

September 24, 2013

Mr. Alex Fischer  
Environmental Supervisor, Western Colorado  
Oil and Gas Conservation Commission  
1120 Lincoln Street, Suite 801  
Denver, CO 80203

Re: Foundation Energy Management, LLC- Allard Pit Closure  
Remediation # 6937

Dear Mr. Fischer,

Per our prior telephone conversations, Foundation Energy Management (FEM) is submitting the attached Form 4 sundry as response to continued evaluation and monitoring at the Allard location.

Since acquiring the Allard well in October 2012, Foundation Energy has made efforts to close out the pit on location. Remediation work was completed on the pit prior to closing, but no samples were taken. Foundation Energy collected preliminary samples May 6, 2013 to delineate the pit and formulate a closure plan.

Since the pit was inundated with water, Foundation Energy continued to communicate with the Colorado Oil and Gas Conservation Commission throughout the summer and continued to monitor conditions so as to remediate when the irrigation channel in the nearby field was turned off for the later part of the summer.

Once the irrigation system was turned off, Foundation closely monitored the water level in the pit to find a window to remediate. Unfortunately, Jackson County experienced heavy rains and wet summer months. In mid-August, Foundation Energy removed and disposed of 330 barrels of water from the pit using a vacuum truck. However, the pit rapidly filled back up with water.

The water level has dropped about three feet since vacuuming the pit, but heavy rains came again and the water level has risen again. Randy Miller with North Park Engineering in Walden, Colorado, has traveled to location once about every 1-2 weeks to check the status of the pit.

Based on our conversation on September 20, 2013, Foundation Energy would like to request permission to continue monitoring and wait for dryer conditions before removing the remaining impacted soil at the bottom and the east wall of the pit. Samples will be taken after remediation to verify the remaining soil is below the Table 910 standards and clean backfill will be used to close out the pit.

Alternative options to pit closure include:

1. Attempt to vacuum the pit again and use an absorbent polymer to dry the remaining liquid to remediate immediately. If this option is pursued, there is no guarantee that it will be a clean excavation and samples will be water-free to show true constituents of the remaining soil in the pit.
2. Continue monitoring the pit water level and remediate when frost sets in or ground conditions dry out. This will allow for a cleaner excavation and clearer samples to show remaining soil within state standards.

The expected timeline to remediate the pit depends on weather and groundwater conditions, but Foundation Energy will proceed with pit closure as soon as water recedes from the pit to allow a clean excavation.

Another update will be submitted to the COGCC by December 31, 2013, and Foundation Energy will continue monitoring the status every 1-2 weeks until the pit is closed.

If you have any questions about this submittal, please don't hesitate to contact me at (918) 585-1650 ext. 212 or in writing by fax at (918) 585-1660.

Sincerely,



Rachel A. Eisterhold