



COMPLIANCE / ENGINEERING / REMEDIATION



01632325

Project 3593

LT Environmental Inc.

4600 West 60th Avenue

Arvada, Colorado 80003

T 303.433.9788 / F 303.433.1432

RECEIVED

DEC 14 06

COGCC

December 13, 2006

Ms. Nancy Agro, P.C.
McDaniel, Baty, Miller, Agro & Robbins, L.L.C.
1040 Main Avenue
Durango, Colorado 81301

RE: December 4, 2006 Letter - Candelaria Property

Dear Ms. Agro:

LT Environmental, Inc. (LTE) has prepared this letter in response to your correspondence dated December 4, 2006 regarding access to the Candelaria property.

LTE is under contract with Petrox Resources, Inc. (Petrox) and Elm Ridge Resources, Inc. (Elm Ridge) to conduct outcrop monitoring and natural spring sampling to meet the Conditions of Approval for Petrox's Pargin Mountain 10U #3 coal bed methane (CBM) production well.

In August 2005, LTE requested access to Candelaria property located on the Fruitland Formation outcrop to conduct methane surveys and a natural spring survey on the outcrop. The properties included the Fosset Gulch area in Section 13 and Section 24 including the Piedra River valley. LTE received signed notices from Susie Candelaria, Gilbert Candelaria, and Roger Candelaria permitting LTE access to the properties. LTE initiated the survey activities and was greeted warmly by Ms. Susie Candelaria, one of her daughters, and Gilbert. We performed methane surveys around their residences and they allowed LTE to walk all areas of their property in Sections 13 and 24. We also collected samples from the natural spring in Section 13 (Spring 3424). Copies of the signed permission agreements are included as Attachment 1.

When the field activities were completed, Ms. Susie Candelaria, her daughter, and Gilbert asked that we performed surveys more frequently than once per year. LTE informed them that only annual surveys are required. LTE told them that we plan to return the following year to survey again and they concurred.

Gilbert Candelaria also escorted LTE personnel to additional springs located on Candelaria property in Sections 14 and 10 on September 17, 2006. LTE did not collect samples at that time because we had originally not been tasked to collect samples from springs not located on the Fruitland Formation outcrop. On September 19, 2005, Leonard Candelaria called LTE's field crew and stated that LTE was to collect samples from all of the Candelaria springs as part of his agreement to let us on the property. LTE immediately contacted Petrox regarding this request who concurred and gave us permission to satisfy Mr. Leonard Candelaria's request. A copy of LTE's field notes documenting this conversation with Mr. Leonard Candelaria are included as Attachment 2.



Ms. Annette Candelaria had been corresponding via email with Ms. Debbie Baldwin of the Colorado Oil and Gas Conservation Commission (COGCC) shortly following our field activities and was concerned that we had not sampled all of the springs per their request. After a series of email correspondence trying to clear up confusion regarding the locations of all the springs, LTE determined that, in fact, one spring had been missed. LTE immediately remobilized a field crew to collect the spring sample. After all samples had been collected, it appeared that Ms. Annette Candelaria, Ms. Debbie Baldwin, and Petrox were satisfied with the survey and sampling efforts. Copies of the email correspondence including Ms. Annette Candelaria's requests to sample the springs located in Sections 10 and 14 are included as Attachment 3.

LTE was unaware that Fosset Gulch Road is a private road. Published maps in the Colorado Atlas & Gazetteer (Delorme, 2005) and digital maps from the Colorado Department of Transportation (CDOT) identify the road as Forest Service Road (FSR) 613 (also known as Fosset Gulch Road). The recently published Environmental Impact Statement (EIS) prepared by the Bureau of Land Management (BLM) and United States Forest Service (USFS) also identifies the road as FSR 613 in the maps contained within the report. LTE is not familiar with the 1943 Right of Way deed for this road but it seems reasonable that LTE assumed the road was public based on published data. Moreover, there was no signage along the road indicating the road is private nor any fencing indicating limited access. Nonetheless, if the road is indeed private, it seems reasonable for LTE to assume that when we were granted access to the Candelaria properties, it included access to FSR 613 the only means of ingress and egress from the Candelaria properties.

