



August 26, 2011

John Axelson
Northeast Region Environmental Protection Specialist
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203

Subject: Caerus Oil and Gas, LLC
Request for Closure of the Church #2 Pit, Washington County, CO
COGCC Case # 4301

Dear Mr. Axelson:

Caerus Oil and Gas, LLC (Caerus) is submitting this letter to request final closure of the Church #2 site in Washington County, Colorado, COGCC Case # 4301. Caerus has now met all of the corrective actions cited in the Notice of Alleged Violation #200191177, including closure of the pits and remediation or disposal of impacted soil.

Samples were previously collected at the site on several occasions and used to identify areas where total petroleum hydrocarbon (TPH) concentrations remained above the current Colorado Oil and Gas Conservation Commission (COGCC) Table 910-1 standard of 500 mg/kg after pit excavation. Soil with TPH concentrations above the COGCC allowable concentration of 500 mg/kg was previously removed from three pits and several soil stockpiles at the site and transported to the Clean Harbors landfill near Deer Trail for disposal. Soil from one stockpile (SPB) was excavated and placed in a

landfarm on the site as approved by the COGCC. Soil from stockpile SPB was spread on this area to a depth of about 8 inches and was periodically tilled and sampled throughout 2010 and the first half of 2011.

Kleinfelder collected one composite soil sample from the landfarmed soil at the Church #2 site on July 26, 2011. One soil sample was composited from eight subsamples collected from a depth of 2-8 inches. Two subsamples were located within each of four quadrants of the landfarm. Figure 1 provides a schematic of the landfarm and the locations of the subsamples used to composite the sample.

The composite sample was analyzed for BTEX compounds by EPA Method 8021, TPH – gasoline range by EPA Method 8015, and TPH – diesel range by EPA Method 8015. The sample aliquot for BTEX and TPH – gasoline range was collected as a grab sample from soil within the composite that appeared to have the maximum concentration prior to mixing of the soil. The results are summarized in Table 1 below and the laboratory report is included in Appendix A.

The results show that the TPH concentration of the bulk landfarm soil is 370 mg/kg. TPH – gasoline range and BTEX compounds were reported as not detected.

**Table 1 Analytical Results for Composite Landfarm Soil Sample
July 26, 2011**

Parameter	COGCC Standard	Result
Benzene	0.17	ND
Toluene	85	ND
Ethylbenzene	100	ND
Total Xylenes	175	ND
TPH (Total gasoline and diesel range)	500	370

All units in mg/kg

The landfarm soil is now below the COGCC TPH standard of 500 mg/kg and the site is ready for final closure. Caerus requests approval to use the landfarm soil to backfill the remaining open pit.

If you have questions regarding the sample results or site closure, please contact me at (303) 781-8211 or Mr. John Rager with Caerus at (303) 565-4600.

Sincerely,

KLEINFELDER

A handwritten signature in black ink, appearing to read "Henderer", with a stylized initial "D" that loops around the first letter.

Doug Henderer, P.E.

Senior Principal Professional

cc: John Rager, Caerus Oil and Gas LLC

Limitations

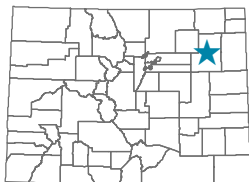
Kleinfelder offers various levels of investigative and engineering services to suit the varying needs of different clients. It should be recognized that definition and evaluation of geologic and environmental conditions are a difficult and inexact science. Judgments leading to conclusions and recommendations are generally made with incomplete knowledge of the subsurface conditions present due to the limitations of data from field studies. Although risk can never be eliminated, more detailed and extensive studies yield more information, which may help understand and manage the level of risk. Since detailed study and analysis involves greater expense, our clients participate in determining levels of service that provide adequate information for their purposes at

acceptable levels of risk. More extensive studies, including subsurface studies or field tests, should be performed to reduce uncertainties. Acceptance of this report will indicate that Caerus Oil and Gas, LLC has reviewed the document and determined that it does not need or want a greater level of service than provided.

During the course of the performance of Kleinfelder's services, hazardous materials may have been discovered. Kleinfelder assumes no responsibility or liability whatsoever for any claim, loss of property value, damage, or injury that results from pre-existing hazardous materials being encountered or present on the project site, or from the discovery of such hazardous materials. Nothing contained in this report should be construed or interpreted as requiring Kleinfelder to assume the status of an owner, operator, or generator, or person who arranges for disposal, transport, storage, or treatment of hazardous materials within the meaning of any governmental statute, regulation, or order. Caerus Oil and Gas, LLC is solely responsible for directing notification of all governmental agencies, and the public at large, of the existence, release, treatment, or disposal of any hazardous materials observed at the project site, either before or during performance of Kleinfelder's services. Caerus Oil and Gas, LLC is responsible for directing all arrangements to lawfully store, treat, recycle, dispose, or otherwise handle hazardous materials, including cuttings and samples resulting from Kleinfelder's services.

