

Mr. & Mrs. Russel Brandon
32091 County Road 23
Akron, CO 80720
970-345-2446

May 14, 2018

Re: Jack Creek 2 well located in the
SE/4 Sec. 4-Township 2 South, Range 51 West, 6th P.M.

Dear Mr. & Mrs. Brandon,

IPT is handling permitting matters for St. Croix Operating, Inc. In this letter agreement you agree to grant St. Croix permission to use a reserve pit to drill the subject well per all applicable Colorado Oil and Gas Conservation Commission regulations governing the construction and reclamation of such pits, also to permit St. Croix to spread water-based bentonitic drilling fluids from the reserve pit on your nearby land. We have summarized the applicable COGCC regulations that St. Croix will be following, below:

COGCC Rule 907.d (3): *Waterbased bentonitic drilling fluids may be disposed as follows:*

A. Drying and burial in pits on non-crop land. The resulting concentrations shall not exceed the concentration levels in Table 910-1, below; or

B. Land application as follows:

i. Applicability. Acceptable methods of land application include, but are not limited to, production facility construction and maintenance, and lease road maintenance.

ii. Land application requirements. The average thickness of waterbased bentonitic drilling fluid waste applied shall be no more than three (3) inches prior to incorporation. The waste shall be applied to prevent ponding or erosion and shall be incorporated as a beneficial amendment into the native soils within ten (10) days of application. The resulting concentrations shall not exceed those in Table 910-1.

iii. Surface owner approval. Operators shall obtain written authorization from the surface owner prior to land application of water-based bentonitic drilling fluids.

iv. Operator obligations. Operators shall maintain a record of the source, the volume, and the location where the land application of the water-based bentonitic drilling fluid occurred. Upon the Director's written request, this information shall be provided within five (5) business days, in a format readily reviewable by the Director. Operators with control and authority over the wells from which the water-based bentonitic drilling fluid wastes are obtained retain responsibility for the land application operation, and shall diligently cooperate with the Director in responding to complaints regarding land application of water-based bentonitic drilling fluids.

v. Approval. Prior Director approval is not required for reuse of waterbased bentonitic drilling fluids for land application as a soil amendment.

COGCC Rule 1003.d. Drilling pit closure. As part of interim reclamation, drilling pits shall be closed in the following manner:

(1) **Drilling pit closure on crop land and within 100-year floodplain.** On crop land or within the 100-year floodplain, water-based bentonitic drilling fluids, except de minimis amounts, shall be removed from the drilling pit and disposed of in accordance with the 900 Series rules. Operators shall ensure that soils meet the concentration levels of Table 910-1. Drilling pit reclamation, including the disposal of drilling fluids and cuttings, shall be performed in a manner so as to not result in the formation of an impermeable barrier. Any cuttings removed from the pit for drying shall be returned to the pit prior to backfilling, and no more than de minimis amounts may be incorporated into the surface materials. After the drilling pit is sufficiently dry, the pit shall be backfilled. The backfilling of the drilling pit shall be done to return the soils to their original relative positions. Closing and reclamation of drilling pits shall occur no later than three (3) months after drilling and completion activities conclude.

(2) **Drilling pit closure on non-crop land.** All drilling fluids shall be disposed of in accordance with the 900 Series rules. Operators shall ensure that soils meet the concentration levels of Table 910-1, above. After the drilling pit is sufficiently dry, the pit shall be backfilled. Materials removed from the pit for drying shall be returned to the pit prior to the backfilling. No more than de minimis amounts may be incorporated into the surface materials. The backfilling of the drilling pit will be done to return the soils to their original relative positions so that the muds and associated solids will be confined to the pit and not squeezed out and incorporated in the surface materials. Closure and reclamation of drilling pits shall occur no later than six (6) months after drilling and completion activities conclude, weather permitting.

Prior to drilling the subject well, St. Croix Operating Inc. hereby agrees to pay you the sum of XXXXXX for the privilege of spreading the drilling fluids on your lands. In addition, St. Croix will pay for any soil sampling required by COGCC, plus reimburse you for any additional cost you may incur as a result of the beneficial application of the water based drilling fluids from the subject well.

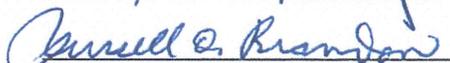
If you agree with the above, please date and sign below and return a copy to us in the enclosed envelope. Please call Andy Peterson with any questions at 970-203-4263.

Respectfully,



Paul Gottlob
IPT Regulatory & Engineering Technician
Consultant to St. Croix Operating, Inc.

Dated this 14 day of May, 2018


Russell Brandon
LeAnn Brandon