PUBLIC NOTICE DRAFT

UTAH WATER QUALITY BOARD

Major Modification of

CLASS III AREA PERMIT

UNDERGROUND INJECTION CONTROL (UIC) PROGRAM

UIC Permit Number: UTU-27-AP-9232389

Millard County, Utah

Permit Issued to:

Magnum Solution Mining, LLC
(fka Magnum Solutions, LLC)
3165 East Millrock Drive, Suite 330
Salt Lake City, Utah 84121
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PART I. AUTHORIZATION TO CONSTRUCT AND INJECT

Pursuant to the Underground Injection Control (UIC) Program Regulations of the Utah Water Quality Board (UWQB) codified in the Utah Administrative Code (UAC) R317-7, Magnum Solution Mining, LLC (fka Magnum Solutions, LLC)
3165 East Millrock Drive, Suite 330
Salt Lake City, Utah 84121

is hereby authorized to construct and operate six (6) new Class III solution mining injection wells in a Project Area centered approximately at 39° 29' 39" latitude 112° 36' 20" longitude, NAD83, located in the S 1/2 of Sec. 23 and the N 1/2 of Sec. 26, T 15 S, R 7 W; SLB&M in Millard County, Utah. A general location map is included as Attachment A.

The intent of the solution mining activity to be conducted under this permit is to create four (4) natural gas and two (2) natural gas liquid storage caverns in a bedded salt deposit that has been tectonically thickened. According to the Solution Mining Plan (Mining Plan) included as Attachment G-1 of the Technical Report of the permit application, each natural gas storage cavern will have an open volume of approximately 10.5 million barrels corresponding to a gas storage space of 9.8 million barrels and each natural gas liquid storage cavern will have a maximum open volume of approximately 2.1 million barrels corresponding to a natural gas liquid storage space of 2 million barrels. According to the Mining Plan for the natural gas storage caverns, the final cemented casing will be set at a depth of approximately 3,950 feet, within the salt structure, and the roof of the cavern will be established 200 feet below that depth at approximately 4,150 feet. The maximum diameter of each cavern is intended to be 300 feet and the open height approximately 1,000 feet. It is estimated that each cavern will require approximately 2 years for completion. According to the Mining Plan for the natural gas liquid storage caverns, the final cemented casing will be set at least 200 feet into the salt. The roof of the cavern will be established 200 feet below the final cemented casing. The maximum diameter of each cavern is intended to be approximately 200 feet and the open height approximately 575 feet. It is estimated that each cavern will require approximately 1 year for completion.

The Project Area, defined in the permit application, is located west of the intersection of Highway 174, also known as Brush-Wellman Road, and Jones Road; approximately 3 ½ miles east-northeast of Sugarville, Utah and 9 miles north of Delta, Utah. The Project Area is the surface projection of the maximum extent within the salt structure in which caverns can be created. The western boundary of the Project Area is defined "by the surface projection of a main north-south trending fault identified at a depth of 3,000 feet during seismic testing and the drilling of exploratory well MH-1." The southern and eastern boundaries are defined "by the downward dip of the salt structure at 3,000 feet." The northern boundary is defined by "a desired offset [of the Project Area] from existing and future high voltage power lines paralleling Brush-Wellman Road." A map showing the facility property boundary, the Project Area, and Area of Review, and the proposed injection wells is included as Attachment B.

The legal description of the Project Area within which the construction of Class III solution mining wells may occur follows:
Beginning at a point N 03° 52' 52" W, 1088.69 feet from the N.W. Corner of Section 26, T. 15 S., R. 7 W. SLB&M; thence S 00° 34' 02" W, 89.86 feet; thence S 22° 12' 15" E, 431.59 feet; thence S 01° 28' 13" W, 815.25 feet to the beginning of a curve to the left having a radius of 4235.14 feet, thence along said curve a distance of 1714.42 feet, through a central angle of 23.19° with a chord bearing and distance of S 23° 22' 25" E, 1702.74 feet; to the beginning of a curve to the left having a radius of 14369.02 feet, thence along said curve a distance of 3938.26 feet, through a central angle of 15.70° with a chord bearing and distance of N 64° 15' 59" E, 3925.94 feet; thence N 67° 27' 17" W, 2974.65 feet; thence N 89° 12' 14" W, 1606.22 feet more or less to Point of Beginning. Said described parcel contains 7,369,561.83 square feet (169.18 acres), more or less.

All references to UAC R315-2-3, UAC R317-7, and to Title 40 of the Code of Federal Regulations (40 CFR) are to all regulations that are in effect on the date that this permit becomes effective. The following attachments are incorporated into this permit:

Attachment A....General Location Map of the Magnum Gas Storage Project, Millard County.
Attachment B ....Map of the Facility Property, Project Area, Area of Review, and Class III Solution Mining Injection Wells
Attachment C ....Technical Report
Attachment D ....Plan for Plugging and Abandonment of Class III Solution Mining Wells and Caverns
Attachment E ....Financial Assurance for Plugging and Abandoning
Attachment F .....Well Construction Plans
Attachment G....Monitoring and Mechanical Integrity Testing (MIT) Protocols
Attachment H....Reporting Tables

This original permit consists of a total of 22 pages plus the above 8 attachments and includes all items listed in the Table of Contents. Further, it is based upon representations made by the permittee and other information contained in the administrative record. It is the responsibility of the permittee to read and understand all provisions of this permit.
This permit shall become effective **January ??, 2011**.

This permit and the authorization to inject shall be issued for the life of the project as described in Part III A of this permit unless terminated.

_____________________________
Walter L. Baker, P.E.
Executive Secretary
Utah Water Quality Board
PART II. GENERAL PERMIT CONDITIONS

A. EFFECT OF PERMIT

The permittee is allowed to engage in underground injection in accordance with the conditions of this permit. The permittee, authorized by this permit, shall not construct, operate, maintain, convert, plug, abandon or conduct any other injection activity in a manner that allows the movement of fluid containing any contaminant into underground sources of drinking water (USDW), if the presence of that contaminant may cause a violation of any primary drinking water standard under the Utah Public Drinking Water Administrative Rules, UAC R309-200 and 40 CFR Part 141, or may otherwise adversely affect the health of persons. Any underground injection activity not specifically authorized in this permit is prohibited. Compliance with this permit does not constitute a defense to any action brought under the Utah Water Quality Act (UWQA) Title 19, Chapter 5 Utah Code Annotated 1953, or any other common or statutory law or regulation. Issuance of this permit does not authorize any injury to persons or property, any invasion of other private rights, or any infringement of State or local law or regulations. Nothing in this permit shall be construed to relieve the permittee of any duties under applicable regulations.

B. SEVERABILITY

The provisions of this permit are severable. If any provision of this permit or the application of any provision of this permit to any circumstance is held to be invalid, the application of such provision to other circumstances and the remainder of this permit shall not be affected thereby.

C. CONFIDENTIALITY

In accordance with Utah Code 19-1-306 (Records of the Department of Environmental Quality), Utah Code 63G-2-309 (Confidentiality Claims), and Utah Code 19-5-113 (DWQ Records and Reports Required by Owners/Operators) any information deemed by the permittee to be entitled to trade secret protection submitted to the UWQB pursuant to this permit may be claimed as confidential by the submitter. Any such claim must be asserted at the time of submission by stamping the words "Confidential Business Information" on each page containing such information. If no claim is made at the time of submission, the UWQB may make the information available to the public without further notice. Claims of confidentiality may be denied by the UWQB according to the procedures detailed in Utah Code 63G-2 and the federal Freedom of Information Act (FOIA). Claims of confidentiality for the following information will be denied as per UAC R317-7-9.7:

1. The name and address of the permittee.
2. Information that deals with the existence, absence or level of contaminants in drinking water.
D. CONDITIONS APPLICABLE TO ALL UIC PERMITS (40CFR144.51)

1. Duty to Comply (40CFR144.51(a))

The permittee shall comply with all conditions of this permit. Any permit noncompliance constitutes a violation of the Safe Drinking Water Act and the UWQA and is grounds for enforcement action, permit termination, revocation and re-issuance, modification, or for denial of a permit renewal application; except that the permittee need not comply with the provisions of this permit to the extent and for the duration such noncompliance is authorized by an emergency permit issued in accordance with UAC R317-7-8 (40 CFR 144.34). Such noncompliance may also be grounds for enforcement action under the Utah Solid and Hazardous Waste Act (USHWA), Title 19, Chapter 6, Utah Code Annotated 1979.

2. Duty to Reapply (40CFR144.51(b))

If the permittee wishes to continue an activity regulated by this permit after the expiration date of this permit, the permittee must apply for and obtain a new permit. The permittee shall submit a complete permit renewal application at least 180 days before this permit expires.

3. Need to Halt or Reduce Activity Not a Defense (40CFR144.51(c))

It shall not be a defense for a permittee in an enforcement action that it would have been necessary to halt or reduce the permitted activity in order to maintain compliance with the conditions of this permit.

4. Duty to Mitigate (40CFR144.51(d))

The permittee shall take all reasonable steps to minimize or correct any adverse impact on the environment resulting from noncompliance with this permit.

5. Proper Operation and Maintenance (40CFR144.51(e))

The permittee shall at all times properly operate and maintain all facilities and systems of treatment and control (and related appurtenances) which are installed or used by the permittee to achieve compliance with the conditions of this permit. Proper operation and maintenance includes effective performance, adequate funding, adequate operator staffing and training, and adequate laboratory and process controls, including appropriate quality assurance procedures. This provision requires the operation of back-up or auxiliary facilities or similar systems only when necessary to achieve compliance with the conditions of this permit.

6. Permit Actions (40CFR144.51(f))

The Executive Secretary may, for cause or upon request from the permittee, modify, revoke and re-issue, or terminate this permit in accordance with UAC R317-7-5.4, R317-7-9.6 (40 CFR 144.39 and 144.40), and R317-7-5.8. Also, the permit is subject to minor modifications for cause as specified in UAC R317-7-9.6 (40 CFR 144.41). The filing of a request for a permit modification, revocation and
re-issuance, or termination, or the notification of planned changes, or anticipated noncompliance on the part of the permittee, does not stay the applicability or enforceability of any permit condition.

7. **Property Rights (40CFR144.51(g))**

This permit does not convey any property rights of any sort, or any exclusive privilege.

8. **Duty to Provide Information (40CFR144.51(h))**

The permittee shall furnish to the Executive Secretary within a time specified, any information which the Executive Secretary may request to determine whether cause exists for modifying, revoking and re-issuing, or terminating this permit, or to determine compliance with this permit. The permittee shall also furnish to the Executive Secretary upon request, copies of records required to be kept by this permit.

9. **Inspection and Entry (40CFR144.51(i))**

The permittee shall allow the Executive Secretary, or an authorized representative, upon the presentation of credentials and other documents as may be required by the law, to:

   a) Enter upon the permittee's premises where a regulated facility or activity is located or conducted, or where records must be kept under the conditions of this permit;

   b) Have access to and copy, at reasonable times, any records that are kept under the conditions of this permit;

   c) Inspect at reasonable times any facilities, equipment (including monitoring and control equipment), practices, or operations regulated or required under this permit; and

   d) Sample or monitor at reasonable times, for the purposes of assuring permit compliance or as otherwise authorized by the SDWA and / or UWQA any substances or parameters at any location.

10. **Monitoring and Records (40CFR144.51(j))**

   a) Samples and measurements taken for the purpose of monitoring shall be representative of the monitored activity.

   b) The permittee shall retain records of all monitoring information, including the following:

      1) Calibration and maintenance records and all original strip chart recordings for continuous monitoring instrumentation and copies of all reports required by this permit, for a period of at least 3 years from the date of the sample, measurement, or report. This period may be extended by request of the Executive Secretary at any time; and

      2) Records of all data required to complete the permit application form and technical report for this permit and any supplemental information submitted under UAC R317-7-9.2 for a
period of at least three years from the date the application was signed. This period may be extended by request of the Executive Secretary at any time.

3) The nature and composition of all injected fluids until three years after the completion of any plugging and abandonment procedures specified in Part III of this permit. The Executive Secretary may require the owner or operator to deliver the records to the Executive Secretary at the conclusion of the retention period.

c) Records of monitoring information shall include:

(1) The date, exact place, and time of sampling or measurements;
(2) The individual(s) who performed the sampling or measurements;
(3) A precise description of sampling methodology, sample handling or custody, and all quality assurance methods used;
(4) The date(s) analyses were performed;
(5) The names of individual(s) who performed the analyses;
(6) The analytical techniques or methods used; and
(7) The results of such analyses.

11. Signatory Requirements (40CFR144.51(k))

All reports or other information, submitted as required by this permit or requested by the Executive Secretary, shall be signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).

12. Reporting Requirements (40CFR144.51(l))

a) Planned Changes

The permittee shall give written notice to the Executive Secretary, as soon as possible, of any planned physical alterations or additions to the UIC-permitted facility. The UIC-permitted facility includes:

(1) The final pumps that boost fluids into the injection wells, and remove fluids from the extraction well(s).

(2) Pipelines between the final injection pumps and the injection wellheads,

(3) Injection and extraction wells, wellheads and all downhole and wellhead equipment and instrumentation within the area of review, and

(4) Instrumentation and equipment used to measure and control volume, flow rate, and pressure of fluids injected into and extracted from the solution well / cavern system.

b) Anticipated Noncompliance

The permittee shall give advance notice to the Executive Secretary of any planned changes in the
permitted facility or activity that may result in noncompliance with permit requirements.

c) Permit Transfers

This permit is not transferable to any person except in accordance with UAC R317-7-9.6 (40 CFR 144.38). The Executive Secretary may require modification or revocation and re-issuance of the permit to change the name of the permittee and incorporate such other requirements as may be necessary under the Safe Drinking Water Act and / or the UWQA.

d) Monitoring Reports

Quarterly monitoring reports shall be submitted to the Executive Secretary according to the following schedule:

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Report Due On:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Quarter (Jan 1 – March 31)</td>
<td>April 15</td>
</tr>
<tr>
<td>2nd Quarter (April 1 – June 30)</td>
<td>July 15</td>
</tr>
<tr>
<td>3rd Quarter (July 1 – September 30)</td>
<td>October 15</td>
</tr>
<tr>
<td>4th Quarter (October 1 – December 31)</td>
<td>January 15</td>
</tr>
</tbody>
</table>

e) Compliance Schedule Reports

Reports of compliance or noncompliance with, or any progress reports on, interim and final requirements contained in any compliance schedule specified in Part III B of this permit shall be submitted no later than 30 days following each schedule date.

f) Endangering Noncompliance Reporting

The permittee shall report to the Executive Secretary any noncompliance that may endanger health or the environment, as follows:

(1) Twenty-four Hour Reporting

Endangering noncompliance information shall be provided orally within 24 hours from the time the permittee becomes aware of the circumstances. Such reports shall include, but not be limited to, the following information:

(i) Any monitoring or other information that indicates any contaminant may cause an endangerment to a USDW, or

(ii) Any noncompliance with a permit condition, or malfunction of the injection system, which may cause fluid migration into or between USDWs.

(2) Five-day Reporting
A written submission shall be provided within five days of the time the permittee becomes aware of the circumstances of the endangering noncompliance. The written submission shall contain a description of the noncompliance and its cause, the period of noncompliance, including exact dates and times, and if the noncompliance has not been corrected, the anticipated time it is expected to continue; and steps taken or planned to reduce, eliminate, and prevent recurrence of the noncompliance.

g) Other Noncompliance

The permittee shall report all instances of noncompliance not reported under 12d) (Monitoring Reports), 12e) (Compliance Schedule Reports), or 12f) (Endangering Noncompliance Monitoring) of this section in the next Monitoring Report. The reports shall contain a description of the noncompliance and its cause, the period of noncompliance, including exact dates and times, and if the noncompliance has not been corrected, the anticipated time it is expected to continue; and steps taken or planned to reduce, eliminate, and prevent recurrence of the noncompliance.

h) Other Information

When the permittee becomes aware of a failure to submit any relevant facts in the permit application or submitted incorrect information in a permit application or in any report to the Executive Secretary, the permittee shall submit such facts or information within 10 days after becoming aware of the failure to submit relevant facts.

13 Requirements Prior to Commencing Injection (40CFR144.51(m))

For new injection well authorized by individual permit, a new injection well may not commence injection until construction is complete, and

a) The permittee has submitted notice of completion of construction to the Executive Secretary; and

b) Either of the following:

(1) The Executive Secretary has inspected or otherwise reviewed the new injection well and finds it is in compliance with the conditions of the permit; or

(2) The permittee has not received notice from the Executive Secretary of his or her intent to inspect or otherwise review the new injection well within 13 days of the date the notice in paragraph 13a)(1) of this section, in which case prior inspection or review is waived and the permittee may commence injection. The Executive Secretary shall include in his notice a reasonable time period in which he shall inspect the well.
For new injection wells authorized by an area permit under UAC R317-7-7(C) (40 CFR 144.33(c)), requirements prior to commencing injection shall be specified in Part III of the permit.

14. Notification Prior to Conversion or Abandonment. (40CFR444.51(n))

The permittee shall notify the Executive Secretary at such times as the permit requires before conversion or abandonment of the well or in the case of area permits before closure of the projects.

15. Plugging and Abandonment Requirements. (40CFR444.51(o))

A Class I and III permit shall include and a Class V permit may include, conditions for developing a plugging and abandonment plan that meets the applicable requirements of UAC R317-7 to ensure that plugging and abandonment of the well will not allow the movement of fluids into or between USDWs. If the plan meets the plugging and abandonment requirements of UAC R317-7, the Executive Secretary shall incorporate it into the permit as a permit condition. Where the review of the plan submitted in the permit application indicates the plan is inadequate, the Executive Secretary may require the applicant to revise the plan, prescribe conditions meeting the requirements of this paragraph, or deny the permit. For purposes of this paragraph, temporary or intermittent cessation of injection operations is not abandonment. Requirements for implementing the approved plugging and abandonment plan are specified in Part III F of this permit.

16. Plugging and Abandonment Report. (40CFR444.51(p))

Requirements for the submittal of a plugging and abandonment report shall be specified in Part III of this permit.

17. Duty to Establish and Maintain Mechanical Integrity. (40CFR444.51(q))

a) The owner or operator of a Class I or III well permitted under UAC R317-7 shall establish prior to commencing injection or on a schedule determined by the Executive Secretary, and thereafter maintain mechanical integrity as defined in 40CFR146.8.

b) When the Executive Secretary determines that a Class I or III well lacks mechanical integrity pursuant to 40CFR146.8, he shall give written notice of his determination to the owner or operator. Unless the Executive Secretary requires immediate cessation, the owner or operator shall cease injection into the well within 48 hours of receipt of the Executive Secretary's determination. The Executive Secretary may allow plugging of the well pursuant to the requirements of UAC R317-7 or require the permittee to perform such additional construction, operation, monitoring, reporting and corrective action as is necessary to prevent the movement of fluid into or between USDWs caused by the lack of mechanical integrity. The owner or operator may resume injection upon written notification from the Executive Secretary that the owner or operator has demonstrated mechanical integrity pursuant to 40CFR146.8.

c) The Executive Secretary may allow the owner/operator of a well which lacks mechanical integrity pursuant to 40CFR146.8(a)(1) to continue or resume injection, if the owner or
operator has made a satisfactory demonstration that there is no movement of fluid into or between USDWs.

18. **Report on Permit Review**

Within 30 days after receipt of this permit, the permittee shall report to the Executive Secretary that he has read and is personally familiar with all terms and conditions of this permit.

19. **Electronic Reporting**

In addition to submittal of the hard copy data, the permittee shall electronically submit required monitoring data in the electronic format specified by the Executive Secretary. The data may be sent by e-mail, CD, DVD, or other approved transmittal mechanism.

20. **Penalties for Violations of Permit Conditions (UCA 19-5-115)**

Any person who violates a permit requirement is subject to civil penalties, fines, and other enforcement action under the UWQA and may be subject to such actions pursuant to USHWA. Any person who willfully violates permit conditions may be subject to criminal prosecution.
PART III. SPECIFIC PERMIT CONDITIONS

A. DURATION OF PERMIT (R317-7-9.5 and 40CFR144.36)

This UIC Class III Solution Mining permit shall be issued for a period to include that time required to complete the solution mining of the four natural gas storage caverns and the two natural gas liquid storage caverns, to demonstrate mechanical integrity of the injection well / storage cavern system, and to effect the transfer of control from the Utah Division of Water Quality to the Utah Division of Oil, Gas and Mining for regulatory oversight of the operation and maintenance of the natural gas and natural gas liquid storage facility.

The Executive Secretary shall review this permit once every five (5) years to determine whether it should be modified, revoked and re-issued, terminated, or undergo minor modification according to the requirements of 40CFR144.36, 40CFR144.39, 40CFR144.40, and 40CFR144.41.

B. SCHEDULE OF COMPLIANCE (40CFR144.53)

Magnum must address each of the following conditions within the time period indicated for each item. Failure to do so may result in the termination of the permit as allowed by 40CFR144.40.

1. Financial Responsibility

Magnum shall submit evidence of adequate resources acceptable to the Executive Secretary of the UWQB and the Director of the Division of Oil, Gas and Mining to implement the approved plugging and abandonment plan required by Part II D 15 and Part III F of this permit according to Part III G of this permit.

Magnum shall submit the document referenced in this section before drilling of the wells commences.

C. CONSTRUCTION REQUIREMENTS (40CFR146.32 and R317-7-10.1(B))

1. Class III and Natural Gas Storage Construction Standards

Each well and cavern shall be constructed according to the requirements of Class III wells as set forth in R317-7-10.1(B) and 40CFR146.32 and according to those generally held to be construction standards by the underground natural gas storage industry (Natural Gas Storage in Salt Caverns: A Guide for State Regulators, IOGCC, 1998 and Recommended Practice for the Design of Solution-Mined Underground Storage Facilities – API Recommended Practice 1114, API, July 2007). Additionally, the construction requirements in the approved Application for a Permit to Drill (APD) issued by the Utah Division of Oil, Gas and Mining must be met. The approved well construction plan is included in Attachment F.

2. Casing and Cement
The casing and cement used in the construction of each new well shall prevent the migration of fluids into or between USDWs and shall be designed for the life expectancy of the well.

a) Only new casing shall be installed.

b) Deviation control shall be implemented to maintain the verticality of the well to a maximum of 1.5 degrees average inclination from the vertical at the top of the salt, with no more than 2 degrees or less at any depth.

c) Surface and intermediate casing strings shall be used to protect USDWs above the salt structure.

d) A minimum of one cemented casing shall be set across all non-salt formations.

e) Salt saturated cement shall be used across salt formations.

f) Centralizers shall be used on all cemented casing strings.

g) Boreholes shall be conditioned prior to running cement.

3. **Cavern Capacity and Configuration**

This permit authorizes the creation of four caverns with a final open volume of 10,500,000 barrels and a gas storage capacity of 9,800,000 barrels. The maximum diameter of each cavern is limited to 300 feet. The top of each cavern will be no less than 200 feet below the casing shoe of the last cemented casing. Communication between caverns shall not be permitted. Changes of cavern capacity greater than 20% will require a major permit modification. Cavern development shall proceed in such a manner as to maintain the mechanical integrity of the pillar between caverns during cavern development and during gas storage.

The original permit is herein modified to authorize the creation of two additional caverns with a final maximum open volume of 2,110,000 barrels and a product storage capacity of 2,000,000 barrels. The maximum diameter of each cavern is limited to 200 feet. The top of each cavern will be no less than 200 feet below the casing shoe of the last cemented casing. Communication between caverns shall not be permitted. Changes of cavern capacity greater than 20% will require a major permit modification. Cavern development shall proceed in such a manner as to maintain the mechanical integrity of the pillar between caverns during cavern development and during gas storage.

4. **Solution Mining Blanket**

Nitrogen shall be the blanket material used to control development of each cavern. Solution mining under gas (SMUG) is not authorized by this permit.

5. **Logging and Testing**
The following geophysical logs and tests must be performed during construction and after completion of the Class III injection well / cavern system:

a) Cement Bond Log on surface, all intermediate and production casings after WOC of 72 hours unless an appropriate CBL tool is not available for the larger diameter casings in which case an alternative logging program shall be proposed by the permittee.

b) Casing Inspection Log on innermost cemented casing.

c) Mechanical integrity tests according to Part III H of this permit.

d) Inclination and Directional Surveys starting at 500' taken 500' thereafter.

e) Field checking of welded joints according to the standards prescribed in API Standard 1104, ASME Boiler and Pressure Vessel Code, or other applicable standard.

f) Conduct periodic sonar surveys to monitor the growth of the cavern and upon completion of each well / cavern system.

g) Conduct hydrostatic pressure tests of zones over five (5) feet thick showing a porosity of over 30% on geophysical logs of the salt interval conducted during the drilling of the pilot hole.

D. OPERATION REQUIREMENTS (40CFR146.33 and R317-7-10.2(A))

1. Class III and Natural Gas Storage Operation Standards for Construction Phase

Operation requirements for the drilling and solution mining of each well and cavern shall be those for Class III wells as set forth in R317-7-10.2(A) and 40CFR146.33(a) and those generally held to be standards by the underground natural gas storage industry (Natural Gas Storage in Salt Caverns: A Guide for State Regulators, IOGCC, 1998 and Recommended Practice for the Design of Solution-Mined Underground Storage Facilities – API Recommended Practice 1114, API, July 2007). Additionally, the operational requirements for the drilling and solution mining of each well and cavern in the approved Application for a Permit to Drill (APD) issued by the Utah Division of Oil, Gas and Mining must be met. Operation and maintenance requirements for gas storage shall be set by the Utah Division of Oil, Gas and Mining once the well / cavern system has been released from the Class III UIC permit.

2. Maximum Allowable Surface Operating Pressure (MASOP)

The injection pressure at the wellhead shall not exceed a maximum value which shall be calculated to assure that the pressure in the injection zone during injection does not initiate new fractures or propagate existing fractures in the injection zone. In no case shall the injection pressure initiate fractures in the confining zone or cause the movement of injection or formation fluids into an USDW.
Based on the analysis of the formation tests conducted on the MH-1 exploratory well submitted in the permit application, it was determined that lithostatic pressure is a conservative estimate for the minimum principal stress or the fracture closure pressure. Magnum will provide an additional safeguard against fracture opening or initiation by operating below 90% of the lithostatic pressure at any given depth during cavern creation. Additionally, no allowances will be given for pipe friction. The maximum allowable surface operating pressures for the nitrogen blanket, the brine string and the fresh water string are given in the following table:

<table>
<thead>
<tr>
<th>Maximum Allowable Surface Operating Pressures (MASOP)</th>
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<tr>
<td>Casing Seat of Last Cemented Casing (20&quot;) – Depth in Ft below ground surface</td>
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<td>Maximum Allowable Casing Seat Pressure – psi 90% of lithostatic pressure at 1 psi/ft of depth</td>
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ρ_{Lithostatic} = psi per foot of depth of overburden = 1.0
ρ_{FreshWater} = psi per foot of depth of fresh water = 0.433
ρ_{Brine} = psi per foot of depth of saturated brine = 0.5195

The MASOPs in the table are based on the assumption that fresh water, with a hydrostatic pressure of 0.433 psi per foot of depth, will be the solution mining medium and the brine produced will be saturated salt (NaCl) brine. If the specific gravity of the solution medium varies significantly from 1.0, the maximum allowable surface operating pressure will be changed also.

3. **Maximum Allowable Injection Rate**

Under no circumstances shall the injection rate cause the injection pressure to rise above the maximum allowable surface operating pressure.

4. **Borehole – Casing Annulus Injection Prohibited**

Injection between the outermost casing protecting USDW's and the well bore is prohibited.
5. **Minimum Surface Operating Pressure**

The permittee shall maintain a minimum operating pressure during the creation of each cavern that is protective of each cavern's integrity.

E. **MONITORING, RECORDING, AND REPORTING REQUIREMENTS (40CFR144.54, 40CFR146.33, R317-7-10.3(B), and R317-7-10.4(B))**

1. **Class III and Natural Gas Storage Monitoring, Recording, and Reporting Standards for Construction Phase**

Monitoring, recording, and reporting requirements for the drilling and solution mining of each well and cavern shall be those for Class III wells as set forth in R317-7-10.3(B), R317-7-10.4(B) and 40CFR146.33(b and c) and those generally held to be standards by the underground natural gas storage industry (*Natural Gas Storage in Salt Caverns: A Guide for State Regulators*, IOGCC, 1998 and *Recommended Practice for the Design of Solution-Mined Underground Storage Facilities – API Recommended Practice 1114*, API, July 2007). Additionally, the monitoring, recording, and reporting requirements for the drilling and solution mining of each well and cavern in the approved Application for a Permit to Drill (APD) issued by the Utah Division of Oil, Gas and Mining must be met.

2. **Injectate Characterization**

The permittee shall submit a full chemical analysis of the injectate plus temperature and specific gravity at commencement of cavern formation. Thereafter, specific gravity and temperature shall be reported on the monthly wash reports submitted in the quarterly reports. Subsequent full chemical analysis will only be required if the specific gravity indicates a markedly different chemistry.

3. **Monthly Wash Reports**

Monthly solution mining (wash) reports shall be submitted with each quarterly report. They shall include: Specific Gravity, Volume Injected/Extracted, Pressure (mean, maximum, and minimum on injection and extraction lines), Temperature, Average Flow Rate (bbls/day), Cumulative Total (bbls) for both injectate and brine extracted for each day of cavern mining and the Pressure on the Nitrogen Blanket.

4. **Mechanical Integrity Testing**

Mechanical integrity testing shall be conducted according to Part III H of this permit. Due to the complexities of creating storage caverns in salt, the mechanical integrity tests shall be designed and analyzed by personnel knowledgeable with these tests as applied to natural gas storage facilities.

5. **Sonar Surveys**
Sonar surveys shall be conducted at least annually to monitor the cavern development and upon completion of each well / cavern system.

6. Monitoring of Nitrogen-Brine Interface

Periodically, during cavern creation the position of the nitrogen – brine interface should be verified with an interface log or similar method. Due to the complexities of creating storage caverns in salt, this periodic monitoring shall be designed and analyzed by personnel knowledgeable with these tests as applied to natural gas and natural gas liquid storage facilities.

7. Tightness Tests

Hydrostatic pressure tests shall be conducted on zones over five (5) feet thick showing a porosity of over 30% on the geophysical logs of the salt interval conducted during the drilling of the pilot hole. Due to the complexities of creating storage caverns in salt, the tightness tests shall be designed and analyzed by personnel knowledgeable with these tests as applied to natural gas and natural gas liquid storage facilities.

F. PLUGGING AND ABANDONMENT REQUIREMENTS (40CFR146.10 and R317-7-10.5)

1. Requirement for Plugging and Abandonment Plan

The permittee shall develop a plugging and abandonment plan (hereafter, the Plan) for the Class III solution mining wells and caverns as required by Part II D(15) of this permit. The approved Plan will become a permit condition of this permit and be incorporated into the permit as Attachment D.

2. Notice of Plugging and Abandonment

The permittee shall notify the Executive Secretary in writing no later than 45 days before planned conversion or abandonment of the well(s). This notice shall also include:

   a) Well Condition Report

   The permittee shall provide a report on the current condition of the well in order to update, supplement or complete any information found in the Plan. This report shall discuss in detail and evaluate:

      (1) The results of the well's most recent mechanical integrity test,

      (2) The location of any leaks or perforations in the casing,

      (3) The location of any vertical migration of fluids behind the casing, and

      (4) The adequacy of casing cement bonding across the salt formation, as determined from
cement bond logs run at the time of well construction or just prior to well abandonment.

Any supporting data or test results shall be attached to confirm the conclusions of the report.

b) Individual Plugging and Abandonment Plan

The permittee shall also submit an individual plugging and abandonment plan for each well to be plugged and abandoned. In coordination with the Well Condition Report, this plan shall modify and supersede the Plan, as necessary, to ensure adequate plugging and abandonment of the well.

The plugging and abandonment of the well shall be subject to prior Executive Secretary approval of the individual plugging and abandonment plan. The Executive Secretary reserves the right to grant conditional approval of any individual plugging and abandonment plan to ensure adequate plugging of a well.

3. Emergency Well Conversion or Plugging and Abandonment

Emergency conversion or abandonment of wells is allowed by this permit, conditional upon the following requirements:

a) The permittee will seek oral approval from the Executive Secretary for emergency well conversion or abandonment no less than 24 hours prior to the emergency action.

b) The permittee will subsequently submit a written request for Executive Secretary approval of emergency well conversion or abandonment, with appropriate justification, within five (5) working days after receiving oral approval.

c) The Executive Secretary reserves the right to modify any oral approval for emergency action, subsequent to review of the written request.

d) Oral or written approval from the Executive Secretary for emergency well conversion or abandonment will not waive or absolve the permittee from its responsibility to comply with the conditions of this permit, including requirements of the Plan.

4. Plugging and Abandonment

The permittee shall plug and abandon the well(s) consistent with 40 CFR 146.10, as provided for in the Plan, and any conditions issued by the Executive Secretary in approval of the individual plugging and abandonment plans required by Part III F(2) of this permit.

5. Plugging and Abandonment (“As-Plugged”) Report

Within 60 days after permanently or temporarily plugging and abandoning a well, the permittee shall submit a Plugging and Abandonment Report to the Executive Secretary. The report shall be certified as accurate by the person who performed the plugging operation, and shall consist of either:
a) A statement that the well was plugged in accordance with the plan(s) previously submitted to, and all conditions of approval provided by, the Executive Secretary; or

b) If the actual plugging differed from the approved plan(s), a statement and diagrams defining the actual plugging and why the Executive Secretary should approve such deviation. Any deviation from the previously approved individual plugging and abandonment plans required by Part III F (1) of this permit which may endanger waters of the State of Utah, including USDWs, is cause for the Executive Secretary to require the operator to re-plug the well.

6. Inactive or Temporarily Plugged Wells

a) Inactive Wells

After cessation of operation of a well(s) for two years the permittee shall plug and abandon the well(s), unless the permittee requests and receives a variance from this requirement from the Executive Secretary prior to the end of the two year cessation period, based on:

1) A demonstration that the well will be used in the future; and

2) A satisfactory description of actions or procedures that the permittee will take to ensure that the well will not endanger an USDW during the period of temporary abandonment. These actions and procedures shall include compliance with technical requirements applicable to active injection wells unless waived by the Executive Secretary.

b) Temporary Plugging of a Well

Temporary plugging of a well shall consist of:

(1) Submittal of a notice of well conversion.

(2) Submittal of a well condition report and an individual plugging plan, for Executive Secretary approval.

(3) Emplacement of a bridge plug below the lowermost leak in the casing, if any, or at a depth required by the Plan, or at a depth as directed by the Executive Secretary.

4) Emplacement of at least 10 feet of salt saturated Class B cement immediately above the bridge plug. This cement and its emplacement shall meet requirements of the Plan and 40 CFR 146.10.

5) Submittal of an "As-Plugged" Report as required by Part III F (5) this permit.

c) Temporarily plugged or inactive wells may be reactivated at the discretion of the permittee after:
(1) Submitting a written notification of intent to reactivate to the Executive Secretary, and

(2) Demonstration of mechanical integrity to the Executive Secretary, as required in Part III H of this permit, and

(3) Receipt of Executive Secretary written approval of mechanical integrity demonstration and approval to reactivate the well.

G. **FINANCIAL RESPONSIBILITY (40CFR144.52 and R317-7-9.1(24))**

1. **Demonstration of Financial Responsibility**

The permittee is required to maintain financial responsibility and resources to close, plug, and abandon all wells / caverns. Satisfaction of this requirement is demonstrated by submission of Certificates of Deposit or other evidence of financial responsibility acceptable to the Executive Secretary of the UWQB and the Director of the Division of Oil, Gas and Mining to implement the approved plugging and abandonment plan (Attachment D) required by Part II D 15 and Part III F of this permit. Evidence of adequate financial assurance is included in Attachment E of this permit.

2. **Renewal of Financial Responsibility**

Every five (5) years, the permittee shall demonstrate the adequacy of the financial assurance instrument to close, plug and abandon all wells not permanently plugged and abandoned by the permittee in compliance with Part III F of this permit.

3. **Alternate Financial Responsibility**

The permittee must submit an alternate demonstration of financial responsibility acceptable to the Executive Secretary within 60 days after any of the following events occurs:

a) The institution issuing the financial assurance instrument files for bankruptcy; or

b) The authority of the institution issuing the financial assurance instrument is suspended or revoked; or

c) In the case a Certificate of Deposit (CD) is used to demonstrate financial responsibility, the CD is determined to be insufficient to cover well closure, plugging and abandonment; or

d) In the case a Certificate of Deposit (CD) is used to demonstrate financial responsibility, the CD is suspended or revoked.

H. **MECHANICAL INTEGRITY (R317-7-10.3(B) and 40CFR146.8)**
1. **Class III and Natural Gas Storage Mechanical Integrity Standards for Construction Phase**

Mechanical integrity testing requirements for each well and cavern prior to gas storage shall be those for Class III wells as set forth in R317-7-10.3(B) and 40CFR146.8 and those generally held to be standards by the underground natural gas storage industry (*Natural Gas Storage in Salt Caverns: A Guide for State Regulators*, IOGCC, 1998 and *Recommended Practice for the Design of Solution-Mined Underground Storage Facilities – API Recommended Practice 1114*, API, July 2007). Additionally, the mechanical integrity requirements for each well and cavern prior to gas storage in the approved Application for a Permit to Drill (APD) issued by the Utah Division of Oil, Gas and Mining must be met.

All injection wells shall have and maintain mechanical integrity (MI) consistent with the requirements of 40 CFR 146.8. An injection well has MI if there is:

a) No significant leak in casing, tubing, or packer, and

b) No significant fluid movement into an USDW through vertical channels adjacent to the injection well bore.

2. **Mechanical Integrity Testing (MIT) Methods**

The following testing methods shall be employed to demonstrate MI of the well / cavern system:

a) Hydraulic pressure test of the 20" production casing before drilling out the plug (shoe) and after WOC of 72 hours. The test pressure shall be 125% of the anticipated working pressure during gas storage. The test shall last 30 minutes.

b) Hydraulic test of casing seat and cement of 20" production casing after 10 feet of salt is drilled out below casing shoe. The surface test pressure shall be 90% of the lithostatic pressure as calculated at the casing seat minus the hydrostatic pressure of the test fluid. The test shall last 60 minutes.

c) Nitrogen-Brine interface test of the 20" casing and the cavern.

3. **Mechanical Integrity Demonstration Plan**

The permittee shall prepare a detailed plan to demonstrate MI. Once the plan is approved by the Executive Secretary, it will become a permit condition of this permit and be incorporated as Attachment G. In preparing a plan, which includes MI tests or demonstration methods allowed by the Executive Secretary, the permittee shall apply methods and standards generally accepted in the industry for conducting and evaluating the tests (40CFR146.8(e)).

