based on the following:

1. "Red Ribbon" 6A is completed and being monitored in the Mason-Parker zone and there has not been any injection into that zone, in the area, since February, 2002 (from "Red Ribbon" WD1),
2. Regular monitoring, since December, 2004, have not revealed any significant breakthrough of organic tracers into 6A, from past injection into that zone, and
3. Your proposed injection in WD1, 2, &3 will be restricted into the L. Santa Margarita Fm., significantly lower, stratigraphically, than the Mason-Parker zone.

I hope this letter resolves these issues that you requested of us, but if you need further clarification, please let me know. My phone number is (661)334-3661.

Sincerely,

Richard Thesken

Richard S. Thesken
Associate Oil and Gas Engineer

CC: Brad Dewitt
Petrotech