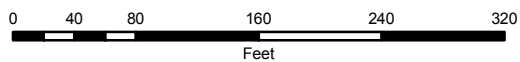


Project Location



Legend

● Subsample Location



Church 2

Caerus Oil and Gas LLC
 Sec. 25, T3S, R51W
 Washington County, Colorado
 August 2011

Kleinfelder



12065 Lebanon Rd.
Mt. Juliet, TN 37122
(615) 758-5858
1-800-767-5859
Fax (615) 758-5859

Tax I.D. 62-0814289

Est. 1970

Dave Nicholson
Kleinfelder - Littleton, CO
300 E. Mineral Avenue, Suite 10
Littleton, CO 80122

Report Summary

Thursday August 04, 2011

Report Number: L528220

Samples Received: 07/28/11

Client Project: 116228

Description: Church Pit

The analytical results in this report are based upon information supplied by you, the client, and are for your exclusive use. If you have any questions regarding this data package, please do not hesitate to call.

Entire Report Reviewed By:

T. Alan Harvill , ESC Representative

Laboratory Certification Numbers

A2LA - 1461-01, AIHA - 100789, AL - 40660, CA - I-2327, CT - PH-0197, FL - E87487
GA - 923, IN - C-TN-01, KY - 90010, KYUST - 0016, NC - ENV375/DW21704, ND - R-140
NJ - TN002, NJ NELAP - TN002, SC - 84004, TN - 2006, VA - 00109, WV - 233
AZ - 0612, MN - 047-999-395, NY - 11742, WI - 998093910, NV - TN000032008A,
TX - T104704245, OK-9915

Accreditation is only applicable to the test methods specified on each scope of accreditation held by ESC Lab Sciences.

Note: The use of the preparatory EPA Method 3511 is not approved or endorsed by the CA ELAP.

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REPORT OF ANALYSIS

Dave Nicholson
Kleinfelder - Littleton, CO
300 E. Mineral Avenue, Suite 10
Littleton, CO 80122

August 04, 2011

Date Received : July 28, 2011
Description : Church Pit
Sample ID : CP-LFS-COMP 6-12 IN
Collected By : DK Nicholson
Collection Date : 07/26/11 14:00

ESC Sample # : L528220-01

Site ID :

Project # : 116228

Parameter	Result	Det. Limit	Units	Method	Date	Dil.
Benzene	BDL	0.0025	mg/kg	8021/8015	07/28/11	5
Toluene	BDL	0.025	mg/kg	8021/8015	07/28/11	5
Ethylbenzene	BDL	0.0025	mg/kg	8021/8015	07/28/11	5
Total Xylene	BDL	0.0075	mg/kg	8021/8015	07/28/11	5
TPH (GC/FID) Low Fraction	BDL	0.50	mg/kg	GRO	07/28/11	5
Surrogate Recovery-%						
a,a,a-Trifluorotoluene(FID)	102.		% Rec.	8021/8015	07/28/11	5
a,a,a-Trifluorotoluene(PID)	100.		% Rec.	8021/8015	07/28/11	5
TPH (GC/FID) High Fraction	370	20.	mg/kg	3546/DRO	08/04/11	5
Surrogate recovery(%)						
o-Terphenyl	98.0		% Rec.	3546/DRO	08/04/11	5

BDL - Below Detection Limit

Det. Limit - Practical Quantitation Limit(PQL)

Note:

The reported analytical results relate only to the sample submitted.

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Reported: 08/04/11 15:30 Printed: 08/04/11 16:17



YOUR LAB OF CHOICE

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Dave Nicholson
300 E. Mineral Avenue, Suite 10

Littleton, CO 80122

Quality Assurance Report
Level II

L528220

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Analyte	Result	Laboratory Blank		Limit	Batch	Date Analyzed
		Units	% Rec			
Benzene	< .0005	mg/kg			WG547906	07/28/11 19:54
Ethylbenzene	< .0005	mg/kg			WG547906	07/28/11 19:54
Toluene	< .005	mg/kg			WG547906	07/28/11 19:54
TPH (GC/FID) Low Fraction	< .1	mg/kg			WG547906	07/28/11 19:54
Total Xylene	< .0015	mg/kg			WG547906	07/28/11 19:54
a,a,a-Trifluorotoluene(FID)		% Rec.	102.3	59-128	WG547906	07/28/11 19:54
a,a,a-Trifluorotoluene(PID)		% Rec.	100.7	54-144	WG547906	07/28/11 19:54
TPH (GC/FID) High Fraction	< 4	ppm			WG548011	08/03/11 09:34
o-Terphenyl		% Rec.	73.03	50-150	WG548011	08/03/11 09:34

Analyte	Units	Laboratory Control Sample		% Rec	Limit	Batch
		Known Val	Result			
Benzene	mg/kg	.05	0.0501	100.	76-113	WG547906
Ethylbenzene	mg/kg	.05	0.0545	109.	78-115	WG547906
Toluene	mg/kg	.05	0.0536	107.	76-114	WG547906
Total Xylene	mg/kg	.15	0.159	106.	81-118	WG547906
a,a,a-Trifluorotoluene(PID)				99.22	54-144	WG547906
TPH (GC/FID) Low Fraction	mg/kg	5.5	5.58	101.	67-135	WG547906
a,a,a-Trifluorotoluene(FID)				100.1	59-128	WG547906
TPH (GC/FID) High Fraction	ppm	60	50.7	84.6	50-150	WG548011
o-Terphenyl				62.52	50-150	WG548011