4. **Mechanical Integrity Demonstration Frequency**

The permittee shall demonstrate MI for each injection well / cavern according to Part III H 2 above:
a) Before the solution mining of each cavern;

b) Once every 5 years after the initial demonstration, unless the well / cavern system has been placed into service, within 5 years, as a natural gas storage facility and regulatory oversight authority has been transferred to the Utah Division of Oil, Gas and Mining.

c) After the solution mining of the cavern has been completed and before the well / cavern system has been released from regulatory oversight authority under this permit and transferred to the Utah Division of Oil, Gas and Mining.

d) Following any repair or workover of a well involving the cemented casings, prior to placing it back into operation.

5. **Prohibition Without Demonstration**

The permittee shall not commence injection operation of any new well without:

a) Prior demonstration of MI, and

b) Receipt of Executive Secretary written approval of the MI demonstration.

6. **Loss of Mechanical Integrity**

If the permittee or the Executive Secretary determines that a well fails to demonstrate MI the permittee shall:

a) Cease operation of the well immediately, and

b) Take steps to prevent losses of brine into USDWs, and

c) In the event of a mechanical integrity failure which may potentially endanger an USDW, report to the Executive Secretary verbally within 24 hours followed by submission of a written report within 5 days.

d) Within 15 days after loss of MI, submit to the Executive Secretary a schedule indicating what will be done to restore MI to the well, or if it will be plugged.

e) Within 90 days after loss of MI, restore MI or plug and abandon the well in accordance with a plugging and abandonment plan approved by the Executive Secretary.

The permittee may resume operation of the well after demonstration of MI and receiving written approval from the Executive Secretary.

7. **Mechanical Integrity Demonstration Requests**

With just cause, the Executive Secretary may at any time require, by written notice, the permittee to
demonstrate MI of a well.

8. Mechanical Integrity Demonstration Inspections

The permittee shall allow the Executive Secretary, or his representative, to observe any or all MI demonstrations. The permittee shall notify the Executive Secretary, in writing, of its intent to demonstrate MI, no less than 30 days prior to the intended demonstration.

9. Mechanical Integrity Demonstration Reporting

The permittee shall submit the results of any MI demonstration within 60 days after completion of the test. The permittee shall include in the report, a detailed description of the tests and the methods used to demonstrate MI. In the case of MI failure, the permittee shall also describe in detail what and when steps were taken to reestablish MI.

I. ADDITIONAL CONDITIONS (40CFR144.52)

There are no additional conditions placed on this permit.
Attachment A

Magnum Solutions, LLC

Millard County, Utah

Magnum Gas Storage Project

General Location Map
Attachment B

Magnum Solutions, LLC

Millard County, Utah

Magnum Gas Storage Project

Map of UIC Wells,
UIC Project Area,
UIC Area of Review,
and Property Boundary
Attachment C

Magnum Solutions, LLC

Millard County, Utah

Magnum Gas Storage Project

Technical Report
Technical details for the 16" wells for the natural gas liquid storage caverns are presented in the major permit modification application beginning on page 140 of this attachment.

TECHNICAL REPORT
CLASS III INJECTION WELLS
FOR
MAGNUM SOLUTIONS PROJECT
DELTA, UTAH
May 21, 2010

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INTRODUCTION

The Magnum Solutions (Magnum) facility site is located along the south side of Brush-Wellman Road and west of Jones Road approximately 9 miles north of Delta, Utah. Map 1 has been inserted to show the general project location within the State of Utah. As a general note, all attachments to this document are also being provided electronically. The electronic files include Arcview shape files used in the preparation of water right mapping and pdf files of submitted data and reports.

Part A – Determination of Area of Review (AOR)

Per Utah regulation, a fixed radius Area of Review (AOR) of 2 miles around the proposed injection well field area (Project Area) has been used for this application. As noted on Map A-1.1 there are four injection/cavern wells proposed within this application. However, as can be seen from the map, the Project Area encompasses an area larger than that identified by the four individual wells. The Project Area has been defined herein as that area wherein it is projected that injection/cavern wells could be constructed within the salt structure. The area as defined is bounded on the west by the surface projection of a main north-south trending fault identified at a depth of 3,000 feet during seismic testing and the drilling of exploratory well MH-1, on the south and east by the downward dip of the salt structure at 3,000 feet, and on the north by buffer zones between existing and potential future power lines and the Project Area (see Map A-1.1).

Based on seismic logging, conditions west and east of the main north-south trending fault vary. West of the fault, sedimentary layers appear to be more broken up and less uniform whereas zones east of the fault show significant uniformity throughout the investigated areas.

The south boundary was identified as the reasonable overlying depth to which storage caverns could be created. Although the salt structure extends farther to the south, this 3,000 foot depth boundary was chosen for this permit to limit the depth to storage caverns.

The northern boundary was fixed based on a desired offset from existing and future high voltage power lines paralleling Brush-Wellman Road.

The proposed Project Area and surrounding 2 mile AOR are shown on Map A-1.1. Note on mapping included herein that two basic project or facility areas may be shown on attached maps. The first area referred to as the "Project Area" includes the injection or cavern creation area, and is the area specific to this permit application. The second area referred to as the "Facility Area" (defined by the facility property boundary) is that area wherein surface support facilities required for the gas storage project will be located. Related surface facilities may include office buildings, maintenance and storage facilities, pumping stations, pipelines, evaporation ponds, power generation facilities, electrical substations and other related facilities.

Descriptions of the Project Area and Facility Property Boundary are as follows. The two mile radius surrounding the Project area was determined using the ArcView computer graphics program.

Project Area: Beginning at a point N 03' 52" 52" W, 1088.69 feet from the N.W. Corner of Section 26, T. 15 S., R. 7 W. SLB&M; thence S 00' 34' 02" W, 89.86
feet; thence S 22' 12' 15" E, 431.59 feet; thence S 01' 28' 13" W, 815.25 feet to the beginning of a curve to the left having a radius of 4235.14 feet, thence along said curve a distance of 1714.42 feet, through a central angle of 23.19' with a chord bearing and distance of S 23' 22' 25" E, 1702.74 feet; to the beginning of a curve to the left having a radius of 14369.02 feet, thence along said curve a distance of 3938.26 feet, through a central angle of 15.70' with a chord bearing and distance of N 64' 15' 59" E, 3925.94 feet; thence N 67' 27" 17" W, 2974.65 feet; thence N 89' 12' 14" W, 1606.22 feet more or less to Point of Beginning. Said described parcel contains 7,369,561.83 square feet (169.18 acres), more or less.

Facility Property Boundary: Beginning at a point N 12' 58' 15" W, 1971.44 feet from the N.W. Corner of Section 26, T. 15 S., R. 7 W. SLB&M; thence S 1' 43' 16" W, 5702.42 feet; thence S 88' 37' 49" E, 523.27 feet; thence S 01' 22' 11" W, 1451.15 feet; thence S 88' 43' 26" E, 16399.18 feet; thence N 00' 54' 18" E, 3403.50 feet; thence N 74' 05' 21" W, 3673.29 feet; thence N 72' 00' 07" W, 2341.60 feet; thence N 72' 00' 06" W, 98.76 feet; thence N 70' 25' 40" W, 779.24 feet; thence S 79' 09' 01" W, 1529.60 feet; thence N 70' 55' 01" W, 7233.33 feet; thence N 89' 10' 00" W, 1840.10 feet more or less to Point of Beginning. Said described parcel contains 90,562,610.70 square feet (2,079.02 acres), more or less.

**Part B - Permit Application Maps**

1. **Map of Facility and Project Area**

Map B-1.1 shows USGS 7 ½ minute topography extending a minimum of one mile beyond the Project Area. Per State requirements we have determined that:

1) No existing injection wells or Project Areas are known within 1 mile of the proposed Project Area.
2) No existing facilities, intake structures, or discharge structures are known to exist within 1 mile of the proposed Project Area.
3) No hazardous waste treatment, storage, or disposal facilities are known to exist within 1 mile of the proposed Project Area.
4) No wells where fluids are injected underground are known to exist within 1 mile of the proposed Project Area.
5) A review and summary of Irrigation, industrial or drinking water wells, springs, and other surface water bodies within 1 mile of the Project Area has been completed and added to Map B-1.1. A breakdown of water sources referenced on the map based on the State of Utah Division of Water Rights database is provided in Table B-2.1.
6) No springs have been identified within 1 mile of the proposed Project Area.

2. **Map of Area of Review (AOR)**

A review and summary of Irrigation, industrial or drinking water wells, springs, and other surface water bodies within 2 miles of the Project Area (Area of Review) has been completed. A breakdown of water sources based on water right use type (as provided by the State of Utah Division of Water Rights database) is provided in Table B-2.1. Each of the water sources are also shown graphically on Maps B-2.1 thru B-2.6 as follows:
Maps B-2.1 thru B-2.6 and Table B-2.1 show related information as required for wells (including depth, diameter and perforation zones when available) and surface water sources for the project and applicable area:

(i) A search using the State of Utah water rights database was made for abandoned wells located within a 13,200 foot radius (2 1/2 miles) around the approximate center of the project site, defined as North 0 feet, East 1320 feet, from the NW cor, Sec 26, T15S, R7W, SLB&SM. There are no known existing dry or abandoned wells identified within the defined AOR per the database.

A check of abandoned wells was also completed through the Utah Division of Oil, Gas & Mining website. The only well identified on the database within the AOR is a well referred to as the Argonaut exploratory oil and gas well shown on Figures B-3.1 and B-5.1. As discussed in coordination meetings with the Division of Environmental Quality, although the data has been reviewed, an additional evaluation of data from the Argonaut well has not been completed by Magnum and therefore an full disclosure of available materials for the well is not included within this document. A well schematic and limited construction reports are provided in Part C of this technical report. A complete copy of available information can be obtained directly through the Utah Division of Oil, Gas & Mining database, or will be provided by Magnum on request.

(ii) Producing wells within the AOR are shown on Maps B-2.1 thru B-2.6. In general, the shallow unconfined water table aquifer (discussed more in Part B3) is found at depths between 0 and 200 feet and is used little due to generally poor water quality conditions. Wells drilled at depths between 200-800 feet are generally used for private, culinary, and irrigation purposes; while wells drilled between 800-1,400 feet are generally used for industrial and or municipal purposes.

(iii) No existing injection wells have been located or are known to exist within the AOR.

(iv) IPP has a non-transient non-community system that includes four well sources associated that is located within the 2-mile area of review as shown on Map B-1.1. Although technically not located within the AOR, the Delta Egg Farm also has a non-transient non-community well just outside the AOR as also shown. The drinking water source protection zones for each of these sources are also identified. The DWSP zones for four IPP wells are located within the eastern portions of the AOR. The DWSP zone for the Delta Egg Farm is projected to extend into the AOR west of the facility.
(v) No springs, mines (surface or subsurface), quarries or other pertinent surface features, including residences are known to exist within the AOR. During review however DEQ identified three springs for which information was requested based on the high-resolution National Hydrography Dataset (NHD). As it turns out, two of the three springs identified are actually old stock and/or irrigation wells that appear to have gone un-used for several years. Each is discussed below.

**Un-used Well 1.** This well is located approximately 1 mile south of the Project Area is associated with irrigation water right 68-317 as shown on Map B-2.7. A visit to the site in the fall of 2009 verified that the well is equipped with a motor and drive shaft that appears to have been used to fill the adjacent pond. There was no evidence that the well had been used in some time and is not currently used. While on site the owner of the well drove up and verified the visual observations made. Many of the local wells penetrate the shallow or deep artesian aquifers, which if not tightly sealed, may result in the uncontrolled discharge of water which in turn may be interpreted as a spring. This condition was personal observed in another local well in the winter of 2009.

**Un-used Well 2.** This un-used well is located just outside the AOR to the south and west of the Project Area, and is associated with irrigation and stock watering right 68-2838 as shown on Map B-2.7. A review of the state water right database shows that the source is associated with a well and used for irrigation and stock watering. Areal photography shows that the well is likely used in conjunction with the adjacent pond, and has gone unused for some time based on the lack of water or adjacent irrigated acreage present. Many of the local wells penetrate the shallow or deep artesian aquifers, which if not tightly sealed, may result in the uncontrolled discharge of water which in turn may be interpreted as a spring. This condition was personal observed in another local well in the winter of 2009.

**Spring 1.** Spring 1 shown on Map B-2.7 is located to the southeast of the project site and is outside the AOR east of Jones Road. The spring however is a small spring associated with water right 68-71 that is used for stockwatering. The water right shows a flow of 0.006 cfs (2.7 gpm). This information is consistent with grazing use observed during 2009 in the vicinity of the spring, and as verified by the individual mentioned in the discussion related to Abandoned Well 1. Although flow data is not available, areal photography would tend to show that the spring is relatively small since the discharge terminates a relatively short distance of approximately 300 – 400 feet downstream.

(vi) Only limited surface water bodies as shown on Map B-2.7 are known to exist within the AOR. From areal photography there appears to be one small surface impoundment containing water approximately 1.8 miles west of the project site. The pond is believed to be used in conjunction with the Delta Egg Farm operation. Other surface impoundments are located sparsely within the area, but they are either very small or don’t appear to be currently used. One pond / wetland area also shows up east of Jones Road approximately 1¾ to 1½ miles southeast of the project site. In addition, several surface impoundments have been constructed as part of the Intermountain Power Project’s electric generation facilities north of Brush-Wellman Road north and north-east of the project site. These features including residences and roads are shown on the areal photograph incorporated into Map B-2.7.
(vii) Surface and subsurface faults known or suspected to exist are shown hereafter on Figure B-3.1. Faults identified at depth during the drilling of Magnum Exploratory Hole #1 (MH-1) and or from seismic surveys are also shown on Drawing B-4.1 which shows the Local Geology / Structure at a projected depth of 3,000 feet as prepared by Rodger C. Fry.

3. Maps and Cross Sections of USDWs

Terminology related to ground water aquifers are defined based on historic reporting as well as added information gleaned by Magnum during this project. Basic aquifer terms referenced within this report are defined as follows.

<table>
<thead>
<tr>
<th>Depth</th>
<th>Definition</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 150</td>
<td>Unconfined Water Table Aquifer</td>
<td>The water table aquifer is unconfined and generally not used within the area due to high TDS poor quality conditions.</td>
</tr>
<tr>
<td>150 to 700</td>
<td>Shallow Artesian Aquifer</td>
<td>Confining zones vary in thickness and location and can comprise several hundred feet of the identified depths.</td>
</tr>
<tr>
<td>700 to 1,400</td>
<td>Deep Artesian Aquifer</td>
<td>Confining zones vary in thickness and location and can comprise several hundred feet of the identified depths.</td>
</tr>
<tr>
<td>&gt; 1,400 to 3,000</td>
<td>Basement Aquifer</td>
<td>This aquifer extends to bedrock or the salt structure and is comprised of several small inter-bedded sand and gravel units within significant silt and clay zones.</td>
</tr>
<tr>
<td>&gt; 3,000</td>
<td>Salt Structure (also referred to previously as the Salt Diepr or Salt Formation)</td>
<td>The salt structure and overlying transition zone located beneath the project site was found to begin at about 3,000 feet. The top depth to the Salt structure generally deepens to the south, east and west.</td>
</tr>
</tbody>
</table>

This section contains regional information as provided by Mr. Bill Loughlin, a geologic sub-consultant to Magnum, which was evaluated prior to the drilling of Exploratory Well MH-1. Mr. Loughlin's evaluation which has been incorporated directly into this technical report provides regional information including 1) the cross section and vertical limits of underground sources of drinking water (USDWs) within the AOR, 2) the location of USDW's relative to the salt formation in which the proposed injection wells will be located, 3) the direction of water movement within aquifers which have historically been defined as the shallow unconfined water table, the shallow artesian and the deep artesian aquifer.

Information related to specific geology at the project site based on seismic and other information gleaned from the drilling of Exploratory Well MH-1 as documented by Magnum and Mr. Rodger Fry are provided within Section 4. The information provided within Section 4 followed the effort completed by Mr. Loughlin and focuses on the specific Project Area following a review of on-site seismic and exploratory well data.

3.1 General Description of Area

The Magnum facility is located in Millard County, in west central Utah, about 9 miles north of the town of Delta, Utah. A topographic map of the area is presented in Section B-1. The area drains generally toward the west and southwest to the Sevier River, which lies to south of the Magnum Permit Area. Irrigated agricultural lands lie to the southwest of the Project Area while lands to the northeast are generally barren flats and sand dunes. The Intermountain Power Project (IPP) plant site is located northeast of the Permit Area.
3.2 USDW Map and Cross Sections

Figure B-3.1 presents a surface geologic map of the region. The geologic descriptions are shown in Part B-3.4 below. The entire Area of Review (AOR) is underlain by basin-fill sediments wherein Underground Sources of Drinking Water (USDW) are commonly found. B-3.1 also shows potentiometric contours and direction of groundwater flow in the shallow artesian aquifer and the deep artesian aquifer. Groundwater flow direction is perpendicular to the potentiometric contours and is shown on the figure for the shallow artesian aquifer and the deep artesian aquifer. The flow direction in shallow unconfined water table aquifer is similar to the topographic slope direction and has been estimated on Figure B-3.1.

It should be noted at this time that historic well development within general area has been limited to depths above 1,400 feet. Historic reports have therefore relied upon data available from existing wells from which extrapolations have been made regarding potential conditions at depth. The shallow and deep artesian aquifers referenced therefore within this section of the technical report have been considered to be generally representative of these historically developed aquifer zones above 1,400 feet.

A deeper artesian zone located at depths between 1,400 and 2,700 feet has recently been identified based on data retrieved from seismic investigations and drilling of Exploratory Well MH-1 and is hereafter referred to as the “basement aquifer”. This basement aquifer is separated from the aquifers above 1,400 feet by extensive layers of silt and clay, the first of which was found in Exploratory Well MH-1 to exist between 1,405 and 1,850 feet in depth. For reference in an effort to maintain consistency with historic reporting, any reference to the “deep” artesian aquifer within this Section B-3 will therefore assume to terminate at a maximum depth of 1,400 feet. The “Basement Aquifer” identified below 1,400 feet is discussed later in Part B-4. Regional groundwater occurrence and flow within the historic aquifers above 1,400 feet are described further in this section.

Figure B-3.2 presents geologic cross sections showing an alluvial valley fill zone consisting of Pliocene-Miocene basin deposits of sand, silt, clay, and gravel. It is within these zones wherein USDW’s would be located. Although data is not yet available, groundwater below depths of about 3,000 feet within the AOR are believed to have total dissolved solids concentrations greater than 10,000 milligrams per liter (mg/L) due to the presence of the salt structure and the presence of anhydrite and gypsum in deep basin-fill sediments. Information related to specific geology at Exploratory Well MH-1 (located in the NE4 of the NE4 of Section 27, Township S, Range W, SLBM) upon which this conclusion is based is provided within Section B-4.

3.3 Publications

A number of publications (referenced at the end of this technical report) describe the geology and groundwater hydrology of the Sevier Desert area, although most of the groundwater publications are more than 20 years old. The report by Holmes (1984) summarizes previous studies, basic data, aquifer characteristics and modeling of the regional groundwater system. Groundwater conditions are summarized in the annual report series Ground-Water Conditions in Utah. Information learned and gleaned from these and other reports referenced at the end of this technical report have been incorporated into the technical conclusions reported herein.
3.4 Regional Geology

The mountains that surround the basin of the Sevier Desert are composed of a variety of consolidated sedimentary, metamorphic, and igneous rock. The basin is underlain by deposits primarily of semi-consolidated and unconsolidated sediments of Tertiary and Quaternary age. The basin-fill includes sand, silt, clay and gravel deposited as alluvial fans, stream alluvium, mudflows, lacustrine (lake) sediments and deltas. The basin fill also contains scattered basalt flows and tuffs of late Tertiary and Quaternary age. Tertiary and Quaternary basin-fill deposits are over 7,000 feet thick. Oligocene and Miocene basin-fill sediments contained evaporite deposits. Through time, evaporites in the Permit Area vicinity flowed to form a salt dome or diapir (hereafter described as salt structure). Evaporite deposits were reported in the Argonaut Energy No. 1 Well (Well ID "N" on Table B-3.1 and Figure B-3.1) from a depth of 2,550 to 7,734 feet. Evaporite deposits were encountered in the Magnum Mi-1 Well below a depth of about 3,140 feet.

Figure B-3.1 presents a surface geologic map of the region. Figure B-3.2 presents east-west and north-south geologic cross sections referenced in Figure B-3.1. Symbols and geologic descriptions of geologic units shown on the map and cross sections are summarized below:

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q</td>
<td>Quaternary surficial deposit (undivided); on cross sections only.</td>
</tr>
<tr>
<td>Qal₂</td>
<td>Alluvium, middle and lower Holocene -- Tan and gray silt and sandy silt in large low-gradient alluvial fans.</td>
</tr>
<tr>
<td>Qes</td>
<td>Eolian sand -- Wind-blown sand; mostly silty fine-grained quartz sand.</td>
</tr>
<tr>
<td>Qed</td>
<td>Eolian dunes -- Chiefly barchan, parabolic, dome and transverse sand dunes that are active and not stabilized by vegetation; mostly tan, well-sorted, fine-grained quartz sand.</td>
</tr>
<tr>
<td>Qpm</td>
<td>Playa mud -- Laminated, silty fine sand, silt, and clayey silt infused with various salts, gypsum, and calcium carbonate.</td>
</tr>
<tr>
<td>Qdf</td>
<td>Underflow fan deposit -- Thin-bedded to laminated, calcareous silt with minor interbedded very fine sand in thin beds that were deposited into the Lake Bonneville deltas of the Sevier River.</td>
</tr>
<tr>
<td>Qlf</td>
<td>Fine-grained lake deposits -- Grayish-tan, tan and light gray, calcareous silts that are deep-water sediments of Lake Bonneville.</td>
</tr>
<tr>
<td>QTlf</td>
<td>Fine-grained lacustrine deposits of Sevier Desert -- Brown and light olive gray, calcareous, lacustrine silt and silty clay with minor sand; off shore to deep-water sediments. Pliocene to middle Pleistocene in age.</td>
</tr>
<tr>
<td>Tvs</td>
<td>Tertiary volcanic and sedimentary units, undivided -- on cross section only.</td>
</tr>
<tr>
<td>Tbf</td>
<td>Tertiary basin-fill, undivided -- Alluvium, mudflow and lacustrine deposits of sand, silt, clay and gravel -- on cross section only.</td>
</tr>
<tr>
<td>Ts</td>
<td>&quot;Salt&quot; structure, Miocene and upper Oligocene -- Halite, anhydrite, gypsum and minor detrital sand and clay -- on cross-section only.</td>
</tr>
</tbody>
</table>
3.5 Groundwater Occurrence

The principal regional groundwater system is the unconsolidated basin-fill deposits that formed from erosion of the surrounding mountains and laid down by streams, lakes, and mudflows. These regional deposits consist of interbedded and lenticular deposits of clay, silt, sand, gravel and boulders. The regional depositional processes created alternating and interfingered layers and lenses with regional horizontal and vertical heterogeneity. The degree of sorting and grain size, major factors in influencing permeability and storage, vary with the process of deposition and general location in the valleys. Sediments are generally coarser near the mountain front and grade finer towards the valley centers. Stream channel deposits are coarser and better sorted than alluvial fan and mudflow deposits that generally occur at the base of steep drainages. Vast lakes that occupied the valleys many thousands of years ago deposited interbedded clay and fine-grained sands. Rivers flowing into these lakes formed coarse-grained delta deposits near the ancient lake shore, such as near the mouth of Leamington Canyon.

Mower and Feltis (1968) and Holmes (1984) divided the groundwater reservoir into a water table aquifer, a shallow artesian aquifer and a deep artesian aquifer, with low permeability layers (confining beds) between the aquifers. In reality, there are no historically reported simple, clear-cut boundaries identified between the aquifers or confining beds within the developed ground water aquifers located at depths above 1,400 feet. More recent seismic testing by Magnum however has shown that there is some consistency and apparent uniformity within the area local to the proposed project as evidenced by recently completed seismic and well data specific to the Magnum project. More about this is presented in Section B-4.

Table B-3.1 summarizes information for wells deeper than 500 feet, and a few other wells, that are located in the AOR and vicinity. The maximum water well depth (other than MH-1) is 1,334 feet. Well locations are shown on Figure B-3.1. Figure B-3.3 (Water Well Log Diagram) illustrates reported lithologies, static water levels and perforation zones in the water wells. The figure also shows Mr. Loughlin's interpretation of the extent of the shallow and deep artesian aquifers. It is Important to note in Figure B-3.3 that as historically defined, the unconfined water table aquifer is located above the shallow artesian aquifer and is generally confined to the upper 50 to 150 feet, the shallow artesian aquifer to depths of about 150 to 700, and the deep artesian aquifer between about 700 to 1,400 (the bottom of historically drilled wells). Part B-4 will discuss and present data showing what is believed to be a previously undefined deeper confined aquifer (defined herein as the basement aquifer) located at depths greater than 1,400 feet.

A shallow unconfined water table aquifer within about 50 feet of the land surface occurs in the central part of the valley. The water table is fed by slow upward movement of water from the shallow artesian aquifer, and infiltration of irrigation and surface water; discharge occurs by evapotranspiration. The shallow unconfined water table aquifer is little utilized because of high salinity and poor quality.

3.6 Recharge, Discharge and Groundwater Flow Direction

Recharge to the principal groundwater aquifer system (basin-fill deposits) in the Sevier Desert occurs by stream infiltration along mountain fronts, subsurface inflow from consolidated rocks of mountain areas, subsurface inflow from adjoining basins, precipitation on basalt outcrops, and seepage from rivers, canals, reservoirs and unconsumed irrigation.
Most of the recharge is to the unconfined water table aquifer near the mountain front, from which it flows into the artesian aquifers.

Groundwater generally flows from recharge areas near the mountains on the northeast and east of the Sevier Desert toward discharge areas in the central and western parts of the area. Groundwater flow direction is perpendicular to the potentiometric contours and is shown on Figure B-3.1 for the shallow artesian aquifer and the deep artesian aquifer. As indicated earlier, no data is available to verify flow direction in the shallow unconfined water table aquifer. As a general rule however, unconfined flows typically move in a direction perpendicular to the topographic contour, or in the same direction as the ground surface slope.

Groundwater discharge occurs by evapotranspiration, subsurface outflow to adjoining basins, discharge to springs (largely to Clear Lake Springs, located about 20 miles south of Delta City), and to wells. Snyder (1998) identifies a large groundwater discharge area due to evapotranspiration generally to the west and south of the Permit Area.

3.7 Regional Water Quality

Total dissolved solids (TDS) concentrations in the deep artesian aquifer from two of the wells listed in Table B-3.1 were low, reported to be 281 and 300 milligrams per liter (mg/L) (Well ID “D” and “P”, respectively, in Table B-3.1). TDS concentrations are generally higher in the shallow artesian aquifer, and can be very high in the water table aquifer near the ground surface where salts are concentrated by evapotranspiration.

Water quality information related to Magnum well MH-1 is included within Attachment C-1.2.

4. Maps and Cross Sections of Local Geologic Structure and Lithology

Maps and cross sections detailing the geologic structure and lithology of the regional area are provided in Part B-3. This section provides more detailed and localized information and interpretation of the geology at the Project Area based on Magnum site investigations, data retrieved from Exploratory Well MH-1, and interpretations by the geologist involved with the drilling operation, Mr. Rodger Fry.

4.1 Stratigraphy and Groundwater of the Lake Bonneville Sediments near the Magnum Holdings #1 Well

Millard County, Utah is located in the Basin and Range geographical Province. This province is marked by north-south trending fault block mountain ranges that have been uplifted and bounded by valleys that have dropped relative to the mountains. The valleys contain very thick accumulations of sediments that were deposited in Lake Bonneville during the last ice age.

During the time Lake Bonneville was present (30,000 to 10,000 years before present) the valleys were slowly sinking, allowing very thick deposits of lake sediments to accumulate. In the Millard County area, the Lake Bonneville sediments in the valleys are up to 10,000 feet thick. During earlier periods of lower precipitation layers of evaporate sediments (salts) were deposited that were subsequently covered by the thousands of feet of alternating clays, sands and occasional gravels now found on the valley floors throughout Millard County. Under these conditions, the weight of the overlying sediments caused the salt to
flow and become mobile. This occurred in the area near Sugarville, Utah (9 miles north of Delta, Utah) resulting in a 5,000 foot thick salt structure that was initially discovered in the Argonaut #1 well drilled in 1978 just southwest of the Intermountain Power Project (IPP) plant.

Additional information related specifically to Magnum efforts is provided in Attachment 4.1.

5. Maps and Cross Sections of Regional Geologic and Hydrologic Setting

Figure B-5.1 presents a surface geologic map of the region. Regional geologic cross sections at the locations shown on Figure B-5.1 are provided on Figure B-3.2. The regional hydro-geology conditions of the regional and local areas are discussed in Sections B-3 and B-4 respectively.

Part C – Tabulation of Artificial Penetration Data

Only two wells have been identified within the AOR that penetrate the proposed injection zone. The first is referred to as the Argonaut well (API # 43-027-30012), an exploratory oil and gas well, which was drilled in 1978 to a depth of 11,266 feet. The open hole was drilled using a 7 7/8" bit to a depth of 4,237 feet and a 6 1/8" bit to a depth of 11,266 feet as reported by the logger. The well location is shown on Figures B-3.1, B-3.2, and B-5.1. Data including miscellaneous filings, operation reports, well completion reports, correspondence, and Seismic, Resistivity, and Density logs and abandonment information are available for this well through the Utah Division of Oil, Gas & Mining. Copies however of the US Geological Survey "Monthly Reports" and "Sundry Notices and Reports on Wells" are included within Attachment C-1.1. Attachment C-1.1 includes information related to the well casing construction and abandonment including casing and cementing details. Also included within the attachment is an "as-built" well schematic of the Argonaut well as interpreted from the data contained in the attachment. Since no specific geologic description, interpretation or write-up has been located or identified for the Argonaut well, and following a discussion with Utah DEQ, data including geophysical logs and miscellaneous auxiliary letters and documents pertaining to the well are not included herein. Magnum will however provide the geophysical data available through DOGM should it be desired at a later date.

The second well penetrating the proposed injection zone was recently drilled by Magnum and is referred to herein as Well MH-1. This well was drilled during the winter of 2008-2009 to a total depth of 6,238 feet. Permits were obtained from both the Utah Division of Water rights to drill the exploratory well as well as from DOGM. Data available for this well includes copies of the State permits, the Drillers Report, Core Log, Lithologic Log, geophysical logs, and water quality, is included within Attachment C-1.2. Note that the water quality samples taken were representative of up hole conditions within the 1,650-1,680, 1,840-2,020, 1,950-2,020, and 2,180-2,240 foot zones, well above the salt structure located below 3,300 feet. No water quality data is available for zones below 2,240 feet since the drilling operation utilized a fully saturated brine solution during coring operations below 3,000 feet to maintain the integrity of the salt cores.

Part D – Corrective Action Plan

No underground sources of drinking water have been identified (including exploratory well MH-1 or future source water wells) within the Project Area or AOR that penetrate the
injection zone. In fact, the injection zone is projected to be vertically separated from existing wells by more than 2,000 feet. The separation between any future source water wells drilled by Magnum and the top of the injection zone is anticipated to be at least 1,000 feet. A minimum 500 foot separation is also planned (design) between the top of the injection zone (top of salt cavern) and any potential USDW. To eliminate the potential for vertical movement of water along the injection well strings, the following will also be provided as part of the development plan.

The injection and salt extraction wells will be drilled and completed utilizing fully grouted steel casings that penetrate into the target salt structure as outlined within Part G of this technical report. The presence of the full grout seals and protective steel casings will prevent the vertical movement of water development water and stored gases, thus protecting all known and potential USDW zones above the target cavern zones.

An evaluation of the Argonaut and MH-1 wells has also been made to determine the potential for the vertical movement of water that could potentially contaminate USDW’s as follows.

**Argonaut Well (Abandoned)** – A review of reports for the Argonaut well was discussed within Part C of this technical report. A well schematic (see Attachment C-1.1) was also prepared based on these reports to graphically show as-built conditions of the well, well casings, and grout seals based on an interpretation of information reviewed. Based on this information, it is believed that the abandonment of the Argonaut well was properly completed to prevent movement of water into potential USDW’s resulting from Magnum operations. Type Class G cement plugs were placed within the well between 4,170-4,300, 7,397-7,700, and 9,930-10,050 feet, all of which are below potential USDW’s located above 3,000 feet at MH-1. In addition, grout seals were also placed at the surface and at depths of 649-663’ and at 2,340-2,406 which will limit vertical movement of water within the Argonaut well within known USDW’s above the local salt structure.

An evaluation of theoretical and actual grout volumes was made based on available data. This evaluation assuming 1.15 ft³ per sack of concrete is summarized as follows. Note in the summary that in general, and at the locations of the grout seals, the well is believed to have experienced some washouts. This conclusion is based on the fact that the volume of grout placed is higher than the calculated volume which the well should have taken had the bore hole diameter been maintained (based on measured top and bottom grout limits). This is especially true within the upper 649-663 foot zone. This is in contrast to the likelihood of bore sloughing which is concluded for the 7,397-7,700 foot zone wherein the volume of grout placed was only 45% of the calculated volume based on grout limits. The origin of the sloughing is not known. Based on the nature of materials within this zone, it is highly likely that some sloughing of upper zones occurred, which dropped down the well and filled the lower zones. The sloughing however is believed to be of little consequence since it occurred in zones projected at this time to be approximately 1,000 feet below the bottom of the solution caverns proposed herein, and since there is an estimated total depth of about 135 feet of concrete that exists in that part of the bore hole.


<table>
<thead>
<tr>
<th>Diameter (in)</th>
<th>Casing</th>
<th>Bore</th>
<th>Annulus Volume (ft³/ft)</th>
<th>Sacks # Vol (ft³)</th>
<th>Grouted Zone Top</th>
<th>Grouted Zone Bottom</th>
<th>Calc'd Volume (ft³)</th>
<th>Diff (%)</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 3/8</td>
<td>17 1/2</td>
<td>0.69</td>
<td>167</td>
<td>182</td>
<td>663</td>
<td>649</td>
<td>10</td>
<td>1975</td>
<td>Bore washout</td>
</tr>
<tr>
<td>7</td>
<td>12 3/4</td>
<td>0.55</td>
<td>82</td>
<td>94.3</td>
<td>2,405</td>
<td>2,340</td>
<td>35.8</td>
<td>263</td>
<td>Bore washout</td>
</tr>
<tr>
<td>7</td>
<td>12 3/4</td>
<td>0.56</td>
<td>82</td>
<td>95.3</td>
<td>4,300</td>
<td>4,248</td>
<td>48</td>
<td>120</td>
<td>Some bore washout</td>
</tr>
<tr>
<td>7</td>
<td>8 3/4</td>
<td>0.15</td>
<td>50</td>
<td>57.5</td>
<td>4,248</td>
<td>4,198</td>
<td>48</td>
<td>45</td>
<td>Bore sloughing</td>
</tr>
<tr>
<td>0</td>
<td>8 3/4</td>
<td>0.42</td>
<td>50</td>
<td>57.5</td>
<td>4,198</td>
<td>4,170</td>
<td>48</td>
<td>45</td>
<td>Some bore washout</td>
</tr>
</tbody>
</table>

* Calculated volume is the theoretical volume that would have occurred in the well without washouts or wall sloughing based on the measured grouted zone.

Information related to the grouting and isolation of aquifer zones within well MH-1 is provided in Attachment D-1.

Part E – Formation Testing Program

Information related to the Formation Testing Program is included within Attachment E-1.

Part F – Well Stimulation Program

No well stimulation is planned for the proposed wells. The injection wells will create solution cavities through the natural dissolution of salts by injecting fresh water at pressures sufficient to "lift" the resultant partially saturated brines back to the surface for management in solar evaporation ponds. Developmental facilities will be designed to prevent lift pressures from exceeding maximum operating pressures.

Part G - Injection Well Construction Plan

Cementing and Casing Program

A report outlining the basic well casing program, entitled "Proposed Solution Mining Plan for Development of Magnum Gas Storage Caverns at Delta, Utah", prepared by Thomas Eyermann, is included within Attachment G-1. Figure G-1.1 has been inserted to provide a well schematic showing the anticipated casing construction plan outlined in the Attachment, including casing depths, diameters, weight and grade of steel. Information related to the cementing program is also provided in Attachment G-2 within the documents entitled "Well Construction Plan" and "Specifications for Cementing Services and Materials".

Drilling Program

The drilling program presented herein is based on lithologic information available from the Argonaut and Magnum MH-1 wells as provided herein. Site specific lithology of the injection and confining zones will be re-evaluated on a site by site basis for each well drilled.

Geophysical logging will be completed by a reputable logging company such as Schlumberger which will collect log data immediately following completion of the bore hole, and prior to the installation of steel casing. It is anticipated that two or more runs will be made during drilling for the purposes of identifying geologic conditions down the hole including (but not limited to) the top of salt and salt conditions at depth. Logs anticipated to
be run include caliper, Gamma, Resistivity, Neutron, Density, Temperature, Delta Temperature, and Spontaneous Potential.

Deviation checks will potentially be conducted at two stages. If during drilling is appears that vertical deviation is a concern, the driller can conduct a survey using a single shot camera. The camera is lowered inside the drill stem and data is collected that is compared to up-hole data to determine inclination or deviation within the well bore. At termination of drilling when the well reaches total depth, or at times wherein geophysical logging is required, an electronic deviation survey will be collected during electric logging to evaluate the straightness of the well hole.

Water used during the drilling process will be from the ground water aquifer generally located between 1,650 and 2,250 feet as accessed by well MH-1. Water quality data for the source is documented within Attachment C-1.2 appears to be of drinking water quality and is non-corrosive. The salt formation in which mining is planned is naturally devoid of water and will only be exposed to injected water.

Additional information related to the drilling program is provided in Attachment G-2.

Part H - Injection Well Construction Details

A schematic showing basic injection well casing details was discussed within Part G and shown in Figure G-1.1. During the initial stage of mining which will be done in direct mode, the average injection pressure will be about 1,480 psi. The average injection pressure during the long second phase of solution mining which will be reverse mode will be about 950 psi.

A one line P & ID diagram, a Typical Cavern Well Piping Plan, and a Gas Storage Wellhead schematic have been added to the permit application and are included at the end of Attachment G-2.

