

**STEVEN AND ELLEN SLETTEN
6220 HUASNA ROAD
ARROYO GRANDE, CA 93420**

August 4, 2011

John McKenzie
Project Manager
County Planning & Building Department
976 Osos Street, Room 300
San Luis Obispo, California 93408

Re: Excelaron LLC Huasna Valley Oil Project

Dear Mr. McKenzie:

I am writing to address a number of very significant concerns that I and my family, residents of the Huasna area, continue to have concerning the oil drilling project proposed by Excelaron LLC for Huasna Valley. I have followed the development of this project since it was proposed several years ago, and for your information and ease of reference I am enclosing a copy of my March 18, 2009 letter to Fourth District Supervisor Katcho Achadjian. When I wrote to Supervisor Achadjian over two years ago, we were relatively new residents of the Huasna Valley area. Having owned our ranch there now for more than three years, I have an even deeper and more profound appreciation for the beauty and serenity of the area where this highly suspect oil development project is being proposed. I will not repeat the background information in my earlier letter and instead move directly to some of the concerns that we continue to have about the project and why, for so many very sound reasons, **Excelaron's request for a conditional use permit for this project should be rejected.**

1. Excelaron's Misrepresentations of Project Scope

At the beginning when the project was first proposed, Excelaron represented that it was seeking approval to drill four wells in a limited location on the Mankins Ranch. It is now proposed that Excelaron be authorized to drill up to 12 wells to secure the "full development of the oil resources from the Huasna Oil Field," a term used throughout the Draft Environmental Impact Report ("DEIR"), but as best I could tell never defined in scope. It does appear to me that the intended scope of the project has been misrepresented. The DEIR describes the development of three sites "with a total area of approximately 2.2 acres" clearly intending to down-play the affected area. But, the DEIR indicates that Excelaron will access 160 acres of mineral rights from this location. Moreover, and more significantly, Excelaron (in one of its many forms) published an

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investor's memorandum last year (which is available on the internet and I understand has been presented to you for the record here) which references a "20 acre" pilot project and suggests quite obviously a much broader development of the undefined "Huasna Oil Field." For example, the DEIR represents that peak oil production for the project "would be limited to 1,000 barrels per day." It is, however, quite obvious that the ultimate goals of this developer are far in excess of that. For example, my understanding is that this investor group has leased approximately 10,000 acres of mineral rights in the Huasna Valley area.

The DEIR states that Excelaron expects to produce 1,000 barrels of oil per day. Assuming production every day of the year for 20 years, that amounts to $(1000 \times 356) \times 20 = 7.3$ million barrels of oil over the projected life of the project. But the investor report claims that there are potentially 1.5 *billion* OOIP (original-oil-in-place) barrels at Huasna, and that the potential recovery of an expanded project that the document indicates covers 1350 acres could be over 100 million barrels of oil! So which is it? How can Excelaron be telling investors that the "Huasna Field" could produce over 100 million barrels of oil yet come to the SLO County Department of Planning and Building claiming that it only is seeking a project that would develop only 7% of that gross number? It seems likely that each presentation is geared to the intended audience – bragging to investors about getting rich on all the millions of barrels of oil allegedly available at the "Huasna Field" but expecting the County and affected residents to believe them when they say they are looking to develop a small, environmentally friendly, oil drilling project.

Excelaron and its backers, whoever they are, clearly have much larger plans for the Huasna areal than are being revealed in the "four corners" of their DEIR. This kind of a "bait and switch" tactic should not be condoned.

2. The Excelaron "Shell Game"

Just what or who is Excelaron? The Company has morphed and evolved in a number of ways and under very suspicious circumstances. Originally it was part of The Australian Oil Company, although now it appears to be connected to Canadian based United Hunter Oil & Gas Corp. We know that one of the early investors was connected to the previous Huasna Oil project that was abandoned without being remediated in violation of law (we are told he is no longer involved). I read that in the last few years, Excelaron's corporate holdings have been split among at least half a dozen different companies. It was eventually placed into a Canadian investment capital outfit with a title "Vesta Capital Corp." (the entity that published the above-referenced investor memorandum) and a

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website indicates the name has been changed to United Hunter Oil & Gas Corp. **Before anything is approved for this project, Excelaron must be required to come clean with all the details (historic and current) of its corporate evolution and ever-shifting ownership.** The County and its residents are entitled to understand just who is behind this project and why.

