

DIAMOND OPERATING, INC.
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January 15, 2013

Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, CO 80203
Attn: John Axelson, NE EPS



Re: Timetable for Skim Pit Replacement and Pit Closure

Dear Mr. Axelson:

Pursuant to the COGCC's efforts to eliminate the use of unlined, earthen skim pits, Diamond Operating, Inc. has initiated a program to complete work relating to the elimination of these unlined pits on leases for which Diamond is the operator.

Attached is a proposed timetable for the replacement of existing unlined, skim pits, and for the proper closure of these pits. The estimated cost to perform this work, depending on the number of skim tanks that will need to be set and the size of the skim pit(s) to be closed; will range from \$25,000 to \$45,000 per lease.

Due to seasonal weather considerations and the often limited availability of capable roustabout crews to complete this work, this timetable calls for the work to begin immediately but it won't be fully completed until October 1, 2014. However, based on this timetable, all of Diamond's unlined, earthen skim pits will be out of operation by November 1, 2013.

Please let us know if we need to provide any additional information to the COGCC at this time.

Sincerely,

DIAMOND OPERATING, INC.

David C. Peterson, President

DCP/las
Enclosure

Cc: Kym Schure, NE Field Inspector

Diamond Operating, Inc.

Timetable for Skim Pit Replacement and Pit Closure

PHASE ONE-- Submit a Form 15 (if a new skim pit will be constructed) and Form 42 to COGCC; Replace existing skim pit(s) with above ground skim tank(s) and in some instances one earthen, skim pit (10' x 10' x 8') with a 45 mil, polypropylene liner, or remove any oil-stained soil from existing skim pits and insert a suitable pit liner; Remove water from abandoned skim pit(s) so the pits can dry out for closure operations; If on-site landfarming operations are anticipated, submit a Form 27 with remediation plan for landfarming of impacted soil.

PHASE TWO-- Remove all oily soil from abandoned skim pit(s) and then take soil sample from base of pit; Send sample in for lab analyses; Submit Form 27 with results of soil sample analyses and request permission to close the pit(s).

PHASE THREE-- Final pit closure and surface reclamation. *Note: Related land farming operations will be completed only after the impacted soil is tested and the results of these tests are provided to the COGCC.*

Lease Name	API #	Phase One Completion By	Phase Two Completion By	Phase Three Completion By
Rincon Parks 2	05-121-09622	April 1, 2013	August 1, 2013	October 1, 2013
Kejr 23-11	05-121-10565	April 1, 2013	August 1, 2013	October 1, 2013
Walters	05-121-07603	April 1, 2013	September 1, 2013	November 1, 2013
Scheetz	05-121-05702	May 1, 2013	September 1, 2013	November 1, 2013
Gulley	05-121-09571	May 1, 2013	October 1, 2013	December 1, 2013
Idea	05-121-10159	June 1, 2013	October 1, 2013	December 1, 2013
Ward	05-121-06121	June 1, 2013	November 1, 2013	July 1, 2014
Loudder	05-121-05161	July 1, 2013	December 1, 2013	July 1, 2014
Decker	05-121-05141	August 1, 2013	December 1, 2013	July 1, 2014
Marick State	05-121-05709	September 1, 2013	July 1, 2014	October 1, 2014
State 2-16	05-121-08871	October 1, 2013	July 1, 2014	October 1, 2014
Whitaker	05-121-05242	November 1, 2013	July 1, 2014	October 1, 2014