Part I - Injection Well Operation Plan and Procedures

The injection well operating plan and procedures is outlined within the report entitled "Proposed Solution Mining Plan for Development of Magnum Gas Storage Caverns at Delta, Utah" presented within Part G, and included within Attachment G-1. A Cavern Well Schematic is also shown in Figure G-1.1. The report generally defines the following operating criteria:

Average Daily Rate: 3,300 gpm
Maximum Daily Rate: 3,300 gpm

Volume of Fluid to be Injected: 75.8 million barrels (3,1834 million gallons)

Average Injection Pressure: 1,000 psi
Maximum Injection Pressure: 1,000 psi

The report included within Attachment G-1 also includes information related to the mining methods and stages, tubing placements, testing, and information related to potential problems that could be associated with cavern creation.
Injected water will comprise local ground water sources which will target confined aquifers located generally at depths greater than 1,450 feet. Representative water quality data collected from exploratory well MH-1 within potential source zones was previously discussed in Part C of this application with water quality data being provided within Attachment C-1.2. Because the source of water is a new source no range data is available for the source, however, little variation is expected due to the limiting nature of the confined aquifer.

Part J - Monitoring, Recording, and Reporting Plan

The monitoring, recording and reporting plan is presented in the "UIC Monitoring, Recording, and Reporting Plan" included within Attachment J-1.

Part K - Contingency Plan

Drinking quality waters in the vicinity of the project are found to be developed in local artesian aquifers to depths of up to approximately 1,350 feet. At exploratory well MH-1 a 250 foot thick clay layer was found to isolate the existing artesian aquifer systems above and below 1,400 feet. In addition, significant clay zones were found at depths up to about 3,000 feet that significantly isolate the small sand and gravel aquifers located between 1,650 and 2,700 feet. These clay zones provide natural isolation of upper and lower zones and limit vertical communication. Additional information regarding these issues is included within Part C and Attachment C-1.2.

As discussed within Part G and shown in Attachment G-1, the well will be cased and grouted in place to the top of the cavern which is anticipated to be located at depths of approximately 4,000 feet. Pressure grouting, grouting from the bottom up will be in place between each casing string and the outer bore annulus and or outer casing. All in all, there will be grout placed outside the surface conductor casing, surface casing, contingency casing (if needed), intermediate casing, and inner mining casing (see schematic in Attachment G-1). These combined casings and grout seals penetrating to depths of up to 3,950 feet will prevent the upward or downward movement of water along the well casings.

The following corrective action plan will be implemented should at any time it be found that the grout or natural confining aquifer seals have failed creating a concern for the vertical movement of injected brine waters from the salt structure.

Monitoring And Actions During Well Construction

During drilling, the wells will be monitored continuously by observing fluid levels in the mud system. A loss of fluid level will indicate drilling mud is leaving the borehole. In this event the appropriate measures will be taken to stop the lost circulation. These measures will include adding various substances to the drilling mud as it is pumped down the hole. These substances are generally inert material such as cotton seed hulls, cellolose chips or bentonite gel that are designed to plug pores in the rock. If the fluid loss cannot be contained by conventional mud additives, it may be necessary to set and cement a string of casing through the loss zone.

Methods Used To Monitor Well Data

Magnum Wells will be monitored during development by solution mining on a continuous basis. The well/cavern pressures will be collected continuously at the wellhead(s) and transmitted to a central control facility. Cavern flow rates and temperatures will be monitored by individual flow
meters on the water and brine flow lines of each cavern. The pressure, temperature and flow data will be recorded on a regular timed basis and stored.

**Monitoring Of Injection Pressure And Flow**

Well\Cavern water pressures (static or flowing), water flow rates, water temperature, brine pressure, brine flow rate, and brine temperature will be continuously monitored. Pressures will be measured using electronic pressure indicators. Flow rates will be measured with meters (ultrasonic or orifice type) capable of measurement in injection or withdrawal operations. All pressure monitoring, temperature monitoring, and flow rate monitoring instrumentation will be calibrated in accordance with manufacturer recommendations.

**Action(s) Taken In The Of Loss Of Cavern\Well Integrity**

If a loss of pressure integrity is indicated in a Cavern\Well the system will be de-pressured to a point that will minimize the loss of nitrogen and preclude the flow of brine out of the Cavern\Well system and into the overlying fresh water formations based on the indicated or suspected leak point. This may necessitate reversing the direction of flow in the well to ensure that water fills the 20" x 16" annulus that is normally filled with nitrogen. Further testing and evaluation will then be undertaken to assess further actions with the approval of the Executive Secretary.

In the event of a major loss of integrity in the Cavern\Well mining will be stopped and the cavern de-pressured to a zero pressure at the wellhead. Further testing and evaluation will then be conducted with the approval of the Executive Secretary.

Should for any unforeseen reason the well be found to be failing, or to have failed, the plugging and abandonment plan provided in Part L will be implemented.

**Part L - Plugging and Abandonment Plan**

An updated plugging and abandonment plan has been included within Attachment G-2. A duplicate plugging and abandonment insert included within prior draft submittals has been deleted from Attachment D-1. Modifications to these methods as outlined due to unanticipated down hole conditions will be discussed and coordinated with the regulatory agency prior to abandonment.

**Part M - Financial Responsibility**

The permittee is required to maintain financial responsibility and resources to close, plug and abandon all wells constructed by Magnum located within the Project Area. To meet this obligation the applicant will post CD's sufficient to cover the costs of well abandonment and plugging for wells drilled as required under the current regulations. Prior to drilling, the appropriate CD's will be posted in the name of the Utah Department of Environmental Quality, Division of Water Quality (DEQ). Following construction these CD's will remain in force and be transferred to the Utah Division of Oil, Gas & Mining (DOGM) as a transfer in responsibility occurs from DEQ for well construction oversight to DOGM for operational oversight. It is most likely that any required plugging and abandonment will occur during the operational phase of the development.
Upon application for permit renewal, the permittee shall demonstrate the adequacy of the financial responsibility to close, plug and abandon all wells not permanently plugged and abandoned by the permittee in compliance with Part III D of this permit.

The permittee must submit an alternate demonstration of financial responsibility acceptable to the Executive Secretary within 60 days after either of the following events occurs:

a) The CD is determined to be insufficient to cover well closure, plugging and abandonment.

b) The CD is suspended or revoked.

Part N - Request for Aquifer Exemption

A request for Aquifer Exemption is not being considered nor requested at this time.

Part O - Expected Changes Due to Injection

As stated earlier the injection zone involves the dissolution of salts within an unsaturated salt structure located at depths of over 3,000 feet. As a result there will be no native fluid displacement nor resulting movement of the injected fluid outside the dissolution chamber making up the salt cavern. Operational flow rates and pressure were discussed in prior Parts of this permit.
REFERENCES


Technical Report – Magnum Gas Storage Facility
TABLES

B-2.1 WATER RIGHTS / SOURCE SUMMARY
B-3.1 INFORMATION FOR SELECTED DEEP WATER WELLS
### TABLE B-2.1 - WATER RIGHT / SOURCE SUMMARY WITHIN 2 MILES OF PROJECT AREA

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Page 9 of 9
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Data are from Mower and Fellis (1964), Ervink and Holmes (1962), and files of Utah Division of Water Rights; blank field means no data.

* See Figure B-3.1 for well location.

** Well numbering system used by US Geological Survey.

*** Shallow means shallow artesian aquifer; Deep means deep artesian aquifer.

**** S means screen; P means perforations; + means level above ground; L means drillers log available; C means chemical analysis available; W means water level data available.

Page 1 of 1
Privileged and Confidential - Attorney-Client Communication
FIGURES

Figure B-3.2 USDW Cross Section
Figure B-3.3 Water Well Diagram

THE FOLLOWING FIGURES ARE CONFIDENTIAL

Figure B-3.1 USDW Map
Figure B-4.1 Structure Map Showing Possible Faults at Top of Salt
Figure B-4.2 Magnum Holdings MH-1 Well with Bounding and Possible Secondary Faults
Figure B-4.3 Salinity of Drilling Fluids MH-1 Well
Figure B-4.4 Chloride Content of Drilling Fluid MH-1 Well
Figure B-5.1 Regional Geology Map
Figure C-1.1 1650-1680 Upper Transducer
Figure C-1.2 1650-1680 Middle Transducer
Figure C-1.3 1650-1680 Lower Transducer
Figure C-1.4 1840-2020 Upper Transducer
Figure C-1.5 1840-2020 Middle Transducer
Figure C-1.6 1840-2020 Lower Transducer
Figure C-1.7 2180-2240 Upper Transducer
Figure C-1.8 2180-2240 Lower Transducer
Figure G-1.1 Cavern Well Schematic
Note: This is not a scaled cross section but rather shows logs of distant wells placed side-by-side. Locations of the wells (designated by letter at the top of each log) on this diagram are shown on Figure B-3.1.

Magnunn Energy LLC
Well Log Diagram
Figure B-3.3
MAPS

Map 1  General Location
Map A-1.1  Area of Review
Map B-1.1  Local Topography
Map B-2.1  Domestic Water Rights
Map B-2.2  Irrigation Water Rights
Map B-2.3  Stock Water Rights
Map B-2.4  Other Water Rights
Map B-2.5  Power Water Rights
Map B-2.6  Undefined Water Rights
Map B-2.7  Surface Features
THE FOLLOWING DRAWINGS ARE CONFIDENTIAL

Drawing B-4.1  Local Geology / Structure – Sub-Surface Projection – 3,000 Feet
Drawing B-4.2  Geologic Cross-Section A-A’
Drawing B-4.3  Geologic Cross-Section B-B’
ATTACHMENT 4.1

Stratigraphy and Groundwater of the Lake Bonneville Sediments near the Magnum Holdings #1 Well
In the fall of 2008, Magnum conducted 3-D sonic surveys within the area that covered the salt structure and surrounding area. These surveys provided detailed images of the geometry of the salt structure and its position within the Lake Bonneville sediments. Figure B-4.1 shows a color plan view of the project site that generally focuses on the location of the salt structure. The locations of planned gas storage caverns are within the northern half of Section 26 and southern half of Section 23.

Figure B-4.2 shows an east-west cross section (through well MH-1) through the salt structure. Note from the figure:

The numerous sediment horizons present in the Lake Bonneville sediments act as sonic reflectors and aid in the mapping of the geologic structure within the area.

Based on the data provided by the sonic survey, Magnum drilled a well that penetrated the Lake Bonneville strata and the salt structure, to evaluate the suitability of the salt to be used to store natural gas. This well, Magnum-Holdings # 1 (MH-1) was started on December 8, 2008 and completed on March 15, 2009 at a depth of __________ feet. The well penetrated __________ feet of Lake Bonneville sediments before being drilled the rest of the way in __________ feet. The sediments penetrated between __________ feet and __________ feet were alternating layers of detrital sediment, mainly sand and clayey sand and evaporites, primarily anhydrite and halite. Below a depth of __________ feet, the bottom of the hole was drilled using both core and rotary methods. The cores recovered showed that __________ feet...

The sediments above the salt structure are for the most part very fine-grained and clay-rich. This is because the majority of the water and sediment entering into Lake Bonneville occurred from the major rivers draining the Wasatch Mountain Range located to the east. Minor water and sediment was provided from drainage off the numerous islands within the lake. The area where the MH-1 well was drilled is not near the sources of sediment and as a result, most of the sediment drilled is fine-grained and very clay-rich. Numerous zones of
Geologic cross-sections, one oriented in a northeast direction (section A-A') and one oriented in a northwest direction (section B-B') are provided to show the relationship of the developed aquifer, undeveloped aquifer and the saline aquifer in relationship to the salt structure (see Drawings B-4.2 & B-4.3 respectively). The geologic cross-sections are based on the sediments penetrated in drill hole MH-1 and the sonic survey.

The data collected by Magnum through the sonic survey and the drilling of well MH-1 indicate the local existence of three separate groundwater systems. An upper, previously known and developed aquifer above 1,400 feet (containing the shallow unconfined water table, shallow artesian, and deep artesian aquifers discussed earlier in Part B), a previously undocumented and currently undeveloped aquifer system between 1,400 feet and 2,800 feet, and a saline aquifer below.

As indicated above, pump testing was shown to have no impact on the upper developed aquifer, and the quality of water pumped showed no indication of communication with the saline aquifer below.
coarser-grained sediments were intersected in the MH-1 well. These zones were either sandy-gravels or sand and are aquifers within the area. The sedimentary beds penetrated in the upper __ feet of the MH-1 well were primarily light-tan to buff in color. When drilling penetrated below __ feet, the color of the sediment was gray to dark-gray/black.

While drilling the MH-1 well, an SDI data logger was placed in the drilling mud flow to identify changes in water quality as drilling progressed. This data logger recorded measurements of dissolved oxygen, pH, salinity, conductivity, total dissolved solids and temperature on 15 minute intervals. The data was influenced by changes in the drilling mud but broad changes in water quality as the hole progressed downward could be identified. Figure B-4.3 illustrates the changes in salinity as the hole progressed to the top of salt influence at __ feet.

In addition to the water quality data logged on 15 minute intervals, water samples were decanted from the drilling mud at intervals as close as 20 feet in depth and tested for their chloride content. As the drilling penetrated strata approaching the top of the salt at __ feet, Figure B-4.4 illustrates the results of the chloride testing approaching the top of salt. The amount of groundwater flowing into the well and diluting the drilling mud was small, so a slight increase in measured chloride content equates to a substantial increase in the groundwater's chloride content. It is expected that the chloride content of the water below __ feet was converted to 100% saturated calcium chloride brine solution rather than drilling mud, therefore, additional chemical testing during drilling would not be relevant.

After the drilling of MH-1 Well was completed, several isolated aquifer zones were tested. This testing was completed through the perforation of casing that had been placed in the well, followed by the installation of packers above and below the zone to be tested. Pump tests were then conducted on the individual aquifers as discussed in Part C of this technical report. From these tests, it was concluded that the clay-rich sediments between the sand/gravel zones act as effective aquicludes, thus compartmentalizing the strata into several isolated aquifer systems. In summary, pumping of the aquifer located between __ feet had no impact on the next higher aquifer in the MH-1 Well located between __ feet. Recently completed seismic logging (see Figure B-4.2) shows that although there is some vertical variation, the sediments which have been deposited within the local lacustrine environment within the Project Areas have formed a fairly uniform blanket deposit east of the main bounding fault located near well MH-1. The clay-rich zones therefore locally act as boundaries that separate the aquifers within the section.

Although data does not yet exist to confirm this fact, the quality of the water encountered below __ feet is not believed to be suitable for use as either domestic or agricultural use.
ATTACHMENT C-1.1

Argonaut Well

Well Schematic
Monthly Reports
Sundry Notices and Reports on Wells
AQUIFERS FOUND AT MH-1

0 - 4600

SHALLOW WATER TABLE AQUIFER

500 - 4100

SHALLOW ARTESIAN AQUIFER

1000 - 3600

DEEP ARTESIAN AQUIFER

1500 - 3100

BASEMENT AQUIFER

2000 - 2600

2500 - 2100

3000 - 1800

3500 - 1100

4000 - 500

SALT STRUCTURE

4500 - 100

6500 - 1900

NOT DOCUMENTED BELOW 6,420'

7000 - 2400

7500 - 2900

8000 - 3400

8500 - 3900

9000 - 4400

9500 - 4900

10000 - 5400

10500 - 6000

11000 - 6400

NOTE:

Information provided herein was taken from Monthly Reports and Notice
Notices and Reports on Wells on file
with the Utah Division of Oil, Gas & Mining.
The schematic is intended to provide a
general overview of actual conditions of
the Argonaut Well. The representations
provided herein are not an official record,
and the reader is advised to review the
original documents for full and accurate
easements details.
Lease No. \texttt{U19573}  
Field Name: \texttt{WILDCAT}  
Unit Name: Federal No. 1  
County: Millard  
State: Utah  
Operator: \texttt{ARGONAULT ENERGY CORPORATION}  

The following is a correct report of operations and production (including status of all unplugged wells) for the month of March, 1978.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|c|c|c|}
\hline
Well No. & Sec. & TWP & RNG & Status & Days Prod. & \#Barrels of Oil & \#MCF of Gas & \#Barrels of Water & Remarks \\
\hline
1 & NE-NW & 15S & 7W & DRG & 0 & 0 & 0 & 0 & Spudded @ 8 p.m. 3/26/78  
& & & & & & & & & 3/31/78 DRG. @ 3,160'  
& & & & & & & & & Ran 44' of 30'' Conectors. \\
\hline
\end{tabular}
\end{table}

*If none, so state.

\textbf{DISPOSITION OF PRODUCTION (Lease, Participating Area, or Communitized Area basis)}

\begin{itemize}
\item \textit{On hand, Start of Month}  
\item \textit{Produced}  
\item \textit{Sold}  
\item \textit{Spilled or Lost}  
\item \textit{Flared or Vented}  
\item \textit{Used on Lease}  
\item \textit{Injected}  
\item \textit{Surface Pits}  
\item \textit{Other (Identify)}  
\item \textit{On hand, End of Month}  
\item \textit{API Gravity/ BTU Content (Identify)}
\end{itemize}

\begin{tabular}{|c|c|c|}
\hline
\textbf{Oil & Condensate (BBLS)} & \textbf{Gas (MCF)} & \textbf{Water (BBLS)} \\
\hline
\end{tabular}

\textbf{Authorized Signature:} \texttt{Robert K. McRitchie}  
\textbf{Address:} P. O. Box 12099, Amarillo, Texas, 79104  
\textbf{Title:} Vice President of Production  

Page 1 of 1
Lease No. 0 15973
Communitization Agreement No. PUBLIC COPY
Field Name W. cat
Unit Name FEDERAL NO. 1
Participating Area
County Millard State UTAH
Operator ARGONAUT ENERGY CORPORATION

MONTHLY REPORT OF OPERATIONS

The following is a correct report of operations and production (including status of all unplugged wells) for the month of APRIL, 1978

(See Reverse of Form for Instructions)

This report is required by law (30 U.S.C. 186, 30 U.S.C. 359, 25 U.S.C. 396 d), regulation (30 CFR 221.60), and the terms of the lease. Failure to report can result in the assessment of liquidated damages (30 CFR 221.54 (q)), shutting down operations, or basis for recommendation to cancel the lease and forfeit the bond (30 CFR 221.53).

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<td></td>
<td>Ran 9 5/8” casing to 4,248’/4/19/78</td>
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<td></td>
<td>Drilling Depth 4/30/78 was 6,850</td>
</tr>
</tbody>
</table>

*If none, so state.

DISPOSITION OF PRODUCTION (Lease, Participating Area, or Communitized Area basis)

Oil & Condensate (BBLS) Gas (MCF) Water (BBLS)

*On hand, Start of Month
*Produced
*Sold
*Spilled or Lost
*Flared or Vented
*Used on Lease
*Injected
*Surface Pit
*Other (Identify)

*API Gravity/ BTU Content

Authorized Signature: Robert Field
Address: P.O. Box 12099, Amarillo, Texas, 79101
Title: Vice President of Production
Page 1 of 1

filed 5/2/78
SUNDRY NOTICES AND REPORTS ON WELLS
(Do not use this form for proposals to drill or to deepen or plug back in an abandoned well. Use "APPLICATION FOR PERMIT---" for such proposals)

I. OIL WELL ☐ GAS WELL ☒ OTHER ☒

2. NAME OF OPERATOR
ARGONAUT ENERGY CORPORATION

3. ADDRESS OF OPERATOR
P. O. Box 12099, Amarillo, Texas 79101

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also space 17 below.)
1304' FNL and 1339' FWL of Sec. 23, T15W, R7W

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data
NOTICE OF INTENTION TO:

- TEST WATER SHUT-OFF ☐
- OIL OR ALTER CASING ☐
- FRACTION TREAT ☐
- MULTIPLE COMPLETE ☐
- SHOOT OR ACIDIZE ☐
- ABANDON* ☒
- REPAIR WELL ☐
- CHANGE PLANS ☐
- (Other) ☐

SUBSEQUENT REPORT OF:

- WATER SHUT-OFF ☐
- OIL OR ALTER CASING ☐
- FRACTION TREATMENT ☐
- MULTIPLE COMPLETE ☐
- SHOOT OR ACIDIZE ☐
- ABANDON* ☒
- REPAIRING WELL ☐
- (Other) ☐

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

I. Casing Program:
A. Set 7" liner @ 7733'
B. Casing detail - 3800' 7" 26# N80 LT&C Casing.
C. Liner Hanger and packer hung @ 3950'.

II. Cementing Program:
A. 7" liner to be cemented with 120 sacks Class G Salt Saturated cement.

APPROVED BY THE DIVISION OF OIL, GAS, AND MINING
DATE May 29, 1978

Verbal approval received from Mr. Bill Martin 5/3/78

18. I hereby certify that the foregoing is true and correct
SIGNED Louis Yates, Prod. Clerk
TITLE Prod. Clerk
DATE 5/4/78

(_TITLE (DATE

APPROVED BY CONDITIONS OF APPROVAL, IF ANY:

*See Instructions on Reverse Side
ARGONAUT ENERGY CORPORATION

1306' FNL and 1334' FWL of Sec. 23, T15N, R7W

NOTICE OF INTENTION TO:

- TEST WATER SHUT-OFF
- FRACTURE TREAT
- SHOT OR ACIDIZE
- REPAIR WELL
- (Other)

SUBSEQUENT REPORT OF:

- WATER SHUT-OFF
- FRACTURE TREATMENT
- SHOOTING OR ACIDIZING
- REPAIRING WELL
- ABANDONMENT
- (Other)

I. Casing program:
A. Set 7' casing @ 7731'
B. Casing detail - 7' 26# N80 LT&C Casing.

II. Cementing Program:
A. 7' casing to be cemented with 180 sacks Class G. Salt saturated cement.

I hereby certify that the foregoing is true and correct.

SIGNED: Robert Mathes
TITLE: Vice President of Production
DATE: 5/5/78
SUNDAY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir. Use "APPLICATION FOR PERMIT" for such proposals.)

1. OIL WELL ☐ GAS WELL ☐ OTHER ☐

2. NAME OF OPERATOR
   ARGONAUT ENERGY CORPORATION

3. ADDRESS OF OPERATOR
   P. O. BOX 12099, Amarillo, Texas, 79101

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also space 17 below.)

   AT SURFACE 1003' FNL and 104' FWL of Sec. 23, T15S, R7W

5. PERMIT NO.

6. ELEVATIONS (Show whether m, ft, or etc.)
   4,629' GR

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME
   FEDERAL

9. WELL NO.
   1

10. FIELD AND POOL, OR WILDCAT
    WILDCAT

11. SEC., T., R., MD, OR BLK. AND SURVEY OR AREA
    Sec. 23, T15S, R7W

12. COUNTY OR PARISH
    Millard

13. STATE
    Utah

14. PUBLICITY

15. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

   NOTICE OF INTENTION TO:
   
   TEST WATER SHUT-OFF ☐
   FULL OR ALTER CASING ☐
   FRACTURE TREAT ☐
   MULTIPLE COMPLETE ☐
   SHOOT OR ACIDIZE ☐
   ABANDON* ☐
   REPAIR WELL ☐
   CHANGE PLANS ☐

   SUBSEQUENT REPORT OF:
   
   WATER SHUT-OFF ☐
   FRACTURE TREATMENT ☐
   REPAIRING WELL ☐
   SHOOTING OR ACIDIZING ☐
   ALTERNING CASING ☐
   ABANDONMENT* ☐
   (Other) ☐

   (Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

16. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

   DRILL to 12,500' Total Depth.

   I. Production Casing Design
   
   1400' 4 5/8" 13.5# N80 ST&C
   2400' 4 5/8" 11.6# N80 ST&C
   4500' 4 5/8" 11.6# K55 LT&C
   2000' 4 5/8" 11.6# N80 LT&C
   2200' 4 5/8" 11.6# N80 Buttress

   APPROVED BY THE DIVISION OF
   OIL, GAS, AND MINING

   DATE: May 30, 1978
   BY: J. W. Lunt

   *See Instructions on Reverse Side

18. I hereby certify that the foregoing is true and correct

   SIGNED Robert O. Burnett
   TITLE Vice President of Production
   DATE 5/26/78

   APPROVED BY
   CONDITIONS OF APPROVAL, IF ANY:

   DATE

   (This space for Federal or State office use)
**Lease No.** U 19573  
**Communicatization Agreement No.** PUBLIC COPY

**Field Name:** WILDCAT  
**Unit Name:** FEDERAL NO. 1

**Participating Area:**  
**County:** Millard  
**State:** Utah

**Operator:** ARGONAUT ENERGY CORPORATION  
☐ Amended Report

The following is a correct report of operations and production (including status of all unplugged wells) for the month of May 1978. (See Reverse of Form for Instructions)

This report is required by law (30 U.S.C. 189), regulation (30 CFR 221.60), and the terms of the lease. Failure to report can result in the assessment of liquidated damages (30 CFR 221.54 (g)), shutting down operations, or basis for recommendation to cancel the lease and forfeit the bond (30 CFR 221.53).

<table>
<thead>
<tr>
<th>Well No.</th>
<th>Sec. &amp; 1/4 of 1</th>
<th>TWP</th>
<th>RNG</th>
<th>Well Status</th>
<th>Days Prod.</th>
<th>*Barrels of Oil</th>
<th>*Barrels of Gas</th>
<th>*Barrels of Water</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>C NW/4</td>
<td>15S</td>
<td>7W</td>
<td>DRG</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Ran 7&quot; NBO 26# Casing, Set at 7731'. Cemented with 180 sacks Class G cement. Drilled to 8891' &amp; Cored from 8891 to 8914'. Drilling Depth 5/31/78 was 10,360</td>
</tr>
</tbody>
</table>

*If none, so state.

**DISPOSITION OF PRODUCTION** (Lease, Participating Area, or Communitized Area basis)

**Oil & Condensate (BBLs)** | **Gas (MCF)** | **Water (BBLs)**
---|---|---

*On hand, Start of Month
*Produced
*Sold
*Spilled or Lost
*Flared or Vented
*Used on Lease
*Injected
*Surface Pits
*Other (Identify)
*On hand, End of Month

*API Gravity/ BTU Content

Authorized Signature: [Signature]  
**Address:** P. O. Box 12099, Amarillo, Texas, 79101

**Title:** Vice President of Production  
**Page** 1 of 1
SUNDRY NOTICES AND REPORTS ON WELLS

ARGONAUT ENERGY CORPORATION
P. O. Box 12099, Amarillo, Texas 79101

LOCATION OF WELL: (Report location clearly and in accordance with any State requirements. See also space 17 below.)

13\ 96' FNL & 13\ 94' FWM of Sec. 23, T15S, R7W

NOTICE OF INTENTION TO:

TEST WATER SHUT-OFF
FRACTURE TREAT
SHOOT OR ACIDIZE
REPAIR WELL

WATER SHUT-OFF
FRACTURE TREATMENT
SHOOTING OR ACIDIZING
REPAIRING WELL

SUBSEQUENT REPORT OF:

PULL OR ALTER CASING
MULTIPLE COMPLETE
ABANDON*
CHANGE PLANS

REPAIRING CASING
ALTERING CASING
ABANDONMENT*
(Other)

NOTE: Report results of multiple completions on well completion or recompletion report and log form.

1. Set 50 sack Class G. cement plug at 10,250' with 3½" drill pipe. Failed.
2. Set another 50 sack Class G. cement plug at 10,250'. Failed. (as per original verbal approval by Mr. Ed Guynn 6/15/78.)
3. Set Lynes inflatable bridge plug at 10,050'. Put 50 sacks Class G cement on top of plug. Tagged top of cement at 9,930'. (Verbal approval of Mr. Ed Guynn 6/17/78).
4. Set Lynes inflatable bridge plug at 7,722'. Pumped 50 sacks on top of plug. Tagged top of cement at 7,392'. (Verbal approval of Mr. Martens 6/18/78).
5. Cut 7" casing at 4,198' (Free point) Spotted 50 sacks Class G salt saturated cement through drill pipe at 4,250'. (Verbal approval of Mr. Martens 6/19/78).
6. Set 50 sack Class G salt saturated cement through drill pipe at 2,550'.
7. Cut 9 5/8" at 861' (Free point). Set 50' cement plug below top of cut to 100' above top of cut using Class G cement.
8. Set 10 sacks Class G cement plug in top of 13 3/8" casing with 10' steel 4½" diameter marker cement in place 4' above ground level.

Well was drilled to a total depth of 11,266'. No formation production of oil or gas was found.

APPROVED BY THE DIVISION OF OIL, GAS, AND MINING

DATE: 6/20/78

BY: [Signature]

TITLE: Vice President of Production

APPROVED BY

TITLE

CONDIONS OF APPROVAL, IF ANY:

*See Instructions on Reverse Side
UNI-C STATE DEPARTMENT OF THE INTERIOR GEOLOGICAL SURVEY

WELL COMPLETION OR RECOMPLETION REPORT AND LOG*

1. TYPE OF WELL:
   - Oil
   - Gas
   - Dry X
   - Other

2. NAME OF OPERATOR
   - ARGONAUT ENERGY CORPORATION

3. ADDRESS OF OPERATOR
   - P. O. BOX 12099, Amarillo, Texas, 79101

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)*
   - At surface
     1380' FNL 1320' PWL
   - At total depth
     11,266'

5. PERMIT NO. DATE ISSUED
   - 43-087-30012

6. DATE SPUDDED DATE T.D. REACHED DATE COMPL. (Ready to prod.)
   - 3/26/78
   - 6/19/78
   - 6/22/78

7. TOTAL DEPTH, MD, & TVD
   - 11,266'

8. TYPICAL ELECTRIC AND OTHER LOGS RUN
   - Laterolog-RHC Sonic-Comp. Neutron Formation Density-GR-Neutron
   - Yes

9. CASING RECORD (Report all strings set in well)
   - Hole Size
     - 13 3/8"
     - 9 5/8"
     - 7"
   - Cementing Record
     - 585 Sacks Class G
     - 1300 Sacks Class G
     - 180 Sacks Class G
   - Amount Pulled
     - 861'
     - 4,198'

10. LINER RECORD
    - Size
      - Top (MD)
      - Bottom (MD)
      - Screen (MD)
      - Saturate Cement

11. TUBING RECORD
    - Size
      - Depth Set (MD)
      - Packer Set (MD)

12. PERFORATION RECORD (Interval, size and number)

13. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME AND MD AND TVD
    - Yes

14. WAS DIRECTIONAL SURVEY MADE
    - Yes

15. WAS WELL CORRED
    - Yes

16. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.
    - Depth Interval (MD)
    - Amount and Kind of Material Used

17. TOTAL PRODUCTION
    - Date First Production
    - Production Method (Flowing, etc.)

18. LIST OF ATTACHMENTS

19. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records

SIGNED [Signature]

TITLE Vice President of Production

DATE 6/27/78

* (See Instructions and Spaces for Additional Data on Reverse Side)
The following is a correct report of operations and production (including status of all unplugged wells) for the month of JUNE, 1978.

(See Reverse of Form for Instructions)

This report is required by law (30 U.S.C. 189, 30 U.S.C. 359, 25 U.S.C. 396 d), regulation (30 CFR 221.60), and the terms of the lease. Failure to report can result in the assessment of liquidated damages (30 CFR 221.54 (f)), shutting down operations, or basis for recommendation to cancel the lease and forfeit the bond (30 CFR 221.53).

<table>
<thead>
<tr>
<th>Well No.</th>
<th>Sec. &amp; 1/4 of 1/4</th>
<th>TWP</th>
<th>RNG</th>
<th>Well Status</th>
<th>Dept Prod.</th>
<th>*Barrels of Oil</th>
<th>*MCF of Gas</th>
<th>*Barrels of Water</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>C NW/4</td>
<td>15S</td>
<td>7W</td>
<td>DRG</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Drilled to depth of 11,266' 6/10/78</td>
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<td>Sec 23</td>
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<td></td>
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<td></td>
<td>Ran DST #1 6/1/78 10,415' = 10,470'</td>
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<td>DST #2-A 6/13/78 10,285' - 10,340'</td>
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<td></td>
<td>DST #2-B 6/13/78 10,255' - 10,310'</td>
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<td></td>
<td>DST #2-C 6/13/78 10,145' - 10,200'</td>
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<td>Ran logs 6/10/78 *</td>
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<td></td>
<td>P&amp;A 6/22/78</td>
</tr>
</tbody>
</table>

* Ran Dual Laterolog from 11,240' - 7,731'.
* Ran BHC Sonic from 11,251' - 7,723'.
* Ran Comp. Neutron Form. Density from 11,265' - 7,732'.

*If none, so state.

DISPOSITION OF PRODUCTION (Lease, Participating Area, or Communitized Area basis)

*On hand, Start of Month
*Produced
*Sold
*Spilled or Lost
*Flared or Vented
*Used on Lease
*Injected
*Surface Pits
*Other (Identify)
*On hand, End of Month
*API Gravity/WTU Content

Authorized Signature: [Signature]
Address: P.O. BOX 12099, Amarillo, Texas, 79101
Title: Vice President of Production

Page 1 of 1
UNIT. STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

SUNDARY NOTICES AND REPORTS ON WELLS
(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir. Use "APPLICATION FOR PERMIT" for such proposals.)

1. OIL WELL ☐ CAR WEL E OTHER ☐ DRY HOLE ☐

2. NAME OF OPERATOR

ARGONAUT ENERGY CORPORATION

3. ADDRESS OF OPERATOR

P. O. BOX 12099, Amarillo, Texas, 79101

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also space 1f below.)

1306' FNL & 1334' FWL of Sec. 23, T15S, R7W

15. ELEVATION (Show whether or, ft, or, etc.)

4629' GR

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

WATER SHUT-OFF ☐ FULL OR ALTER CASING ☐

FRAC TURE TREATMENT ☐ MULTIPLE COMPLETE ☐

SHOOT OR ACIDIZE ☐ ABANDON* ☐

REPAIR WELL ☐ CHANGE PLANS ☐

SUBSEQUENT REPORT OF:

WATER SHUT-OFF ☐

FRAC TURE TREATMENT ☐

SHOOT OR ACIDIZE ☐

REPAIRING WELL ☐

ABANDON* ☐

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

17. SUBMISSION PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

1. Set inflatable plug @ 10,250' with 50 sacks Class G cement. Failed.
2. Set inflatable plug @ 10,250' with 50 sacks Class G cement. Failed.
3. Set inflatable plug @ 10,050' with 50 sacks Class G cement. Top of cement @ 9,930'.
4. Set a 50 sack plug from 7,397' to 7,700' with type Class G cement. Top of cement @ 7,397'.
5. Set a 50 sack plug from 4,170' to 4,300' with type Class G cement.
6. Set a 82 sack plug from 2,340' to 2,550' with type Class G cement. Top of cement @ 2,405'.
7. Set a plug from 649' to 959' with 167 sacks of Class G cement. Top of cement @ 663'.
8. Set 10 sacks Class G cement at surface.
9. Set 10' of 5" pipe with 4' above ground in cement for permanent marker.

Casing Recovery

1. McCullough cut 7" casing at 4,198'. Pulled casing.

18. I hereby certify that the foregoing is true and correct

SIGNED: Robert Watt

TITLE: Vice President of Production

DATE: 7/10/78

*(See Instructions on Reverse Side)
UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY  
(FORM 9-329)  
(2/76)  
OMB  
42 RO 356  

MONTHLY REPORT  
OF  
OPERATIONS  

The following is a correct report of operations and production (including status of all unplugged wells) for the month of July, 1978.

(See Reverse of Form for Instructions)

This report is required by law (30 U.S.C. 189, 30 U.S.C. 359, 25 U.S.C. 396 d), regulation (30 CFR 221.60), and the terms of the lease. Failure to report can result in the assessment of liquidated damages (30 CFR 221.54 (d)), shutting down operations, or based on recommendation to cancel the lease and forfeit the bond (30 CFR 221.53).

### Well Data

<table>
<thead>
<tr>
<th>Well No.</th>
<th>Sec. &amp; ¼ of ¼</th>
<th>TWP</th>
<th>RNG</th>
<th>Days Prod.</th>
<th>*Barrels of Oil</th>
<th>*MCF of Gas</th>
<th>*Barrels of Water</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>C NW/4</td>
<td>15S</td>
<td>7W</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>Allowing pits to dry.</td>
</tr>
<tr>
<td>Sec. 23</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*If none, so state.

### Disposition of Production

<table>
<thead>
<tr>
<th></th>
<th>Oil &amp; Condensate (BBLs)</th>
<th>Gas (MCF)</th>
<th>Water (BBLs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>*On hand, Start of Month</td>
<td></td>
<td>XXXXXXXXXXXXXXXXX</td>
<td>XXXXXXXXXXXXXXXXX</td>
</tr>
<tr>
<td>*Produced</td>
<td></td>
<td>XXXXXXXXXXXXXXXXX</td>
<td>XXXXXXXXXXXXXXXXX</td>
</tr>
<tr>
<td>*Sold</td>
<td></td>
<td>XXXXXXXXXXXXXXXXX</td>
<td>XXXXXXXXXXXXXXXXX</td>
</tr>
<tr>
<td>*Spilled or Lost</td>
<td></td>
<td>XXXXXXXXXXXXXXXXX</td>
<td>XXXXXXXXXXXXXXXXX</td>
</tr>
<tr>
<td>*Flared or Vented</td>
<td></td>
<td>XXXXXXXXXXXXXXXXX</td>
<td>XXXXXXXXXXXXXXXXX</td>
</tr>
<tr>
<td>*Used on Lease</td>
<td></td>
<td>XXXXXXXXXXXXXXXXX</td>
<td>XXXXXXXXXXXXXXXXX</td>
</tr>
<tr>
<td>*Injected</td>
<td></td>
<td>XXXXXXXXXXXXXXXXX</td>
<td>XXXXXXXXXXXXXXXXX</td>
</tr>
<tr>
<td>*Surface Pits</td>
<td></td>
<td>XXXXXXXXXXXXXXXXX</td>
<td>XXXXXXXXXXXXXXXXX</td>
</tr>
<tr>
<td>*Other (Identify)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*On hand, End of Month</td>
<td></td>
<td>XXXXXXXXXXXXXXXXX</td>
<td>XXXXXXXXXXXXXXXXX</td>
</tr>
<tr>
<td>*API Gravity/BTU Content</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Authorized Signature:   
Robert [Signature]  
Address:  
P.O. Box 12099, Amarillo, Texas 79101

Title: Vice President of Production  
Page 1 of
ATTACHMENT C-1.2

Magnum Holdings LLC
Exploratory Well MH-1 Data

Water Right Drilling Approval
DOGM Permits

THE FOLLOWING FIGURES ARE CONFIDENTIAL

Core Log
Cuttings Log
Drillers Report
Casing Schematic
Geophysical Logs
Water Quality
October 15, 2008

Dear Applicant:

This letter IS YOUR AUTHORIZATION to drill test wells at the following location(s):

1. S 50 ft W 50 ft from the NE corner, Section 27, Township 15S, Range 7W, SLBM
2. N 2086 ft E 570 ft from the NE corner, Section 27, Township 15S, Range 7W, SLBM

The purpose of a test well is to determine the quality and availability of an adequate water supply that may be used subsequently to support water use(s) in future applications filed with the Division of Water Rights.