As you can see from the attached access agreements signed by various members of the Candelaria family, there is no specific expiration date for the access. LTE prefers to make one request for access rather than repeat requests every year, particularly when we develop a good working relationship with the property owners, they escort us to conduct the work, and those property owners specifically request that the work be performed.

The Candelarias are aware of the annual survey requirement and acknowledged during the first survey that we would return in 2006 to repeat the scope of work. In fact, LTE met with Gilbert Candelaria in person on May 26, 2006 to conduct the repeat survey. Mr. Gilbert Candelaria escorted us around his residence and was aware that we were surveying Ms. Susie Candelaria's residence and all of the Candelaria properties, and specifically asked if we would be collecting water samples from all of the Candelaria springs. At no time during our meeting did Mr. Gilbert Candelaria express concern about access to the properties, access to and driving on FSR 613, or sampling water from natural springs on Candelaria property.

Recently (11/13/06), Ms. Annette Candelaria sent an email correspondence to Brian Macke and Debbie Baldwin (including a copy to LTE) stating that she had not yet received the results of the survey work completed in May 2006. Ms. Candelaria was aware of our survey efforts yet made no mention of her concerns regarding LTE's access to perform the work at that time. LTE provided an additional copy of the report to Ms. Annette Candelaria once it was suspected that



the report originally sent was lost in the mail. Additionally, Ms. Annette Candelaria had concerns regarding monitoring that would be included in an access agreement with the USFS. She stated that she will no longer grant access for monitoring if an agreement with the USFS could not be reached and that once an agreement was made, monitoring efforts would need to be incorporated into that formal agreement. At no point did Ms. Candelaria make known that the monitoring performed to date (which would include the 2005 and 2006 monitoring) was performed without approval. Copies of this correspondence is included as Attachment 4.

As to your reference of stakes placed on the Candelaria property past the 3.4 mile mark of Petrox' road use permit, LTE has never and will never install any permanent markers, stakes, or other foreign objects on the Candelaria property.

LTE apologizes for any miscommunication that has occurred regarding our monitoring activities and spring sampling performed on the Candelaria property. LTE understands that we had been given access to conduct this work. While we do not have written access with Ms. Annette Candelaria to sample her springs, we were specifically requested to do so from Annette and her husband Leonard. At the time of their request, they made no mention that a written agreement would be required in order to meet their needs. Furthermore, LTE felt we had been given permission to access the properties due to the fact that we had been escorted to various locations in Sections 10, 15, 14, 13, and 24 by Mr. Gilbert Candelaria to perform the work requested. In our opinion, it seems unreasonable to request services from LTE, escort LTE across the property, identify omissions in the work and demand re-work, request written copies of the results of the work, and then state that LTE has trespassed on private lands once the work is completed.

LTE is not privy to access agreements between the Candelarias and other parties, therefore we have no control regarding the outcome of an access agreement between the Candelarias and the USFS. However, LTE is willing to formalize access agreements with Ms. Annette Candelaria to perform outcrop monitoring and spring sampling on behalf of Petrox and Elm Ridge Resources. We are amenable to an agreement directly between LTE and the Candelarias or to amend agreements made with Petrox to include our monitoring efforts, whichever is more convenient.

Please note that LTE conducts its monitoring once per year. It typically requires no more than one or two days to complete. This equates to no more than two ingresses and two egresses along Fosset Gulch Road by LTE over a period of one year. We always travel at or below the speed limit and are considerate of livestock and wildlife. We are sensitive to wet and muddy roads, and creating ruts on dirt roads. Our monitoring efforts do not to cause damage to roads, fences, or the property. Given our limited usage of FSR 613, it seems unreasonable for LTE to provide assurances for road maintenance and accessibility on FSR 613 year round.

LTE would like to resolve the access issues before May 2007 when Petrox and Elm Ridge are required by the COGCC to perform additional monitoring and spring sampling. Please let us know how the Candelaria Family would like to proceed. Also recognize that Petrox's and Elm Ridge's requirement to conduct monitoring on the outcrop and sampling of natural springs on



private property is contingent upon their ability to get reasonable access to the lands. If the private land owner does not grant reasonable access, Petrox and Elm Ridge may not be required to perform methane seep monitoring and natural spring sampling on those lands. If you have any questions, please contact me directly at (303) 962-5507.

Sincerely,

LT ENVIRONMENTAL, INC.