If Exxon or Shell Oil comes into town, you know what you are getting into and at least have small comfort in the assurance that there are vast resources (many billions of dollars) to tap in the event of a disaster (explosion, oil spill, fire, groundwater contamination, crop damage from air pollution, etc.). The problem here, of course, is that we have no idea if *any* financial resources will be available when the disaster occurs in Huasna Valley. **The County should not approve an application by what appears to be a “fly-by-night” operation to enter a pristine ecologically sensitive environment where there is a high fire risk and multiple operational risks associated with this project that could result in multi-hundred million dollars of liability if things go wrong (which they very well may).** Is the County or the State of California then left holding the bag for the harm caused? Are the Huasna Valley residents ultimately the victims, as well as the ones who will be responsible for putting things back together? Unless there is a multi-hundred million dollar bond associated with this project to be available in the event of a disaster, or the pledging of personal assets by investors who have hundreds of millions of dollars to back them up, the risks here are far too high for what appears to be an extremely limited return.

3. The Transportation Problem—No Feasible Safe Solution

This project was sidelined initially because Excelaron had the audacity to propose driving multi thousand ton oil hauling trucks miles down the windy and narrow Huasna Road including up and over the grade on that road with its nearly hairpin turns and steep terrain. Excelaron was forced to abandon this ridiculous transportation proposal but the fact that it was its first choice haul route reveals just how irresponsible Excelaron’s attitude is towards the Huasna area and that important corridor. Excelaron backed down from this initial proposal and has now accepted an alternate route that heads south from the oil fields across the Porter Ranch to connect to Highway 166 (“the Porter Ranch Route”). The problem, of course, is that the proposed Porter Ranch Route is fraught with difficulties and significant challenges from an engineering perspective in order to provide a safe and reliable transportation route.

The DEIR does state the designated haul route “will be the only route used for construction vehicles and operational tanker trucks and transport of any hazardous

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waste.” The unimproved dirt road across Porter Ranch is unreliable at best, and when (not if) the road becomes impassable due to mud and rain, there is a high risk (indeed probability) that Excelaron will simply accept whatever fines or other repercussions are associated with using the original Huasna Road route in violation of the CUP in order to keep the oil pumping operations going and avoid a shut-down. Thus putting all residents along that route as well as others using it at extreme risk (not to mention the environmental risks associated with an oil tanker spill on that winding, narrow road).

Our ranch, at 6220 Huasna Road, sits right on Huasna Road. We submit that it is extremely important that no oil tanker trucks or construction related vehicles travel on Huasna Road at any time for any reason. Unfortunately, I am told that private parties have no right to enforce restrictions in conditional use permits. But residents of the Huasna area should not have to wait on the County to take action in response to this kind of severe CUP violation. **Instead, we urge that the CUP contain express provisions calling for immediate permit revocation if Excelaron (or one of its agents or successors) should violate the CUP term requiring tanker trucks and related vehicles to use the Porter Ranch Route.** We also recommend that *all* trucks that are in any way related to the Excelaron oil project be clearly marked and identified so there is no ambiguity about any truck on the road and no one has to speculate about what Excelaron project vehicles are where. The CUP should be express in its *prohibition* of truck traffic on the Huasna Road northerly route and through Arroyo Grande. It is also recommended that Huasna Road be posted in both directions clearly stating that no Excelaron tanker trucks or vehicles in excess of 6,000 pounds be permitted to utilize Huasna Road.

We are also concerned about the general increase in traffic along Huasna Road during construction and also during the operations on the project. The DEIR states that the proposed project would increase traffic along Huasna Road by four to forty-eight average daily trips, depending on the phase of the project. An average additional forty-eight daily trips (which means on some days it could be significantly higher than that) will be a noticeable and obvious increase in the level of traffic along Huasna Road. This will result in degradation of the road and will also be a significant inconvenience and nuisance for residents using that corridor. **We recommend that the CUP state clearly that the required access for all vehicles coming into and leaving the project be the Porter Ranch route and that the CUP limit traffic along Huasna Road to a small specific number of passenger car trips daily.** The DEIR suggests that traffic along Huasna Road would include “regular service vehicles” without defining what that is. This is a loophole which should be closed and the daily number of trips on that route for passenger

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vehicles only should be severely limited (with some mechanism in place to audit compliance).

