June 5, 2015

Chivington #1

API #

Summary of Contaminated Soil Clean up

Update on the Chivington #1 Pit Remediation # 8333. After our last conference call we sent a small drilling rig to drill core samples as discussed. With those samples were we able to define the depth and perimeter of the contamination, and were able to determine that a layer of clay had contained the contamination at various depths across the location. When we cored below the clay layer the sample analysis came back showing compliance with the Table 910-1 rules, so we are confident that the clay layer did prevent the contamination from migrating deeper. The clay layer is shallower on the South side of the location and gets deeper as it runs to the North. Thus, the contaminated soil lies shallower on the South and has overburden to the North. At present, we are removing approximately 25 feet of overburden in order to reach the contamination on the Northern boundary of the excavation. That overburden is being stockpiled on location and will eventually be used for backfilling. We believe we have removed most, if not all, of the contamination on the Southern edge of the main pit.

To the south of the excavated area is the original tank battery location, which had a production pit within the berm. We have begun the remediation of that area since our last conference call as well. As it sits right now we have removed approximately 200 cubic yards of contaminated soil from within that bermed area and anticipate removal of an additional 200 cubic yards. The soil is being disposed of at the same facility as the other contaminated soil, and has been disposed of under the same contract and location information. At this point, based on the location of the original bermed area in relation to the original pit and the clay containment layer, we anticipate that the two excavations will engulf each other and we are viewing them as one large project. We will file an amendment to the original Form 27 including this information.

Our plan moving forward as of 06/05/2015 is as follows:

1. We will have a vac truck out on location Monday June 8, 2015 to remove the water from the bottom of the excavated area. We are confident that the water in the pit is stormwater runoff that has been contained by the clay layer and not groundwater, but if the excavated area re-charges then we will take that as an indication that it is groundwater. If that's the case we will halt operations, pull a water sample, and get in touch with COGCC personnel before moving forward.
2. Assuming the water is stormwater and not groundwater, our next step will be to resume excavation of both areas. As mentioned, we are removing approximately 25 feet of overburden on the North boundary of the excavation in order to get to the contaminated layer. That overburden will be stockpiled on location and used for backfill at a later date. Once the overburden is removed it is relatively easy to see the layer of contaminated soil, so it will be excavated and disposed of down to the clay containment layer. We anticipate approximately 250-500 cubic yards of material will need to be removed.
3. As mentioned, we anticipate excavating another 200 cubic yards of material from the bermed area south of the main excavation. We have not yet reached the clay containment

layer, but we anticipate digging down to that layer and then following any contamination as it runs deeper moving North. We can't say for sure until we've dug it up, but we anticipate that following the contamination North will lead us into the larger pit excavation area and turn all of this into one large excavation rather than two.

4. Assuming all goes well with the weather, and that we don't have a groundwater problem, we anticipate being able to remove the necessary contamination within the next few weeks. At present we're able to move 500 cubic yards of material each week, so we do feel like we're getting close to being finished with the excavation and disposal of the material. We have a RAE Systems MiniRae 3000 in the field, so we are doing field screening as we move forward. Once we get to a point that we are comfortable that we will satisfy the Table 910-1, we will notify the COGCC to coordinate taking samples for analysis.
5. Assuming final analysis satisfies Table 910-1, we would then begin backfilling the excavated area with COGCC approval. The lease expired on this location when it was plugged and abandoned, so upon completion of backfilling the location will be re-contoured and reclaimed.

If everything goes to plan for the next few weeks, we anticipate having this project completed by mid-summer 2015. That would allow us to plant grass seed in the fall planting season, and we could then follow up on it to make sure we're getting the required grass coverage. We understand that the COGCC won't be able to sign off on the location as being completely finished until we get 80% growth and that will take a few years, but in the short term, we think we are on course to plant that grass this year.

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