Even though you may proceed with the construction of the well(s), please take note that this letter DOES NOT GRANT ANY PERMISSION OR APPROVAL TO DIVERT WATER FOR ANY PURPOSE WHATSOEVER, OTHER THAN THE MINIMAL AMOUNT REQUIRED FOR QUALITY/QUANTITY TESTING.

The well driller must have a current license with the State Engineer (if the well is to be deeper than 30 feet), and the well must be constructed in accordance with the State of Utah Administrative Rules for Water Well Drillers. Following completion and testing, the well casing must either be sealed with a tamper-resistant, watertight cap or permanently and properly abandoned by a licensed driller (if deeper than 30 feet) before the drill rig is removed from the site.

Enclosed you will find two postage-paid forms. One is the Driller (START) Card form, which you MUST give to the licensed driller with whom you contract to drill the well(s). The other is the Applicant Card form. It is YOUR RESPONSIBILITY to sign and return this form to this office immediately upon well completion. Your submittal of the APPLICANT Card form will be notice to our office that the work has been completed and will begin the 30-day period in which the driller is to submit a report as required herein. The driller cannot legally commence drilling the test well(s) until you provide him with the Driller (START) Card form, which will then be submitted to our office for verification. You should review the contents of this approval letter with the driller to be certain that the instructions and conditions are thoroughly understood by all parties.

Please note that your permission to proceed with the drilling under this authorization expires April 15, 2009.

Sincerely,

Kirk Forbush, P.E.
Regional Engineer
DRILLER (START) CARD for Test WELL#: 0868004M00

IMPORTANT: THIS CARD MUST BE RECEIVED BY THE DIVISION OF WATER RIGHTS PRIOR TO THE BEGINNING OF WELL CONSTRUCTION -- REQUIRED ONLY FOR WELLS DEEPER THAN 30 FT.

OWNER/APPLICANT NAME: Mangum Holdings, LLC
MAILING ADDRESS: 1250 South 1300 East, Suite 500, Salt Lake City, UT 84106
PHONE NUMBER: 801 669-9209
WELL LOCATION: S 50' W 50' from NE Cor, S27, T15S, R7W, SLDAM.
WELL UTM COORDINATES: Northing: 4372658 Easting: 361433
WELL ACTIVITY: NEW ( ) REPAIR ( ) REPLACE ( ) ABANDON ( ) CLEAN ( ) DEEPEN ( )

For surface seals in unconsolidated formations (clay, silt, sand, and gravel), will you be using a temporary conductor casing or other formation stabilizer (e.g., drilling mud) in the surface seal interval to maintain the required annular space?

YES or NO (Circle one).

Answering 'NO' suggests that you will be placing the surface seal in an open and unstabilized annular space, which may require onsite inspection of seal placement by the State Engineer's Office.

PROPOSED START DATE:

PROJECTED COMPLETION DATE:

LICENSE #: LICENSEE/COMPANY:

Licensee Signature ____________________________ Date __________________________

NOTICE TO APPLICANT: THIS CARD IS TO BE GIVEN TO A UTAH LICENSED WATER WELL DRILLER FOR SUBMITTAL TO THE DIVISION OF WATER RIGHTS PRIOR TO WELL CONSTRUCTION.

STATE OF UTAH DIVISION OF WATER RIGHTS Phone No. 801-538-7416
Fax No. 801-538-7467

COMMENTS:

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
APPLICANT CARD for Test WELL#: 0868004H00

IMPORTANT: THIS CARD MUST BE COMPLETED, SIGNED AND RETURNED BY THE WELL OWNER/APPLICANT AS SOON AS THE WELL IS DRILLED BY A LICENSED UTAH WATER WELL DRILLER.

OWNER/APPLICANT NAME: Mangum Holdings, LLC
MAILING ADDRESS: 1250 South 1300 East, Suite 500, Salt Lake City, UT 84106.
PHONE NUMBER: 801-669-9209
WELL LOCATION: S 50' W 50' from NE Cor, S27, T15S, R7W, SLB&M.
WELL UTM COORDINATES: Northing: 4372658 Easting: 361433
WELL ACTIVITY: NEW () REPAIR () REPLACE () ABANDON ()
CLEAN () DEEPEN ()
WELL COMPLETION DATE:________________________

NAME OF DRILLING COMPANY/LICENSEE:______________________________________

______________________________________
Owner/Applicant Signature Date

***COMPLETE, SIGN AND RETURN THIS PORTION UPON FINAL WELL COMPLETION -
DO NOT GIVE THIS CARD TO LICENSED WELL DRILLER - YOU MUST RETURN IT.
STATE OF UTAH DIVISION OF WATER RIGHTS Phone No. 801-538-7416
Fax No. 801-538-7467

COMMENTS:_________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
_________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

START/APPLICANT CARD INSTRUCTIONS: First, for each well, you must give a Driller (Start) Card to the licensed driller with whom you contract to construct the well. Second, it is your responsibility to sign and return this Applicant Card to this office immediately after completion of the well. CAUTION: There may be local health requirements for the actual siting of your well. Please check with the proper local authority before construction begins. See the enclosed sheet addressing construction information.
DRILLER (START) CARD for Test WELL#: 0868004M00

IMPORTANT: THIS CARD MUST BE RECEIVED BY THE DIVISION OF WATER RIGHTS PRIOR TO THE BEGINNING OF WELL CONSTRUCTION -- REQUIRED ONLY FOR WELLS DEEPER THAN 30 FT.

OWNER/APPLICANT NAME: Mangum Holdings, LLC
MAILING ADDRESS: 1260 South 1300 East, Suite 500, Salt Lake City, UT 84106.
PHONE NUMBER: 801-669-9209
WELL LOCATION: N 2085' E 570' from NE Cor., S27, T16S, R7W, SLBM.
WELL UTM COORDINATES: Northing: 4373309 Easting: 361622
WELL ACTIVITY: NEW (✓) REPAIR ( ) REPLACE ( ) ABANDON ( ) CLEAN ( ) DEEPEN ( )

For surface seals in unconsolidated formations (clay, silt, sand, and gravel), will you be using a temporary conductor casing or other formation stabilizer (e.g., drilling mud) in the surface seal interval to maintain the required annular space?

YES or NO (Circle one).

Answering 'NO' suggests that you will be placing the surface seal in an open and unstabilized annular space, which may require onsite inspection of seal placement by the State Engineer's Office.

PROPOSED START DATE: ________________________________

PROJECTED COMPLETION DATE: ________________________________

LICENSE #: ______________ LICENSEEE/COMPANY: ________________________________

Licensee Signature ________________________________ Date ________________________________

NOTICE TO APPLICANT: THIS CARD IS TO BE GIVEN TO A UTAH LICENSED WATER WELL DRILLER FOR SUBMITTAL TO THE DIVISION OF WATER RIGHTS PRIOR TO WELL CONSTRUCTION.
STATE OF UTAH DIVISION OF WATER RIGHTS Phone No. 801-538-7416
Fax No. 801-538-7467

COMMENTS: _______________________________________________________

______________________________________________________________

______________________________________________________________

______________________________________________________________

______________________________________________________________

______________________________________________________________
APPLICANT CARD for Test WELL#: 0868004W00

IMPORTANT: THIS CARD MUST BE COMPLETED, SIGNED AND RETURNED BY THE WELL OWNER/APPLICANT AS SOON AS THE WELL IS DRILLED BY A LICENSED UTAH WATER WELL DRILLER.

OWNER/APPLICANT NAME: Mangum Holdings, LLC
MAILING ADDRESS: 1250 South 1300 East, Suite 500, Salt Lake City, UT 84106.
PHONE NUMBER: 801-469-9209
WELL LOCATION: M 2086' E 570' from NE Cor. S27, T15S, R7W, SLBM.
WELL UTM COORDINATES: Northing: 4373309 Easting: 361622
WELL ACTIVITY: NEW (✔) REPAIR ( ) REPLACE ( ) ABANDON ( )
CLEAN ( ) DEEPEN ( )

WELL COMPLETION DATE: ___________________________

NAME OF DRILLING COMPANY/LICENSEE: ___________________________

____________________________________________________

Owner/Applicant Signature Date

COMPLETE. SIGN AND RETURN THIS PORTION UPON FINAL WELL COMPLETION.
DO NOT GIVE THIS CARD TO LICENSED WELL DRILLER - YOU MUST RETURN IT.
STATE OF UTAH DIVISION OF WATER RIGHTS Phone No. 801-538-7416
Fax No. 801-538-7467

COMMENTS: __________________________________________
____________________________________________________
____________________________________________________
____________________________________________________
____________________________________________________
____________________________________________________

START/APPLICANT CARD INSTRUCTIONS: First, for each well, you must give a Driller (Start) Card to the licensed driller with whom you contract to construct the well. Second, it is your responsibility to sign and return this Applicant Card to this office immediately after completion of the well. CAUTION: There may be local health requirements for the actual siting of your well. Please check with the proper local authority before construction begins. See the enclosed sheet addressing construction information.
November 25, 2008

David K. Detton  
Magnum Holdings, LLC  
2150 South 1300 East, Suite 500  
Salt Lake City, Utah 84106  

Subject: Permit to Commence Exploration Activities, Magnum Holdings, LLC., Western Energy Hub, E/027/0075, Millard County, Utah  

Dear Mr. Detton:  

The Division finds your Notice of Intention (Notice) complete and approves the reclamation surety for the Western Energy Hub exploration project. You are now permitted to conduct exploration activities as outlined in the Notice. Enclosed please find a copy of the reclamation contract and stamped approved Notice.  

Please keep in mind the following regulatory requirements.  

- This permit is valid until November 30, 2009. It may be extended, however you must receive Division approval for an extension prior to this date. Updating of surety may also required.  
- Stockpiling topsoil material prior to beginning activities will help ensure successful revegetation. Even the first few inches of undeveloped material is worth saving to aid in later revegetation efforts, and future regulatory surety release.  
- If you encounter any archaeological or historical items, you are asked to notify this office, and State History of your find.  
- Permit fees are due July 30.  
- Annual reports are due by December 31st.  

The Division’s web page at http://ogm.utah.gov under the Mining Program has a link to the rules you are expected to operate under and other information to assist you in complying with program requirements. Thank you for your cooperation. In reply, please refer to file number E/027/0075. If you have questions or concerns regarding this letter, please contact me at (801) 538-52618 or Tom Munson at 538-5321. Best wishes exploring!  

Sincerely,  

Dana Dean, P.E.  
Associate Director, Mining
State of Utah
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas & Mining

November 6, 2008

Wells Fargo National Bank, N.A.
Business Banking Group
299 South Main – 11th Floor
Salt Lake City, UT 84111

Attention: Beth Stauffer, Relationship Manager
(801) 246-1775; beth.stauffer@wellsfargo.com

Subject: Reclamation Surety, Certificate of Deposit for Magnum Holdings, LLC’s
Western Energy Hub Mine Site (OGM mine file # E0270075),
Millard County, Utah
Certificate of Deposit # 8632670918; Principal Amount $27,500.00

This letter describes the mutually agreed upon instructions of the below signed parties to
Wells Fargo National Bank, N.A. (“Bank”), regarding the control, redemption, and release of Bank’s
above-described certificate of deposit (“CD”). This CD is being used as a surety to guarantee the
availability of reclamation funds for the Western Energy Hub mine site (“Mine Site”), in Millard County,
Utah. It is the intention of the parties that the CD be utilized as surety to guarantee that $27,500.00 in
reclamation funds will be available to the State of Utah, Division of Oil, Gas & Mining (“Division”) upon
demand in the event that the operator(s) of the Mine Site are unable or unwilling to complete reclamation
of the mine site in compliance with applicable state law and regulations.

Ownership and Renewal:
Ownership of the CD is retained by Magnum Holdings, LLC, a Utah limited liability company
(“Owners”), but it is held by Bank for the benefit of the State of Utah, Division of Oil, Gas & Mining and
is subject to the terms and conditions described in this agreement. The CD shall automatically renew
indefinitely until either redeemed or released by the Director of the Division.

Redemption:
The CD may only be redeemed (i.e., called on demand), pursuant to the written instruction or demand of
the Director of the Utah Division of Oil, Gas & Mining to the Bank. Upon the instruction and demand of
the Director, the full initial amount of the CD shall be transferred to the State of Utah, Division of Oil Gas
and Mining. Owner agrees and irrevocably instructs Bank that neither the Owner nor any other person
claiming an ownership interest in the CD which is derived from the Owner, shall have the authority to
prevent the Bank from carrying out the Director’s instruction to redeem the CD. Upon redemption, any
accrued interest in excess of the initial amount of the CD shall be transferred to Owner’s control, or if
Owner does not instruct the Bank, the accrued interest shall be reinvested in the CD. If a signature card is
prepared, it shall be drafted consistent with the requirement that only the Director of the Division may
redeem the CD.
Release:
The Bank shall release the CD only upon the written instruction of the Director of the Division to the Bank. Upon release, the terms and conditions of this agreement are no longer in effect, and the unconditioned control of the CD shall be returned to the Owner, or its legal successor(s)-in-interest.

Accrued Interest:
Prior to release or redemption, all interest which accrues by the CD shall be: 1) dispersed quarterly to the Owner as the Owner may instruct the Bank, or 2) shall be reinvested in the CD until such time the Owner may instruct the Bank where to transfer such interest. In no event shall the Bank transfer any amount from the CD which would cause the redemption amount of the CD to be less than the initial amount, $27,500.00. All tax liabilities for accrued interest shall remain the responsibility of the Owners.

Bank will not be held liable for any dispute between the parties.

Agreed Upon By:

John R. Baza, Director
Utah Division of Oil, Gas & Mining
Date: 11/20/08

Robert W. Webster, Manager
Magnum Holdings, LLC (EIN # 26-2543921)
Date: 11/6/08

Beth Stauffer, Relationship Manager
Wells Fargo Bank
Date: 11-6-08
STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940
-----ooOoo-----

EXPLORATION RECLAMATION CONTRACT

This Reclamation Contract (hereinafter referred to as “Contract”) is entered into between [Name of Operator] and the “Operator” and the Utah State Division of Oil, Gas and Mining (“Division”).

WHEREAS, Operator desires to conduct exploration operations under Notice of Intention (NOI) File No. [File Number] which the Operator has filed with the Division and has been determined by the Division to be complete (Complete NOI) as required by the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (2005, as amended) (hereinafter referred to as “Act”) and the regulations adopted pursuant to the Act; and

WHEREAS, Operator is obligated to reclaim the lands affected by the exploration operations in accordance with the Act and the regulations, and is obligated to provide a surety in a form and amount approved by the Division or the Board of Oil, Gas and Mining (Board) to assure reclamation of the lands affected by the exploration operations.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to promptly reclaim in accordance with the requirements of the Act and applicable regulations, as they may be amended, all of the lands affected by the exploration operations conducted or to be conducted pursuant to a Complete Notice of Intention. If the Notice of Intention to Conduct Exploration Operations affects more than five (5) acres, the Operator further agrees to reclaim in accordance with the mining and reclamation plan (Reclamation Plan) approved by the Division.

2. A Notice of Intention to Conduct Exploration is valid until November 30th of the year following submittal. Reclamation required by this Contract and the Reclamation Plan, must be completed within that time unless an operator prior to expiration notifies the Division in writing specifying the reasons an extension is required. Failure to make a request and pay the fees as required
may result in suspension of the Operator's authorization to conduct exploration operations.

3. The Lands Affected by the exploration operations and subject to the requirements of the Act and this Contract include:

   A. All surface and subsurface areas affected or to be affected by the exploration operations including but not limited to on-site private ways, roads, and railroads; land excavations; drill sites or workings; refuse banks or spoil piles; evaporation or settling ponds; stockpiles; leaching dumps; placer areas; tailings ponds or dumps; work, parking, storage, or waste discharge areas, structures, and facilities; shafts, drill holes, and pits or cuts; and

   B. All exploration disturbances regardless of discrepancies in the map and legal description, unless explicitly and clearly identified as EXCLUDED on maps, and legal descriptions included in the Complete NOI; provided lands may be excluded only if: (1) they were disturbed by exploration or mining operations that ceased prior to July 1, 1977; (2) the lands would be included but have been reclaimed in accordance with a complete notice or reclamation plan; or (3) the lands were disturbed by a prior operation for which there is no surety, no legally responsible entity or person, and which lands are not necessarily or incidentally intended to be affected by the exploration operations as described in the Complete NOI.

4. The Operator shall be responsible for reclamation of all such Lands Affected regardless of errors or discrepancies in the maps or legal descriptions provided with the NOI, which are intended to assist in determining the location of the exploration operations, to describe the areas of disturbance, and to assist estimating the amount of surety required.

5. The Operator prior to commencement of any exploration operations and as a precondition to the rights under the Notice of Intention shall provide a surety in a form permitted by the Act and in an amount sufficient to assure that reclamation of the Lands Affected will be completed as required by the Act. The Surety shall remain in full force and effect according to its terms unless modified by the Division in writing. A copy of the agreement providing for the Surety for the reclamation obligations herein is included as ATTACHMENT A to this Contract.

6. If the Surety expressly provides for cancellation or termination for non-renewal:
i. The Operator shall within 60 days following the Division’s receipt of notice that the Surety will be terminated or cancelled, provide a replacement Surety sufficient in a form and amount, as required by the Act, to replace the cancelled surety; or

ii. If the Operator fails to provide an acceptable replacement Surety within 60 days of notice of cancellation or termination, the Division may order the Operator to cease further exploration activities, and without further notice proceed to draw upon letters of credit, to withdraw any amounts in certificates of deposit or cash and/or any other forms of surety, and to otherwise take such action as may be necessary to secure the rights of the Division to perfect its claim on the existing surety for the purpose of fully satisfying all of the reclamation obligations incurred by the Operator prior to the date of termination, and the Division may thereafter require the Operator to begin immediate reclamation of the Lands Affected by the exploration operations, and may, if necessary, proceed to take such further actions as may be required for the Division to forfeit the surety for the purpose of reclaiming the Lands Affected.

7. The Operator’s liability under this Contract shall continue in full force and effect until the Division finds that the Operator has reclaimed the Lands Affected by exploration operations in accordance with the Act and regulations, as amended. If the Operator desires to extend the exploration operations beyond November 30th of the year following submittal or if the exploration operations are modified or for any other reason vary from those described in the Complete Notice of Intention, the Operator shall immediately advise the Division, and the Notice of Intention shall be revised and the Surety amount shall be adjusted as necessary.

8. If reclamation of discrete sections of the Lands Affected by the exploration operations is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the exploration area, Operator may request the Division to find that Operator has reclaimed such area. If the Division makes such finding, Operator may make request to the Division for a reduction in the aggregate face amount of the Surety, and the Division may reduce the surety to an amount necessary to complete reclamation of the remaining exploration operations as anticipated by the Complete Notice of Intention in accordance with the requirements of the Act and regulations, as amended.

9. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the applicable rules.
10. Operator agrees to pay all legally determined public liability and property damage claims resulting from exploration operations, to pay all permit fees, to maintain suitable records, to file all required reports, to permit reasonable inspections, and to fulfill all sundry reporting requirements applicable to the mine as required by the Act and implementing rules.

11. Operator agrees to indemnify and hold harmless the State, Board, and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.

12. If Operator shall default in the performance of its obligations hereunder, Operator shall be liable for all damages resulting from the breach hereof including all costs, expenses, and reasonable attorney's fees incurred by the Division and/or the Board in the enforcement of this Contract.

13. Any breach of a material provision of this Contract by Operator may, at the discretion of the Division, in addition to other remedies available to it, result in an order by the Division requiring the Operator to cease exploration operations, and may thereafter result in an Order, subject to an opportunity for notice and hearing before the Board, withdrawing and revoking the Notice of Intention, and requiring immediate reclamation by the Operator of the Lands Affected or forfeiture of the Surety.

14. In the event of forfeiture of the Surety, Operator shall be liable for any additional costs in excess of the surety amount that is required to comply with this Contract. Upon completion of the reclamation of all of the Lands Affected, any excess monies resulting from forfeiture of the Surety shall be returned to the rightful claimant.

15. The Operator shall notify the Division immediately of any changes in the Operator's registered agent, the Operator's address, form of business, name of business, significant changes in ownership, and other pertinent changes in the information required as part of the Notice of Intention. Notwithstanding this requirement, any changes to the Notice of Intention, and any errors, omissions, or failures to fully or accurately complete or update the information on the Notice of Intention, or the attached maps, shall not affect the validity of this Contract and the rights of the Division to enforce its terms.

16. If requested by the Division, the Operator shall execute addendums to this Contract to add or substitute parties, or to reflect changes in the Operator, Surety, and otherwise modify the Contract to reflect changes in the exploration operations as requested by the Division. All modifications must be in writing and signed by the parties, and no verbal agreements, or modifications in any of the terms or conditions shall be enforceable.
17. This Contract shall be governed and construed in accordance with the laws of the State of Utah.

The signatory below represents that the Operator, if not a natural person, is a properly organized entity in good standing under the laws of Utah and the United States, is registered as an entity authorized to do business in the State of Utah, and that he/she is authorized to execute this Contract on behalf of the entity as Operator.

OPERATOR:

Magnum Holdings, LLC
Operator Name

By David K. nettun
Authorized Officer (Typed or Printed)

Manager
Authorized Officer Position

David K. nettun 10/28/08
Officer’s Signature Date

STATE OF Utah
COUNTY OF Salt Lake

On the 20th day of October, 2008, David K. nettun personally appeared before me, who being by me duly sworn did say that he/she is an Manager (owner, officer, director, partner, agent or other (specify)) of the Operator Magnum Holdings, LLC and duly acknowledged that said instrument was signed on behalf of said Operator by authority of its bylaws, a resolution of its board of directors or as may otherwise be required to execute the same with full authority and to be bound hereby.

Penny Berry
Notary Public
Residing at Salt Lake

Penny Berry
Notary Public - State of Utah
1844 W. North Temple, Ste 1210
Salt Lake City, UT 84116
My Comm. Exp. 01/11/2011

Page 5 of 6
Revised August 3, 2006
Form MR-RE (EXP)
1-11-2011

My Commission Expires:

DIVISION OF OIL, GAS AND MINING:

By ____________________________  11/20/08
John R. Baza, Director  Date

STATE OF ____________
COUNTY OF ____________

ss:

On the ____________ day of ____________, 2008, John R. Baza
personally appeared before me, who being duly sworn did say that he, the said
_________________________ is the Director of the Division of Oil, Gas and Mining,
Department of Natural Resources, State of Utah, and he duly acknowledged to me that
he executed the foregoing document by authority of law on behalf of the State of Utah.

_________________________
Notary Public
Residing at: Salt Lake

1-11-2011

My Commission Expires:

PENNY BERRY
NOTARY PUBLIC - STATE OF UTAH
1594 W. NORTH TEMPLE, STE 1210
SALT LAKE CITY, UT 84116
My Comm. Exp. 01/11/2011
FACT SHEET

Commodity: Salt

Mine Name: Western Energy Hub

Permit Number: E0270075

County: Millard

Disturbed Acres: Less than 1 acre

Operator Name: Magnum Holdings, LLC

Operator address: 2150 South 1300 East, Suite 500, Salt Lake City, UT 84106

Operator telephone: (801) 699-0209

Operator fax: (801) 292-7789

Operator email: dave@westemenergyhub.com

Contact: Dave Detton

Surety Type: CD

Held by (Bank/BLM): Wells Fargo National Bank, N.A.

Surety Amount: $27,500.00

Surety Account Number: CD # 8632670918

Escalation Year: N/A

Tax ID or Social Security (for cash only): N/A

Surface owner: Magnum Holdings, LLC

Mineral owner: Magnum Holdings, LLC

UTU number: N/A

Acres: Less than 1
STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84111-5801
Telephone: (801) 538-5291 - Fax: (801) 359-3940

NOTICE OF INTENTION TO CONDUCT EXPLORATION

The informational requirements of this form are based on provisions of the Mine Land Reclamation Act, Title 40-8, Utah Code Annotated, 1953, as amended, and the General Rules as promulgated under the Utah Minerals Regulatory Program.

PLEASE NOTE: All information provided in this Notice of Intention shall be protected as confidential information by the Division. If extra space is required to completely answer any section, please attach additional sheets and include cross-referenced page numbers as necessary. The Permittee / Operator may submit this information on an alternate form, but the same or similar format and content must be used.

R647-1-106 - "Exploration" means surface disturbing activities conducted for the purpose of discovering a deposit or mineral deposit, delineating the boundaries of a deposit or mineral deposit, and identifying regions or specific areas in which deposits or mineral deposits are most likely to exist. "Exploration" includes, but is not limited to: sinking shafts; tunneling; drilling holes and digging pits or cuts; building of roads, and other access ways; (and constructing and operating other facilities related to these activities).

I. GENERAL INFORMATION (Rule R647-2-104)

1. Name of Mine: Western Energy Hub
2. Name of Entity Applying for Permit: Magnum Holdings, LLC
   Contact (Authorized Officer): David K. Detton
   Address: 2150 South 1300 East, Suite 500
   City, State, Zip: Salt Lake City, UT 84106
   Phone: (801) 699.9209
   E-mail Address: dave@westernenergyhub.com

   Entity is a: Corporation ( ) LLC (X) Sole Proprietorship (dba) ( )
   Partnership ( ) General or limited
   Individual ( ) Other (specify type)

   Entity must be registered (and maintain registration) with the State of Utah, Division of Corporations www.commerce.utah.gov.
   Are you currently registered to do business in the State of Utah? X Yes No
   Entity # 7003317-0160
   Local Business License # (Not yet required.)
   Issued by: County or City

   APPROVED
   NOV 24 2008
   DIV. OIL GAS & MINING

   RECEIVED
   OCT 28 2008
Registered Utah Agent (as identified with the Utah Department of Commerce):
Name: Robert W. Webster
Address: 1248 East Yale Ave.
City, State, Zip: Salt Lake City, UT 84105
Phone: (801) 557-5444 Fax: (801) 665-1584
E-mail Address: rob@westernenergyhub.com

3. Entity’s Representative (if different from #2)
Name: David K. Detton
Address: 2018 Maple Grove Way
City, State, Zip: Bountiful, UT 84010
Phone: (801) 699.9209 Fax: (801) 292-7789
E-mail Address: dave@westernenergyhub.com

4. If Partnership or Sole Proprietor:
Name of 1st partner / Sole Proprietor:
Name
Address:
City, State, Zip:
Phone:
Fax:
E-mail Address:

If Partnership:
Name of 2nd Partner:
Address:
City, State, Zip:
Phone:
Fax:
E-mail Address:

If Corporation:
Name of Officers:
Title:
Title:
Title:

If Limited Liability Company: Member Managed   Manager Managed  X
Name of 1st Member/Manager: David K. Detton
Address: 2018 Maple Grove Way
City, State, Zip: Bountiful, UT 84010
Phone: (801) 699.9209 Fax: (801) 292-7789
E-mail Address: dave@westernenergyhub.com

Name of 2nd Member/Manager: Robert W. Webster
Address: 1248 East Yale Ave.
City, State, Zip: Salt Lake City, UT 84105
Phone: (801) 557-5444 Fax: (801) 665-1584
E-mail Address: rob@westernenergyhub.com

Name of 3rd Member/Manager:
Address:
City, State, Zip:
Phone:
Fax:
E-mail Address:
5. **Ownership of Land Surface:***

- Private (Fee) X Public Domain (BLM) National Forest (USFS)
- State Trust Land/School Sections State Sovereign Lands

Other (please describe):

<table>
<thead>
<tr>
<th>Name</th>
<th>Magnum Holdings, LLC</th>
<th>Address</th>
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</tbody>
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6. **Ownership of Minerals:***

- Private (Fee) X Public Domain (BLM) National Forest (USFS)
- State Trust Land/School Sections State Sovereign Lands

Other (please describe):

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<tr>
<th>Name</th>
<th>Magnum Holdings, LLC</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Address</td>
<td></td>
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<tr>
<td>Name</td>
<td>Address</td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Address</td>
<td></td>
</tr>
</tbody>
</table>

BLM Lease or Project File Number(s) and/or USFS assigned Project Number(s):

BLM Claim Numbers

Utah State Lease Number(s):

Name of Lessee(s):

7. **Have the above surface and mineral owners been notified in writing?***

- Yes
- No X

If no, why not? Permittee is the sole owner of 100% of the Surface and Minerals

Please be advised that if State Trust Lands are involved, notification to the Division of Oil, Gas and Mining alone does not satisfy the notification requirements of Mineral Leases upon State Trust Lands. Exploration or mining activity on State Trust Lands requires a minimum of 60 days notice to the Trust Lands Administration prior to commencing any activities. Please contact the School Institutional Trust Lands Administration (SITLA) at (801) 538-5100 for notification requirements.

8. **Does the Entity have legal right to enter and conduct mining operations on the land covered by this notice?***

- Yes X
- No

**APPROVED**

**NOV 24 2008**

DIV. OIL GAS & MINING
II. PROJECT LOCATION & MAP (Rule R647-3-105)

1. Project Location (legal description):

   County(ies): Millard
   NE 1/4, of NE 1/4, of NE 1/4: Section: 27 Township: 15S Range: 7W
   1/4, of 1/4, of 1/4: Section: Township: Range:
   1/4, of 1/4, of 1/4: Section: Township: Range:
   UTM East 361433 (if known) UTM North 4372658 (If known)

   Name of Quad Map for Location: DELTA NE

2. A general location map (USGS 7.5 Minute Series - scale 1"=2000') that shows project location and proposed access route (include existing and/or proposed roads).

3. An operations map (scale 1"=200', or other scale as approved by the Division) that identifies:
   a. The area to be disturbed,
   b. The location of any existing and proposed operations, including locations of access roads, drill holes, pits, adits, portals, trenches, shafts, cuts, waste dumps, tailing ponds, overburden and soil stockpiles, work areas, etc.,
   c. The location of any adjacent previous disturbances for which the operator is not responsible (provide photo documentation of these areas).

4. The proposed (5 acre or less) disturbed area boundary (including access/haul roads) should be marked in the field ON THE GROUND with metal T-Posts (or with some other marker of equal effectiveness). Markers should be appropriately spaced so that the next marker in either direction is clearly visible with the naked eye.

5. Have the above surface and mineral owners been notified in writing? Yes No X
   If no, why not? Permittee is the sole owner of 100% of the Surface and Minerals

Please be advised that if State Trust Lands are involved, notification to the Division of Oil, Gas and Mining alone does not satisfy the notification requirements of Mineral Leases upon State Trust Lands. Exploration or mining activity on State Trust Lands requires a minimum of 60 days notice to the Trust Lands Administration prior to commencing any activities. Please contact the School Institutional Trust Lands Administration (SITLA) at (801) 538-5308 for notification requirements.

6. Does the Permittee / Operator have legal right to enter and conduct exploration on the land covered by this notice? Yes X No

III. PROJECT DESCRIPTION (Rule 647-2-106)

1. Minerals to be explored: Salt (Sodium and Associated Minerals)
2. Amount of material to be extracted, moved or proposed to be moved: ~ 17 cu. yds.
3. Identify the type or method of exploration proposed (place an "X"): Cuts Pits Trenches Shafts Tunnels
   Air Drilling X Fluid Drilling

APPROVED

NOV 24 2008
DIV. OIL GAS & MINING
Other (describe)

4. Proposed Disturbances (Approximate):

Drill Pads: How many? 1 Width 150 (ft) Length 180 (ft)

Drill Holes: How many? 1 Depth ~ 2,600 to 4,600 (ft) Diameter 6 1/2 (in) (for 4" cores)
[Depths above projected salt structure (Surface to ~ 2,600 ft) will be tested for water only under a separate permit for a Non-Production Well issued by the Division of Water Rights.]

Shafts, trenches, pits, cuts, or other types of disturbance. None

Describe type, how many of each, and general dimensions.

New Road(s): Length (ft) Width (ft)
Improved Road(s) Length (ft) Width (ft)

Total project acreage to be disturbed ~ 0.62 (acres)

5. Proposed exploration schedule (dates):
Begin: November 7, 2008
End: November 6, 2009

IV. OPERATION AND RECLAMATION PRACTICES (Rules R647-2-107, 108, and 109)

An exploration site is required to be kept in a clean and safe condition. Upon completion of exploration, the land is to be reclaimed to a useful condition with at least 70 percent of the original vegetative ground cover. To accomplish this, the Permittee / Operator will need to do the following work where applicable:

1. Keep the exploration site in a safe, clean, and environmentally stable condition.

2. Permanently seal all shafts and tunnels to prevent unauthorized or accidental entry.

3. Plug drill holes with a five foot cement surface plug. Holes that encounter fluids are to be plugged in the subsurface to prevent aquifer contamination, in accordance with R647-2-108.

4. Construct berms, fences, or barriers, when needed, above highwalls and excavations.

5. Remove, isolate, or neutralize all toxic materials in a manner compatible with federal and state regulations.

6. Remove all waste or debris from stream channels

7. Dispose of any trash, scrap metal, wood, machinery, and buildings.

8. Conduct exploration activities so as to minimize erosion and control sediment.

APPROVED
NOV 24 2008
DIV. OIL GAS & MINING
9. Reclaim all roads that are not part of a permanent transportation system.

10. Stockpile topsoil and suitable overburden prior to making excavations.

11. Stabilize highwalls by backfilling or rounding to 45 degrees or less, where feasible; reshape the land to near its original contour, and redistribute the topsoil and suitable overburden.

12. Properly prepare seed bed to a depth of six inches by pocking, ripping, discing, or harrowing. Leave the surface rough.

13. Reseed disturbed areas with adaptable species. The Division recommends a mixture of species of grass, forb, and browse seed, and will provide a specific species list if requested.

14. Plant the seed with a rangeland or farm drill, or broadcast seed. Fall is the preferred time to seed.

V. **VARIANCE REQUEST** (Rule R647-2-110) Yes X  No

Any variance must be approved by the Division in writing.

Rules R647-2-107, Operation Practices; R647-2-108, Hole Plugging Requirements; and R647-2-109, Reclamation Practices are summarized on the preceding page. Any planned deviations from these rules should be identified below and justification given for the variance request(s).

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Variance Request Justification</th>
</tr>
</thead>
</table>

VI. **SURETY** (Act 40-8-7(1)(c))

The surety must be provided to and approved by the Division prior to commencement of operations.

The Utah Mined Land Reclamation Act (40-8-7(1)(c)) and 40-8-14 provides the authority that all mining operations furnish and maintain reasonable surety to guarantee that the land affected is reclaimed according to approved notices consistent with on-site conditions. The surety amount is based on the nature, extent and duration of operations.

Acceptable forms of surety may include: certificates of deposit, letters of credit, surety bonds & cash.

VII. **PERMIT FEE** (Mined Land Reclamation Act 40-8-7(1)(f))

The Utah Mined Land Reclamation Act of 1975 (40-8-7(1)(f)) provides the authority for the assessment of permitting fees. Commencing with the 1998 fiscal year (July 1 - June 30), permit fees are assessed to new and existing notices of intention, and annually thereafter, until the project disturbances are successfully reclaimed by the Permittee/Operator and released by the Division.

**Exploration Notices require a $150.00 fee which must accompany this application or it cannot be processed by the Division.**

**APPROVED**

**NOV 24 2008**

DIV. OIL GAS & MINING
NOTICE: The following person(s) are authorized and designated to receive Notices of Violations, Cessation Orders and all other Notices required by the Division to be given to the Permittee or Operator:

Name: David K. Detton
Address: 2018 Maple Grove Way
         Bountiful, UT 84010
Phone: (801) 699-9209
Fax: (801) 292-7789
E-mail Address: dave@westernenergyhub.com

Name: Robert W. Webster
Address: 1248 East Yale Ave.
         Salt Lake City, UT 84105
Phone: (801) 557-5444
Fax: (801) 665-1584
E-mail Address: rob@westernenergyhub.com

VIII. SIGNATURE REQUIREMENT

I hereby verify that the foregoing information is true and accurate and commit to the reclamation of the aforementioned exploration project as required by the Utah Mined Land Reclamation Act (40-8) and the rules as specified by the Board of Oil, Gas and Mining.

(Please check the box(s) and place your initials on the line(s) provided)

[ ] I have enclosed the required permit fee.
[ ] I have enclosed the appropriate reclamation surety amount or have made arrangements as to when the surety will be furnished.
[ ] I understand that I am not authorized to create any surface disturbance until the surety amount is posted and approved in writing from the Division of Oil, Gas and Mining and any other authorized regulatory agency.
[ ] I understand that the information in this notice, regarding the location, size and nature of the mineral deposit, will be protected as confidential information, until the file is closed (unless I give written release to divulge the information sooner).

(Note: If a company or corporation, this form must be signed by the owner or officer who is authorized to bind the company/corporation to this Notice.)

Magnum Holdings, LLC

Signature of Permittee / Operator/Applicant:

By: David K. Detton
Manager

Date: October 24, 2008

P:\GROUPS\MINERALS\WP\FORMS\Notices\Final\mr-exp.doc

APPROVED
NOV 24 2008
DIV. OIL GAS & MINING
STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291 - Fax: (801) 359-3940

NOTICE OF INTENTION TO CONDUCT EXPLORATION

The informational requirements of this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, Utah Code Annotated, 1953, as amended, and the General Rules as promulgated under the Utah Minerals Regulatory Program.

PLEASE NOTE: All information provided in this Notice of Intention shall be protected as confidential information by the Division. If extra space is required to completely answer any section, please attach additional sheets and include cross-referenced page numbers as necessary. The Permittee / Operator may submit this information on an alternate form, but the same or similar format and content must be used.

R647-1-106 - "Exploration" means surface disturbing activities conducted for the purpose of discovering a deposit or mineral deposit, delineating the boundaries of a deposit or mineral deposit, and identifying regions or specific areas in which deposits or mineral deposits are most likely to exist. "Exploration" includes, but is not limited to: sinking shafts; tunneling; drilling holes and digging pits or cuts; building of roads, and other access ways;" (and constructing and operating other facilities related to these activities).