Finally, Excelaron correctly points out that an Environmental Impact Report is required to describe a reasonable range of alternatives to a project and evaluate the comparative merits of the alternatives. The DEIR purports to consider pipeline transportation as an alternative noting that the pipeline would be approximately 9.4 miles long and would follow existing ranch roads and agricultural fields. The pipeline itself would only be four to six inches in diameter. Excelaron has described the many steps associated with putting in a pipeline, but that is not a sufficient analysis to justify disregarding the alternative without further consideration. Where is the economic analysis associated with this alternative? Perhaps it is buried in the hundreds of pages provided with the DEIR that I could not find any reference to it. It seems entirely possible that over the long run, a pipeline construction project, which of course generates significant inconvenience while it is underway, would ultimately be a much more efficient, cheaper and less intrusive manner of transportation for any oil that comes from this oil field. Presumably, Excelaron objects to building a pipeline for an exploratory project. But that is not a reason to disregard the pipeline alternative. The County could issue a CUP that for a limited time that grants Excelaron the right to transport by truck during the “exploratory phase” only but requires pipeline construction if Excelaron decides to proceed with the more aggressive and extensive development project resulting in up to twelve oil wells at the Mankins Ranch location. **In short, the pipeline alternative has not adequately been considered, nor have the various options that exist relating to it, for the County to adequately balance from a risk/benefit analysis of the two transportation options.**

4. Asserted Project Benefits Simply Are Unsupported

Excelaron is of course bragging about the tax revenue that will be associated with this project and the jobs that could be created by the project. But where is the backup for these unsupported allegations? For example, it appears in certain documents created relating to the project that Excelaron is boasting the project will generate \$20 million in tax revenue for the County over its estimated twenty year life. That is \$1 million per year—how is that possible? And what is the basis for Excelaron’s claim that many new jobs will be created? What people in San Luis Obispo County will have an opportunity for a new job as a result of this project? These broad-brush “public benefit” claims without support are designed to influence public sentiment but ultimately lack any foundational basis. **Before the CUP is issued, the County should require Excelaron to justify and explain all of the claimed economic benefits to the County and the community associated with the project.** Considering the investor memorandum

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published by United Hunter Oil & Gas and the lack of any track record here, the project has the earmarks of an investment scam and not a legitimate oil development project that could help contribute to the community and the national economy by reducing (even a little bit) our dependence on foreign oil production.

5. There are Significant and Serious Questions Regarding Environmental Impact

The DEIR does not appear adequately to address a number of the environmental concerns that have been raised concerning this project, and about which many others have commented and are commenting in separate submissions.

5.1. Groundwater Pollution: We have a fairly shallow well on our ranch (about 35') that provides water both for our personal use as well as for horses and cattle on the ranch and adjacent ranches. I cannot state (not being an expert in the area) what aquifer in the Huasna Valley area connects to other aquifers and therefore how or to what extent the groundwater feeding our well is potentially impacted by the project. I am, however, familiar with groundwater contamination from oil drilling and development operations across the country. It is a serious and quite significant risk associated with any oil exploration project, particularly one such as this that involves the use of heated water taken from the ground aquifer and injected into the wells to extract the thick viscous oil, after which the water is to be separated from the oil and re-injected into the ground. I will leave it to the expert hydrologists to debate this question but I am convinced from reading Excelaron's description of this issue (as well as watching the rather disingenuous video report from Excelaron's alleged expert hydrologist that is available on the web) that this is a matter of serious concern and about which the County should require additional studies and reports before granting the CUP. Moreover, there should be a far more extensive and required groundwater well testing program if the project is allowed to proceed. **Groundwater contamination could result in permanent damage to the environment, the surrounding community, and the value of all of our homes and ranches. Excelaron simply has not paid enough attention to this critical groundwater issue.**

5.2 Air Pollution: Air quality is another serious concern. The DEIR essentially states that Excelaron has no idea whether and to what extent its activities will impair the air quality in the area. It states "the potential for and quantity of hydrogen sulfite (H₂S) in the gas and oil is unknown at this time"). The DEIR goes on to discuss the issue of employee safety, but fails to address the issue of hydrogen sulfide and its effect in the surrounding community. I am not an air quality expert, but I do appreciate that **oil drilling projects can have a detrimental impact on air quality, and in some cases**

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that impact can be so extreme as to present a safety hazard. In any event, it can create a significant nuisance, as is well known in the Price Canyon oil project near Pismo Beach (the only other oil drilling project in San Luis Obispo County).

