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April 15, 2016

VIA EMAIL

Cassidy.Teufel@coastal.ca.gov

Mr. Cassidy Teufel
California Coastal Commission
Energy, Ocean Resources Division and Federal Consistency
45 Fremont Street, Suite 2000
San Francisco, CA 94105-5200

RE: CDP No. 9-15-1649 - Response to Incomplete Notice

Dear Mr. Teufel:

This letter is submitted by Horizontal Development LLC (“Applicant”) to supplement and support its Coastal Development Permit Application submitted September 29, 2015; Response to Incomplete Notice dated March 10, 2015 (“CDP No. 9-15-1649”); and respond to issues discussed at the March 25, 2015 meeting in San Francisco attended by you and Alison Detmer for the Commission, and me and Don Schmitz on behalf of Applicant.

First, I would like to thank you and Alison for meeting and providing the opportunity for an open and frank discussion regarding staffs' concerns about Applicant's project. Rather than revisit our discussion here, Applicant has re-designed the project in an effort to address the concerns we discussed.

Attached please find exhibits prepared by Glenn Lukos Associates ("GLA") for ORA North and ORA South depicting GLA's wetlands and ESHA determination within the 300' ORA buffer. The wetlands and ESHA areas are consistent with the areas we discussed. The GLA exhibits also depict a 50' wetlands and ESHA setback.

Attached as Exhibit 1A is the GLA ORA North exhibit on which Applicant has added the revised project. All new development under the revised project is outside the GLA exhibit setbacks and includes the following modifications:

- The Group A well locations have been moved to the Restricted Area on 25' spacing
- The Group B well locations have been moved to the Restricted Area on 25' spacing
- The Group C well locations have been moved to the Restricted Area on 25' spacing
- The Group D well locations have increased from 4 to 10 on 15' spacing

- The Group E well locations have been moved south of and adjacent to the existing improved asphalt road, and adjacent to the Drainage Corridor, and reduced from 25 to 17 on 25' spacing
- The Group G well locations have increased from 11 to 13 on 25' spacing, and moved adjacent to the existing improved asphalt road
- The Group H well locations have increased from 5 to 6 on 25' spacing
- The Field Office has been moved to the Restricted Area
- Due to space constraints in the Restricted Area, the Laydown Yard has been divided into two smaller facilities, one in the Restricted Area and one in the north east corner of ORA North
- A covered pipe/culvert structure will be installed in the Drainage Corridor to capture surface flows at the easterly boundary of ORA North and discharge the flows at the westerly boundary of ORA North, and provide additional surface area for well related infrastructure

ORA North

Applicant proposes 67 new locations from which to drill and redrill new wells grouped on ORA North as follows (Please see Exhibit 1A):

Well Area, ORA North	Number of Well Cellars
Area A	9
Area B	6
Area C	6
Area D	10
Area E	17
Area F	0
Area G	13
Area H	6
TOTAL	67

ORA South

Attached as Exhibit 1B is the GLA ORA South exhibit on which Applicant has added the revised project. All new development under the revised project is outside the GLA exhibit setbacks and includes the following modifications:

- Applicant proposes 15 new locations on ORA South from which to drill and redrill new wells, 13 along the easterly boundary of ORA South in the area not shared by Applicant with the CNB and OCSD, and 2 new well locations in the area shared by Applicant with the CNB and OCSD.

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Attached as Exhibits 2A and 2B are renderings of ORA North and ORA South, respectively, with the proposed project modified as described above.

Finally, during the meeting we discussed the basis for the location and configuration of the ORAs as it relates to Applicant's ability to re-establish production of the oil-in-place following consolidation into the ORAs. The most comprehensive study of the producing zone sands was conducted by G.E. Kadane & Sons from 1957 through 1963. The Kadane study has provided the basis for development operations on the Newport Banning Ranch, as well as, the master plan described in the 1972 Exemption application. Attached are the net sand maps from the Kadane study. The Kadane study illustrates the need for multiple locations to redevelop the oil-in-place in the existing producing zones.

As we discussed on the telephone today, Applicant believes it has made significant modifications in the proposed project in an effort to address the issues raised during our meeting. If you have any questions regarding the matters discussed above, or materials transmitted with this letter, please contact me at (520) 490-4942 or by email at lwanderson@hughes.net.

Yours truly,

A handwritten signature in blue ink, appearing to read "LW Anderson", is written over a faint, circular embossed seal or watermark.

Leonard W. Anderson

cc: Jay Stair, West Newport Oil Company
Don Schmitz, Schmitz and Associates
Tim Paone, Cox Castle Nicholson

Enclosures (6)