A handwritten signature in black ink, appearing to read "J.D. Peterson", is positioned above the name and title.

John D. Peterson, P.G.
Senior Geologist/Project Manager

A handwritten signature in black ink, appearing to read "Tom Murphy", is positioned above the name and title.

Thomas M. Murphy, P.G.
Vice President

cc: James Clark, Elm Ridge Resources, Inc.
Mike Clark, Petrox Resources, Inc.
Steve Bryant, Exok, Inc.
Debbie Baldwin, COGCC
Walt Brown, USFS

Attachments (4)

ATTACHMENT 1
SIGNED ACCESS AGREEMENTS





PROPERTY ACCESS

I, Susie Candalaria (print name), owner of a parcel(s) located at 13-34U-SW Fossett Blvd ☒ do / ☐ do not (check one) grant access to my property to conduct a methane survey and/or natural spring survey as described in LT Environmental's letter request dated August 18, 2005.

Signed:

Susie Candalaria

Date:

9/1/05

Please enclose this signed access form along with the aerial photograph and marked locations of existing or former natural springs on your property in the enclosed self-addressed stamped envelope and return it as soon as possible.

Thank you very much for your help,

LT Environmental, Inc.



PROPERTY ACCESS

I, Gilbert Candalaria (print name), ^{Joint} owner of a parcel(s) located at Fossett Gulch 24-34U-SW ☒ do / ☐ do not (check one) grant access to my property to conduct a methane survey and/or natural spring survey as described in LT Environmental's letter request dated August 18, 2005.

Signed:

Gilbert Candalaria

Date: 9/11/05

Please enclose this signed access form along with the aerial photograph and marked locations of existing or former natural springs on your property in the enclosed self-addressed stamped envelope and return it as soon as possible.

Thank you very much for your help,

LT Environmental, Inc.



PROPERTY ACCESS

I, Roger CANDELAIA (print name), owner of a ✓ parcel(s) located at Piedra River ☒ do / ☐ do not (check one) grant access to my property to conduct a methane survey and/or natural spring survey as described in LT Environmental's letter request dated August 18, 2005.

Signed:

Roger Canelaia

Date: 8/29/05

Please enclose this signed access form along with the aerial photograph and marked locations of existing or former natural springs on your property in the enclosed self-addressed stamped envelope and return it as soon as possible.

Thank you very much for your help,

LT Environmental, Inc.

ATTACHMENT 2

**LTE FIELD NOTES DOCUMENTING CANDELARIA REQUEST TO CONDUCT
SAMPLING**



Location _____ Date 9/17/05

Project / Client _____

Area 151: 80% grass and weeds
10% brush
10% pine
95-99% living vegetation.
Dirt road cuts through polygon
with foundation on southern top
and horse w/ horse stable
on northern portion. No methane
1600 - offsite. Going back to hotel.

[Signature]

Location _____ Date 9/19/05 25

Project / Client _____

Candalaria's

0830 - Arrive onsite @ Candalaria's
Prop to Sample Springs
Note: Leonard Candalaria
Spoke w/ Shane Young about
the Springs and that it was
his impression that we were
to Sample every spring as
part of his agreement to let
us on his property. Called
John Peterson (LSE) and
he said to go ahead and
Sample the springs.

Spring #3 Sampling: 0845
3 VOA's
pH: 7.27 ORP: 131 mV
Con: 458.1 μ S/cm TDS: 314.7 ppm
Temp: 10.9°C

no methane

Spring #4 Sample time 0921
Spring near cattle corral @
Candalaria prop.
pH: - ORP: - TDS: -
Con: - Temp: -

Orate @ 0845.

Area 130: 50% grassy meadow
 25% Pine
 25% Scrub oak.

90-95% living vegetation
 die back w/ new undergrowth.
 no methane
 thick soils, brown, dry.

Area 143: 100% grassy meadow. Some
 Chat grass w/ brown tips.
 Alluvium + gravel through, next
 to river. No methane.

Area 144: 100% grass meadow,
 marsh area in the center.
 no methane. 99% living veg.

Area 146: 80% Pine
 10% scrub oak
 10% brush
 90-95% living vegetation
 loose brown soils + massive
 Sandstone outcrop.
 dead pines had bare holes (beetles)

1400 - met with Gilbert Cambalica
 and showed ~~him~~ us where
 their spring is in the meadow.
 Not one place that it came
 out, came out all over.

