

EXHIBIT 3



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION III
1650 Arch Street
Philadelphia, Pennsylvania 19103-2029

August 11, 2011

Mr. Jeremy Graham
Stonehaven Energy, LLC
1251 Waterfront Place, Suite 540
Pittsburgh, PA 15222

Re: UIC Permit Application Submission

Dear Mr. Graham:

EPA Region III staff have completed their review of Stonehaven Energy's application to construct and operate one Underground Injection Control (UIC) Class II-D brine disposal injection well in Cranberry Township, Venango County, Pennsylvania. Please find enclosed a Notice of Deficiency (NOD) for this permit application. The NOD requires the submission of additional information that will allow this office to complete its review of the application and begin the process of developing a draft permit for the facility. Your application has been assigned the following permit identification: PAS2D010BVEN. Please use this permit identification in all future correspondence. If you should have any questions please give me a call at 215-814-5464 or you may email me at platt.steve@epa.gov.

Sincerely,

A handwritten signature in black ink that reads "S. Stephen Platt".

S. Stephen Platt
Ground Water & Enforcement Branch (3WP22)
Office of Drinking Water & Source Water Protection

Attachments

Notice of Deficiency
Financial Responsibility Documents



Notice of Deficiency

For

Stonehaven Energy LLC

Underground Injection Control (UIC) Permit Application PAS2D010 BVEN

Please provide additional information on the deficiencies outlined below so that EPA Region III can take additional steps to process the UIC permit application. The Region only received one copy of the permit application. Please submit another copy of the application to our office with your response to this notice of deficiency. We would also appreciate if you would send a copy of the application to EPA UIC inspector Dave Rectenwald.

Attachment C: Corrective Action

Please provide information on the names and addresses of property owners that live within one-quarter mile of the proposed facility.

There is some contradiction in the application regarding one of the Speechley wells. Specifically, the application indicates that the Latshaw #12 is a Speechley well, but the narrative discussion mentions that Latshaw #12 was not completed to the Speechley. Please clarify.

More information on the four "orphaned" wells identified in the Area of Review (AOR), 5X, 8X and two not registered with PADEP, needs to be provided. It is not enough to indicate in the application that you think these wells were drilled into the shallower Venango formations. We need documented information that these four wells do not penetrate the Speechley formation and that they have been adequately plugged and abandoned. If this information is unavailable, then the four wells will have to be reentered and properly plugged and abandoned.

If you plan to use the other Latshaw wells that are located within the AOR as monitoring wells, please submit the cementing records on the 7 inch casing for each well. Since these wells are within the AOR, we need to make sure that if the fluid level should happen to rise out of the injection zone during operation of the Latshaw #9, that the other Latshaw wells are cased and cemented sufficiently to protect underground sources of drinking water (USDWs).

Attachment E: Name and Depth of USDWs

Please provide additional information which better documents that Latshaw #9 is constructed with cemented surface casing to a depth fifty feet below the lowermost USDW. The Mountain Sand has been identified as the lowermost USDW. Understanding that there are topographical differences within the project area, the application identifies the bottom of the Mountain Sand at a depth of between 440 feet to 470 feet below land surface. The Latshaw #9

installed that will shut down the operation of the well if high pressure or low pressure is detected in the annulus? Will spill contingencies be in place should leakage occur at the facility? Permits, and the UIC regulations, require that verbal notification be provided to EPA within 24 hours of becoming aware of a well failure. All of this information should be specified in the plan.

Attachment P: Monitoring Program

The application indicates that the other Latshaw wells that were drilled to the Speechley formation will be used as monitoring wells to monitor fluid level during operation. However, there was no information submitted on how Stonehaven Energy plans to monitor the injection well during operation. The injection pressure, annular pressure and injection volume should be monitored and recorded on a continuous basis. Please describe how the monitoring will be accomplished.

Attachment Q: Plugging and Abandonment

Please submit a schematic diagram of the well plugging described in the application narrative. In addition, the Plugging and Abandonment Form (Form 7520-14) must be signed and dated by an officer within the company.

Attachment R: Necessary Resources

EPA requires each permittee to demonstrate that they have the resources available to plug and abandon the injection well when operation of the well ceases. There are a number of different financial responsibility mechanisms available to operators. They include letters of credit with standby trust agreements, surety bonds with standby trust agreements and trust agreements. Please submit one of these financial mechanisms. Since the application indicates that the estimated cost to plug and abandon the Latshaw #9 is approximately \$10,000.00, the financial responsibility mechanism chosen should at least be equal to the estimated plugging cost. Forms for the financial mechanism mentioned above have been enclosed with this notice of deficiency.