



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION IX

75 Hawthorne Street
San Francisco, CA 94105-3901

OCT 14 2008

CERTIFIED MAIL NO. 7000 0520 0021 6108 3104

RETURN RECEIPT REQUESTED

Mr. Andrew B. Saied, President
Hart Oil and Gas, Inc.
P.O. Box 385
Rangely, Colorado 81648

Re: Financial Assurance for Plugging and Abandonment (P&A) Costs, Mechanical Integrity Tests, and Injection Pressure Limitations, Mesa Gallup Injection Well 24(5) and Horseshoe Gallup Injection Wells 117, 132, 136, and 143

Dear Mr. Saied:

This letter responds to your July 21, 2008 letter, pertaining to financial responsibility requirements, mechanical integrity tests, and injection pressure limitations for the above-referenced injection wells.

Regarding financial responsibility, as we stated in our June 27, 2008 letter to you, before EPA will release any funds, we need to first review and approve updated third party P&A estimates for the remaining five active injection wells, including the Mesa Gallup Unit Well 24(5) and the four Horseshoe Gallup Unit Wells 117, 132, 136, and 143. After you have submitted updated, valid P&A cost estimates for these wells, we will evaluate the information and notify you of appropriate P&A amounts. Once we have adequate financial assurance in place for these wells, we will notify the appropriate bank of extraneous funds, if any, which may be released.

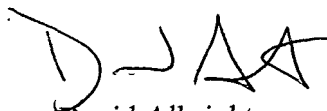
Regarding the required Mechanical Integrity Tests (MITs), you requested advance notification to assist in your scheduling of these tests. It is my understanding that the Navajo Nation EPA provided your office with two separate notifications (in February 2008 and July 2008) of your obligation to conduct these tests and the deadlines for so doing. Despite these notifications, which are not required, you still failed to meet the MIT requirements for your injection wells. It is your responsibility, whether notified or not, to schedule and conduct the required testing on your injection wells. Failure to do so is a violation of federal and tribal UIC regulations and subjects your operations to administrative enforcement action with penalties.

As we made clear in our June 27th letter, EPA's MIT requirements also stipulate that you submit testing procedures, in advance, for EPA review and approval, and provide EPA with advance notice of planned testing. We understand that you notified Navajo Nation EPA in advance and conducted MITs on the Horseshoe Gallup injection wells on September 30, 2008. We have discussed this with NNEPA and will accept a copy of their observations and approval.

Finally, you argue that injection pressures greater than 800 psi should be allowed in the Horseshoe Gallup wells. We do not agree that the original breakdown pressure of the formation when initially fractured provides a better basis than current step-rate test results when properly conducted. The 800 psi maximum injection pressure that we have established for these wells is based on several step-rate tests conducted on wells in the Mesa Gallup Unit, which are similar in depth and also injecting into the Gallup formation within a few miles of the Horseshoe Gallup wells. This maximum pressure limitation is still valid and injection above 800 psi in these wells would constitute a violation of federal standards, and subject your operation to potential enforcement action, with penalties. As we previously indicated to you, you may at any time, with requisite prior notification and witnessing, choose to perform a new step-rate test which meets Region 9 guidelines, and upon our approval of the results, a higher injection pressure may be allowed.

If you have any questions, please contact me at 415-972-3971, or contact Dave Basinger at (415) 972-3506.

Sincerely,



David Albright

Manager, Ground Water Office

October 2, 2008

cc: Stephen B. Etsitty, Executive Director, Navajo Nation EPA
William Freeman, Program Manager, Navajo Nation EPA UIC Program
✓ Steve Henke, Manager, Farmington, Field Office, Bureau of Land Management
Bertha Spencer, Regional Realty Officer, Bureau of Indian Affairs, Navajo Region