Spring #3

Pl: 7.27 Cor: 492.3 us/cm

ORP: 150mV IDS: 330.7 ppm

Temp: 18°C

0.90 gpm no methane.

lush vegetation i.e. grass + shrubs

Gilbert said several of his
 Springs have been dry for
 a couple of years

Said his aunt down south of
 him in the Valley near the
 Piedra River has a rotten
 egg smell in the last couple
 of years and the Debbie Baldwin
 has been out to check her prop.

ATTACHMENT 3

E-MAIL CORRESPONDENCE FROM CANDELARIA REQUESTING SAMPLING



John Peterson

From: Annette Candelaria [acandelaria@comcast.net]
Sent: Wednesday, October 05, 2005 7:13 AM
To: 'John Peterson'; 'Baldwin, Debbie'; 'Dillon,David'
Cc: miller@mcdaniel-law.com; muns@coxinet.net; 'Mike Clark'
Subject: RE: Testing of Springs on Candelaria Property

Thank you!

We were not looking forward to a 22 hour weekend road trip so we are glad that everything appears to be figured out. Please let us know when you have sampled the spring in Section 14.

Also, we understand that we are to receive copies of all test results once they are received and compiled. We understand from Debbie that it can take a while for all the results to come back from the lab. The test results can be sent to:

Leonard L. Candelaria
8815 N. Acacia Grove
Tucson, AZ 85743

Thanks again.

Leonard & Annette Candelaria

-----Original Message-----

From: John Peterson [mailto:jpeterson@ltenv.com]
Sent: Tuesday, October 04, 2005 10:33 AM
To: 'Annette Candelaria'; 'Baldwin, Debbie'; 'Dillon,David'
Cc: miller@mcdaniel-law.com; muns@coxinet.net; 'Mike Clark'
Subject: RE: Testing of Springs on Candelaria Property

Annette,

Debbie and I have communicated regarding the spring sampling. I have also been able to get all my field data from the spring sampling organized and speak with both LTE field people present during the field activities. Here is what we know.

LTE was escorted to a spring in Section 10. It was GPS'd, flow measured, field parameters measured, and a sample was collected. Shane had thought he had not been escorted to this location because when he questioned Gilbert about the location on the map, they both (Shane and Gilbert) thought they were somewhere else on the map Shane had in his hands. It turns out that the GPS doesn't lie (which is why we use it :-) and we are 100% confident that we sampled the spring in Section 10. So the location of the spring from the GPS data has plotted in Section 10, for the Record)! Yahoo!!

The PDF map I sent earlier shows a spring (yellow circle) in the NW 1/4 of Sec 24 that was sampled. This is inaccurate. No sample was collected here. This area should be included in the "multiple wetland area" identified on the map. This area has a lot of soft wet ground but no channelized spring that was physically located with the GPS or sampled.

We still have not sampled the spring in Section 14 by the two old structures (Spring #1212). LTE has talked with Debbie about this spring and where it is located. We are confident that we can find it and sample it without the assistance of Gilbert or Leonard. So don't worry about this one, LTE will make sure it is sampled.

After that is the spring by the Residences which has been located and sampled. This is the one the COGCC calls 3424.

Hopefully all the confusion is laid to rest here. And we will be sure to sample spring #1212 soon.

Sorry for all the confusion on my part.

From: Annette Candelaria [mailto:acandelaria@comcast.net]
Sent: Monday, October 03, 2005 12:01 AM
To: 'John Peterson'; 'Baldwin, Debbie'; 'Dillon, David'
Cc: miller@mcdaniel-law.com; muns@coxinet.net; 'Mike Clark'
Subject: RE: Testing of Springs on Candelaria Property

John,

You are right about the confusion... Every email or conversation we have regarding testing of these springs makes it more and more complicated. After seeing your map, we now have two issues.

