

Palser Land  
c/o Josh Wells  
36393 County Road 41  
Otis, CO 80743  
~~970-554-0107~~ 970-554-1304

February 27, 2018

Re: Jack Creek 1 well located in the  
NE/4 Sec. 4-Township 2 South, Range 51 West, 6<sup>th</sup> P.M.

Dear Mr. Wells,

IPT is handling permitting matters for St. Croix Operating, Inc. St. Croix proposes 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. Part of these regulations allow for the spreading of water-based bentonitic drilling fluids on nearby cropland. We have summarized the applicable COGCC regulation 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.*

Prior to drilling the subject well, St. Croix Operating Inc. hereby agrees to pay you the sum of [REDACTED] 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 2<sup>nd</sup> day of March, 2018



Josh Wells, PRESIDENT  
PALSER LAND CO.  
36343 COUNTY ROAD 41  
6T15, CO 80743  
(970) 554-1304