I. GENERAL INFORMATION (Rule R647-2-104)

1. Name of Mine: Western Energy Hub

2. Name of Entity Applying for Permit: Magnum Holdings, LLC
   Contact (Authorized Officer): David K. Detton
   Address: 2150 South 1300 East, Suite 500
   City, State, Zip: Salt Lake City, UT 84106
   Phone: (801) 699.9209
   Fax: (801) 292-7789
   E-mail Address: dave@westernenergyhub.com

   Entity is a: Corporation ( ) LLC (X ) Sole Proprietorship (dba ) ( )
   Partnership ( ) General or limited
   Individual ( ) Other (specify type)

   Entity must be registered (and maintain registration) with the State of Utah, Division of Corporations www.commerce.utah.gov.
   Are you currently registered to do business in the State of Utah? X Yes No
   Entity # 7003317-0160
   Local Business License # (Not yet required.)
   Issued by: County or City
Registered Utah Agent (as identified with the Utah Department of Commerce):
Name: Robert W. Webster
Address: 1248 East Yale Ave.
City, State, Zip: Salt Lake City, UT 84105
Phone: (801) 557-5444 Fax: (801) 665-1584
E-mail Address: rob@westernenergyhub.com

3. Entity's Representative (if different from #2)
Name: David K. Detton
Address: 2018 Maple Grove Way
City, State, Zip: Bountiful, UT 84010
Phone: (801) 699.9209 Fax: (801) 292-7789
E-mail Address: dave@westernenergyhub.com

4. If Partnership or Sole Proprietor:
Name of 1st partner / Sole Proprietor:
Name:
Address:
City, State, Zip:
Phone:
E-mail Address:
Fax:

If Partnership:
Name of 2nd Partner:
Address:
City, State, Zip:
Phone:
E-mail Address:
Fax:

If Corporation:
Name of Officers:
Title:
Title:
Title:
Title:

If Limited Liability Company: Member Managed Manager Managed X
Name of 1st Member/Manager: David K. Detton
Address: 2018 Maple Grove Way
City, State, Zip: Bountiful, UT 84010
Phone: (801) 699.9209 Fax: (801) 292-7789
E-mail Address: dave@westernenergyhub.com

Name of 2nd Member/Manager: Robert W. Webster
Address: 1248 East Yale Ave.
City, State, Zip: Salt Lake City, UT 84105
Phone: (801) 557-5444 Fax: (801) 665-1584
E-mail Address: rob@westernenergyhub.com

Name of 3rd Member/Manager:
Address:
City, State, Zip:
Phone:
E-mail Address:
Fax:
5. **Ownership of Land Surface:**
   
   Private (Fee) X Public Domain (BLM) National Forest (USFS)
   State Trust Land/School Sections State Sovereign Lands
   Other (please describe):

   Name: **Magnum Holdings, LLC**  
   Address: 2150 South 1300 East, Suite 500
   Salt Lake City, UT 84106
   
   Name
   Address
   Name
   Address
   Name
   Address

6. **Ownership of Minerals:**
   
   Private (Fee) X Public Domain (BLM) National Forest (USFS)
   State Trust Land/School Sections State Sovereign Lands
   Other (please describe):

   Name: **Magnum Holdings, LLC**  
   Address: 2150 South 1300 East, Suite 500
   Salt Lake City, UT 84106
   
   Name
   Address
   Name
   Address
   Name
   Address

   BLM Lease or Project File Number(s) and/or USFS assigned Project Number(s):

   BLM Claim Numbers

   Utah State Lease Number(s):

   Name of Lessee(s)

7. **Have the above surface and mineral owners been notified in writing?**
   Yes X No

   If no, why not? **Permittee is the sole owner of 100% of the Surface and Minerals**

   Please be advised that if State Trust Lands are involved, notification to the Division of Oil, Gas and Mining alone does not satisfy the notification requirements of Mineral Leases upon State Trust Lands. Exploration or mining activity on State Trust Lands requires a minimum of 60 days notice to the Trust Lands Administration prior to commencing any activities. Please contact the School Institutional Trust Lands Administration (SITLA) at (801) 538-3100 for notification requirements.

8. **Does the Entity have legal right to enter and conduct mining operations on the land covered by this notice?**
   Yes X No
II. PROJECT LOCATION & MAP (Rule R647-3-105)

1. Project Location (legal description):

   County(ies): Millard
   NE 1/4, of NE 1/4, of NE 1/4: Section: 27 Township: 15S Range: 7W
   1/4, of 1/4, of 1/4: Section: Township: Range:
   1/4, of 1/4, of 1/4: Section: Township: Range:
   UTM East 361433 (if known) UTM North 4372658 (If known)

   Name of Quad Map for Location: DELTA NE

2. A general location map (USGS 7.5 Minute Series - scale 1"=2000') that shows project location and proposed access route (including existing and/or proposed roads).

3. An operations map (scale 1"=200', or other scale as approved by the Division) that identifies:
   a. The area to be disturbed,
   b. The location of any existing and proposed operations, including locations of access roads, drill holes, pits, adits, portals, trenches, shafts, cuts, waste dumps, tailing ponds, overburden and soil stockpiles, work areas, etc.,
   c. The location of any adjacent previous disturbances for which the operator is not responsible (provide photo documentation of these areas).

4. The proposed (5 acre or less) disturbed area boundary (including access/haul roads) should be marked in the field ON THE GROUND with metal T-Posts (or with some other marker of equal effectiveness). Markers should be appropriately spaced so that the next marker in either direction is clearly visible with the naked eye.

5. Have the above surface and mineral owners been notified in writing? Yes No X
   If no, why not? Permittee is the sole owner of 100% of the Surface and Minerals

   Please be advised that if State Trust Lands are involved, notification to the Division of Oil, Gas and Mining alone does not satisfy the notification requirements of Mineral Leases upon State Trust Lands. Exploration or mining activity on State Trust Lands requires a minimum of 60 days notice to the Trust Lands Administration prior to commencing any activities. Please contact the School Institutional Trust Lands Administration (SITLA) at (801) 338-5508 for notification requirements.

6. Does the Permittee / Operator have legal right to enter and conduct exploration on the land covered by this notice? Yes X No

III. PROJECT DESCRIPTION (Rule R647-2-106)

1. Minerals to be explored: Salt (Sodium and Associated Minerals)
2. Amount of material to be extracted, moved or proposed to be moved: ~ 17 cu. yds.
3. Identify the type or method of exploration proposed (place an "X"):
   Cuts Pits Trenches Shafts Tunnels
   Air Drilling X Fluid Drilling
Other (describe)

4. Proposed Disturbances (Approximate):
   Drill Pads: How many? 1  Width 185 (ft)  Length 200 (ft)
   Drill Holes: How many? 1  Depth ~ 6,500 (ft) Diameter 6 1/8 (in) (for 4" cores)
   [Depths above projected salt structure (Surface to ~ 3,200 ft will be tested for water only
under a separate permit for a Non-Production Well issued by the Division of Water Rights.]
   Shafts, trenches, pits, cuts, or other types of disturbance.  None

   Describe type, how many of each, and general dimensions.

   New Road(s): Length (ft)  Width (ft)
   Improved Road(s): Length (ft)  Width (ft)

   Total project acreage to be disturbed ~ 0.86 (acres)

5. Proposed exploration schedule (dates):
   Begin: December 1, 2008  End: December 1, 2009

IV. OPERATION AND RECLAMATION PRACTICES (Rules R647-2-107, 108, and 109)

   An exploration site is required to be kept in a clean and safe condition. Upon completion of
   exploration, the land is to be reclaimed to a useful condition with at least 70 percent of the original vegetative
   ground cover. To accomplish this, the Permittee / Operator will need to do the following work where
   applicable:

   1. Keep the exploration site in a safe, clean, and environmentally stable condition.
   2. Permanently seal all shafts and tunnels to prevent unauthorized or accidental entry.
   3. Plug drill holes with a five foot cement surface plug. Holes that encounter fluids are to be plugged in
      the subsurface to prevent aquifer contamination, in accordance with R647-2-108.
   4. Construct berms, fences, or barriers, when needed, above highwalls and excavations.
   5. Remove, isolate, or neutralize all toxic materials in a manner compatible with federal and state
      regulations.
   6. Remove all waste or debris from stream channels
   7. Dispose of any trash, scrap metal, wood, machinery, and buildings.
   8. Conduct exploration activities so as to minimize erosion and control sediment.
9. Reclaim all roads that are not part of a permanent transportation system.

10. Stockpile topsoil and suitable overburden prior to making excavations.

11. Stabilize highwalls by backfilling or rounding to 45 degrees or less, where feasible: reshape
the land to near its original contour, and redistribute the topsoil and suitable overburden.

12. Properly prepare seed beds to a depth of six inches by pocking, ripping, discing, or harrowing.
Leave the surface rough.

13. Reseed disturbed areas with adaptable species. The Division recommends a mixture of
species of grass, forb, and browse seed, and will provide a specific species list if requested.

14. Plant the seed with a rangeland or farm drill, or broadcast seed. Fall is the preferred time to
seed.

V. VARIANCE REQUEST (Rule R647-2-110) Yes No X
Any variance must be approved by the Division in writing.
Rules R647-2-107, Operation Practices; R647-2-108, Hole Plugging Requirements; and R647-2-109,
Reclamation Practices are summarized on the preceding page. Any planned deviations from these
rules should be identified below and justification given for the variance request(s).

Item Number Variance Request Justification

VI. SURETY (Act 40-8-7(1)(c))
The surety must be provided to and approved by the Division prior to commencement of operations.

The Utah Mined Land Reclamation Act (40-8-7 (1)(c) and 40-8-14 provides the authority that all
mining operations furnish and maintain reasonable surety to guarantee that the land affected is reclaimed
according to approved notices consistent with on-site conditions. The surety amount is based on the
nature, extent and duration of operations.

Acceptable forms of surety may include: certificates of deposit, letters of credit, surety bonds & cash.

VII. PERMIT FEE [Mined Land Reclamation Act 40-8-7(1)(i)]
The Utah Mined Land Reclamation Act of 1975 (40-8-7 (1)(i)) provides the authority for the assessment of
permitting fees. Commencing with the 1998 fiscal year (July 1 - June 30), permit fees are assessed to new
and existing notices of intention, and annually thereafter, until the project disturbances are successfully
reclaimed by the Permittee / Operator and released by the Division.

Exploration Notices require a $150.00 fee which must accompany this application or it cannot be
processed by the Division.
NOTICE: The following person(s) are authorized and designated to receive Notices of Violations, Cessation Orders and all other Notices required by the Division to be given to the Permittee or Operator:

Name: David K. Detton  
Address: 2018 Maple Grove Way  
City, State, Zip: Bountiful, UT 84010  
Phone: (801) 699-9209  
Fax: (801) 292-7789  
E-mail Address: dave@westernenergyhub.com

Name: Robert W. Webster  
Address: 1248 East Yale Ave.  
City, State, Zip: Salt Lake City, UT 84105  
Phone: (801) 557-5444  
Fax: (801) 665-1584  
E-mail Address: rob@westernenergyhub.com

VIII. SIGNATURE REQUIREMENT

I hereby verify that the foregoing information is true and accurate and commit to the reclamation of the aforementioned exploration project as required by the Utah Mined Land Reclamation Act (40-8) and the rules as specified by the Board of Oil, Gas and Mining.

(Please check the box(s) and place your initials on the line(s) provided)

X I have enclosed the required permit fee.
X I have enclosed the appropriate reclamation surety amount or have made arrangements as to when the surety will be furnished.
X I understand that I am not authorized to create any surface disturbance until the surety amount is posted and approved in writing from the Division of Oil, Gas and Mining and any other authorized regulatory agency.
X I understand that the information in this notice, regarding the location, size and nature of the mineral deposit, will be protected as confidential information, until the file is closed (unless I give written release to divulge the information sooner).

(Note: If a company or corporation, this form must be signed by the owner or officer who is authorized to bind the company/corporation to this Notice.)

Magnum Holdings, LLC

Signature of Permittee / Operator/Applicant: David K. Detton

By: [Signature]

Name (typed or print): David K. Detton

Title/Position (if applicable): Manager

Date: November 25, 2008
ATTACHMENT C-1.3

Initial Water Quality and Testing of Well MH-1

THE FOLLOWING INFORMATION IS CONFIDENTIAL

Well MH-1 Start-up, Test Pumping and Evaluation
Water Quality

Water quality data was collected for well MH-1 during selected phases of development and at the conclusion of zonal pump testing of the aquifer identified between 1,650 and 2,240 feet. As shown in cuttings logs, the identified zones contain various mixes of sand, pebbles and gravel, conditions that are significantly different from the clays and silts found throughout the remainder of the log.

During development, two preliminary water samples were collected and analyzed at the following depth intervals. Collected data is provided in Attachment C-1.2.

<table>
<thead>
<tr>
<th>Sample #</th>
<th>Date</th>
<th>Depth Tested</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>April 5, 2009</td>
<td>1,950-2,020'</td>
</tr>
<tr>
<td>2</td>
<td>April 6, 2009</td>
<td>2,180-2,240'</td>
</tr>
</tbody>
</table>

Isolated packer pump tests (with packers both above and below the perforated zones) were conducted for the purpose of identifying pumping capacity and general water quality of each pumped zone. Pump tests were originally designed to isolate each of the following zones.

<table>
<thead>
<tr>
<th>Test #</th>
<th>Intended Test Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>11,650-1,680'</td>
</tr>
<tr>
<td>12</td>
<td>21,840-2,020'</td>
</tr>
<tr>
<td>13</td>
<td>32,180-2,240'</td>
</tr>
</tbody>
</table>

The pump test program was modified however when a nitrogen leak was discovered in the air line feeding the lower packer during the initial test. Although the driller affirmns that pressure to the lower packer was maintained during the first test, the leak caused inconsistent readings in water level data within the aquifer zone being tested. Subsequent tests were therefore conducted without inflating the lower packer which resulted in contribution of flows from lower zones 2 and 3 during the test #2. The pump tests were successful in withdrawing an approximate flow of 425 gpm from each tested zone over the 24 hour pumping period. A discussion of the pump test and results is included later in this section.

Water quality samples including the following parameters were collected at the end of each test just prior to test completion.

- Alkalinity-Bicarbonate
- Chloride
- Sulfate
- Calcium, Total
- Iron, Total
- Magnesium, Total
- Potassium, Total
- Sodium, Total
- Conductivity
- pH
- Total Dissolved Solids

Accounting for the nitrogen leak and lack of isolation in subsequent testing, the water quality collected during the pump tests (included within Attachment C-1.2) and shown in the following graphs likely represent the zones as identified.
<table>
<thead>
<tr>
<th>Sample #</th>
<th>Date</th>
<th>Target Zone</th>
<th>Depth Tested</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>April 10, 2009</td>
<td>1,650-1,680'</td>
<td>1,650-1,680'</td>
</tr>
<tr>
<td>2</td>
<td>April 11, 2009</td>
<td>1,840-2,020</td>
<td>1,840-2,240'</td>
</tr>
<tr>
<td>3</td>
<td>April 12, 2009</td>
<td>2,180-2,240</td>
<td>2,180-2,240'</td>
</tr>
</tbody>
</table>

As seen in the graphs, major increases in Chloride, Sodium, Conductivity and TDS were noted to have occurred between the middle and lower test comprising Samples 2 and 3. A similar but reversed trend is also noted in pH between the first sample and deeper samples 2 and 3. Notable but less drastic changes are also noted with depth for Bicarbonate, Sulfate, Magnesium, and Calcium.

**Pump Tests**

Three packer pump tests were conducted on well MH-1 at the 1,650-1,680, 1,840-2,020, and 2,180-2,240 foot intervals wherein potential aquifers were identified. The date, zone tested and packer placement were as follows.

<table>
<thead>
<tr>
<th>Test</th>
<th>Date</th>
<th>Target Zone</th>
<th>Upper Packer</th>
<th>Lower Packer</th>
<th>Flow (gpm)</th>
<th>Length of Test (Hrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>April 10, 2009</td>
<td>1,650-1,680'</td>
<td>1,492'</td>
<td>1,700'</td>
<td>440</td>
<td>48</td>
</tr>
<tr>
<td>2</td>
<td>April 11, 2009</td>
<td>1,840-2,020</td>
<td>1,820'</td>
<td>Not Inflated</td>
<td>440</td>
<td>1.5</td>
</tr>
<tr>
<td>3</td>
<td>April 12, 2009</td>
<td>2,180-2,240</td>
<td>2,060'</td>
<td>Not Inflated</td>
<td>440</td>
<td>3</td>
</tr>
</tbody>
</table>

The goals for these tests were to identify to a reasonable degree individual aquifer characteristics, and respective potential pumping rates, draw downs, and water quality.
Water quality was discussed above. It was also a goal to determine whether there was any measurable effect on aquifers above and below the isolated pumping zone.

A graphical well casing schematic for well MH-1 is provided in Attachment C-1.2. A tabular representation of the well showing grouted and perforated zones and packer placements is shown below. Grouted zones are shown in black, Upper and Lower Packers are shown with red diagonal hatching. Perforated zones are shown with vertical hatching, and Tested Zones are shown with blue horizontal hatching. Due to depths involved, pressure transducers were placed within the well at a depth of approximately 650 feet and connected to the zones above, within and below the isolated screens via tubing. The upper transducer recorded levels above the Upper Packer, while the middle and lower transducers were connected to piping that penetrated the upper and lower packer assemblies respectively.

<table>
<thead>
<tr>
<th>TEST 1</th>
<th>TEST 2</th>
<th>TEST 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depth</td>
<td>Well</td>
<td>Comment</td>
</tr>
<tr>
<td>0-1395</td>
<td>Blank Casing</td>
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<tr>
<td>1395-1405</td>
<td>Screen</td>
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<td>1405-1420</td>
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<tr>
<td>1420-1500</td>
<td>GROUT</td>
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<tr>
<td>1500-1580</td>
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<td>1580-1650</td>
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<tr>
<td>1650-1680</td>
<td>Screen</td>
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<td>1680-1710</td>
<td>Screen</td>
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</tr>
<tr>
<td>1710-1740</td>
<td>GROUT</td>
<td></td>
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<tr>
<td>1740-1830</td>
<td>Screen</td>
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<td>1830-1840</td>
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<td>1840-1870</td>
<td>Screen</td>
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<tr>
<td>1870-1950</td>
<td>Screen</td>
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<tr>
<td>1950-2020</td>
<td>Screen</td>
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<tr>
<td>2030-2090</td>
<td>GROUT</td>
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<tr>
<td>2050-2180</td>
<td>Screen</td>
<td></td>
</tr>
<tr>
<td>2180-2240</td>
<td>Screen</td>
<td></td>
</tr>
</tbody>
</table>

* - Lower Packer Deflated for Test

**TEST 1 - 1,650-1,680 Isolated Test**

The testing of Zone 1 was considered the most important test of the series since it could help provide data which would help indicate potential influence of pumping on upper aquifers that are currently used within the region for industrial and agricultural purposes.

**1,395-1,405 Foot Aquifer**

Figure C-1.1 entitled "1,650-1,680 - Upper Transducer" shows water levels within the 1,395 to 1,405 perforated zone, located above the tested zone and separated by approximately 245 feet of clay. The figure shows a small decline in water levels that resulted from the stabilization of water levels once the packer was set in place. The initial levels were influenced by the potentiometric surface of the tested zones which at the time of testing was producing an approximate 3 feet of artesian head, and was higher than the recorded potentiometric surface within the 1,395 to 1,405 foot perforated zone. The decline in water level represents the flow of well column water into the 1,395-1,405 foot zone after the inflation of the packer. The data response at this well is typical of a slug test
where water level decline is noted following the injection of a slug of water into a well casing. Note that no inflection points are noted in the data, indicating that there was no influence noted on the zone above the upper packer during the period of the test.

Conclusion – No impact on aquifers above 1,405 feet due to pumping the 1,650 – 1,680 aquifer at a rate of between 425 and 440 gpm.

1,650-1,680 Foot Aquifer

Figure C-1.2 entitled “1,650-1,680 – Middle Transducer” represents water levels within the 1,650 to 1,680 foot pumped zone. The figure shows a typical response and declining water level immediately following pumping which may have begun to stabilize with about 42 feet of drawdown. However, the figure shows that water levels increased between midnight and 6:00 am on April 9th returning to their near pre-pumping levels and remained constant thereafter. This increase and continued stabilization was the result of a leaky lower packer into which nitrogen was fed. Data variations shown in the far right portion of the figure are readings collected following termination of the test and during movement of the packer set to test #2.

Conclusion – A water production rate of approximately 425-440 gpm resulted in a level decline on the order of 42 feet during the test.

1,840-2,240 Foot Aquifers

Figure C-1.3 entitled “1,840-2,240 – Lower Transducer” represents water levels within the aquifers below the 1,650 to 1,680 foot pumped zone. The figure shows a typical drawdown and recovery responses during the pump test with an approximate 15 foot drawdown. Caution however must be given when interpreting this figure since the lower packer was leaking during and it is uncertain what impact if any, the leak had on transducer readings. Assuming the leak did not affect this lower zone, there is evidence of interconnections between the pumped zone and lower zones as seen through the steps in the data. Overall, these lower aquifers show an approximate 10 foot decline due to pumping during the 48 hour test. Although data shown in the far right portion of the figure show what could be considered a typical recovery curve, it is influenced by movement of the test string following termination of the test.

Conclusion – A water production rate of approximately 425-440 gpm resulted in a level decline on the order of 20 feet during the test.

TEST 2 - 1,840-2,020 Isolated Test

1,395-1,680 Foot Aquifers

Figure C-1.4 entitled “1,840-2,020 – Upper Transducer” shows water levels within the combined 1,395 to 1,680 foot perforated zones. Similar to data shown within the preceding section, the figure shows typical drawdown and recovery data during and after the 1½ hour test. Total drawdown resulting from pumping 425 to 440 gpm was about 1 foot. This data helps conclude that there may be
significant isolation between the 1,650-1,680 and 1,840-2,020 foot aquifers. It should be recognized that the recovery data shown in the right portion of the figure includes combined impacts from all perforated aquifer zones since both packers were deflated at the conclusion of the pumping test. It should also be noted that pumping impacts on these upper aquifers are limited to the 1,650-1,680 foot aquifer since test #1 showed no pumping impact between the 1,395-1,405 and 1,650-1,680 foot aquifers.

Conclusion – A water production rate of approximately 425-440 gpm resulted in a water level decline on the order of 1 foot during the test.

1,840-2,020 Foot Aquifer

Figure C-1.5 entitled “1,840-2,020 – Middle Transducer” shows water levels within the combined 1,840 to 2,020 foot perforated zones, with some influence from the 2,180-2,240 foot zone since the lower packer was deflated during the test. Similar to data shown within the preceding section, the figure shows typical drawdown and recovery data during and after the 1½ hour test. Total drawdown resulting from pumping 425 to 440 gpm was about 15 feet. It is important to note however that this data shows some restriction was created during the test by the lower deflated packer between the pumped zone and the aquifers located below 2,020 feet. This is observed through a comparison of middle and lower transducer readings. As stated, data from the pumped zone show a drawdown of about 15 feet. Data from the lower transducer (discussed below) show a drawdown of about 30 feet. Recovery data shown in the right portion of the figure include combined impacts from all perforated aquifer zones since both packers were deflated at the conclusion of the pumping test.

Conclusion – A water production rate of approximately 425-440 gpm resulted in a water level decline on the order of 15 feet during the test. It is also concluded that the pumped zone may have more production potential than the lower 2,180-2,240 foot zone.

2,180-2,240 Foot Aquifer

Figure C-1.6 entitled “1,840-2,020 – Lower Transducer” shows water levels within the combined 2,180 to 2,240 foot perforated zone. The figure shows typical drawdown and recovery data during and after the 1½ hour test. Total drawdown resulting from pumping the 1,840-2,020 foot zone at 425 to 440 gpm was about 35 feet. As with other tests, recovery data shown in the right portion of the figure include combined impacts from all perforated aquifer zones since both packers were deflated at the conclusion of the pumping test.

Conclusion – A water production rate of approximately 425-440 gpm resulted in a water level decline on the order of 35 feet during the test.

TEST 3 - 2,180-2,240 Isolated Test

With the upper packer in place and the lower portion of the well sealed from potential aquifers, this test effectively evaluated the production and water quality characteristics of the identified zone.
1,395-2,020 Foot Aquifers

Figure C-1.7 entitled “2,180-2,240 – Upper Transducer” shows responding water levels within the combined 1,395 to 2,020 foot perforated zones. Total drawdown within these upper aquifers resulting from pumping 425 to 440 gpm for 2½ hours was only about 1 foot. This data helps conclude that there is significant isolation between the aquifers above 2,020 feet and the pumped 2,180-2,240 foot aquifer.

Conclusion – A water production rate of approximately 425-440 gpm resulted in a water level decline on the order of 1 foot within aquifers above 2,020 feet during the test.

2,180-2,240 Foot Aquifer

Figure C-1.8 entitled “2,180-2,240 – Lower Transducer” shows water levels within the isolated 2,180 to 2,240 foot perforated zone. The figure shows typical drawdown and recovery data during and after the 2½ hour test. Total drawdown resulting from pumping this zone at 425 to 440 gpm was about 55 feet. Recovery data shown in the right portion of the figure shows a typical end of test response with a fairly rapid recovery.

Conclusion – A water production rate of approximately 425-440 gpm resulted in a water level decline on the order of 55 feet during the test. This zone is not as productive as upper zones as was hypothesized during testing of test zones 1 and 2.

General conclusions reached as a result of the isolated testing described above are:

- Aquifers found at depth below 1,650 feet have significant isolation from overlying aquifers historically developed above 1,400 feet. No impact on overlying existing aquifers was noted during the 48 hour test.
- Testing of the two main aquifer zones between 1,650 and 2,020 feet were found to produce an approximate 425-440 gpm with a resulting drawdown of between 30 and 40 feet during the tests.
- The lowermost aquifer found between 2,180-2,240 is the least productive having a specific capacity of about 32 of those found between 1,650 and 2,020 feet.
- It is projected that the identified aquifers may be able to produce a combined sustainable flow of approximately 1,000 gpm when properly equipped.

Following completion of the original Class III Permit application to the State, a more extensive pump test was conducted on well MH-1. In summary, the report substantiates the findings documented above in that it shows that pumping of the well MH-1 at an extended flow rate of 1,100 gpm for a 13 day period (followed by a 5 day recovery period) showed no impact on the IPP, Delta Egg Farm nor Stock Pond wells, nor did it show impact on a USGS monitoring well that is located just north of Brush Wellman Road. A complete copy of the report is included within Attachment C-1.3.
MAGNUM GAS STORAGE PROJECT

WELL MH-1
START-UP, TEST PUMPING AND EVALUATION

FINAL REPORT

MARCH 2010
ATTACHMENT D-1

Well MH-1 Grouting Isolation
MH-1 Well (Maintained as a Source Water Production Well) – Extensive efforts were made during the drilling and completion of MH-1 to isolate various zones for the purpose of preventing the vertical movement of fluids between well zones. As shown in the well schematic for MH-1 included within Attachment C-1,2, grout was installed both within the outer casing annulus as well as within the completed well casings. Outer annulus grout was placed at depths of 0-220, 650-689, 852-868, 1,002-1,020, 1,245-1,271, 1,387-1,425, 1,428-1,450, 1,720-1,735, 2,026-2,050, and 2,700-3,294 feet. The bottom of the 7” well casing was plugged with a permanent plug overlain by 38 gallons of neat cement from a depth of 3,250 to 3,280 feet. The 594 feet of well grout placed at the bottom of the cased well bridges the basement aquifer and salt structure zones identified within this report, overlapping each zone by approximately 300 feet. This grout seal will provide an effective barrier between the salt structure and cavern zones from potential overlying USDW’s.
Attachment D  Plan for Plugging and Abandonment  
 of Class III Solution Mining Wells  
 and Caverns before Gas Storage

The following procedures are provided as a general guideline. Actual plugging measures would be submitted in advance to DWQ (prior to commencement of gas storage).

1. At least 45 days before the planned plugging, Magnum will notify the DWQ Executive Secretary of the proposed plugging with a Well Condition Report and a well-specific Plugging and Abandonment Plan.

2. All nitrogen or other blanket material will be removed and the cavern will be filled with saturated brine water.

3. All free hanging tubing will be pulled from the well.

4. The exact depth to the bottom of the cemented production casing will be determined.

5. A drillable plug capable of supporting a cement plug will be installed in the cemented casing with the bottom of the plug within 10 feet of the end of the casing.

6. All cement plugs to be Class G cement with no additives and slurry weight of 14.5 pounds per gallon or more.

7. The entire wellbore from the bridge plug to surface will be filled with cement.

8. In the event the cemented casing is determined to be leaking, the casing will be perforated at the level of the leak and cement squeezed into the perforations.

9. An alternative technique which could be used involves setting the following plugs.
   a. Bottom plug: A 300-foot plug from the plug at the bottom of the production casing upward.
   b. Surface casing plug: A 150-foot plug from 75 feet below the bottom of the surface casing upward.
   c. Top plug: A 50-foot plug from 50 feet below surface grade upward to surface.
   d. The casing between each of the plugs shall be filled with a noncorrosive mud slurry of at least 10 pounds per gallon weight.

10. Upon completion of the plugging operation, all reports will be filed in accordance with DWQ rules as applicable.
ATTACHMENT E-1

Part E – Formation Testing Program

THE FOLLOWING INFORMATION IS CONFIDENTIAL

Hydrofracture Testing at Well MH-1
Golder Associates, Inc.
Part E – Formation Testing Program

The target injection zone consists of a salt structure over 5,000 feet in vertical thickness that is not naturally water-bearing. The fracture pressure of the salt was determined by in-situ hydrofracture testing performed for Magnum by Golder Associates, Inc., in March, 2009. The hydraulic fracture tests were mostly based on the standard ASTM D4645-89: Standard Test Method for Determination of the In-Situ Stress in Rock using the Hydraulic Fracturing Method with some minor adaptations to account for site specific conditions.

Seven tests were performed at intervals from 3,357 feet below ground surface (bgs) to 5,511 feet bgs. As would be expected given the visco-elastic nature of salt, the observed fracture pressures varied with depth and indicated lithostatic conditions or higher, i.e., the fracture pressures were at or above the calculated pressures associated with the weight of the overburden at that depth. Golder’s report of the procedures used and results of this hydrofracture testing program is included within this attachment.

The injection wells and resulting salt caverns will be engineered to operate within a pressure range of 0.25 to 0.90 x the calculated lithostatic pressure at the bottom of the casing string cemented into the salt structure (the casing shoe). With an overburden pressure of about 1 psi per foot, the calculated operating overburden pressure ranges at a depth of 4,000 feet will be 1,000 to 3,600 psi. Per Part H however initial operating procedures will involve direct injection with operating pressures anticipated to be about 1,000 psi. Following initial cavern creation, the process will change to a reverse mode with pressures increasing to about 950 psi.
ATTACHMENT G-1

THE FOLLOWING INFORMATION IS CONFIDENTIAL

Final Solution Mining Plan for Development of Magnum Gas Storage Caverns At Delta, Utah
ATTACHMENT G-2

Well Drilling Details

THE FOLLOWING INFORMATION IS CONFIDENTIAL

Underground Front End Engineering Design (FEED) Casing Design
Well Construction Plan
Plugging and Abandonment Program
Cavern Weil P & ID
Typical Cavern Well Piping Plan
Gas Storage Wellhead
The maximum injection pump pressure is anticipated to be about \[ \text{xx} \text{ psi} \] on the water side of the well. The brine will be produced at a pressure of about \[ \text{xx} \text{ psi} \].

The maximum external pressure exerted on the cemented casing by the formation fluid will be about \[ \text{xx} \text{ psi} \]. This is less then the maximum external pressure of \[ \text{xx} \text{ psi} \] that could be exerted on the last cemented casing string during cementing operations if there should be a blowout during cementing operations.

The anticipated casing pressures and preliminary casing design are given in "Underground Front End Engineering Design (FEED) Casing Design" which is included within Attachment G-2. As presented in the report, the larger casing strings \[ \text{xx} \] will be threaded joints. The last casing string cemented into the salt will have welded connections.
Well Construction Plan

The following is the general program to be used to drill Magnum Gas Storage Wells 1, 2, 3 and 4. Depths shown are approximate, from Rotary Kelly Bushing.

1. Rig up drilling rig.
2. Drive 48" conductor casing to approximately 200 feet or refusal.
3. Drill a 17-1/2" hole to feet and log.
4. Open 17-1/2" hole up to with hole openers of increasing size.
5. Run and cement feet of pipe. Centralizers to be placed every other casing section.
6. After the cement sets, cut off the casing and weld on a reducer and flange. Nipple up an annular BOP.
7. Drill a 17-1/2" hole to top of salt structure estimated to be feet. Lost circulation may occur over this interval; control as necessary by the use of lost circulation material, cement plugs or drill without returns.
8. Run gamma ray, SP induction and resistivity logs as specified.
9. Open the 17-1/2" hole to with hole openers and underreamers of increasing size.
11. Run and cement or equivalent pipe to top of salt structure. Use the stab-in cementing method. Centralizers to be placed every other casing section.
12. After the cement sets, pressure test the casing in accordance with the approved MIT testing protocol.
13. Cut off the casing and weld on a reducer and flange. Nipple up an annular BOP.
14. Switch to salt saturated mud after casing is set at top of salt structure or at the depth where salt structure is encountered during drilling.
15. Drill a section.
16. Run gamma ray, SP induction, neutron and bulk density logs as specified.
17. Open the with hole openers and underreamers of increasing size.
18. Run X-Y caliper log.
19. Run and cement section.
20. Allow the cement to set 72 hours. Pressure test the casing in accordance with the approved MIT testing protocol.
21. Cut off the reducer and flange. Nipple up an annular BOP.
22. Drill a feet.
23. Run gamma ray, SP induction, neutron and bulk density logs as specified.
24. Open the using hole openers and underreamers.
25. Run X-Y caliper log.
26. Run and cement pipe. Use the stab-in cementing method. Centralizers to be placed every other casing section.
27. Allow the cement to set 72 hours. Pressure test the casing in accordance with the approved MIT testing protocol.
28. Drill out plug and ten feet of salt formation.
29. Pressure test casing shoe in accordance with the approved MIT testing protocol.
30. Drill a feet. Note: there are cores that will be taken in this interval.
31. Log cuttings and check for loss of drilling fluid indicating a porous formation is encountered. If so, perform a tightness test over this interval.
32. Run gamma ray, neutron and bulk density logs as specified.
33. If logs indicate a porous zone in the salt section, perform tightness test over the zone.
34. Under ream the feet.
35. Run X-Y caliper log.
36. Run casing inspection logs in casing from shoe to surface.
38. Install and test the upper wellhead assembly.
39. Run in approx. feet of
40. Install remainder of wellhead.
41. Rig down and move out rig from location.
42. Clean up location.

CASING AND LIFT RING WELDING PROTOCOL

This specification describes the requirements for welding of lift rings on 20" last cemented casing, double jointing, and welding of the 20" last cemented casing. All work will be performed from a land rig located near Delta UT beginning in November 2010.

WELL REQUIREMENTS:

Casing to be welded consists of:

ft. Last Cemented Casing.

Provide all labor, equipment, and materials necessary to provide the following services:

**Welding of lift rings to final cemented casing.**
Weld one lift ring to each double joint of casing, approximately 4' from one end. Allow a maximum gap of 1/16 inch between lift rings and the curvature of the pipe. Welding to take place well in advance of running the casing and shall therefore be
performed during daylight hours. Lift rings will be provided by PB ESS. See attached lift ring welding drawing.


**Double Jointing of**

Casing double joint welding shall be performed in accordance with API Standard 1104 Welding of Pipelines and Related Facilities, 2005 edition. Pipe base material’s carbon equivalency will be computed from the material composition as written in the Material Test Report (MTR) that is provided when the pipe is purchased. The welding contractor will provide a Welding Procedure Specification (WPS) that matches the base material and Procedure Qualification Report (PQR) and welders who are qualified to the WPS with Welders Qualification Report (WQR). The welding contractor will provide the WQR for each potential welder prior to his beginning to weld. The field supervisor will verify that the WQR and welder’s photo identification match.


Each completed girth, butt weld shall be radiograph tested to API Standard 1104 qualifications. The radiograph methods and qualifications shall comply with API Standard 1104 “Certification of Nondestructive Testing Personnel” and “Acceptance Methods for Nondestructive Testing Personnel”.

Double joint (pipe in horizontal position) approximately 3840’ (96 jts) of 20” x 1.0” last cemented casing. The double jointing will take place well in advance of running the pipe, therefore, done during daylight hours.

Adequate pipe supports shall be used to support the pipe in a level “aligned” condition. All double-jointed casing lengths shall be examined and shall be as straight as possible.
Use alignment clamps to ensure proper alignment. Give special attention to ensure straightness is within 0.2 percent of the length or less than 1" of deviation in 40' length.

Check double-jointed casing lengths for straightness by using a taut string. Deviation from straight or chord height shall not exceed two inches. The taut string shall be run from the bottom end of the joint to the bottom side of the lift ring on the other end. The measurement is to be read adjacent to the double-joint weld bead. A series of readings shall be taken to find the maximum deviation. Any double-joint with more than two inches of deviation, shall have the weld cut out, beveled by machine (portable flame cutter or machine tool) and re-welded at the double-jointing contractors expense.

**Welding of double joints while running casing.**
Casing welding shall be performed in accordance with API Standard 1104 Welding of Pipelines and Related Facilities. Pipe base material's carbon equivalency will be computed from the material composition as written in the Material Test Report (MTR) that is provided when the pipe is purchased. The welding contractor will provide a Welding Procedure Specification (WPS) that matches the base material and Procedure Qualification Report (PQR) and welders who are qualified to the WPS with Welders Qualification Report (WQR). The welding contractor will provide the WQR for each potential welder prior to his beginning to weld. The field supervisor will verify that the WQR and welder's photo identification match.


Each completed girth, butt weld shall be Nondestructively tested to API Standard 1104 qualifications. The test methods and qualifications shall comply with API Standard 1104 "Certification of Nondestructive Testing Personnel" and "Acceptance Methods for Nondestructive Testing Personnel".

Weld double joints with pipe in vertical position from rig floor. Approximately 48 double joints to be welded. This welding will take place while running the casing to the design depth and will be a 24 hour per day operation.

Use alignment clamps to ensure proper alignment. Give special attention to ensure straightness is within 0.2 percent of the length.
SUBMITTALS:
Submit the following "Submittals" to PB Energy Storage Services for review and approval:
Welding procedure specifications.
Welding procedure qualification records; submit prior to start of work.
Welder qualifications for each welder for each procedure the welder is to use.

CONDITIONS
Provide weather protection around welding areas to isolate welding from wind and rain. Do not weld in wet or excessively windy conditions that cannot be prevented.

Pipe ends that are field beveled or beveled by cutting torch shall be reported to the PB ESS representative.