First of all, we have a map that leads us to believe that this spring is in Section 10. On Tuesday, September 27th, BLM was out locating springs on Federal Property. They asked if they could use this spring for future flow rate testing. We said they could. We told them that we weren't sure if the spring actually sat in Section 10 or in Section 15. They called Leonard back that afternoon and said that using GPS this spring plotted inside the Section 10 boundary. We believed them. However, on the map that you have attached to this email, this spring appears to be in Section 15. So you are right, based on your map Shane was never escorted to any springs in Section 10 by Gilbert. He was however escorted to this spring and this is the only spring he was escorted to by Gilbert. Whether it sits in Section 10 or Section 15, it is the only spring there and the only spring that Gilbert escorted anyone to.

On Monday, September 19th when Leonard spoke to Shane, that is when Shane told him that Gilbert had showed him where this spring was on Saturday, September 17th and that he had located this spring but had not been instructed to test/sample it. That is what prompted Leonard to call you. We spoke with Gilbert on Friday evening after receiving your email. Gilbert said that when he and his son were at the spring with the two LTE employees on the 17th, they told Gilbert that there was no methane detected. Gilbert also said the LTE employees used a gallon container and told him that the flow rate was .9 gallons per minute. Now we are even more confused...first, how could they know there was no methane and what the flow rate was if both Shane and you say it was only located but not tested. Second, your map doesn't show this spring as being sampled in Section 15. Is there a difference between what we consider "tested" (methane concentration, water chemistry, and flow rate) and "Sampled" as used on the attached map?

Our second issue is that Debbie's email attached below says "Spring - COGCC # 1212 was sampled by LTE." This spring is located in Section 14. Your attached map shows no springs at all sampled in Section 14.

In the end, we believe that COGCC wants testing/sampling only of springs on the outcrop. Since our spring in Section 14 is not on the outcrop, COGCC doesn't care if it gets tested. Since our spring in Section 10/15 is not on the outcrop, they don't care if it gets tested either. In 2004, the spring in Section 10/15 was not located by COGCC yet we were led to believe that at Gilbert's request it had been tested. Then when the well (10U#3) was being permitted by COGCC in September, 2005 we requested that testing of all three springs, prior to drilling, be included in the Conditions of Approval. COGCC did not think that was necessary. Now, there is more confusion than there ever needs to be regarding this spring in Section 10/15 and whether it should be "located" or "located and tested." It sits about .3 to .4 miles from the well site and we have come to the conclusion that COGCC does not want baseline data for this spring. We now believe that COGCC does not want to have any data to compare to in the future if the need arises. We don't understand why COGCC is so against the testing.

John, we apologize that you are stuck in the middle of this mess. We realize that you are simply doing what you are instructed to do. It is our understanding that Mike Clark has instructed COGCC to work directly with you to make sure everything is tested. We don't understand why that is not happening. It certainly is not a reflection on your or Petrox/EXOK's willingness to address our concerns. As a final solution, all we can do is offer to personally meet you or your employees on location on Friday, October 7th and personally escort you to all three springs. Of course, this would require that either COGCC or Mike Clark approve. This will ensure that there is no question about which three springs we request to be tested/sampled. Of the three springs we requested to be tested, right now it appears from your map that only the spring that provides water to the homes (Section 13) has been sampled.

Thank you for your time and your continued effort to assist us.

Leonard & Annette Candelaria

-----Original Message-----

From: John Peterson [mailto:jpeterson@ltenv.com]
Sent: Friday, September 30, 2005 8:42 AM
To: 'Annette Candelaria'; 'Baldwin, Debbie'; 'Dillon, David'
Cc: miller@mcdaniel-law.com; muns@coxinet.net; Mike Clark
Subject: RE: Testing of Springs on Candelaria Property

It seems there has been much confusion over what springs exist, what springs are dry, springs on the outcrop, springs off the outcrop, springs on Candelaria Property, and Springs on Federal Lands, and combinations of all of the above.

I just spoke with Shane regarding what occurred during the recent field activities. He was never escorted to any springs in Section 10 by Gilbert. I have thrown together a quick map showing the springs we know about (yellow circles with an "S"), the section lines (in red), and property boundaries. I have also attached labels to each spring to show you what was done at each.

Since you have flagged the location of the spring in Section 10 with the detailed driving directions, we can surely find it without Gilbert's help.

I will let you all know once the sample has been collected so everyone will be happy.

If you have additional concerns, please call me at (303) 433-9788.