5.3 Noise Pollution: Finally, there is potentially significant noise pollution associated with the project, particularly during the construction phase. One of the beauties of the Huasna Valley, and the Huasna area generally, is the peaceful, serene, and tranquil surroundings and the literal “quiet” that envelops the area at night (as well as during the day). The noise from this project will spread across the Huasna Valley and the Huasna area generally. The noise from the additional cars, trucks and tankers associated with the project will likewise be a significant detriment to the surrounding community. Excelaron simply has not adequately evaluated this impact of the project or taken into account sufficiently the toll that it will take on the community and the residents. **Until Excelaron fully accounts for the additional noise relating to the project and takes serious the need to mitigate that impact to the community, the CUP should be rejected.**

In closing, I should note that I would not count myself, or my family, as radical environmentalists with opposition to any and all conceivable oil development project. Our stated opposition to this project is not a knee-jerk reaction, but instead carefully considered in light of our status as residents in the community, and concerned citizens who believe that this ever changing and evolving project lacks credibility and creates significant risks for our community and homes. There simply are not enough proven resources of quality oil in the so-called “Huasna Oil Field” as that term is used in the DEIR to make a project like this, fraught with all of the uncertainty and speculation surrounding it, to be one that warrants approval by the County. From the beginning, this project has never made sense and never really added up. There are simply too many unknowns; far too much speculation going on; and way too much uncertainty about many critical safety and environmental issues to allow such a highly speculative exploratory oil drilling project to proceed. **We thus ask that the County decline to issue the CUP that has been requested and shut this ill-fated project down once and for all.**

Sincerely,



Steven E. Sletten

SES/jdl
Enclosure

**STEVEN AND ELLEN SLETTEN
6220 HUASNA ROAD
ARROYO GRANDE, CA 93420**

March 18, 2009

VIA TELECOPIER
(805) 781-1350

Mr. Katcho Achadjian
4th District Supervisor
County of San Luis Obispo
County Government Center
San Luis Obispo, CA 93408

Re: Excelaron LLC Huasna Valley Oil Project

Dear Supervisor Achadjian:

I, my wife Ellen, and my children Kristen and Connor all join in the chorus of voices expressing grave and legitimate concerns about the proposed oil drilling project that has been presented by Excelaron LLC to the San Luis Obispo County Planning Commission for review and approval. For a number of reasons, the CUP that is pending for approval should be denied at this time because Excelaron has failed to provide the support required for the CUP. The project description has shifted so many times, and the circumstances of the shifting application is sufficiently suspicious, that applicant should be required to start over if they actually have a legitimate project to present to the County for approval.

We are relatively new as residents in the Huasna Valley community, having purchased our ranch at 6220 Huasna Road last May 2008. But we are native Californians (my wife a fourth generation Californian), and have been enjoying the Central Coast (Pismo Beach, SLO, etc.) as our number one vacation spot since our children (who are 21 and 18) were infants. My in-laws have owned vacation homes in Grover Beach for over 15 years before moving to Arroyo Grande from the Los Angeles area to retire 6 years ago (up on the Mesa in the Bayside Park gated community). Ellen and I fell in love with the beautiful and serene wilderness environment of the Huasna Valley years ago, and finally found the perfect ranch

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for us, our children and (hopefully) our grandchildren to enjoy for many, many years. With horses, cows nearby, miles of vistas, and a fresh clean (almost pristine) surrounding, the ranch is in sharp contrast to our home in the middle of Los Angeles, where we continue to share time because I remain actively involved in my law practice there.

I have been following the proposed Excelaron project closely since it was announced around the time we closed our escrow last year. The more I hear about the project, the more concerned I am that it could potentially strike a very serious blow to the essential natural features and characteristics of this wonderful community. But more importantly, it seems rather apparent that the developers of the project are not being upfront about the scope and nature of the planned drilling, and seem to be engaged in a classic "bait and switch" ploy to gain approval for a project of alleged limited scope so they can then expand it way beyond anything that has been affirmatively disclosed.

The community has always been suspicious of the requested number of oil hauling trucks for the development, on the grounds that if Excelaron really is only planning on four wells (as stated in its CUP application), it does not need approval to run up to 12 round trips of oil tankers every day. But we now learn from the web site of a recent investor into the project (as reported last week in the New Times) that the actual plan is to drill at least 15 wells in the Valley, and also that Excelaron has leased 2000 acres of mineral rights in the area. At the rate of production of the wells now operating in the nearest oil field (Price Canyon), 15 active wells in Huasna would likely produce about 225 barrels of oil each day – only about 2-3 trucks worth of oil. Interesting that Excelaron decided to remove the information about the 15 wells from the new investor's web site immediately after it was discovered "to avoid any further confusion."