SPECIFICATIONS FOR CEMENTING SERVICES AND MATERIALS

Provide all the labor, equipment, and materials necessary to provide the following services:

Proposed wellbore configuration

1. Cement specifications for the Surface casing. Cement job will pumped through a stabbed-in 5" DP.
   Cement to surface: Class A (Standard) + Defoamer (if deemed necessary)
   Water Ratio 5.2 gals/sk
   Slurry Weight 15.6 lbs/gal.
   Slurry Volume 1.18 ft3/sack
   Excess 50% Open Hole Volume (4 Arm Caliper Available)

2. Cement specifications for the Intermediate. Cement job will pumped through a stabbed-in 5" DP.
   Cement to surface: Class A (Standard) + Defoamer (if deemed necessary).
   Water Ratio 5.2 gals/sk
   Slurry Weight 15.6 lbs/gal.
   Slurry Volume 1.18 ft3/sack
   Excess 50% Open Hole Volume (4 Arm Caliper Available)

3. Cement specifications for the Next to Last Casing. Cement job will pumped through a stabbed-in 5" DP.
Cement to surface: Class G (Premium) + ____ (if deemed necessary).
Water Ratio 5.2 gals/sk
Slurry Weight 16.3 lbs/gal.
Slurry Volume 1.24 ft³/sack
Excess 30% Open Hole Volume (4 Arm Caliper Available)

4. Cement specifications for the ___ Next to Last Casing. Cement job will pumped through a stabbed-in 5" DP.
Cement to surface: Class G (Premium) + ____ (if deemed necessary).
Water Ratio 5.2 gals/sk
Slurry Weight 16.3 lbs/gal.
Slurry Volume 1.24 ft³/sack
Excess 30% Open Hole Volume (4 Arm Caliper Available)

REPORT

The casing cement jobs shall be documented by an affidavit from the cementing company showing the amount and type of cementing materials and the method of placement.

WELL CONDITIONING

Before commencing drilling operations (spudding the well), Magnum will provide detailed procedures for conditioning the hole prior to cementing casing. The pre-flush procedure will ensure that the wellbore is properly conditioned for cementing operations in accordance with recommendations from the cementing contractor.

The well is conditioned to circulate the drilling fluids, sweep cuttings out of the hole, obtain consistent fluid properties, and adjust the fluid viscosity and density in an attempt to prevent cement channeling through the fluid. Detailed procedures for this process have not been written at this time as it is a typical task during drilling, but when the drilling fluids contractor is hired his mud engineer will be tasked to write a program for the fluids.
Plan for Plugging and Abandonment of Class III Solution Mining Wells and Caverns before Gas Storage

The following procedures are provided as a general guideline. Actual plugging measures would be submitted in advance to DWQ (prior to commencement of gas storage).

1. At least 45 days before the planned plugging, Magnum will notify the DWQ Executive Secretary of the proposed plugging with a Well Condition Report and a well-specific Plugging and Abandonment Plan.

2. The Well Condition Report will include a discussion of the following:
   a. The results of the well’s most recent mechanical integrity test,
   b. The location of any leaks or perforations in the casing,
   c. The location of any vertical migration of fluids behind the casing, and
   d. The adequacy of casing cement bonding across the salt formation, as determined from cement bond logs run at the time of well construction or just prior to well abandonment.

3. All nitrogen or other blanket material will be removed and the cavern will be filled with saturated brine water.

4. All free hanging tubing will be pulled from the well.

5. The exact depth to the bottom of the cemented production casing will be determined.

6. A drillable plug capable of supporting a cement plug will be installed in the cemented casing with the bottom of the plug within 10 feet of the end of the casing.

7. All cement plugs to be Class G cement with no additives and slurry weight of 14.5 pounds per gallon or more.

8. The entire wellbore from the bridge plug to surface will be filled with cement.

9. In the event the cemented casing is determined to be leaking, the casing will be perforated at the level of the leak and cement squeezed into the perforations.

10. An alternative technique which could be used involves setting the following plugs.
   a. Bottom plug: A 300-foot plug from the plug at the bottom of the production casing upward.
   b. Surface casing plug: A 150-foot plug from 75 feet below the bottom of the surface casing upward.
   c. Top plug: A 50-foot plug from 50 feet below surface grade upward to surface.
   d. The casing between each of the plugs shall be filled with a noncorrosive mud slurry of at least 10 pounds per gallon weight.

11. Upon completion of the plugging operation, all reports will be filed in accordance with DWQ rules as applicable.
Mechanical Integrity Test Plan

Several testing methods shall be employed to demonstrate mechanical integrity of the well/cavern system. These methods vary depending upon the stage of development of the well or cavern.

During Drilling

After cementing the 20" production casing, the casing will be tested before continuing drilling. A hydraulic pressure test of the 20" production casing will be conducted before drilling out the plug (shoe) and after waiting on cement at least 72 hours to allow the cement to set. The operator shall test the casing at a pump pressure in pounds per square inch (psi) calculated by multiplying the length of the casing by 0.2. The maximum pressure required however, unless otherwise ordered by the commission need not exceed 1500 psi (Texas Rule 3.13 (b)(1)(D)). This rule would require a surface pressure of 800 psi. Although this is less than maximum allowable operating pressure at the casing shoe, it is high enough to detect a leak in the casing. The test shall last 30 minutes. The test will be considered good if the pressure loss is less than 10%.

After drilling out the cement plug and completing the hole, the integrity test as outlined hereafter will verify the casing/cement shoe/borehole at maximum operating pressure.

Test of the 20" Casing and the Cavern during Development

Magnum Solutions LLC will utilize the guidelines for Mechanical Integrity Testing used by the State of Kansas as attached hereto. Any changes to the testing procedure will be coordinated and discussed, with the regulatory agency and approval obtained prior to implementation.

Storage Operations

Following the mechanical integrity test after completion of mining the caverns will be tested on a periodic basis using methods and procedures in accordance with requirements set forth by the State of Utah.
KANSAS DEPARTMENT OF HEALTH & ENVIRONMENT

NITROGEN/BRINE INTERFACE MECHANICAL INTEGRITY TEST (MIT)

PART I: CASING (INTERNAL) MIT
PART II: CAVERN (EXTERNAL) MIT

Procedure #: UICLPG-20
(6/06)

Narrative:

K.A.R. 28-45-16 requires that each well and each cavern be tested for integrity every five years. The nitrogen/brine interface test is designed to evaluate the internal (well) mechanical integrity and/or the external (cavern) mechanical integrity. The MIT procedure consists of filling the cavern with brine and then injecting nitrogen into the well and establishing an interface at a depth appropriate for either a well or cavern test. The nitrogen test pressure should be equal to the maximum allowable operating pressure gradient based on the casing seat. The interface, temperature and pressure data are used to calculate the pre-test and post-test nitrogen volumes. Comparison of the pre-test and post-test nitrogen volumes and movement of the nitrogen/brine interface are used to evaluate the well/cavern integrity.

TEST PROCEDURE SUMMARY

NITROGEN/BRINE INTERFACE MECHANICAL INTEGRITY TEST (MIT)

PART I: CASING (INTERNAL) MIT
PART II: CAVERN (EXTERNAL) MIT

All nitrogen/brine mechanical integrity tests must be conducted by a party that has experience in conducting this type of test due to the complexity of the test and associated safety requirements. The test contractor must have knowledge of: 1) the pressure rating of the well and wellhead components; 2) the use of dead-weight tests or calibrated data loggers to verify brine and nitrogen pressure; 3) methods to track the volume of nitrogen injected before and during the test; 4) differential pressure monitoring to prevent collapse of the tubing; and 5) a working knowledge of other procedural tasks that ensure a viable and safe test.

The permittee is responsible for verifying that the party/company contracted to conduct the mechanical integrity test has experience and is qualified to conduct the test in a safe manner. Failure to follow test procedure and failure to submit any supporting data required by KDHE may result in the test being considered invalid by KDHE. An invalid test will not meet the regulatory requirement.

Submit a test plan as specified in Procedure #UICLPG-21 to KDHE for review and approval at least 30 days prior to test commencement. Do not commence test operations until approval for the plan is received from the Kansas Department of Health and Environment (KDHE).

TEST PREPARATION:

- Certify that pressure ratings of the wellhead and the tubulars are adequate for the test pressures.
- Visually inspect the wellhead.
- Ensure fittings are adequate to facilitate wireline equipment, nitrogen injection, and pressure instrumentation. Install an accurate electronic pressure recording system on the well’s annulus and brine tubing.
- Remove all product (feasible) from the cavern prior to conducting the test.
- Note the presence of any product in the annulus.
- Coordinate the test time with KDHE so that KDHE may have the opportunity to witness the test.
PRE-PRESSURIZATION: (Typically for cavern test)
Prepressurize the cavern with brine prior to nitrogen injection, if necessary. The compressibility of the cavern and the volume of nitrogen to be injected must be considered (estimated) in calculating the pressure required prior to nitrogen injection.

1. Record the volume of fluid injected and the rate of pressurization. The fluid used for prepressuring should be saturated brine. The rate of pressurization typically should not exceed 2.5 psid/min. The casing seat pressure is not to exceed the regulatory MAOP of either 0.75 or 0.8 psf/ft. K.A.R. 28-45-12 requires that a wellhead be equipped with a continuous pressure monitoring system that is capable of maintaining a pressure history before the well can be operated with a MAOP greater than 0.75 psf/ft. The well should be tested at the MAOP allowed by regulation.

2. Record the tubing and annulus pressures.

3. Monitor the cavern pressure until the rate of pressure change is 10 psid/day or less.

Stabilization period must be a minimum of 24 hours.

PRE-NITROGEN INJECTION:

4. Check with nitrogen supplier for the nitrogen volume required for equipment “cool down”.

5. Nitrogen must be measured with a meter. Connect pressure and flow recording equipment to the wellhead so that accurate nitrogen pressure and volume data can be obtained for the test analysis.

6. Prior to nitrogen injection, conduct a temperature survey (base log) from the surface to 50 ft below the expected nitrogen interface for the casing or cavern MIT.

7. Conduct a density survey from 50 feet below the lowest expected nitrogen interface to 50 feet above the uppermost. Note the location of any product present in the annulus. Optimal logging speed for the density log is approximately 15 – 20 ft/min. Subsequent logging runs with the density tool should be at approximately the same speed as the initial logging run for accuracy and correlation purposes.

PART I: CASING TEST

NITROGEN INJECTION:

8. Inject nitrogen into the annulus between the cemented casing and the hanging string at a constant rate and at (approximately) the same temperature indicated by the temperature log. Measure nitrogen with a nitrogen meter.

9. Position the logging tools at regular depth intervals and record the annulus, brine pressure, nitrogen temperature and time as the nitrogen interface passes.

10. Terminate nitrogen injection when the interface depth is just above the casing seat (if this is the only interval being tested). If multiple intervals are to be tested, test shallow intervals before testing the deep intervals.

11. If a single test interval is used to test the casing, use the following formula to calculate the time required to achieve a minimum detectable leak rate (MDLR), or test sensitivity, of less than 100 barrels of nitrogen per year.

\[ T = \frac{V \times R \times 365 \text{days/year} \times 24 \text{hours/day}}{100 \text{bbls/year}} \]

Where:
- \( T \) = Duration of test in hours
- \( V \) = Unit annular volume of casing, bbls/ft
- \( R \) = Resolution of the interface tool in feet

Note: reference programs or tables and show calculations for converting weight or volume (SCF) of nitrogen to barrels (bbls) of nitrogen.

The test duration may be shortened if a leak is identified.

A one-hour casing test may be conducted if it is followed by a cavern nitrogen/brine interface test. The minimum test duration for the cavern test is 24 hours.
12. Record the time, nitrogen pressure, tubing pressure and the interface depth. Initialize the test for the calculated test duration.

13. At the end of the test, relog the interface depth with the density tool and record the surface pressures. Down-hole movement of the interface may indicate that the test length should be extended.

14. If the nitrogen interface test is being run on the casing only, run a final temperature log.

15. Any up-hole movement of the interface accompanied by a loss in nitrogen pressure indicates nitrogen is being lost from that portion of the casing in contact with the nitrogen. Any interface movement greater than the resolution of the tool should be explained. If a leak is located in the casing above the interface depth, the interface may move up hole to the location of the leak. If multiple leaks are present in the casing, the interface may rise to the location of the greatest leak, however, conclusive determination of the leak location may not be possible.

If the casing test is not followed by a cavern test, calculate the MDLR and the CNLR.

16. Calculate the minimum detectable leak rate (MDLR):

\[ \text{MDLR (bbls/yr)} = \frac{V \times R \times 365 \text{days/year}}{T} \]

- \(V\) = Unit volume of borehole, bbls/ft
- \(R\) = Resolution of the interface tool, ft
- \(T\) = Duration of test, days

17. Calculate the nitrogen leak rate (CNLR). Submit supporting data for determination of nitrogen volume (charts, conversion tables, weight measurements, mass-balance calculations accounting for temperature and pressure, source for values used in equation, data from software packages, etc)

\[ \text{CNLR (bbls/day)} = \frac{1}{T} \left[ (V_S - (P_F)(V_F)) \right] \]

- \(CNLR\) = Calculated nitrogen leak rate
- \(T\) = test duration, days
- \(V_S\) = nitrogen volume at test start (bbls)
- \(V_F\) = nitrogen volume at test finish (bbls)
- \(P_S\) = nitrogen pressure at the test start (psia)
- \(P_F\) = nitrogen pressure at test finish (psia)

\[ \text{CNLR (bbls/yr)} = \text{CNLR (bbls/day)} \times 365 \text{ days/year} \]

Pass/fail criteria: The MDLR must be less than 100 barrels of nitrogen per year. The CNLR must be less than the MDLR to demonstrate integrity.

**PART II: CAVERN TEST**

1. Resume the nitrogen injection and monitor the interface location with the logging tools. Record the time and surface pressures as the interface crosses the casing seat.

2. Spot the nitrogen below the casing seat and terminate the nitrogen injection.

3. Calculate the initial nitrogen volume at the start of the test. Submit formulas (PVT) and calculations used to determine nitrogen volume. The unit volume of the borehole can be determined from casing and tubing sizes. The open-hole volume below the casing seat may be determined with a sonar survey. Another method for determining the annular or borehole unit volume is as follows:
Pump a finite volume of nitrogen into the annulus and log the interface.

Calculate unit volume:

\[
\frac{\text{nitrogen(bbls)}}{\text{depth(ft)}}
\]

Nitrogen pumped/change in interface depth

4. Run the post-nitrogen injection density survey to log the nitrogen interface.
5. Record the nitrogen and brine wellhead pressures.
6. Conduct a temperature survey over the test interval.
7. The test length is typically not less than 24 hours. Monitor the brine and nitrogen wellhead pressures during the test period. The test duration should ensure that the leak rate can be resolved with the accuracy of the instrumentation used.
8. At the end of the test, record the final brine and nitrogen wellhead pressures.
9. Run a density survey to determine if the nitrogen interface has moved. Down-hole movement of the interface may indicate that the test length should be extended.
10. Run a final temperature log over the test interval.
11. Calculate the final nitrogen volume. Submit formulas (PVT) and calculations used to determine nitrogen volume. Accurate nitrogen volume is necessary to determine if pressure changes were affected by temperature, salt leaching, salt creep or from volume loss in the cavern system.
12. Calculate the minimum detectable leak rate (MDLR).

\[
\text{MDLR (bbls/yr)} = \frac{V \times R \times 365 \text{days/year}}{T}
\]

\[
V = \text{Unit volume of borehole, bbls/ft}
\]
\[
R = \text{Resolution of the interface tool, ft}
\]
\[
T = \text{Duration of test, days}
\]

Pass/fail criteria: The MDLR must be less than 1000 barrels of nitrogen per year.
The CNLNR must be less than the MDLR to demonstrate integrity.

13. Calculate the nitrogen leak rate (CNLNR):

\[
\text{CNLNR (bbls/day)} = \frac{1}{T} \left[ \frac{(VS)(VF)}{(PS)} \right]
\]

\[
\text{CNLNR} = \text{Calculated nitrogen leak rate}
\]
\[
T = \text{test duration, days}
\]
\[
VS = \text{nitrogen volume at test start (bbl/s)}
\]
\[
VF = \text{nitrogen volume at test finish (bbls)}
\]
\[
PS = \text{nitrogen pressure at the test finish (psia)}
\]
\[
PF = \text{nitrogen pressure at test start (psia)}
\]

CNLNR (bbls/yr) = CNLNR (bbls/day) * 365 days/year

References:
Mechanical Integrity Test-Nitrogen Interface Method; SMRI Short Course; Spring 1998 Meeting
Goin, Kenneth L., 1983, A Plan For Certification and Related Activities For The Department of Energy
Strategic Petroleum Reserve Oil Storage Caverns: SPR Geotechnical Division 6257, Sandia National
Laboratories, Albuquerque, New Mexico
McDonald, Larry K., Nitrogen Leak-Rate Testing; Subsurface Technology, Inc.: 2003 KDHE/KCC
Underground Liquid Hydrocarbon and Natural Gas Cavern Well Technology Fair
Joe Ratigan, PB Energy Storage Services, Inc., Rapid City, South Dakota

©/procedures/UKILPG-20
**KANSAS DEPARTMENT OF HEALTH & ENVIRONMENT**

**NITROGEN/BRINE INTERFACE TEST PLAN**

Procedure #: UICLPG-21  
(6/06)

Narrative:

K.A.R. 28-45-16 requires that each well and each cavern be tested for integrity. Each cavern with a single casing must be tested for integrity every five years. Each cavern with double casing protection must be tested every ten years. The nitrogen/brine interface test is designed to evaluate the integrity of the underground hydrocarbon storage well and/or cavern.

Submit a test plan to KDHE for review and approval at least 30 days prior to test commencement. Use the following format. Do not alter the format.

<table>
<thead>
<tr>
<th>Submit a casing schematic.</th>
<th>Depth to salt:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attachment #:</td>
<td>Depth to casing shoe:</td>
</tr>
<tr>
<td>Single casing [ ]</td>
<td>Depth to cavern:</td>
</tr>
<tr>
<td>Double casing [ ]</td>
<td>Total depth:</td>
</tr>
<tr>
<td>Describe roof configuration:</td>
<td>Date of last sonar survey:</td>
</tr>
<tr>
<td>Salt roof thickness:</td>
<td>Date of last gamma-density log:</td>
</tr>
<tr>
<td>Additional logs or test to be run:</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
</tr>
<tr>
<td>Maximum operating pressure and test pressures:</td>
<td>Formulas and calculations:</td>
</tr>
</tbody>
</table>

**Proposed changes to FIELD PROCEDURE (UICLPG-22):**

**TEST DESIGN:**

<table>
<thead>
<tr>
<th>TEST DESIGN:</th>
<th>Casing test and/or Cavern test (Circle)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimate nitrogen for cool down:</td>
<td>Interval Depth: Test Duration:</td>
</tr>
<tr>
<td>Estimate compressibility:</td>
<td>1.</td>
</tr>
<tr>
<td>Estimate nitrogen volume for test:</td>
<td>2.</td>
</tr>
<tr>
<td></td>
<td>3.</td>
</tr>
<tr>
<td></td>
<td>4.</td>
</tr>
</tbody>
</table>

Submit the final report in the format specified in Procedure # UICLPG-23 to KDHE within 45 days after completion of the test.
**FIELD PROCEDURE REPORT**

**NITROGEN/BRINE INTERFACE TEST**

Procedure #: UICLP-22  
(6/06)

**Narrative:**

The following field procedure for the nitrogen/brine interface test must be completed and submitted with the final report (Procedure #UICLP-23). Do not alter the format.

<table>
<thead>
<tr>
<th>Type of MIT:</th>
<th>Well Casing</th>
<th>Cavern</th>
<th>Casing/Cavern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility:</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TEST PREPARATION</th>
<th>Date/time:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wellhead inspection results: external corrosion, faulty valves, gasket leaks, etc)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Removal of product</th>
<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check wellhead, piping, and connection for leaks. Describe results.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PRE-PRESSURIZATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date/time:</td>
</tr>
<tr>
<td>Brine pressure</td>
</tr>
<tr>
<td>Cavern compressibility:</td>
</tr>
</tbody>
</table>

Cavern pressure change < 10 psi/day

<table>
<thead>
<tr>
<th>PRE-NITROGEN INJECTION</th>
<th>Date/time:</th>
<th>Temperature (F):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nitrogen cool down volume</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base temperature log from surface to 50 ft below expected interface</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Base density log (a minimum of 50 ft below the expected interface level or an acceptable depth above the casing seat)</th>
<th>Date/time:</th>
<th>Interface depth:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anomalies (washouts, etc)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


PART 1: CASING TEST

<table>
<thead>
<tr>
<th>Interval Depth</th>
<th>Nitrogen pressure</th>
<th>Brine pressure</th>
<th>Nitrogen temperature</th>
<th>Time nitrogen interface passed</th>
</tr>
</thead>
</table>

Measure nitrogen with a meter. Terminate nitrogen injection when the interface depth is just above the casing seat. If multiple intervals are to be tested, test intervals from shallow to deep.

**CASING TEST**

**Interval 1**

<table>
<thead>
<tr>
<th>Test Start</th>
<th>Time:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interface depth</th>
<th>N pressure</th>
<th>Brine pressure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TEST END</th>
<th>Time:</th>
<th>Length of test:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Density log</th>
<th>Interface depth:</th>
<th>Brine pressure:</th>
<th>Nitrogen pressure:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Temperature log</th>
<th>Time:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interval logged</th>
<th>Maximum temperature</th>
<th>Average temperature</th>
<th>Surface temperature</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Comments:** Note any interface movement or loss of nitrogen pressure

**CASING TEST**

**Interval 2**

<table>
<thead>
<tr>
<th>Test Start</th>
<th>Time:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interface depth</th>
<th>N pressure</th>
<th>Brine pressure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TEST END</th>
<th>Time:</th>
<th>Length of test:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Density log</th>
<th>Interface depth:</th>
<th>Brine pressure:</th>
<th>Nitrogen pressure:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Temperature log</th>
<th>Time:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interval logged</th>
<th>Maximum temperature</th>
<th>Average temperature</th>
<th>Surface temperature</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Comments:** Note any interface movement or loss of nitrogen pressure

**CASING TEST**

**Interval 3**

<table>
<thead>
<tr>
<th>Test Start</th>
<th>Time:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interface depth</th>
<th>N pressure</th>
<th>Brine pressure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TEST END</th>
<th>Time:</th>
<th>Length of test:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Density log</th>
<th>Interface depth:</th>
<th>Brine pressure:</th>
<th>Nitrogen pressure:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Temperature log</th>
<th>Time:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interval logged</th>
<th>Maximum temperature</th>
<th>Average temperature</th>
<th>Surface temperature</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Comments:** Note any interface movement or loss of nitrogen pressure
# PART 2: CAVERN TEST

**Cavern Test**

<table>
<thead>
<tr>
<th>Resume nitrogen injection</th>
<th>Record surface pressures and time the interface crosses the casing seat</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brine pressure:</td>
<td></td>
</tr>
<tr>
<td>Nitrogen pressure:</td>
<td></td>
</tr>
<tr>
<td>Time:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Set interface below the casing and terminate nitrogen injection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brine pressure:</td>
</tr>
<tr>
<td>Temperature log over test interval</td>
</tr>
</tbody>
</table>

**START TEST**

<table>
<thead>
<tr>
<th>Calculate initial nitrogen volume at start of test:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Test period</th>
<th>Length:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Monitor brine and nitrogen pressures during test</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Time:</th>
<th>Brine:</th>
<th>Nitrogen:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time:</td>
<td>Brine:</td>
<td>Nitrogen:</td>
</tr>
<tr>
<td>Time:</td>
<td>Brine:</td>
<td>Nitrogen:</td>
</tr>
<tr>
<td>Time – Final:</td>
<td>Brine:</td>
<td>Nitrogen:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Final Density log:</th>
<th>Depth:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Final Temperature log:</th>
<th>Comments:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Final nitrogen volume:</th>
</tr>
</thead>
</table>

**Comments:**

K.A.R. 28-45-16 requires that a licensed professional engineer or licensed geologist, or a licensed professional engineer's or licensed geologist's designee supervise all test procedures and associated field activity.

**Supervised by:** (Print name)

**Company/Title:**

**Signature:** Date:
Procedure #: UICLPG-23  
(6/06)

Narrative:
Submit the final report in the format specified to KDHE within 45 days after completion of the nitrogen/brine interface test. Do not alter this format.

<table>
<thead>
<tr>
<th>Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Show formula and calculation for MDLR:</td>
</tr>
<tr>
<td>Show formula and calculation for NLR:</td>
</tr>
<tr>
<td>Explain any interface movement during the test:</td>
</tr>
<tr>
<td>Discuss the relationship of pressure trends to cavern integrity:</td>
</tr>
<tr>
<td>Discuss temperature stability and any accompanying effect on the MIT:</td>
</tr>
<tr>
<td>Discuss pressure changes in adjacent caverns. Attach a chart or a graph.</td>
</tr>
</tbody>
</table>
Summarize test results:

Submit FIELD PROCEDURE REPORT (UICLPG-22)
Submit all required logs.
Submit supporting data, including graphs for stabilization, temperatures, pressures, injection, etc. Submit appropriate charts.
Submit calibration charts for gauges and meters.

K.A.R. 28-45-16 requires that a licensed professional engineer or licensed geologist review all test results.

Submit the final report to KDHE within 45 days after completion of the test.
ATTACHMENT J-1

UIC MONITORING, RECORDING, AND REPORTING PLAN
ATTACHMENT J - UIC MONITORING, RECORDING AND REPORTING PLAN

1.0 REQUIREMENTS

Submit a monitoring, recording, and reporting plan, including maps, for meeting the monitoring and reporting requirements of R317-7-10.3(B), 40CFR146.33, 40CFR146.8, and R317-7-10(B). In the plan

- Identify types of tests, methods, and equipment used to generate monitoring data
- Address the proper use, maintenance, and installation of monitoring equipment
- Propose the type, intervals, and frequency sufficient to yield data that are representative of monitored activity.

2.0 PHYSICAL AND CHEMICAL CHARACTERISTICS OF INJECTED FLUID

The Magnum Wells will be solution mined using fresh water produced from water wells located on the Magnum facility. The salinity of the injected fluid will be measured, along with the fluid temperature on a daily basis. Specific gravity and temperature will be monitored using calibrated hydrometers and thermometers. Hydrometers will be calibrated and maintained in accordance with ASTM D26-05a and thermometers will be calibrated and maintained in accordance with ASTM E77-07.

The data will be trended to ensure that no changes in the injected water take place during the duration of the solution mining operations.

3.0 MONITORING OF INJECTION PRESSURE AND FLOW

Injection pressures, injection flow rates, injection temperature, brine pressure, brine flow rate, brine temperature and the nitrogen blanket pressure will be monitored continuously by instrumentation in the control room. The information will be recorded at least once per day as a daily summary. The daily summary will be included in quarterly reports. This data will be used to calculate the growth of the cavern and provide a daily check on well integrity by ensuring that the water inflow and brine outflow balance. All the recorded data will be available to the Executive Secretary upon request.

All pressure monitoring, temperature monitoring, and flow rate monitoring instrumentation calibration will be done in accordance with manufacturer recommendations.

4.0 DEMONSTRATION OF MECHANICAL INTEGRITY

Prior to initiating solution mining and at the completion of leaching, the cavern will be tested using the nitrogen mechanical integrity technique. The test pressure at the shoe of the cemented casing will be slightly above (about 0.92 psi per foot of depth) the permitted operating pressure (0.90 psi per foot of depth) to ensure that the casing and cement are not leaking. The nitrogen mechanical integrity test technique essentially involves pressuring the cavern or well to the desired test pressure, and injecting nitrogen in the outer annulus of the well (the space between the cemented casing and the hanging tubing) to a depth about 50 to 100 feet below the casing shoe.
The well will then be shut-in for 24 to 48 hours to allow the nitrogen temperature to equalize with the in-situ temperature. The initial depth of the nitrogen/brine interface below the casing shoe and the temperature of the wellbore will then be measured with a wireline tool. After a period of time, not less than 24 hours, determined by the size of the borehole below the casing shoe, a second interface and temperature survey will be run. The pressure at the wellhead will be monitored and recorded continuously during the test.

The change in the calculated volume of the nitrogen between the two interface measurements will be determined from the surface nitrogen pressure, the well temperature logs and the change in the level of the nitrogen/brine interface. The change in the nitrogen volume will then be converted to an equivalent fluid loss.

The temperature stabilization period, the duration of the test and the desired depth of the initial nitrogen/brine interface level will be determined from logs run during and after well construction. The selection of these features will be made so as to ensure that the test has a minimum detectable leak rate (test sensitivity) of no more than 100 barrels per year of nitrogen.

All pressure monitoring instruments will be calibrated in accordance with manufacturer’s recommendations. Testing will be performed under the supervision of a degreed engineer and the report submitted to the Executive Secretary within 30 days of test completion.

Following the mechanical integrity test after completion of mining the caverns will be tested on a periodic basis using methods and procedures in accordance with requirements set forth by the State of Utah.

5.0 MONITORING OF CAVERN DEVELOPMENT

During solution mining of the caverns, the development of the cavern will be controlled by monitoring of the fluid injection and production quantities (Item 3.0 above) and periodic performance of sonar caliper surveys. The measured quantity of water injected and salinity of the produced brine will be used to calculate the daily increase in cavern volume. The sonar caliper surveys will be run at least once a year and at completion of mining in each cavern. The sonar survey will provide a check on the calculated cavern volume and the shape of the cavern.

6.0 MONITORING OF FLUID LEVEL IN FORMATION

This section is not applicable for solution mining wells since the well is ull at all times. 7.0
QUARTERLY REPORTING ON MONITORING WELLS IN SUBSIDENCE ZONES

No monitoring wells are planned for the Magnum project.

Subsidence will be monitored on an annual basis by Magnum and will be evaluated by a degreed engineer who is thoroughly experienced in subsidence of cavern storage facilities. Subsidence measurements will begin with a baseline survey that will be run prior to starting solution mining. Subsidence surveys will be conducted throughout the life of the facility. The subsidence report will be submitted to the Executive Secretary on an annual basis.

Subsidence surveys will be conducted by measuring precise elevations of fixed points within the cavern field, the total Magnum facility and along public right-of-ways. The elevations of the points in and adjacent to the cavern field will be measured from a benchmark located at a distance from the facility that will not be impacted by any subsidence related to the caverns.
8.0 QUARTERLY REPORTING — EXECUTIVE SECRETARY

Daily summaries of water and brine pressures, temperatures, fluid volumes, and space created as well as the nitrogen blanket pressure will be reported to the Executive Secretary on a quarterly basis. Total volume of water injected and brine withdrawn from the storage cavern will be reported to the Executive Secretary on a quarterly basis.
October 20, 2011

Candace C. Cady
Environmental Scientist,
Department of Environmental Quality
195 North 1950 West
Salt Lake City, Utah 84114-4870

Candice,

Enclosed is Magnum’s Application for a Permit Modification to the Underground Injection Control Class III Area Permit UTU-27-AP-9232389. As discussed during the October 13, 2011, joint consultation meeting with yourself and representatives from the Division of Oil, Gas, and Mining, Magnum is requesting the permit modification to include the solution mining of two additional 16-inch injection wells within the previously approved project area. The two 16-inch wells will be used to create caverns that will store natural gas liquids such as propane and butane.

Per this discussion, the application has been organized to correspond with the technical report submitted with the original permit application. The supplemental application information presented includes updated project area maps depicting the general locations of the additional wells within the project area and the required solution mining plan, drilling plan, and casing program for the 16-inch wells. To facilitate the application review, Magnum has also included a table that lists the original UIC permit components and a column that indicates if any corresponding update or supplemental information is provided in this application.

If there are any questions, please feel free to contact me.

Thank you,

Tiffany A. James
Director of Government Relations
And Environmental Services
tjames@westernenergyhub.com
801.993.7001 office
801.719.9131 cellular
STATE OF UTAH
UNDERGROUND INJECTION CONTROL PROGRAM
CLASS III
INJECTION WELL

Modification for
UIC Permit # - UTU-27-AP-9232389

Addition of Two (2) 16-inch Injection Wells

PERMIT APPLICATION PACKAGE

Last Revised 5/10/2011
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Attachments:

Attachment G-1 Solution Mining Plans for Development of the 16-inch Injection Well at Delta, Utah

Attachment G-2 Well Construction Plan, Well Cementing Plan, Conceptual Casing Program for a 16-inch Injection Well, Figure G-2.1 – 16-inch Storage Casing Design, and 16-inch Production Casing Wellhead Diagram
GENERAL INSTRUCTIONS

The Utah Underground Injection Control (UIC) Administrative Rules (UAC R317-7) regulate the injection of fluids into the subsurface. The following instructions outline the procedures, documents, and information needed for a Class III injection well permit application.

1. The applicant shall submit an original Permit Application and a Technical Report. Both documents are to be submitted in duplicate (one hard copy and one pdf format) to the:

   Utah Department of Environmental Quality
   Division of Water Quality
   195 North 1950 West
   P.O. Box 144870
   Salt Lake City, Utah 84114-4870

   ATTN: Underground Injection Control (UIC) Program

   Telephone inquiries: (801) 536-4300

2. Signature on Application: The person who signs the application form will often be the applicant; when another person signs on behalf of the applicant, his/her title or relationship to the applicant should be shown in the space provided. In all cases, the person signing the form should be authorized to do so by the applicant. An application submitted by a corporation must be signed by a principal executive officer of at least the level of vice president or his duly authorized representative, if such representative is responsible for the overall operation of the facility from which the activity described in the form originates. In the case of a partnership or a sole proprietorship, the application must be signed by a general partner or the proprietor, respectively. In the case of a municipal, state, federal or other public facility, the application must be signed by either a principal executive officer, ranking elected official or other duly authorized employee. The Division shall require a person signing an application on behalf of an applicant to provide proof of authorization (40 CFR Part 144.32).

3. An application will not be processed until all information required to properly review the application has been obtained. When an application is severely lacking in detail or the applicant fails to submit additionally requested information in a timely manner, the application may be returned.
4. An application which involves the injection of a fluid containing radioactive materials shall be accompanied by a letter or other instrument in writing from the Utah Division of Radiation Control, stating that either the applicant has a license from the Division of Radiation Control governing the disposal of radioactive materials; or that the applicant does not need a license. In the case of radioactive materials disposal, the Division of Radiation Control must receive a copy of the application for an injection permit. The copy should be mailed to:

Utah Department of Environmental Quality
Division of Radiation Control
P.O. Box 144850
195 North 1950 West
Salt Lake City, Utah  84114-4850

5. The Attachment contains some of the federal regulations adopted by Utah that will also be considered in evaluating the permit application. The federal regulations included are only a portion of those applicable to underground injection activities, and are provided as reference to assist in the preparation of the permit application. The complete federal regulations covering underground injection can be found in the Code of Federal Regulations (CFR) Title 40 with updates available in the Federal Register.
PROCEDURAL INFORMATION

The staff will review the application for completeness. During the completeness review, the applicant may be contacted for clarification or additional information. When all pertinent information is present, a notice that an application has been received may be given to other state agencies and local governmental entities interested in water quality control and industrial waste management. A draft permit that may include a Statement of Basis will be prepared by the Division and transmitted to the applicant for review. Comments from the applicant may result in changes to the draft permit, after concurrence by the Executive Secretary. After Executive Secretary approval, the draft permit will be subjected to public comment and/or a public hearing. In either case, a notice will be provided to inform the public that a draft permit has been prepared.

Requirements for the public notice include:

1. That a public notice be published for each draft permit, permit amendment, or permit renewal that has been prepared. The notice will appear within each county where the proposed facility or discharge is located and each county affected by the discharge.

2. The Executive Secretary will mail notice of the application to affected persons and certain governmental entities.

A public hearing will be scheduled regarding an application when requested by the Water Quality Board (Board), the Executive Secretary, the applicant, or any affected person within thirty (30) days following newspaper publication.

The Board may act upon a permit application, a draft permit, a major permit modification, or renewal of a permit without holding a public hearing when:

1. Adequate public notice and comment period has been provided, including: (a) notice of the application has been mailed to persons possibly affected by the proposed permit; (b) notice has been published at least once in a newspaper, regularly published or circulated within each county where the proposed facility or discharge is located and in each county affected by the discharge; and

2. Within thirty (30) days following publication of the Board’s notice the Executive Secretary, the applicant, or an affected person has not requested a public hearing; or

3. An application to modify a permit will result in an improvement of the quality of the fluid authorized to be injected and if the applicant does not seek to increase significantly the quantity of fluid to be injected or to change materially the pattern or place of injection.

After resolution of any public comment the Executive Secretary shall issue or deny the draft permit, permit amendment, or permit renewal. Within thirty (30) days of issuance, a copy of the permit or permit denial will be mailed to the applicant.

The information required in 40 CFR 146.34 will be considered by the Executive Secretary before authorizing Class III injection wells.
UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
Division of Water Quality
1422 Underground Injection Control (UIC) Program

CLASS III INJECTION WELL PERMIT APPLICATION

(Reference to R317-7 and 40 CFR in parentheses indicates sections of Utah UIC Administrative Code and Code of Federal Regulations, respectively, requiring information.)

1. Type of Permit Application (check one)
   - Initial Application
   - Permit Renewal, Original Permit No.
   - Permit Modification, Original Permit No. UTU-27-AP-9232389

2. Type of Permit (check one)
   - Individual (Single) Well Permit
   - Area (Multiple Wells) Permit

3. Facility Operator (Applicant must be the operator if owner/operator are different) (R317-7-9.1(B); R317-7-9.1(D)(4) and 40CFR144.31(b))
   Name: Magnum Solution Mining, LLC, fka Magnum Solutions, LLC
   Address: 3165 East Millrock Drive, Suite 330
   City: Holladay State: Utah Zip: 84121
   Telephone Number: 801-993-7001

4. Facility Owner (R317-7-9.1(D)(4) and 40CFR144.31(e)(4))
   Name: Magnum Solution Mining, LLC, fka Magnum Solutions, LLC
   Address: 3165 East Millrock Drive, Suite 330
   City: Holladay State: Utah Zip: 84121
   Telephone Number: 801-993-7001

5. Facility status: Federal State
   Private X Public Other (Indicate)

(R317-7-9.1(D)(4) and 40CFR144.31(e)(4))
6. List those persons or firms authorized to act for the applicant during the processing of the permit application. Include a complete mailing address and telephone number:

Samuel Quigley and Tiffany James
Magnum Solution Mining, LLC
3165 E Millrock Drive, Suite 330
Salt Lake City, Utah 84121
(801) 993-7001

7. List all activities conducted at this facility that require an environmental permit under federal, state, or local statutes, rules or ordinances.
(R317-7-9.1(D)(1) and 40CFR144.31(e)(1))

SEE ORIGINAL PERMIT FOR ACTIVITIES AND PERMIT TABLE

8. List all environmental permits or construction approvals received or applied for relevant to this facility or this location under federal, state, or local statutes, rules or ordinances.
(R317-7-9.1(D)(6) and 40CFR144.31(e)(6))

MAGNUM SOLUTION MINING, LLC ("MS") fka MAGNUM SOLUTIONS, LLC received the following environmental permits or construction approvals for the Magnum Gas Storage Project:

a. SITLA, Seismic Exploration Permit No. 5198 (October 13, 2008);
b. UDNR, Non-Production Well Permit (October 15, 2008);
c. USACE Section 404 Permit the Storage Site (August 2010 and January 2011);
d. USFWS and UDWR Federal and State Threatened and Endangered Species Clearances (March 17, 2011);
e. FERC 7(c) Certificate of Public Convenience and Necessity (March 17, 2011);
f. BLM Right-of-Way Grant (February 22, 2011);
g. NHPA Cultural Resource Clearance- Agency Approval Granted on May 14, 2010, SHPO Concurrence (June 7, 2011); and
h. Millard County Conditional Use Permit for the Storage Site (March 28, 2011);

9. Provide a brief description of the solution mining operation(s) (include appropriate North American Industry Classification System (NAICS) Codes).
(R317-7-9.1(D)(3) and 40CFR144.31(e)(3) and (8))
NAICS Code 486210 – Pipeline Transportation of Natural Gas for Gas Storage

10. Location of Proposed Solution Mining Operation
(R317-7-9.1(D)(2) and (40CFR144.31(e)(2))

Facility name: Magnum Gas Storage Project
Facility mailing address: Rural

Facility location description: Southwest Corner of Intersection of Highway 174 (Brush-Wellman Road) and Jones Road, approximately 3 ½ miles east-northeast of Sugarville, Utah or 9 miles north of Delta, Utah
Street address: 500 West 9200 North

City: Delta, Utah 84624

County: Millard

No. of Wells*: One well per cavern is proposed for a total of 6 wells at the below identified locations.