John

From: Annette Candelaria [mailto:acandelaria@comcast.net]
Sent: Thursday, September 29, 2005 8:52 PM
To: 'Baldwin, Debbie'; 'Dillon, David'
Cc: miller@mcdaniel-law.com; muns@coxinet.net; 'John Peterson'
Subject: RE: Testing of Springs on Candelaria Property

Debbie,

Why does Gilbert have to show someone where the spring is again? Gilbert already showed the LTE employee (Shane) exactly where the spring in Section 10 is located on Saturday, September 17th. Can they not get the spring's location from Shane? Gilbert is self-employed and works out of Durango. He can't be showing someone where this spring is located over and over again.

The spring is .3 miles from the cattle guard located east of the 10U#3 well site if you are traveling on Fosset Gulch Road from Highway 160 toward Highway 151. It is 2.5 miles from the two family homes if you are traveling on Fosset Gulch Road from Highway 151 toward Highway 160. At mile marker 9, we have placed a white flag marker on a tree that is on the north side of Fosset Gulch Road. On the south side of Fosset Gulch Road, across the field, we have placed another white flag marker on the bush that sits right next to the spring. The markers can be seen from Fosset Gulch Road.

We understand that the spring in Section 10 may not be on the outcrop but it is the spring that is located closest to the 10U#3 well site and it is a spring that Gilbert uses to provide water to the livestock.

Please let us know if this spring was not plotted by GPS when Gilbert was there with the LTE Employee on the 17th.

Thanks, Leonard & Annette

-----Original Message-----

From: Baldwin, Debbie [mailto:Debbie.Baldwin@state.co.us]
Sent: Thursday, September 29, 2005 3:55 PM
To: Annette Candelaria; Dillon, David
Cc: miller@mcdaniel-law.com; muns@coxinet.net; John Peterson
Subject: RE: Testing of Springs on Candelaria Property

Annette, I have forwarded your email to John Peterson with LTE and have talked to him.

Spring - COGCC # 3424 was sampled by LTE

Spring - COGCC # 1212 was sampled by LTE

LTE examined a dry spring in NWNE Section 24 which is located on the outcrop of the Fruitland Formation

John is going to check with his field people and if they did not sample the Spring in Sec 10 (the one that I originally thought was in Sec 15), then they will contact Gilbert and arrange to meet him, have him show them the spring, and they will sample it.

Sorry about the confusion, but they thought they were only going to sample springs located on the outcrop of the Fruitland Formation and the spring in sec 10 is not on the outcrop of the Fruitland Formation. I explained that regardless of its location the spring in sec 10 needs to be sampled.

Colorado Oil and Gas Conservation Commission Staff
Debbie Baldwin, Environmental Supervisor
303-894-2100 ex 111

-----Original Message-----

From: Annette Candelaria [mailto:acandelaria@comcast.net]
Sent: Wednesday, September 28, 2005 9:42 PM
To: Baldwin, Debbie; Dillon, David
Cc: miller@mcdaniel-law.com; muns@coxinet.net
Subject: Testing of Springs on Candelaria Property

We believe there is still confusion regarding the three springs that should have been tested. Bob Miller and Steve Muns have both told us that they have been told that of the three springs, two were tested and one was dry. We know for a fact that none of the three springs that we want tested are dry.

The springs we want tested are:

Spring #1:

This spring is located in Section 13 and provides water to the homes. Debbie describes this spring as "one plots in SWSE Section 13 (this is the spring that supplies water to the 2 houses), the COGCC tracking number for this spring is 3424." This is one of the springs tested by Debbie with Gilbert in 2004. We believe this spring was tested by LT Environmental on Wednesday September 14, 2005. We know for a fact that this spring is not dry.

Spring #2:

This spring is located in Section 14. Debbie describes this spring as "The other one plots in SWNW Section 14 (this is the spring associated with what I believe was your grandparents farm), the COGCC tracking numbers for this spring is 1212." This is one of the springs tested by Debbie with Gilbert in 2004. We don't know if this is one of the two springs you say were tested now. We know for a fact that this spring is not dry.

Spring #3:

This spring is located in Section 10. This is the spring that Debbie did not locate in 2004. On Saturday, September 17th, 2005 Gilbert personally showed an LT Environmental employee where this spring is located. John Peterson of LT Environmental told us that he had been instructed to

"locate" this spring but not instructed to test it. There was a question as to whether this spring is in Section 15 (as per the Conditions of Approval) or Section 10. BLM told us that this spring is actually in Section 10. This spring is located within ½ mile of the 10U#3 well site. Gilbert believes this spring was plotted by GPS when he was there with the LT Environmental employee on Saturday. We don't know if this is one of the two springs you say were tested now. We know for a fact that this spring is not dry.

