



October 14, 2005

Mr. David Athey
Central Coast Regional Water Quality Control Board
895 Aerovista Place, Suite 101
San Luis Obispo, CA 93401

Subject: Drilling Status – Week Ending October 14, 2005

Dear Mr. Athey:

Please find enclosed a weekly status of the drilling program for the week ending October 14, 2005 as requested in your letter dated April 6, 2005, approving our Llagas Subbasin Monitoring Well Installation Work Plan (Work Plan). Drilling activities, well installation, and slug testing occurred with two Rotosonic drilling rigs owned and operated by Prosonic Corporation with oversight by a MACTEC Engineering and Consulting, Inc. (MACTEC) California-professional geologist.

Rig Number One completed repairs to the rig drilling head by the afternoon of Friday, October 7, 2005, and resumed drilling at MP-21 from depths of 107 feet to 157 feet by the end of the day. The borehole was advanced from 157 to 257 feet on Saturday, from 257 to 297 feet on Sunday, and from 297 to 307 feet on Monday, at which point installation of the CMT well began. Slug testing was performed at 167 and 257 feet. Installation of MP-21, surface completion of MP-21 and MW-21, demobilization and decontamination of drilling equipment was conducted between Tuesday and the morning of Thursday, October 13, at which point the crew began their regularly scheduled break. Rig Number One will mobilize to proposed well location MW-26 upon their return from break on Tuesday morning, October 18, 2005.

Rig Number Two completed the installation of MP-40, installed the surface completions for MP-40 and MW-40, demobilized from the MP-40/MW-40 area, and decontaminated all drilling equipment during Friday, October 7 and Saturday, October 8, 2005. They mobilized to the MW-35 location on the morning of Sunday, October 9, 2005 and drilled from ground surface to 140 feet by the end of the day. The borehole was subsequently advanced from 140 to 240 feet on Monday, from 240 to 340 feet on Tuesday, from 340 to 377 feet on Wednesday, and from 377 to 407 feet on Thursday. Downtime occurred on the afternoon of Wednesday, October 12, 2005, when the drillers conducted unscheduled rig maintenance on the rig drill head. Rig Number Two left on its regularly scheduled break on Thursday and will resume drilling of MW-35 on Tuesday, October 18, 2005.

To date, the CMT and single-screen monitoring wells at MW-16, MW-17, MW-21, MW-40, and MW-44 have been completed, and the borehole for the single-screen monitoring well MW-35 has been drilled to almost the total depth (approximately 58 percent of drilling program), which is consistent with the projected schedule (provided to you previously). As defined in the Piezometer Installation and Destruction Work Plan, 90 working days from Work Plan approval were scheduled

with two drilling rigs for monitoring well installation. Based on the approved Work Plan, the projected schedule date of drilling completion is still December 2, 2005; however, the impact of delays associated with maintenance on Rig Number One will continue to be evaluated as the rig begins drilling of proposed well MW-26.

If you have any questions regarding the status of our drilling program, please do not hesitate to contact Richard W. McClure at your earliest convenience.

Sincerely,

MACTEC Engineering and Consulting, Inc.

Handwritten signature of Michael Taraszki in blue ink.

Michael Taraszki, P.G., C.Hg.
Principal Hydrogeologist

Handwritten signature of Donald Smallbeck in blue ink.

Donald Smallbeck
Project Manager

cc: Mr. Eric Gobler, RWQCB – Central Coast Region
Richard W. McClure, Olin

Llagas Subbasin Characterization Drilling Program Schedule
 Olin/Standard Fusee Site
 Morgan Hill, California