For each well provide the following:

Township; Range; Section; and 1/4, 1/4 Section:
T15S. R7W. Section 23, SW4 of SW4
T15S. R7W. Section 23, SE4 of SW4
T15S. R7W. Section 26, NW4 of NE4
T15S. R7W. Section 26, NE4 of NW4
T15S. R7W. Section 23, SW4 of SW4
T15S. R7W. Section 26, NW4 of NW4

UTM Northing (NAD 83 UTM 12, Meters):

UTM Easting (NAD 83 UTM 12, Meters):

Well #  | UTM Easting, Northing
---------|---------------------
1       | 361722.097, 4372871.594
2       | 361970.705, 4372983.303
3       | 361943.087, 4372712.197
4       | 362192.204, 4372824.684
5       | 361439.3362, 4372917.122
6       | 361473.6229, 4372737.485

* Location(s) of injection well(s) should be identified on all maps included in the Technical Report.

11. Are the proposed injection well(s) located on Indian land?  □ Yes  ■ No  
(R317-7-9.1(D)5) and 40CFR144.31(e)(5))

12. Submit the Technical Report with Application (R317-7-6.9).

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

Signature: [Signature]

Date: October 20, 2011

SUBSCRIBED AND SWORN to before me this 20th day of October, 2011.

My commission expires on the 20 day of October, 2011.

[Signature]

Notary Public in and for
Salt Lake County, Utah

(SEAL)
Part A

Magnum Solution Mining, LLC
Millard County, Utah
Magnum Gas Storage Project

Determination of Area of Review with Two (2) Additional 16-inch Injection Wells
**Part A - Determination of Area of Review (AOR) with Two (2) Additional 16-inch Injection Wells**

Per Utah regulation, a fixed radius Area of Review (AOR) of 2 miles around the proposed injection well field area (Project Area) has been used for this application. As noted on **Map A-1.1**, Magnum is proposing to solution mine six caverns, four of which were previously approved. Specifics for two additional wells are included in this application. As can be seen from the map, the entire Project Area encompasses an area larger than that identified by the six individual wells. The entire Project Area has been defined herein as that area wherein it is projected that injection/cavern wells could be constructed within the salt structure. The area as defined is bounded on the west by a buffer zone offset from the surface projection of a main north-south trending fault identified at a depth of 3,000 feet during seismic testing and the drilling of exploratory well MH-1, on the south and east by the downward dip of the salt structure at 3,000 feet, and on the north by buffer zones between existing and potential future power lines and the Project Area (see Updated **Map A-1.1**).
Part B

Magnum Solution Mining, LLC
Millard County, Utah
Magnum Gas Storage Project

Amended Permit Application Maps Depicting Two (2) Additional 16-inch Injection Wells
Part B - Amended Permit Application Maps depicting Two (2) Additional 16-inch Injection Wells

1. Map of Facility and Project Area

Map B-1.1 shows an updated USGS 7 ½ minute topography extending a minimum of one mile beyond the Project Area that includes two (2) additional 16-inch injection wells in the Project Area.
Map of Facility and Project Area
Part G

Magnum Solution Mining, LLC
Millard County, Utah
Magnum Gas Storage Project

16-inch Injection Well Construction Plan, Cementing, and Casing Program
Part G - 16-inch Injection Well Solution Mining Plan

The solution mining program presented herein is based on the SANSMIC cavern simulation model performed by Thomas Eyermann. See the "Solution Mining Plan Using 16-inch Injection Well at Delta, Utah" in Attachment G-1 for details.

16-inch Injection Well Drilling Program

The drilling program presented herein is based on lithologic information available from the Argonaut and Magnum MH-1 wells provided in the initial permit. See the "Well Construction Plan" in Attachment G-2 for details.

16-inch Injection Well Cementing and Casing Program

A report outlining the basic well casing program, entitled "Conceptual Casing Program for 16-inch Injection Well", prepared by Thomas Eyermann, is included within Attachment G-2. Figure G-2.1 has been inserted to provide a well schematic showing the anticipated casing construction plan outlined in the Attachment, including casing depths, diameters, weight and grade of steel. Information related to the cementing program is also provided in Attachment G-2 within the documents entitled "Well Construction Plan" and "Specifications for Cementing Services and Materials".
Attachment G-1

- Solution Mining Plan for Development of Magnum Storage Caverns at Delta, Utah Using a 16-inch Injection Well
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Solution Mining Plans for Development of 16-inch Injection Wells at Delta, Utah

Introduction

This report presents a solution mining plan ("Mining Plan") for the development of additional 16-inch injection wells to create salt storage caverns at the proposed Magnum facility located near Delta, Utah. The caverns will be developed in a bedded salt deposit that has been thickened as a result of tectonics.

The salt deposit has been explored by at least two boreholes; one drilled for oil and gas exploration (Argonaut) and the second drilled by Magnum to explore the salt deposit. The Magnum Holdings (MH-1) well was a deviated well. It encountered the top of salt at about [depth] feet. The well then deviated to the northwest. At a drilled depth of [depth] feet, the true vertical depth (TVD) was [depth] feet.

As a part of the drilling program, 11 core runs were made with the core runs spaced from the top of salt to about 6,000 feet. Portions of the cores were analyzed for insoluble content. This information was used to estimate the insoluble content for the entire drilled salt section from data on the gamma and density logs.

MH-1 and Argonaut are approximately [distance] feet west of the proposed location of the 16” injection wells. Based on geophysical surveys of the area, the salt at the proposed liquid wells is estimated to be shallower than was encountered in these two wells.

For the Mining Plan the final cemented casing string will be set at least [depth] feet into the salt. The top of the storage caverns will be at about [depth] feet below the final cemented casing. The maximum diameter of the storage caverns is limited to about [depth] feet. The cavern will have a final volume of up to [volume] barrels.

Methodology

Cavern Simulation Model

The study utilized the SANSMIC cavern simulation model to project the development of salt storage caverns utilizing a single well. SANSMIC is an axisymmetric (two-dimensional) numerical simulation code which approximates the dissolution of salt by water. SANSMIC is a widely used cavern-modeling program developed by Sandia National Laboratories.

The basic input for the model consists of average radii of the well, the depth of the water injection and brine production strings, the depth of the product level, water injection rates, and duration of mining. If a cavern exhibits a region of abnormal or non-symmetric growth, SANSMIC cannot fully evaluate continued growth in such a region. However, the simulated growth can be interpreted to closely approximate future growth in regions of concern once shape data from sonar surveys of caverns has been obtained.

October 20, 2011
Magnum UIC Class III Permit Modification

As with all numerical models, SANSMIC does not fully represent the actual salt caverns. This is due to:

1. The axisymmetric assumption in the model (that the cavern will develop evenly about the central wellbore), and
2. Limitations in the equations for flow within the cavern.

The axisymmetric assumption is not necessarily a significant limitation to modeling the development of salt caverns in domal or bedded salts. Most caverns developed in salt domes tend to be uniform in horizontal cross-sections when developed by means of a single well. In bedded salts the caverns tend to be elongated in the updip direction if the salt is not lying horizontally. In most salt caverns there are localized exceptions to the symmetry.

The salt deposit at Delta has characteristics of both bedded and domal salt. The remnant bedding is not flat lying and may influence the horizontal cross-section of the caverns. This issue is not addressed in this report.

The limitations in the hydraulic equations result in over-estimation of development near the bottom of the injection tubing in both reverse and direct mining and a corresponding underestimation of mining in the upper portions of the cavern. This limitation becomes more evident at high water injection rates, higher than 2,500 gpm utilized in this study.

For this model, the cavern interval from 400 ft to 1,300 feet depth below top of salt was divided into a series of twenty-five foot tall cells. The final cemented casing was 16 inches. The inner string was to be 8-s/8-inch tubing and the outer string to be 13-3/8-inch tubing. The casing sizes do not impact the final solution mining plan, although they have some influence on the very early days of mining.

The production flow rate was modeled at 2,500 gpm. A normal dissolution factor of “1” was used for the salt with an assumed cavern brine temperature of 90°F.

The insoluble content of the salt was set at 9%. The model assumes a generic particle size for the insolubles and carries a portion of the insoluble material out of the cavern based on modeled fluid velocities in the cavern.

Cavern Development Plan

General

The Mining Plan begins from a borehole completed into the salt, with 16-inch diameter casing cemented at about 200 feet below the top of salt and 200 feet above the proposed roof of the cavern. Alternatives were developed for caverns of two sizes. The plans are similar to each other, with differences being the size of the cavern. The two plans were:

- Develop the cavern to [ ] barrels capacity, and
- Develop the cavern to [ ] barrels capacity.
For both plans the total drilled depth of the well is assumed to be about 1,300 feet below the top of salt. Solution mining is assumed to occur at a constant rate of 2,500 gpm.

Solution Mining Plan

Mining begins with the inner tubing string set close the bottom of the borehole, about 1,300 feet below the top of salt. The outer string is set about 600 or 700 feet above the inner string, depending upon the size of cavern being developed. A nitrogen roof blanket is set at about 200 feet below the final roof peak, or 400 feet below the last cemented casing string. The setting depths relative to the top of salt for the tubing strings and blanket are shown in Tables 1 and 2 for all steps of each of the two cavern sizes.

Mining commences with water injected in the deeper inner string and brine produced from the outer string - direct mining. Mining in this combined sump and chimney stage develops a large sump near the bottom of the cavern for accumulation of the insolubles that will be released from the salt during mining of the salt. This initial mining step begins development of the chimney where the main cavern will be located. This step lasts about 70 to 90 days depending upon the size of cavern to be developed as shown in Tables 3 and 4.

During the sump/chimney stage, the inner tubing may need to be cut one or more times to keep it above the accumulating insoluble pile. In order to maintain the maximum height of the cavern, the inner tubing should be kept as near to the floor during this stage as is practical. Midway through the stage, the roof blanket should be moved uphole about 100 feet.

Mining continues for each step until development of the planned space as shown in Tables 3 and 4.

**Table 1 Setting Depths Relative to Top of Salt for One Million Barrel Cavern**

<table>
<thead>
<tr>
<th>Mining Step</th>
<th>Blanket Setting - Feet</th>
<th>Production Setting - Feet</th>
<th>Injection Setting - Feet</th>
<th>Insoluble Setting - Feet</th>
</tr>
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<tbody>
<tr>
<td>Sump/Chimney 1A</td>
<td></td>
<td></td>
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<tr>
<td>Sump/Chimney 1B</td>
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</tr>
<tr>
<td>Reverse</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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### Table 2 Setting Depths Relative to Top of Salt for Two Million Barrel Cavern

<table>
<thead>
<tr>
<th>Mining Step</th>
<th>Blanket Setting - Feet</th>
<th>Production Setting - Feet</th>
<th>Injection Setting - Feet</th>
<th>Insoluble Setting - Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sump/Chimney 1A</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Sump/Chimney 1B</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Reverse</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
</tbody>
</table>

### Table 3 Duration and Volumes for Development of One Million Barrel Cavern

<table>
<thead>
<tr>
<th>Mining Step</th>
<th>Step Time - Days</th>
<th>Total Mining Time - Days</th>
<th>Gross Mined Volume - Barrels</th>
<th>Open Cavern Volume - Barrels</th>
<th>Gross Cavern Volume - Barrels</th>
<th>Cumulative Brine Produced - MMbbls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sump/Chimney 1A</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Sump/Chimney 1B</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Reverse</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
</tbody>
</table>
Table 4 Duration and Volumes for Development of Two Million Barrel Cavern

<table>
<thead>
<tr>
<th>Mining Step</th>
<th>Step Time - Days</th>
<th>Total Mining Time - Days</th>
<th>Gross Mined Volume - Barrels</th>
<th>Open Cavern Volume - Barrels</th>
<th>Gross Cavern Volume - Barrels</th>
<th>Cumulative Brine Produced - MMbbls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sump/Chimney 1A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sump/Chimney 1B</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reverse</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

At the completion of the sump/chimney stage, a workover is not required to reposition the tubing strings. Instead, the inner string will be cut about 50 feet above the insolubles. Before resuming mining the blanket should be reset about 100 feet above its previous position, or about the final desired roof peak. The desired depths are shown in Tables 1 and 2.

Mining is resumed in reverse – water is injected in the outer shallow tubing and brine produced from the inner, deep string. This method of mining continues until the final desired volume of the cavern has been developed. Cavern volume, not elapsed time, is the key indicator for changes in blanket depth to form the cavern roof.

**Figures 1 and 2** show the shape of the cavern at completion of described steps of the mining program.

At completion of mining, a workover will be required to remove the mining string and install the brine dewatering string. A mechanical integrity test will also need to be conducted before injecting natural gas liquids for storage.

The Mining Plan concludes designs for two cavern sizes which differ in cavern height and maximum cavern diameter. The cavern height is a function of the amount of mining completed in the sump/chimney stage as compared to the overall volume of the completed cavern. The maximum diameter and open height of each of the two cavern sizes is listed in **Table 5**.

As shown in Table 5, not all of the open space in a salt cavern is useable for storage. Some portion at the bottom of the cavern will remain filled with brine because the dewatering string will be set above the floor. This is done to prevent material on the floor from being carried into the dewatering string where it might form a plug, stopping brine flow. For of the proposed cavern sizes, a permanent brine pool of about 110,000 barrels should be considered as remaining in the caverns.

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### Table 5 Parameters for Magnum Caverns at Completion

<table>
<thead>
<tr>
<th>Cavern</th>
<th>Maximum Diameter – Feet</th>
<th>Depth Relative to Top of Salt of Maximum Diameter – Feet</th>
<th>Open Height – Feet</th>
<th>Open Cavern Volume – Barrels</th>
<th>Product Storage Volume – Barrels</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000,000 bbl Cavern</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2,000,000 bbl Cavern</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Figure 1: SANSMIC Simulation of One Million Barrel Cavern during Mining
Figure 2: SANSMIC Simulation of Two Million Barrel Cavern during Mining
Cavern Development

The development of a 1,000,000-barrel storage cavern will require about [redacted] days to complete at a water injection rate of [redacted] gpm. A [redacted]-barrel storage cavern will require about [redacted] solution mining days to complete at a water injection rate of [redacted] gpm. This time is exclusive of any unplanned workovers or other down times. "Solution mining days" are days when water is injected at [redacted] gpm without interruption for 24 hours. The rate of development of each cavern is shown in Figure 3.

Approximately [redacted] barrels of brine are produced during development of the [redacted]-barrel cavern. [redacted] barrels of brine are produced during development of the [redacted]-barrel cavern in addition to the brine that will be displaced during gas fill. Figure 3 shows the change in brine strength as the cavern is developed and when the flow regime is changed from direct to reverse circulation.

![Figure 3: Rate of Cavern Development and Increase in Brine Strength for Two Million Barrel Cavern](image-url)
Contingency

Contingency is an allowance for delays that may result from unforeseen events or from reasonably expected events with unknown durations or frequencies. Unforeseen events may be something such as loss of a tubing string due to thread failure, which will result in loss of time to procure new tubulars and a workover to install them. Other events, such as power outages that will interrupt water injection or brine disposal, can be expected during the period of development, but the timing and duration of these outages are unpredictable.

Most developers of solution-mining projects increase the estimated solution-mining time by an additional 10 percent to 15 percent to account for various interruptions that are likely to occur. As the scope of the mining portion of the project becomes better defined, the contingency may be reduced.

Major upsets, such as loss of the roof blanket due to an anomalous zone in the salt, may have a drastic impact on schedule. However, the likelihood of such an event is small and the impact on the schedule is unpredictable. These major upsets are not provided for in a contingency allowances in Table 6 below.

Schedule

The time required to develop the caverns will involve the time for mining, workovers, unknown shutdown times, logging episodes, and mechanical integrity testing at the end. The total mining time to develop each of the caverns in the Magnum Storage Site field is given in Tables 3 and 4. The times in these tables do not include logging, workovers, contingency or testing time.

Table 6 lists cavern development times for each of the caverns including contingency, blanket movements with no workovers during the mining. A workover at a specific time is not necessarily required, but it is very likely that the caverns will require a workover sometime during mining to repair damaged tubing or to allow sonar surveys to be conducted. To be conservative on timing, a workover could be included in the schedule for cavern development.
Table 6 Estimated Times to Develop Caverns to Storage Use

<table>
<thead>
<tr>
<th>Mining Plan</th>
<th>Mining Time (days)</th>
<th>Workover Time (days)</th>
<th>Contingency (15%) (days)</th>
<th>Logging and Blanket Movement Time (days)</th>
<th>Mechanical Integrity Test &amp; Completion Workover Time (days)</th>
<th>Total Time (days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000,000 bbl Cavern</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2,000,000 bbl Cavern</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Discussion of Concerns and Further Refinements

The Mining Plan presented in this report is preliminary. Further effort is required to develop more specific plans for each cavern that match the geology determined after the well for each cavern is drilled. This additional work includes:

1. Refinement of the insoluble component of the salt at the location where the liquid storage wells will be drilled.
2. Development of a model to account for the dip of the salt beds.
3. More detailed design of the roof development program.

The insoluble content of the salt has been estimated from an average of the salt content in MH-1. The total quantity, as well as the distribution within the salt, of insolubles at a new location may change. This may impact the mining plans for smaller caverns. For actual well development, a specific plan for each well should be developed based on the geology at that well.

The Delta salt deposit is a tectonically modified bedded salt. The bedding in the salt is not horizontal. Caverns developed in non-horizontally bedded salts tend to develop with an elongation to the up-dip direction. The elongation is generally, though not always, proportional to the degree of dip – more steeply dipping salts resulting in more elongated caverns. A three dimensional model of a cavern will be developed to determine the possible extent of the elongation. Without pre-existing caverns to base dissolution factors on, the model will be of limited use but will illustrate the possible elongation.
Attachment G-2

- 16-inch Injection Well Construction Plan
- 16-inch Injection Well Cementing Plan
- Conceptual Casing Program for the 16-inch Injection Wells
- Figure G-2.1 – 16-inch Wellhead Casing Design
- 16-inch Injection Wellhead
- 16-inch Blowout Preventer Equipment
16-inch Injection Well Construction Plan

The following is the general program to be used to drill the Magnum 16-inch injection wells. Depths shown are approximate, from Ground Level.

1. Rig up drilling rig.
2. Drive 36-inch conductor casing to approximately 150 feet or refusal.
3. Drill a 17-1/2-inch hole to ±17 feet and log.
4. Open 17-1/2-inch hole up to 34-inch with hole openers of increasing size.
5. Run and cement 750 feet of 30-inch 0.75-inch wall thickness, API 5L Grade B pipe. Centralizers to be placed every other casing section.
6. Allow the cement to set a minimum of 18 hours. Pressure test the casing in accordance with State rules.
7. After the cement sets, cut off the 30-inch casing and weld on a 30-inch x 20-inch reducer and 21-1/4-inch flange. Nipple up a 20-inch annular BOP.
8. Drill a 17-1/2-inch hole to slightly above top of salt structure estimated to be ±3,250 feet. Lost circulation may occur over this interval; control as necessary by the use of lost circulation material, cement plugs or drill without returns.
9. Run gamma ray, SP induction and resistivity logs as specified.
10. Open the 17-1/2-inch hole to 28-inch with hole openers of increasing size.
12. Run and cement ±17 feet of 20-inch O.D., 1-inch wall thickness, and ±30 feet of 24-inch O.D. 1.25-inch wall thickness or equivalent threaded and coupled pipe to top of salt structure. Use the stab-in cementing method. Centralizers to be placed every other casing section.
13. After the cement sets, pressure test the casing in accordance with State rules.
14. Cut off the 24-inch casing and weld on a 24-inch x 20-inch reducer and 21-1/4-inch flange. Nipple up a 20-inch annular BOP.
15. Switch to salt saturated mud after 24-inch casing is set at top of salt structure or at the depth where salt structure is encountered during drilling.
16. Drill a 17-1/2-inch hole to ±17 feet.
17. Run gamma ray, SP induction, neutron and bulk density logs as specified.
18. Open the 17-1/2-inch hole to 24-inch with hole openers and under reamers of increasing size.
21. Allow the cement to set a minimum of 72 hours. Pressure test the casing in accordance with State rules.
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22. Cut off the [ ]-inch casing and weld on a [ ]-inch flange. Nipple up a [ ] annular BOP.
23. Drill a 17-1/2-inch hole to [ ] feet.
24. Run gamma ray, SP induction, neutron and bulk density logs as specified.
25. Open the 17-1/2-inch hole up to [ ]-inch using hole openers and underreamers.
27. Run and cement [ ] feet of [ ]-inch O.D. [ ]-inch and [ ] feet of [ ]-inch O.D. [ ]-inch wall thickness, API [ ] casing. Use the stab-in cementing method. Centralizers to be placed every other casing section.
28. Allow the cement to set a minimum of 72 hours. Pressure test the casing in accordance with State rules.
29. Drill out plug and ten feet of salt formation.
30. Pressure test casing shoe in accordance with the State rules and regulations.
31. Drill a [ ]-inch hole to [ ] feet.
32. Log cuttings and check for loss of drilling fluid indicating a porous formation is encountered. If so, perform a tightness test over this interval.
33. Run gamma ray, neutron and bulk density logs as specified.
34. If logs indicate a porous zone in the salt section, perform tightness test over the zone.
35. Under ream the [ ]-inch hole to [ ]-inch down to a depth of [ ] feet.
36. Run X-Y caliper log.
37. Run casing inspection and cement bond logs in [ ]-inch casing from shoe to surface.
38. Run in approx. [ ]&C Casing.
39. Install and test the upper wellhead assembly.
40. Run in approx. [ ] feet of [ ]-inch, [ ] lb/ft, [ ] Casing.
41. Install remainder of wellhead.
42. Rig down and move out rig from location.
43. Clean up location.

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WELDING PROTOCOL


2. Casing double joint welding shall be performed in accordance with API Standard 1104 Welding of Pipelines and Related Facilities. Pipe base material's carbon equivalency will be computed from the material composition as written in the Material Test Report (MTR) that is provided when the pipe is purchased. The welding contractor will provide a Welding Procedure Specification (WPS) that matches the base material and Procedure Qualification Report (PQR) and welders who are qualified to the WPS with Welders Qualification Report (WQR). The welding contractor will provide the WQR for each potential welder prior to beginning production welding. The field supervisor will verify that the WQR and welder’s photo identification match. Perform nondestructive testing (NDT) on the butt welds using radiography as specified in API Standard 1104 and interpreted by a NDT Level II or III Certified Technician who is qualified under ASNT CP-189, Standard for Qualification and Certification for Nondestructive Testing Personnel, 2006 Edition and CP-105, ASNT Standard Topical Outlines for Qualification of Nondestructive Testing Personnel, 2006 Edition. Each completed girth, butt weld shall be radiograph tested to API Standard 1104 qualifications. The radiograph methods and qualifications shall comply with API Standard 1104 – “Certification of Nondestructive Testing Personnel” and “Acceptance Methods for Nondestructive Testing Personnel”.

3. Casing rig welding shall be performed in accordance with API Standard 1104 Welding of Pipelines and Related Facilities. Pipe base material’s carbon equivalency will be computed from the material composition as written in the Material Test Report (MTR) that is provided when the pipe is purchased. The welding contractor will provide a Welding Procedure Specification (WPS) that matches the base material and Procedure Qualification Report (PQR) and welders who are qualified to the WPS with Welders Qualification Report (WQR). The welding contractor will provide the WQR for each potential welder prior to beginning production welding. The field supervisor will verify that the WQR and welder’s photo identification match. Perform nondestructive testing (NDT) on the butt welds using radiography as specified in API Standard 1104 and interpreted by a NDT Level II or III Certified Technician who is qualified under

SPECIFICATIONS FOR CEMENTING SERVICES AND MATERIALS

This specification covers the requirements to supply cement, equipment and services for storage wells located near Delta, UT. The work will be conducted from a land rig. Cement bond logs cannot be used with reliability on the 20-inch plus well casings proposed for the gas storage wells and therefore will not be run on the larger casings. A review of cement bonding capabilities with PB Energy Storage Systems has confirmed that there are no test methods currently available to conduct a bond log. Therefore, cementing operations will be visually verified at the time of cementing via the observance of cement rising within the outer well annulus to the surface.

Proposed wellbore configuration (Depths RKB)

- 36-inch Conductor Pipe: 0 - Approx. 150 feet (Driven to refusal)
- 30-inch Surface Casing: 0 - Approx. 750 feet (Approx. 34-inch Open Hole)
- 24-inch Intermediate Casing: 0 - 3,200 feet (Approx. 28-inch Open Hole)
- 20-inch Next to Last Casing: 0 - 3,350 feet (Approx. 24-inch Open Hole)
- 16-inch Last Cemented Casing: 0 - 3,450 feet (Approx. 22-inch Open Hole)

Top of Salt: Approx. 3,250 feet

1. Cement specifications for the 30-inch Surface casing. Cement job will be pumped through a stabbed-in 5-inch DP.
   - Cement to surface: Class A (Standard) + Defoamer (if deemed necessary)
   - Water Ratio 5.2 gals/sk
   - Slurry Weight 15.6 lbs/gal.
   - Slurry Volume 1.18 cu. ft./sack
   - Excess 50% Open Hole Volume (4 Arm Caliper Available)

2. Cement specifications for the 24-inch Intermediate. Cement job will be pumped through a stabbed-in 5-inch DP.
   - Cement to surface: Class A (Standard) + Defoamer (if deemed necessary).
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Water Ratio 5.2 gals/sk
Slurry Weight 15.6 lbs/gal.
Slurry Volume 1.18 cu. ft./sack
Excess 50% Open Hole Volume (4 Arm Caliper Available)

3. Cement specifications for the 20-inch Next to Last Casing. Cement job will be pumped through a stabbed-in 5-inch DP.
Cement to surface: Class G (Premium) + 37.2% Salt + Defoamer (if deemed necessary).
Water Ratio 5.0 gals/sk
Slurry Weight 16.3 lbs/gal.
Slurry Volume 1.24 cu. ft./sack
Excess 30% Open Hole Volume (4 Arm Caliper Available)

4. Cement specifications for the 16-inch Last Casing. Cement job will be pumped through a stabbed-in 5-inch DP.
Cement to surface: Class G (Premium) + 37.2% Salt + Defoamer (if deemed necessary).
Water Ratio 5.0 gals/sk
Slurry Weight 16.3 lbs/gal.
Slurry Volume 1.24 cu. ft./sack
Excess 30% Open Hole Volume (4 Arm Caliper Available)

WELL CONDITIONING

Before commencing drilling operations (spudding the well), Magnum will provide detailed procedures for conditioning the hole prior to cementing casing. The pre-flush procedure will ensure that the wellbore is properly conditioned for cementing operations in accordance with recommendations from the cementing contractor.

The well is conditioned to circulate the drilling fluids, sweep cuttings out of the hole, obtain consistent fluid properties, and adjust the fluid viscosity and density in an attempt to prevent cement channeling through the fluid. Detailed procedures for this process have not been written at this time as it is a typical task during drilling, but when the drilling fluids contractor is hired his mud engineer will be tasked to write a program for the fluids.
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REPORT

During Drilling the casing cement jobs shall be documented by an affidavit from the cementing company showing the amount and type of cementing materials and the method of placement.

Three samples of the cement slurry for each of the intermediate and salt casings shall be collected in suitable sized and shaped containers so that the hardened cement can be tested for compressive strength.
### 16" Injection Well Proposed Casing and Cementing Program

<table>
<thead>
<tr>
<th>Hole Size Casing Size</th>
<th>Driven 36&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mud Weight Type</td>
</tr>
<tr>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>N/A</td>
</tr>
</tbody>
</table>
Conceptual Casing Program for the 16" Injection Wells

Prepared for
Magnum Solution Mining, LLC
Salt Lake City, Utah

By
Thomas Eyermann

October 18, 2011
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Conceptual Casing Program for the 16-inch Injection Wells

General Well Design

The 16-inch injection wells for the Magnum salt storage caverns will be drilled from surface to more than a thousand feet into the salt. The wells will have a water protection string or surface casing and two casing strings (intermediate and production casings) cemented into the upper section of the salt. The casing string will be run in a wellbore of slightly larger diameter than the casing and cemented into place. The drilling and cementing programs are presented in Attachment G-2.

The surface casing is sized so as to allow for a second contingent intermediate string in the event that a problem zone is encountered during drilling that requires a casing string to seal it off. The well in general is sized so as to allow product injection into and production from the completed cavern at 2,500 gpm with a velocity of less than 20 feet per second. The casing sizes also allow use of tubing strings for mining that will maintain fluid velocities at about feet per second. This is an acceptable range for mining operations.

The various casing strings are sized to withstand foreseeable collapse, burst and tensile forces that might act upon the casing. The goal of the design was to specify casing sizes and grades that allow a safety factor of about 1.0 for collapse, 1.0 for burst and 1.6 for tensile forces based on published strength data.

In normal operations collapse forces generally are greatest during cementing of the casing string when the inside of the casing is filled with drilling mud and the annulus is filled with heavier cement slurry. In normal operations the collapse forces resulting from the weight difference between cement and drilling mud are low. At feet this can amount to about 1,000 psi. However, in keeping with generally accepted practices (such as ERCB Directive 10) the collapse pressures are calculated with the assumption that the annulus is filled with cement and the inside of the casing is air-filled.

In the case of the outer mining tubing string, the collapse pressures result from the use of nitrogen as a blanket material. The nitrogen roof blanket pressures will be greatest at the start of mining when the nitrogen roof blanket is at its deepest location. At the worst case (for collapse calculations) the largest pressures occur during reverse mining when the cavern is shut-in. In this instance, water is in the outer tubing string, and the brine in the cavern is unsaturated and continues to dissolve salt. The continued dissolution increases space in the cavern so that the wellhead fluid pressures fall to a vacuum. If at the same time the borehole has closed around the hanging tubing, the nitrogen pressure will be locked in at its normal operating pressure. The full nitrogen pressure of about 2,000 psi will be acting against the 13-3/8-inch tubing with a vacuum on the inside. The tubing has been sized to withstand this type of worst case event to mitigate the low potential for occurrence.

Burst forces again are generally greatest during cementing operations but are normally very low during normal operations. The worst case occurs if the casing has been run in the well, the float shoe/collar gets stuck shut and a gas blowout occurs at the bottom of the hole. In this event the full hydrostatic pressure of the drilling mud in the casing...
was conservatively assumed to be “0” psi.

In the case of the final cemented casing, significant burst forces occur during mining operations due to the use of nitrogen as the blanket material. After mining is completed, lesser pressures will act inside the final cemented casing as a result of normal liquid storage operations.

The conceptual casing program designed for the Magnum 16-inch injection wells are summarized in Table 1. In the event that these casing and pipe sizes are not available, the next higher grade or increased wall thickness should be chosen. Calculations for forces acting on the various strings are shown in Appendix A. The safety factors for the various loading scenarios are summarized in Table 2.

### Table 1 Summary of Casings for Magnum Gas Storage Well

<table>
<thead>
<tr>
<th>Casing String</th>
<th>Size - inches</th>
<th>Weight - pounds/foot</th>
<th>Grade</th>
<th>Depth - feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conductor</td>
<td>36</td>
<td>282.35</td>
<td>B</td>
<td>0 - 150</td>
</tr>
<tr>
<td>Surface</td>
<td>30</td>
<td>234.29</td>
<td>B</td>
<td>0 - 750</td>
</tr>
<tr>
<td>Intermediate</td>
<td>24</td>
<td>24.56</td>
<td>X-52</td>
<td>0 - 2,500</td>
</tr>
<tr>
<td>Intermediate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final cemented depth</td>
<td></td>
<td></td>
<td></td>
<td>3,200</td>
</tr>
<tr>
<td>First Salt</td>
<td>20</td>
<td>13.3</td>
<td>N-80</td>
<td>0 - 1,800</td>
</tr>
<tr>
<td>First Salt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final cemented depth</td>
<td></td>
<td></td>
<td></td>
<td>3,350</td>
</tr>
<tr>
<td>Production (2nd Salt)</td>
<td>16</td>
<td>95.8</td>
<td>N-80</td>
<td>0 - 2,000</td>
</tr>
<tr>
<td>Outer Mining String</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inner Mining String</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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### Table 2 Summary of Calculated Factors of Safety

<table>
<thead>
<tr>
<th>Casing String</th>
<th>Safety Factor</th>
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<tr>
<td></td>
<td>Collapse – 1.0</td>
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<tr>
<td>36-inch Conductor</td>
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<td>30-inch Surface</td>
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<td>24-inch Intermediate</td>
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<td>24-inch Intermediate</td>
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<td>20-inch First Salt String</td>
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<td>20-inch First Salt String</td>
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<td>16-inch Production (2nd Salt String)</td>
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<td>16-inch Production (2nd Salt String)</td>
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<td>13-3/S-inch Outer Mining String</td>
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<tr>
<td>16-inch Inner Mining String</td>
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### Sources

Lone Star Steel, 2002; OCGT 23rd Edition

American Petroleum Institute, Specification for Line Pipe, API Specification 5L

American Petroleum Institute, Bulletin on Performance Properties of Casing, Tubing and Drill Pipe, API Specification 5C2

American Petroleum Institute, Technical Report on Equations and Calculations for Casing, Tubing and Line Pipe Used as Casing or Tubing; and Performance Properties Tables for Casing and Tubing, API Technical Report 5C3


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Appendix A
Casing Design Calculations

Conductor Pipe
36-Inch, Wall thickness 1-inch, Grade B, Plain end, welded pipe from 0 feet to approximately 150 feet.

Pipe is to be driven by pile driver to refusal.

Surface Casing
30-Inch, 234.29 lb/ft, Wall Thickness 0.75-inch, Grade B, Plain end, welded, pipe from 0 feet to 750 feet.

Collapse Calculations
Assume that the bottom hole depth of the 30-inch surface casing is at ±750 feet from surface, with a welded float shoe located at the bottom of the casing string. The worst-case scenario for collapse pressure would be a full column of cement in the casing/hole annulus, and a column of gas inside the 30-inch surface casing.

1. (750 feet) (0.052 psi/ft) (15.6 lb/gal cement) = 608 psi hydrostatic pressure exerted on the exterior of the 30-inch casing, at 750 feet.
2. 0 psi hydrostatic pressure exerted on the interior of the 30-inch casing, at 750 feet.
3. Differential pressure, (collapse pressure) annulus pressure verses pressure inside the 30-inch casing equals: 608 psi - 0 psi = 608 psi.

The 30-inch surface casing has a collapse rating of 898 psi. According to the above differential calculations, the proposed 30-inch surface casing to be used has a collapse rating greater than any outside pressure that will be exerted against the exterior of the casing.

Burst Calculations:
Assume that the bottom hole depth of the 30-inch surface casing is at ±750 feet from surface, with a welded float shoe located at the bottom of the casing string. The 30-inch surface casing will be loaded with 9.5 lb per gallon drilling mud.

1. (750 feet) (0.052 psi/ft/lb/gal) (9.5 lb/gal drilling mud) = 371 psi hydrostatic pressure exerted on the interior of the 30-inch casing, at 750 feet.
2. Differential pressure, (burst pressure) inside pressure verses annulus pressure on the outside of the 30-inch casing equals: 371 psi - 0 psi = 371 psi.
According to API Bulletin 5L, the _____-inch surface casing has a minimum test pressure of 2,100 psi. According to the above differential calculations, the proposed _____-inch surface casing to be used has a minimum test pressure greater than any inside pressure that will be exerted against the interior of the casing.

**Tensile Calculations:**

The proposed _____-inch surface casing weighs _____ lb/ft and will be set at approximately _____ feet, for a total string weight of 176,000 lbs. The _____-inch, welded surface casing proposed has a tensile rating of 2,730,000 lbs, which is greater than tensile weight exerted by the weight of the casing.

**Intermediate String Casing:**

- _____-inch, _____ lb/ft, Wall Thickness _____-inch, _____, Plain end fitted with threaded connections from 0 feet to _____ feet.
- _____-inch, _____ lb/ft, Wall Thickness _____-inch _____ Grade, Plain end fitted with threaded connections from _____ feet to _____ feet.

**Collapse Calculations:**

Assume that the bottom hole depth of the _____-inch _____ lb/ft casing (pipe) at _____ feet from surface, with a welded float shoe located at the bottom of the casing string. The worst-case scenario for collapse pressure would be a full column of cement in the casing/hole annulus, and an empty column inside the _____-inch surface casing.

1. (_____ feet) (_____ psi/ft/lb/gal) (15.6 lb/gal cement) = 2,028 psi hydrostatic pressure exerted on the exterior of the _____-inch casing, at _____ feet.
2. Differential pressure, (collapse pressure) annulus pressure verses pressure inside the _____-inch casing at _____ feet equals: 2,028 psi - 0 psi = 2,028 psi.

According to API Bulletin 5L, the _____-inch outer string casing at _____ feet has a collapse rating of 2,230 psi and at _____ feet a collapse rating of 3,130 psi. According to the above differential calculations, the proposed _____-inch outer string casing to be used has a collapse rating equal to or greater than any outside pressure that will be exerted against the exterior of the casing.