So if you're saying that one of the three springs that was to be tested is dry, we don't know which two springs were tested and which one wasn't.

Thank you for your continued support and attention to this matter.

Leonard & Annette Candelaria

-----Original Message-----

From: Baldwin, Debbie [mailto:Debbie.Baldwin@state.co.us]

Sent: Wednesday, September 14, 2005 9:38 AM

To: Annette Candelaria; miller@mcdaniel-law.com

Cc: mike.petroxcbm@gmail.com; Macke, Brian; Dillon, David; Weems, Mark; Ahlstrand, Dennis

Subject: RE: conditions of approval for the Candelaria 10U #3 well

Annette,

It is my understanding that Petrox's contractor is starting their work down in Archuleta County this week or next.

I believe that the springs and the crawl spaces of and areas around the 2 houses will be tested in the next few weeks. It is my understanding that the contractor will be contacting Gilbert and asking him to show them the 3 springs that are on your property and the 2 houses soon, probably within the next few weeks.

All 3 of your springs are to be included in the annual testing. Gilbert showed me 2 springs that I sampled. He did not tell me in what sections these are located, but when I plot the GPS coordinates that I collected for the 2 springs that I tested, one plots in SWSE Section 13 (this is the spring that supplies water to the 2 houses), the COGCC tracking number for this spring is 3424. The other one plots in SWNW Section 14 (this is the spring associated with what I believe was your grandparents farm), the COGCC tracking numbers for this spring is 1212.

From Gilbert's description I thought your third spring was located in NWNE Section 15 T34N R5W SUL, which is why that location is listed in the conditions of approval item 2. But if the third spring is actually located in Section 10, then I will correct the location reference in the Conditions of Approval. I'll wait until the contractor gets GPS coordinates for the third spring, see where it plots and get the legal description for the location from that, unless you know for sure what the legal description for the spring is. If you do know for sure what the legal description for the spring is and if you provide it to me, then I can go ahead and change it in the conditions of approval.

Regards

Colorado Oil and Gas Conservation Commission Staff
Debbie Baldwin, Environmental Supervisor
303-894-2100 ex 111

-----Original Message-----

From: Annette Candelaria [mailto:acandelaria@comcast.net]

Sent: Tuesday, September 13, 2005 2:55 PM

To: Baldwin, Debbie; miller@mcdaniel-law.com

Cc: mike.petroxcbm@gmail.com; Macke, Brian; Dillon, David; Weems, Mark; Ahlstrand, Dennis

Subject: RE: conditions of approval for the Candelaria 10U #3 well

Debbie,

I understand this to mean that the springs and crawl spaces of the homes will not be tested prior to drilling. Is that correct? If so, approximately when will the first testing occur?

Also, which sections were the two springs in that you did test last year? We believe that the major spring that you couldn't find last year is in Section 10 and Section 10 is not listed in the Condition of Approval Item 2. This is the spring that you asked if Gilbert could be available now to show someone exactly where it is. If this spring is in Section 10, does it get excluded from annual testing since it isn't specifically identified in Item 2?

Thanks for your time.

Annette Candelaria

-----Original Message-----

From: Baldwin, Debbie [mailto:Debbie.Baldwin@state.co.us]

Sent: Tuesday, September 13, 2005 2:15 PM

To: miller@mcdaniel-law.com; acandelaria@comcast.net

Cc: mike.petroxcbm@gmail.com; Macke, Brian; Dillon, David; Weems, Mark; Ahlstrand, Dennis

Subject: conditions of approval for the Candelaria 10U #3 well

Attached are the conditions of approval for the Candelaria 10U #3 well. The permit has been approved and signed by Brian Macke, COGCC Director

Colorado Oil and Gas Conservation Commission Staff
Debbie Baldwin, Environmental Supervisor
303-894-2100 ex 111

ATTACHMENT 4

**E-MAIL CORRESPONDENCE FROM CANDELARIA REQUESTING RESULTS OF
SAMPLING**



John Peterson

From: Annette Candelaria [aCandelaria@castroeng.com]
Sent: Wednesday, November 15, 2006 7:56 AM
To: 'Baldwin, Debbie'; 'John Peterson'; 'Macke, Brian'
Cc: 'Mike Clark'; 'Christi Zeller'; 'Lindblom, Steven'; 'Steve Muns'
Subject: RE: Monitoring Report

Thank you. The report is now available on the COGCC website so I was able to print it from there.