There are dozens of questions that remain unanswered about this project, and the failure of Excelaron to address many of these basic issues, leads to the fairly reasonable conclusion that they have been intentionally vague if not downright dishonest about their plans. The Planning Commission, the County generally, and the local communities that will be affected by this intrusive project deserve better. The CUP should be denied.

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I am somewhat familiar with the CUP application process having encountered it occasionally in my law practice, and after studying what Excelaron was planning to do, I was surprised to learn that the County was considering proceeding with approval of the proposed project without a full Environmental Impact Report, and even more shocked to receive and review the County's Environmental Determination No. ED07-311 indicating a preliminary decision to allow the project to go forward on the basis of Mitigated Negative Declaration. This seems on its face to be inconceivable, and I learned today that even Excelaron has now finally (and grudgingly) acknowledged it cannot hope to prevail on the project without a full EIR which it now says it will secure. What is disturbing is that Excelaron, a foreign-owned company with virtually no assets in the state (at least that is what I have been informed), can get this far along with a project that has been misrepresented to the County and the community, and having now been "caught red handed" in their game of deception, give in and admit they must follow proper legal process and deliver a full and complete EIR on the proposed project. And they now agree to conduct an EIR but for a project that remains ill-defined and for which serious questions still remain.

The EIR is of course critically important, and hopefully working through that will reveal the true intentions of Excelaron and allow the County, and the community, to conduct a full, fair, and informed evaluation of the oil drilling project. This will require that many as-yet unanswered questions be directly addressed:

- What is the plan for the processing and disposal of hazardous excess water or produced natural gas?
- What are the details of the road easements that purport to allow Excelaron to use private roads to transport oil south to Highway 166 and avoid traveling through the Huasna Valley and the City of Arroyo Grande? A northerly route through the Valley and AG would of course be a disaster on many levels (traffic, risk of accidents, potential pollution, etc.) and Excelaron backed off that absurd plan almost immediately after confronted with the obvious opposition to it.

Mr. Katcho Achadjian

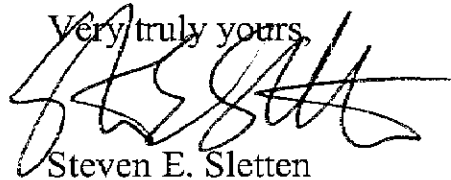
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- How will the unimproved roads heading south be improved to support heavy oil tankers, and what are the terms by which decisions will be made to shut down operations at the site when those roads become impassible due to rain or other natural conditions?
- What are the finances of the developers, and how will they respond to the likely natural disaster that could easily occur from such a project?
- Will the activity be bonded or insured in a way to guarantee any damage will be cleaned up without State, County or residents' funds?
- How is the lawsuit that has been filed against numerous surrounding land-owners by one of the Excelaron lessors connected to the project and is the suit a ploy to gain potential for a northwardly oil shipping route via Mary Hall Lane Road and Huasna Road?
- Where are the net energy calculation to prove that after all the effort (and expended energy) to drill, extract, and haul the low-grade oil from the site to a processing facility over 200 miles away, there is a net energy gain proving that the project has a positive environmental impact?
- Has there been a valid and reliable acoustic study that determines the noise impact from the project on a community that is used to hearing mostly birds, cows and horses, and trees rustling in the cool breezes?
- What about air quality? There are serious issues of dust, hydrocarbons, noxious odors, and the green-house gas effects that have not been adequately addressed by Excelaron.
- The developers present no adequate findings and studies dedicated to the all-important issue of potential water contamination from the project activities. We, and all the surrounding property owners in the community, depend on wells for all our water needs. Any risk of contamination is a very scary thing to us. I understand that the drilling process under consideration involves the injection of water into the rock to extract the oil, and then the re-injection of tainted water that was used to extract the oil back into the ground.

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We are relieved to learn that Excelaron has agreed to a full EIR for this project, and I understand that the Planning Commission staff has also included that as a recommendation for the hearing next week in response to the proposed MND. I look forward to receiving answers to the above, and many other, questions through this ongoing review process. I also submit that the CUP as presented should be denied. This project appears ill conceived and poorly explained by those involved, and from the beginning has been presented in a shady, underhanded way seemingly designed to cut corners and avoid responsibility for a full legal process.

Very truly yours,

Steven E. Sletten

SES/ses
100622568

cc: Mr. Frank Mecham 1st District Supervisor
Mr. Bruce Gibson 2nd District Supervisor
Mr. Adam Hill 3rd District Supervisor
Mr. James Patterson 5th District Supervisor