Analyte	Units	Laboratory Control Sample Duplicate			Limit	RPD	Limit	Batch
		Result	Ref	%Rec				
Benzene	mg/kg	0.0512	0.0501	102.	76-113	2.19	20	WG547906
Ethylbenzene	mg/kg	0.0545	0.0545	109.	78-115	0.0700	20	WG547906
Toluene	mg/kg	0.0537	0.0536	107.	76-114	0.150	20	WG547906
Total Xylene	mg/kg	0.159	0.159	106.	81-118	0.0300	20	WG547906
a,a,a-Trifluorotoluene(PID)				99.27	54-144			WG547906
TPH (GC/FID) Low Fraction	mg/kg	5.70	5.58	104.	67-135	2.12	20	WG547906
a,a,a-Trifluorotoluene(FID)				100.9	59-128			WG547906
TPH (GC/FID) High Fraction	ppm	47.5	50.7	79.0	50-150	6.53	25	WG548011
o-Terphenyl				60.93	50-150			WG548011

Analyte	Units	Matrix Spike				Limit	Ref Samp	Batch
		MS Res	Ref Res	TV	% Rec			
Benzene	mg/kg	0.219	0	.05	87.4	32-137	L528220-01	WG547906
Ethylbenzene	mg/kg	0.150	0	.05	60.0	10-150	L528220-01	WG547906
Toluene	mg/kg	0.195	0	.05	77.8	20-142	L528220-01	WG547906
Total Xylene	mg/kg	0.419	0	.15	55.9	16-141	L528220-01	WG547906
a,a,a-Trifluorotoluene(PID)					98.76	54-144		WG547906
TPH (GC/FID) Low Fraction	mg/kg	15.5	0	5.5	56.4	55-109	L528220-01	WG547906
a,a,a-Trifluorotoluene(FID)					105.2	59-128		WG547906
TPH (GC/FID) High Fraction	ppm	140.	100.	60	66.8	50-150	L528053-10	WG548011
o-Terphenyl					73.07	50-150		WG548011

* Performance of this Analyte is outside of established criteria.
For additional information, please see Attachment A 'List of Analytes with QC Qualifiers.'



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August 04, 2011

Analyte	Units	MSD	Matrix Spike Duplicate		Limit	RPD	Limit	Ref Samp	Batch
			Ref	%Rec					
Benzene	mg/kg	0.226	0.219	90.5	32-137	3.50	39	L528220-01	WG547906
Ethylbenzene	mg/kg	0.147	0.150	58.8	10-150	1.99	44	L528220-01	WG547906
Toluene	mg/kg	0.198	0.195	79.0	20-142	1.54	42	L528220-01	WG547906
Total Xylene	mg/kg	0.389	0.419	51.8	16-141	7.60	46	L528220-01	WG547906
a,a,a-Trifluorotoluene(PID)				98.77	54-144				WG547906
TPH (GC/FID) Low Fraction	mg/kg	16.0	15.5	58.2	55-109	3.18	20	L528220-01	WG547906
a,a,a-Trifluorotoluene(FID)				106.1	59-128				WG547906
TPH (GC/FID) High Fraction	ppm	185.	140.	141.	50-150	27.5*	25	L528053-10	WG548011
o-Terphenyl				83.21	50-150				WG548011

Batch number /Run number / Sample number cross reference

WG547906: R1791490: L528220-01
WG548011: R1801733: L528220-01

* * Calculations are performed prior to rounding of reported values.
* Performance of this Analyte is outside of established criteria.
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The data package includes a summary of the analytic results of the quality control samples required by the SW-846 or CWA methods. The quality control samples include a method blank, a laboratory control sample, and the matrix spike/matrix spike duplicate analysis. If a target parameter is outside the method limits, every sample that is effected is flagged with the appropriate qualifier in Appendix B of the analytic report.

Method Blank - an aliquot of reagent water carried through the entire analytic process. The method blank results indicate if any possible contamination exposure during the sample handling, digestion or extraction process, and analysis. Concentrations of target analytes above the reporting limit in the method blank are qualified with the "B" qualifier.

Laboratory Control Sample - is a sample of known concentration that is carried through the digestion/extraction and analysis process. The percent recovery, expressed as a percentage of the theoretical concentration, has statistical control limits indicating that the analytic process is "in control". If a target analyte is outside the control limits for the laboratory control sample or any other control sample, the parameter is flagged with a "J4" qualifier for all effected samples.

Matrix Spike and Matrix Spike Duplicate - is two aliquots of an environmental sample that is spiked with known concentrations of target analytes. The percent recovery of the target analytes also has statistical control limits. If any recoveries that are outside the method control limits, the sample that was selected for matrix spike/matrix spike duplicate analysis is flagged with either a "J5" or a "J6". The relative percent difference (%RPD) between the matrix spike and the matrix spike duplicate recoveries is all calculated. If the RPD is above the method limit, the effected samples are flagged with a "J3" qualifier.