Annette

From: Baldwin, Debbie [mailto:Debbie.Baldwin@state.co.us]
Sent: Tuesday, November 14, 2006 6:10 PM
To: John Peterson; Annette Candelaria; Macke, Brian
Cc: Mike Clark; Christi Zeller; Lindblom, Steven; Steve Muns
Subject: RE: Monitoring Report

To all: the COGCC received our copy on October 30, 2006. It will be put up on our website www.oil-gas.state.co.us Library, San Juan Basin Reports today or tomorrow.

Thanks for sending the Candelaria's another copy.

Annette: I'll put together a response to your request soon.

Debbie Baldwin, Environmental Manager
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street Suite 801
Denver, CO 80206
303-894-2100 ex 111

From: John Peterson [mailto:jpeterson@ltenv.com]
Sent: Tuesday, November 14, 2006 9:36 AM
To: 'Annette Candelaria'; Baldwin, Debbie; Macke, Brian
Cc: 'Mike Clark'; 'Christi Zeller'; Lindblom, Steven; 'Steve Muns'
Subject: RE: Monitoring Report

Ms. Candelaria,

A copy of the report was sent to you via regular mail on October 27, 2006. I know other parties received their reports so yours must have been lost in the mail if you have not received it by now. We are sending a new hard copy to you via Fed Ex today. You should have it tomorrow. If you do not receive it, please send me an email so that we can track it.

Sorry for any inconvenience this may have caused.

John Peterson, LT Environmental, Inc.

From: Annette Candelaria [mailto:aCandelaria@castroeng.com]
Sent: Monday, November 13, 2006 8:58 AM

12/12/2006

To: 'Baldwin, Debbie'; brian.macke@state.co.us
Cc: 'Mike Clark'; 'Christi Zeller'; 'Lindblom, Steven'; 'Steve Muns'; jpeterson@ltenv.com
Subject: RE: Monitoring Report

Brian and Debbie,

We have not received the test results for the monitoring conducted on our property in May, 2006. And, I was unable to locate the results on the COGCC website.

Also, following our phone conversation, we never received anything from the Colorado Oil and Gas Conservation Commission detailing monitoring on our property that you would want included in our agreement with the Forest Service. As it currently stands we will not allow monitoring on, or access across our property until the road issues are resolved and we can reach an acceptable agreement with the Forest Service. If we are able to come to an agreement with the Forest Service, all monitoring efforts will need to be specifically detailed in that formal agreement.

Thanks, Annette

From: Baldwin, Debbie [mailto:Debbie.Baldwin@state.co.us]
Sent: Thursday, June 29, 2006 9:39 AM
To: John Peterson; Acandelaria@castroeng.com
Cc: Mike Clark; Christi Zeller; Macke, Brian; Lindblom, Steven
Subject: RE: Monitoring Report

John and Mike: Attached are the conditions of approval that COGCC applied to the Candelaria 10U #3 well. Please see the last sentence of condition #2 which says:

“Copies of all test results shall be provided to the COGCC and the landowner within 3 months of collecting the samples used for the tests.”

It is unfortunate that this requirement may have been overlooked, but thank you for sending hard copies of the analytical results to the Candelaria's and for explaining your detection of methane in the unused water well located on their property.

Regards,

Debbie Baldwin, Environmental Manager
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street Suite 801
Denver, CO 80206
303-894-2100 ex 111

-----Original Message-----

From: John Peterson [mailto:jpeterson@ltenv.com]
Sent: Wednesday, June 28, 2006 11:16 AM
To: Acandelaria@castroeng.com
Cc: Mike Clark; Baldwin, Debbie; 'Christi Zeller'
Subject: Monitoring Report

Ms. Candelaria,

I am responding to some of your comments that you made at a recent meeting for the Stream Depletion Study in Durango

12/12/2006