**Burst Calculations:**

Assume that the bottom hole depth of the _____-inch surface casing is at _____ feet from surface, with a welded float shoe located at the bottom of the casing string. The _____-inch surface casing will be loaded with 10.2 lb per gallon drilling mud. The actual cement process will be down drill pipe, which will be stung into the float shoe at _____ feet so
that the casing is not filled with cement. The worst case for burst is if the float shoe becomes stuck closed and a gas blowout occurs at the shoe. In this case there would be a column of gas outside the outside of the casing and a full column of drilling mud inside the casing.

1. (2,500 feet) (0.052 psi/ft/lb/gal) (10.2 lb/gal drilling mud) = 1,326 psi hydrostatic pressure exerted on the interior of the 24-inch casing, at 2,500 feet.

1a. (3,200 feet) (0.052 psi/ft/lb/gal) (10.2 lb/gal drilling mud) = 1,697 psi hydrostatic pressure exerted on the interior of the 24-inch casing, at 3,200 feet.

2. Differential pressure, (burst pressure) inside pressure verses annulus pressure on the outside of the 24-inch casing at 2,500 feet equals: 1,326 psi - 0 psi = 1,326 psi.

2a. Differential pressure, (burst pressure) inside pressure verses annulus pressure on the outside of the 24-inch casing at 3,200 feet equals: 1,803 psi - 0 psi = 1,803 psi.

According to API Bulletin 5L, the 1-inch 24-inch outer string casing has a minimum test pressure of 3,000 psi and the 1.25-inch outer string has a minimum test pressure of 3,902. According to the above differential calculations, the proposed 24-inch surface casing to be used has a minimum test pressure greater than any inside pressure that will be exerted against the interior of the casing.

Tensile Calculations:

The proposed 24-inch outer string casing weighs 245.64 lb/ft or 303.71 lb/ft and will be set at approximately 3,200 feet, for a total string weight of 827,000 lbs.

The proposed welded intermediate casing has a tensile rating of 3,757,000 lbs, which is greater than tensile weight exerted by the weight of the casing.

First Salt String Casing:

20-Inch, 133 lb/ft, Wall Thickness 0.635-inch, N-80 Grade, Buttress connection, Casing from 0 to 1,800 feet.

20-Inch, 190.96 lb/ft, Wall Thickness 0.938-inch, X-56 Grade, Threaded pipe, from 1,800 to 3,350 feet.

Collapse Calculations:

Assume that the bottom hole depth of the 20-inch first salt string of casing is at ±3,350 feet from surface, with a welded float shoe located at the bottom of the casing string. The casing string will be made up of two weights of casing.

Above 1,800 feet the casing will be 133 lb/ft N-80 casing. From 1,800 feet to ±3,350 feet the casing will be 190.96 lb/ft X-56 line pipe. This string will have buttress connections above ±3,350 feet and proprietary connections on the line pipe. The worst-case scenario for collapse pressure would be a full column of cement in the casing/hole annulus, and
Magnum UIC Class III Permit Modification

an empty inside the 20-inch surface casing.

1. (1,800 feet) (0 psi/ft/lb/gal) (16.3 lb/gal cement) = 1,526 psi hydrostatic pressure exerted on the exterior of the 20-inch casing, at feet.
1a. (3,350 feet) (0 psi/ft/lb/gal) (16.3 lb/gal cement) = 2,839 psi hydrostatic pressure exerted on the exterior of the 20-inch casing, at feet.

2. At feet, the differential pressure equals: 1,526 psi − 0 psi = 1,526 psi. According to Lone Star Steel, the 20-inch lb/ft casing has a collapse rating of 1,600 psi. According to the above differential calculations, the proposed 20-inch first salt string casing to be used has a collapse rating greater than any outside pressure that will be exerted against the exterior of the casing.

2a. At feet, the differential pressure equals: 2,839 psi − 0 psi = 2,839 psi. The 20-inch lb/ft pipe has a collapse rating of 3,080 psi. According to the above differential calculations, the proposed 20-inch first salt string casing to be used has a collapse rating greater than any outside pressure that will be exerted against the exterior of the casing.

Burst Calculations:

Assume that the bottom hole depth of the 20-inch surface casing is at ±3,350 feet from surface, with a welded float shoe located at the bottom of the casing string. The 20-inch surface casing will be loaded with 10.2 lb per gallon drilling mud. The actual cement process will be down drill pipe, which will be stung into the float shoe at feet so the casing will not be filled with cement. The worst case for burst considerations would be if there was a gas blowout in the salt after the casing was set but before it was cemented. This could potentially leave a column of gas along the outside of the casing and a full column of drilling mud inside the casing.

1. (1,800 feet) (0 psi/ft/lb/gal) (10.2 lb/gal drilling mud) = 955 psi hydrostatic pressure exerted on the interior of the 20-inch casing, at feet.
1a. (3,350 feet) (0 psi/ft/lb/gal) (10.2 lb/gal drilling mud) = 1,777 psi hydrostatic pressure exerted on the interior of the 20-inch casing, at feet.

2. Differential pressure (burst pressure), inside pressure verses annulus pressure on the outside of the 20-inch casing equals: 955 psi − 0 psi = 955 psi.
2a. Differential pressure (burst pressure), inside pressure verses annulus pressure on the outside of the 20-inch casing equals: 1,777 psi − 0 psi = 1,777 psi.

The 20-inch pipe has a minimum test pressure of 4,450 psi above feet and psi for the lower segment. According to the above differential calculations, the proposed 20-inch casing to be used has a minimum test pressure greater than any inside pressure that will be exerted against the interior of the casing.
Tensile Calculations:
The 20-inch surface casing proposed weighs 133 lb/ft set at 1,800 feet and 190.96 lb/ft set at approximately 3,350 feet, for a total string weight of 535,000 lbs.

API TR5C3 provides a tensile strength for the buttress end casing at the top of the string of 1,685,000 pounds; which exceeds the above-calculated weight of the 20-inch casing.

Production String Casing:
- 16-Inch, 95 lb/ft, N-80, wall thickness 0.566-inch, buttress connection, casing from 0 to 2,000 feet.
- 16-Inch, 118 lb/ft, N-80, wall thickness 0.715-inch, buttress connection, casing from 2,000 to 3,450 feet.

Collapse Calculations:
Assume that the bottom hole depth of the 16-inch production string of casing is at ± 3,450 feet from surface, with a welded float shoe located at the bottom of the casing string. This string will have buttress connections. The worst-case scenario for collapse pressure would be a full column of cement in the casing/hole annulus, and gas (from a blowout) inside the 16-inch surface casing.

1. (2,000 feet) (0.052 psi/ft/lb/gal) (16.3 lb/gal cement) = 1,695 psi hydrostatic pressure exerted on the exterior of the 16-inch casing, at 2,000 feet.
2. Differential pressure, collapse pressure), annulus pressure versus pressure inside the 16-inch casing equals: 1,695 psi - 0 psi = 1,695 psi. According to Lone Star Steel, the 16-inch N-80 95 lb/ft casing has a collapse rating of 2,180 psi.

According to the above differential calculations, the proposed 16-inch casing to be used has a collapse rating greater than any outside pressure that will be exerted against the exterior of the casing.

Burst Calculations:
Assume that the bottom hole depth of the 16-inch surface casing is at ± 3,450 feet from surface, with a welded float shoe located at the bottom of the casing string. The 16-inch surface casing will be loaded with 10.2 lb per gallon drilling mud. The actual cement process will be down drill pipe, which will be stung into the float shoe at ± 3,450 feet so the inside of the casing will not be filled with cement. The worst case for burst considerations would be if there was a gas blowout in the salt after the casing was set.

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but before it was cemented. This could potentially leave a column of gas along the outside of the casing.

1. (feet) (psi/ft/lb/gal) (10.4 lb/gal drilling mud) = 1,082 psi hydrostatic pressure exerted on the interior of the ___-inch casing, at ___ feet.

1a. (feet) (psi/ft/lb/gal) (10.4 lb/gal drilling mud) = 1,866 psi hydrostatic pressure exerted on the interior of the ___-inch casing, at ___ feet.

2. Differential pressure (burst pressure), inside pressure versus annulus pressure on the outside of the ___-inch casing equals: 1,082 psi – 0 psi = 1,082 psi. The ___-inch casing above ___ feet has a minimum test pressure of 4,950 psi. According to the above differential calculations, the proposed ___-inch surface casing to be used has a minimum test pressure greater than any inside pressure that will be exerted against the interior of the casing.

2a. Differential pressure (burst pressure), inside pressure versus annulus pressure on the outside of the ___-inch casing equals: 1,866 psi – 0 psi = 1,866 psi. According to Lone Star Steel, the ___-inch casing has a minimum test pressure of 6,260 psi. According to the above differential calculations, the proposed ___-inch surface casing to be used has a minimum test pressure greater than any inside pressure that will be exerted against the interior of the casing.

3. During mining operations, the ___-inch casing annulus will be filled with nitrogen used as a blanket during mining operations. At the surface, the maximum gas pressure will be about 2,028 psi. According to Lone Star Steel, the ___-inch casing has a minimum test pressure of 4,950 psi. The wellhead gas pressure is below the rated burst pressure of 4,950 psi of the ___-inch casing at the surface.

Tensile Calculations:

The ___-inch surface casing will be set at approximately ___ feet, for a total string weight of 391,000 lbs.

Lone Star Steel provides a tensile strength for buttress end casing of 1,326,000 pounds; which greatly exceeds the above-calculated weight of the ___-inch casing.

Outer String of Mining Tubing:

___-inch, ___ lb/ft, wall thickness ___-inch, ___ grade, buttress connection, casing from ___ feet.

Collapse Calculations:

Assume that the nitrogen roof blanket will be at a depth of ___ feet from surface, the maximum differential pressure exerted against the ___-inch casing will be at the surface.

The worst-case scenario for collapse pressure would be a column of freshwater in the casing (during the first steps of mining) that goes on a vacuum when the well is shut-in.
and the brine in the cavern continues to dissolve salt; and nitrogen is in the annulus.

1. \( \text{3,900 feet} \times \frac{0.052 \text{ psi/ft/lb/gal}}{10.0 \text{ lb/gal brine}} = 2,028 \text{ psi} \) hydrostatic pressure exerted on the exterior of the 13-3/8-inch casing, at 3,900 feet. The nitrogen pressure on the outside of the string and the brine pressure in the cavern are balanced at this point.

1a. Pressure outside the 13-3/8-inch at the surface is \( \frac{\text{nitrogen blanket pressure}}{1.000316 / \text{blanket level depth}} \)

\[ \frac{2,028}{1.0000316 / 3,900} = 1,902 \text{ psi} \]

2. \( \text{3,900 feet} \times \frac{0.052 \text{ psi/ft/lb/gal}}{10.0 \text{ lb/gal brine}} = 2,028 \text{ psi} \) hydrostatic pressure exerted on the interior of the 13-3/8-inch casing, at 3,900 feet.

3. Differential pressure, collapse pressure), annulus pressure verses pressure inside the 13-3/8-inch casing at the surface equals: \( 1,902 \text{ psi} - (-100 \text{ psi}) \) (vacuum) = 2,002 psi. According to API Bulletin 5C2, the 13-3/8-inch string casing has a collapse rating of 2,670 psi. According to the above differential calculations, the proposed 13-3/8-inch casing to be used has a collapse rating greater than the pressure that will be exerted against the exterior of the casing.

**Burst Calculations:**

Assume that the bottom hole depth of the 13-3/8-inch surface casing is at ±4,250 feet from surface, with an open end of the casing string. The 13-3/8-inch surface casing will be loaded with 10.0 lb per gallon brine during reverse mining steps. The worst case for burst considerations would be if the nitrogen blanket bled off and the bottom of the 13-3/8-inch tubing was salted into the 16-inch production casing during normal operations. This could potentially leave a column of low-pressure gas along the outside of the tubing and high-pressure brine on the inside of the tubing string.

2. Pump pressure (Value unknown but assumed) 1,200 psi exerted on the 13-3/8-inch casing.
3. Fluid pressure at 3,900 feet of (3,900 feet) \( \times \frac{0.052 \text{ psi/ft/lb/gal}}{10.0 \text{ lb/gal brine}} = 2,028 \text{ psi} \) exerted on the interior of the 13-3/8-inch casing at 3,900 feet.
4. Differential pressure (burst pressure), inside pressure verses annulus pressure on the outside of the 13-3/8-inch casing equals: \( 2,028 \text{ psi} + 1,200 \text{ psi} \) \( \text{assumed pump pressure} \) - 0 psi = 3,228 psi. According to API Bulletin 5C2, the 13-3/8-inch casing has a minimum test pressure of 5,380 psi. According to the above differential calculations, the proposed 13-3/8-inch surface casing to be used has a minimum test pressure greater than any inside pressure that will be exerted against the interior of the casing.

**Tensile Strength:**

At this time, the depth for the outer string tubing is \( \text{lb/ft casing to } \text{feet} \). Based on these depths, the maximum string weight will be 306,000 lbs. This is well below the
maximum tensile strength at the surface of 1,693,000 lbs.

**Inner String of Mining Tubing:**

- 8-3/8-inch, 36 lb/ft, wall thickness [missing] buttress connection, casing from [missing] feet.

**Burst & Collapse:**

The 8-3/8-inch inner wash string has the similar circumstance as the 13-3/8-inch outer string tubing, in that the tubing will basically have equal weight of fluids (brine water) on the outside as well as the inside, internal and external pressures will be equal. Therefore, since there will not be any differential pressures exerted externally or internally, burst and collapse calculations are not necessary. The 8-3/8-inch tubing will not have nitrogen acting against it.

**Tensile Strength:**

At this time, the deepest depth for the inner tubing (32 lb/ft) is estimated at approximately [missing] feet. Based on this depth, the maximum string weight will be 169,000 lbs. This is well below the maximum tensile 690,000 lbs.

**Sources:** OCTG Products, 23rd Edition, Lone Star Steel
Figure G-2.1
Natural Gas Liquids Storage Well Casing Design

DRAWN: Y. Eyermann      DATE: 5/18/11      SCALE: NONE
16-inch Injection Wellhead
16-inch Well Blowout Preventer Equipment for Magnum Salt Cavern Drilling

Wells drilled into salt generally utilize some well control equipment. The well control equipment almost always includes an annular, bag-type blowout preventer. Magnum will follow industry practice and use an annular blowout preventer (BOP) when drilling the cavern wells near Delta, Utah. The geology of the area is known from the nearby Magnum test well and the Argonaut Well as well as the nearby industrial water wells. These wells demonstrate that the formations to be drilled above the salt, as is the salt itself, are gas-free. The Argonaut Well penetrated the entire sequence of salt and the Magnum well penetrated the salt to a depth over 1,000 feet deeper than the intended storage well depth. Additionally, the geophysical lines that run over the area show there are no structures present in the overlying formations that could trap gas. This is typical of the basin and range deposits that have been explored for hydrocarbon production. Consequently, additional equipment used in deep oil and gas wells such as shear and pipe rams will not be needed for the storage wells.

The size of the storage wells require that bottom hole assembly be run into the well, the BOP equipment be stripped over the drilling assembly and then the BOP installed on the casing. The exact size of the annular preventer to be used will be determined by availability at the time drilling commences, but will be at least 16-inch, 5000 psi. Once the BOP is installed, testing of the equipment then follows oil and gas industry standards. The BOP equipment must be stripped off and then put back over the drilling string whenever a bit change is required.

The preventer will be installed on the surface casing after it is cemented in place. The preventer will be installed on a temporary flange welded to the last string of casing in the well at the time. Functionality testing of the equipment is conducted every time it is installed. The preventer will be connected to the closing unit by high-pressure hydraulic hoses. A joint of drillpipe will be picked up by the rig and run into the preventer. The preventer will then be closed from the control unit and checked that the bag has sealed around the drillpipe. If the closing is visually correct, the preventer will be opened, the drillpipe removed and rig activities will then continue.
Part H
Magnum Solution Mining, LLC
Millard County, Utah
Magnum Gas Storage Project
16-inch Injection Well Construction Details and Mechanical Integrity Testing
Part H - 16-inch Injection Well Construction Details

A schematic showing basic injection well casing details was discussed within Part G and shown in Figure G-2.1. During the initial stage of mining which will be done in direct mode, the average injection pressure will be about 2,500 psi. The average injection pressure during the long second phase of solution mining, which will be in reverse mode, will be about 725 psi.

Mechanical Integrity Testing

Several testing methods will be employed to demonstrate mechanical integrity of the well/cavern system. These methods vary depending upon the stage of development of the well or cavern.

1.0 During Drilling

After cementing the 16-inch production casing, the casing will be tested before continuing drilling. A hydraulic pressure test of the 16-inch production casing will be conducted before drilling out the plug (shoe) and after waiting at least 72 hours to allow the cement to set. The test pressure shall be 125% of the anticipated working pressure during product storage, about 2,020 psi at the cement plug or about 405 psi at the surface. The test will last 30 minutes. The test will be considered good if the pressure loss is less than 5%.

After drilling out the cement plug and drilling about 10 feet of salt below the casing shoe, a hydraulic pressure test of casing seat and cement in the 16-inch production casing will be run. The surface test pressure will be 80% of the lithostatic pressure as calculated at the casing seat minus the hydrostatic pressure of the test fluid, or about 870 psi. The test will last 60 minutes. The test will be considered good if the pressure loss is less than 5%.

2.0 Test of the 16-inch Casing and the Cavern during Development

Prior to initiating solution mining and again at the completion of solution mining, the cavern will be tested using the nitrogen mechanical integrity technique. The test pressure at the shoe of the 16-inch cemented casing will be about 0.75 psi per foot of depth, or about 0.23 psi per foot greater than the normal operating pressure (0.52 psi per foot of depth) to ensure that the casing and cement are not leaking.

The nitrogen mechanical integrity test technique essentially involves pressuring the well, and cavern after mining, to the desired test pressure, and injecting nitrogen in the outer annulus of the well (the space between the cemented 16-inch casing and the hanging 3 3/8-inch tubing) to a depth about 50 to 100 feet below the casing shoe.

The well will then be shut-in for 24 to 48 hours to allow the nitrogen temperature to equalize with the in-situ temperature. The initial depth of the nitrogen/brine interface below the casing shoe and the temperature of the wellbore will then be measured with a wireline tool. After a period of time, not less than 24 hours, determined by the size of the borehole below the casing shoe, a second interface and temperature survey will be run. The pressure at the wellhead will be monitored and recorded continuously during testing.
The change in the calculated volume of the nitrogen between the two interface measurements will be determined from the surface nitrogen pressure, the well temperature logs and the change in the level of the nitrogen/brine interface. The change in the nitrogen volume will then be converted to an equivalent fluid loss.

The temperature stabilization period, the duration of the test and the desired depth of the initial nitrogen/brine interface level will be determined from logs run during and after well construction. The selection of these features will be made so as to ensure that the test has a minimum detectable leak rate (test sensitivity) of no more than 500 barrels per year of nitrogen. An acceptable test will be a demonstration that the calculated leak rate is less than the minimum detectable leak rate.

All pressure monitoring instruments will be calibrated in accordance with manufacturer's recommendations. Testing will be performed under the supervision of a degreed engineer experienced in salt cavern testing. The report will be submitted to the Executive Secretary within 60 days of completion of the test.

3.0 Storage Operations

Following the post-completion mechanical integrity test, the caverns will be tested on a periodic basis using methods and procedures in accordance with requirements set forth by the State of Utah.
Part I
Magnum Solution Mining, LLC
Millard County, Utah
Magnum Gas Storage Project
16-inch Injection Well Operation Plan and Procedures
Part I – 16-inch Injection Well Operation Plan and Procedures

The injection well operating plan and procedures is outlined within the report “Solution Mining Plans for Development of 16-Inch Injection Wells at Delta, Utah” presented within Part G, and included within Attachment G-1. A Cavern Well Schematic is also shown in Figure G-2.1. The report generally defines the following operating criteria:

- Average Daily Rate: __ gpm
- Maximum Daily Rate: __ gpm

Volume of Fluid to be Injected:

- __ million barrels
- __ million barrels

- Average Injection Pressure: __ psi
- Maximum Injection Pressure: __ psi

The report included within Attachment G-1 also includes information related to the mining methods and stages, tubing placements, testing, and information related to potential problems that could be associated with cavern creation.

Injected water will be obtained from local ground water sources within confined aquifers located generally at depths greater than __ feet. Representative water quality data collected from exploratory well MH-1 within potential source zones was previously discussed in Part C of the original application and water quality data is provided within Attachment C-1.2. Because the source of water is a new source, no quality range data is available for the source. However, little variation is expected due to the limiting nature of the confined aquifer.
Part J

Magnum Solution Mining, LLC
Millard County, Utah
Magnum Gas Storage Project

16-inch Injection Well Monitoring, Recording, and Reporting Plan
Part J - 16-inch Injection Well UIC Monitoring, Recording, and Reporting Plan

1.0 REQUIREMENTS

Submit a monitoring, recording, and reporting plan, including maps, for meeting the monitoring and reporting requirements of R317-7-10.3(B), 40CFR146.33, 40CFR146.8, and R317-7-10(B). In the plan:

1. Identify types of tests, methods, and equipment used to generate monitoring data
2. Address the proper use, maintenance, and installation of monitoring equipment
3. Propose the type, intervals, and frequency sufficient to yield data that are representative of monitored activity.

2.0 PHYSICAL AND CHEMICAL CHARACTERISTICS OF INJECTED FLUID

The Magnum salt storage caverns will be solution mined using fresh water produced from water wells located on the Magnum facility. The salinity of the injected fluid will be measured, along with the fluid temperature on a daily basis. Specific gravity and temperature will be monitored using calibrated hydrometers and thermometers. Hydrometers will be calibrated and maintained in accordance with ASTM A126-05a and thermometers will be calibrated and maintained in accordance with ASTM E77-07.

The data will be trended to ensure that no changes in the injected water take place during the duration of the solution mining operations.

3.0 MONITORING OF INJECTION PRESSURE AND FLOW

Injection pressures, injection flow rates, injection temperature, brine pressure, brine flow rate, brine temperature and the nitrogen blanket pressure will be monitored continuously by instrumentation in the control room. The information will be recorded at least once per day as a daily summary. The daily summary will be included in quarterly reports. This data will be used to calculate the growth of the cavern and provide a daily check on well integrity by ensuring that the water inflow and brine outflow balance. All the recorded data will be available to the State of Utah DWQ Executive Secretary upon request.

All pressure monitoring, temperature monitoring, and flow rate monitoring instrumentation calibration will be done in accordance with manufacturer recommendations.

4.0 DEMONSTRATION OF MECHANICAL INTEGRITY

Prior to initiating solution mining and at the completion of leaching, the cavern will be tested using the nitrogen mechanical integrity technique. The test pressure at the shoe of the 16-inch cemented casing will be slightly above (about 0.92 psi per foot of depth) the permitted operating pressure (0.90 psi per foot of depth) to ensure that the casing and cement are not leaking. The nitrogen mechanical integrity test technique essentially
involves pressuring the cavern or well to the desired test pressure, and injecting nitrogen in the outer annulus of the well (the space between the cemented 20-inch casing and the hanging 16-inch tubing) to a depth about 50 to 100 feet below the casing shoe.

The well will then be shut-in for 24 to 48 hours to allow the nitrogen temperature to equalize with the in-situ temperature. The initial depth of the nitrogen/brine interface below the casing shoe and the temperature of the wellbore will then be measured with a wire line tool. After a period of time, not less than 24 hours, determined by the size of the borehole below the casing shoe, a second interface and temperature survey will be run. The pressure at the wellhead will be monitored and recorded continuously during the test.

The change in the calculated volume of the nitrogen between the two interface measurements will be determined from the surface nitrogen pressure, the well temperature logs and the change in the level of the nitrogen/brine interface. The change in the nitrogen volume will then be converted to an equivalent fluid loss.

The temperature stabilization period, the duration of the test, and the desired depth of the initial nitrogen/brine interface level will be determined from logs run during and after well construction. The selection of these features will be made so as to ensure that the test has a minimum detectable leak rate (test sensitivity) of no more than 500 barrels per year of nitrogen.

Prior to the commencement of testing all pressure monitoring instruments will be calibrated in accordance with manufacturer's recommendations. Testing will be performed under the supervision of a degreed engineer and the report submitted to the Executive Secretary within 30 days of test completion.

Following the post-completion mechanical integrity test the caverns will be tested on a periodic basis using methods and procedures in accordance with requirements set forth by the State of Utah.

5.0 MONITORING OF CAVERN DEVELOPMENT

During solution mining of the caverns, the development of the cavern will be controlled by monitoring of the fluid injection and production quantities (Item 3.0 above) and periodic performance of sonar caliper surveys. The measured quantity of water injected and salinity of the produced brine will be used to calculate the daily increase in cavern volume. The sonar caliper surveys will be run at least once a year and at completion of mining in each cavern. The sonar survey will provide a check on the calculated cavern volume and the shape of the cavern.

6.0 MONITORING OF FLUID LEVEL IN FORMATION

This section is not applicable for solution mining wells since the well is full at all times.

7.0 QUARTERLY REPORTING ON MONITORING WELLS IN SUBSIDENCE ZONES

No monitoring wells are planned for the Magnum project. Subsidence will be monitored on an annual basis by Magnum and will be evaluated by a degreed engineer who is
Magnum UIC Class III Permit Modification

thoroughly experienced in subsidence of cavern storage facilities. Subsidence measurements will begin with a baseline survey that will be run prior to starting solution mining.

Subsidence surveys will be during operations of the facility. The subsidence report will be submitted to the Executive Secretary on an annual basis. Subsidence surveys will be conducted by measuring precise elevations of fixed points within the cavern field, the total Magnum facility and along public right-of-ways. The elevations of the points in and adjacent to the cavern field will be measured from a benchmark located at a distance from the facility that will not be impacted by any subsidence related to the caverns.

8.0 QUARTERLY REPORTING —EXECUTIVE SECRETARY

Daily summaries of water and brine pressures, temperatures, fluid volumes, and space created as well as the nitrogen blanket pressure will be reported to the Executive Secretary on a quarterly basis. Total volume of water injected and brine withdrawn from the storage cavern will be reported to the Executive Secretary on a quarterly basis.
Part K

Magnum Solution Mining, LLC
Millard County, Utah
Magnum Gas Storage Project

16-inch Injection Well Contingency Plan
Part K – 16-inch Injection Well UIC Contingency Plan

1.0 REQUIREMENTS

Magnum will submit a monitoring, recording, and reporting plan, including maps, for meeting the monitoring and reporting requirements of R317-7-10.3(B), 40CFR146.33, 40CFR146.8, and R317-7-10(B). The contingency plan is for measures to be taken in the event of a loss of cavern/well integrity. The plan has three main purposes:

- Identify the methods used to monitor well data
- Identify the monitoring equipment to be used
- Propose the actions to be taken in the event of a loss of cavern/well integrity.

2.0 MONITORING AND ACTIONS DURING WELL CONSTRUCTION

During drilling, the wells will be monitored continuously by observing fluid levels in the mud system. A loss of fluid level will indicate drilling mud is leaving the borehole. In this event, the appropriate measures will be taken to stop the lost circulation. These measures could include adding various substances to the drilling mud as it is pumped down the hole. These substances are generally inert materials such as cotton seed hulls, cellophane chips or bentonite gel that are designed to plug pores in the rock. If the fluid loss cannot be contained by conventional mud additives, it may be necessary to set a cement plug across the problem zone or set and cement a string of casing through the loss zone.

3.0 METHODS USED TO MONITOR WELL DATA DURING CAVERN DEVELOPMENT

The wells will be monitored during solution mining on a continuous basis. The well/cavern pressures will be collected continuously at the wellhead(s) and transmitted to a central control facility. Cavern flow rates and temperatures will be monitored by individual flow meters on the water and brine lines of each cavern. The pressure, temperature and flow data will be recorded on a regularly timed basis and stored.

4.0 MONITORING OF INJECTION PRESSURE AND FLOW

Well/Cavern water pressures (static or flowing), water flow rates, water temperature, brine pressure, brine flow rate, and brine temperature will be continuously monitored. Pressures will be measured using electronic pressure indicators. Flow rates will be measured with meters (ultrasonic or orifice type) capable of measurement in injection or withdrawal operations. All pressure monitoring, temperature monitoring, and flow rate monitoring instrumentation will be calibrated in accordance with manufacturer recommendations.

5.0 ACTION(S) TAKEN IN THE OF LOSS OF CAVERN/WELL INTEGRITY

If a loss of pressure integrity is indicated in a cavern/well, the system will be depressured to a point that will minimize the loss of nitrogen. This will preclude the flow of brine out of the Cavern/Well system and into the overlying fresh water formations. This may necessitate reversing the direction of flow in the well to ensure that water fills the 16-inch annulus that is normally filled with nitrogen. Further testing and evaluation will then be

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undertaken to assess further actions with the approval of the State of Utah DWQ Executive Secretary.

In the event of a major loss of integrity in the cavern/well, mining will be stopped and the cavern depressured to a zero pressure at the wellhead. Further testing and evaluation will then be conducted with the approval of the Executive Secretary.
Part L

Magnum Solution Mining, LLC

Millard County, Utah

Magnum Gas Storage Project

16-inch Injection Well Plugging and Abandonment Plan
Part L – 16-inch Injection Well Plugging and Abandonment Plan

The following procedures are provided as a general guideline. Actual plugging measures will be submitted in advance to DWQ (prior to commencement of product storage) or DOGM (after commencement of storage operations) for approval.

1. Form DOGM-9 will be submitted (after commencement of product storage) for procedural approval.
2. All stored product will be removed and the cavern will be filled with saturated brine water.
3. All free hanging tubing will be pulled from the well.
4. The exact depth to the bottom of the cemented production casing will be determined.
5. A drillable plug capable of supporting a cement plug will be installed in the cemented casing with the bottom of the plug within 10 feet of the end of the casing.
6. The following plugs will be placed. All cement plugs will be Class G cement with no additives and the slurry weight will be 14.5 pounds per gallon or more.
   a. Bottom plug: A 300-foot plug from the plug at the bottom of the production casing upward.
   b. Surface casing plug: A 150-foot plug from 75 feet below the bottom of the surface casing upward.
   c. Top plug: A 75-foot plug from 75 feet below surface grade upward to surface.
7. The casing between each of the plugs shall be filled with a non-corrosive mud slurry of at least 10 pounds per gallon weight.
8. An alternative technique that could be used involves filling the entire wellbore with cement.
9. Upon completion of the plugging operation, all reports will be filed in accordance with DWQ or DOGM rules as applicable.
Attachment D

Magnum Solutions, LLC

Millard County, Utah

Magnum Gas Storage Project

Plan for Plugging and Abandonment of Class III Solution Mining Wells and Caverns before Gas Storage
Plan for Plugging and Abandonment of Class III Solution Mining Wells and Caverns before Gas Storage

The following procedures are provided as a general guideline. Actual plugging measures would be submitted in advance to DWQ (prior to commencement of gas storage).

1. At least 45 days before the planned plugging, Magnum will notify the DWQ Executive Secretary of the proposed plugging with a Well Condition Report and a well-specific Plugging and Abandonment Plan.

2. The Well Condition Report will include a discussion of the following:
   a. The results of the well’s most recent mechanical integrity test,
   b. The location of any leaks or perforations in the casing,
   c. The location of any vertical migration of fluids behind the casing, and
   d. The adequacy of casing cement bonding across the salt formation, as determined from cement bond logs run at the time of well construction or just prior to well abandonment.

3. All nitrogen or other blanket material will be removed and the cavern will be filled with saturated brine water.

4. All free hanging tubing will be pulled from the well.

5. The exact depth to the bottom of the cemented production casing will be determined.

6. A drillable plug capable of supporting a cement plug will be installed in the cemented casing with the bottom of the plug within 10 feet of the end of the casing.

7. All cement plugs to be Class G cement with no additives and slurry weight of 14.5 pounds per gallon or more.

8. The entire wellbore from the bridge plug to surface will be filled with cement.

9. In the event the cemented casing is determined to be leaking, the casing will be perforated at the level of the leak and cement squeezed into the perforations.

10. An alternative technique which could be used involves setting the following plugs.
    a. Bottom plug: A 300-foot plug from the plug at the bottom of the production casing upward.
    b. Surface casing plug: A 150-foot plug from 75 feet below the bottom of the surface casing upward.
    c. Top plug: A 50-foot plug from 50 feet below surface grade upward to surface.
    d. The casing between each of the plugs shall be filled with a noncorrosive mud slurry of at least 10 pounds per gallon weight.

11. Upon completion of the plugging operation, all reports will be filed in accordance with DWQ rules as applicable.
Part L – 16-inch Injection Well Plugging and Abandonment Plan

The following procedures are provided as a general guideline. Actual plugging measures will be submitted in advance to DWQ (prior to commencement of product storage) or DOGM (after commencement of storage operations) for approval.

1. Form DOGM-9 will be submitted (after commencement of product storage) for procedural approval.
2. All stored product will be removed and the cavern will be filled with saturated brine water.
3. All free hanging tubing will be pulled from the well.
4. The exact depth to the bottom of the cemented production casing will be determined.
5. A drillable plug capable of supporting a cement plug will be installed in the cemented casing with the bottom of the plug within 10 feet of the end of the casing.
6. The following plugs will be placed. All cement plugs will be Class G cement with no additives and the slurry weight will be 14.5 pounds per gallon or more.
   a. Bottom plug: A 300-foot plug from the plug at the bottom of the production casing upward.
   b. Surface casing plug: A 150-foot plug from 75 feet below the bottom of the surface casing upward.
   c. Top plug: A 75-foot plug from 75 feet below surface grade upward to surface.
7. The casing between each of the plugs shall be filled with a non-corrosive mud slurry of at least 10 pounds per gallon weight.
8. An alternative technique that could be used involves filling the entire wellbore with cement.
9. Upon completion of the plugging operation, all reports will be filed in accordance with DWQ or DOGM rules as applicable.
Attachment E

Magnum Solutions, LLC

Millard County, Utah

Magnum Gas Storage Project

Financial Assurance for Plugging and Abandonment

(original documents at Utah DNR DOGM)

FA will be submitted by Magnum according to permit compliance schedule Part III B 1
Attachment F

Magnum Solutions, LLC

Millard County, Utah

Magnum Gas Storage Project

Well Construction Plans

The blacked out portions of the wells construction plan are considered Confidential Business Information by the permit applicant.
Well Construction Plan

The following is the general program to be used to drill Magnum Gas Storage Wells 1, 2, 3 and 4. Depths shown are approximate, from Rotary Kelly Bushing.

1. Rig up drilling rig.
2. Drive 48" conductor casing to approximately 200 feet or refusal.
3. Drill a 17-1/2" hole to _, feet and log.
4. Open 17-1/2" hole up to __, with hole openers of increasing size.
5. Run and cement __ feet of __ pipe. Centralizers to be placed every other casing section.
6. After the cement sets, cut off the __ casing and weld on a __ reducer and __ flange. Nipple up a __ annular BOP.
7. Drill a 17-1/2" hole to top of salt structure estimated to be __ feet. Lost circulation may occur over this interval; control as necessary by the use of lost circulation material, cement plugs or drill without returns.
8. Run gamma ray, SP induction and resistivity logs as specified.
9. Open the 17-1/2" hole to __ with hole openers and underreamers of increasing size.
11. Run and cement __ or equivalent pipe to top of salt structure. Use the stab-in cementing method. Centralizers to be placed every other casing section.
12. After the cement sets, pressure test the casing in accordance with the approved MIT testing protocol.
13. Cut off the __ casing and weld on a __ reducer and __ flange. Nipple up a __ annular BOP.
14. Switch to salt saturated mud after __ casing is set at top of salt structure or at the depth where salt structure is encountered during drilling.
15. Drill a __
16. Run gamma ray, SP induction, neutron and bulk density logs as specified.
17. Open the __ with hole openers and underreamers of increasing size.
18. Run X-Y caliper log.
19. Run and cement __ section.
20. Allow the cement to set 72 hours. Pressure test the casing in accordance with the approved MIT testing protocol.
21. Cut off the __ reducer and __ flange. Nipple up a __ annular BOP.
22. Drill a __ feet.
23. Run gamma ray, SP induction, neutron and bulk density logs as specified.
24. Open the __ using hole openers and underreamers.
25. Run X-Y caliper log.
26. Run and cement [missing] pipe. Use the stab-in cementing method. Centralizers to be placed every other casing section.

27. Allow the cement to set 72 hours. Pressure test the casing in accordance with the approved MIT testing protocol.

28. Drill out plug and ten feet of salt formation.

29. Pressure test casing shoe in accordance with the approved MIT testing protocol.

30. Drill a [missing] feet. Note: there are [missing] cores that will be taken in this interval.

31. Log cuttings and check for loss of drilling fluid indicating a porous formation is encountered. If so, perform a tightness test over this interval.

32. Run gamma ray, neutron and bulk density logs as specified.

33. If logs indicate a porous zone in the salt section, perform tightness test over the zone.

34. Under ream the [missing] feet.

35. Run X-Y caliper log.

36. Run casing inspection logs in [missing] casing from shoe to surface.


38. Install and test the upper wellhead assembly.


40. Install remainder of wellhead.

41. Rig down and move out rig from location.

42. Clean up location.

CASING AND LIFT RING WELDING PROTOCOL

This specification describes the requirements for welding of lift rings on 20" last cemented casing, double jointing, and welding of the 20" last cemented casing. All work will be performed from a land rig located near Delta UT beginning in November 2010.

WELL REQUIREMENTS:

Casing to be welded consists of: [missing] ft. Last Cemented Casing.

Provide all labor, equipment, and materials necessary to provide the following services:

Welding of lift rings to [missing] final cemented casing.

Weld one lift ring to each double joint of [missing] casing, approximately 4’ from one end. Allow a maximum gap of 1/16 inch between lift rings and the curvature of the pipe. Welding to take place well in advance of running the casing and shall therefore be
performed during daylight hours. Lift rings will be provided by PB ESS. See attached lift ring welding drawing.


**Double Jointing of casing.**
Casing double joint welding shall be performed in accordance with API Standard 1104 Welding of Pipelines and Related Facilities, 2005 edition. Pipe base material’s carbon equivalency will be computed from the material composition as written in the Material Test Report (MTR) that is provided when the pipe is purchased. The welding contractor will provide a Welding Procedure Specification (WPS) that matches the base material and Procedure Qualification Report (PQR) and welders who are qualified to the WPS with Welders Qualification Report (WQR). The welding contractor will provide the WQR for each potential welder prior to his beginning to weld. The field supervisor will verify that the WQR and welder’s photo identification match.


Each completed girth, butt weld shall be radiograph tested to API Standard 1104 qualifications. The radiograph methods and qualifications shall comply with API Standard 1104 “Certification of Nondestructive Testing Personnel” and “Acceptance Methods for Nondestructive Testing Personnel”.

Double joint (pipe in horizontal position) approximately 3840' (96 jts) of 20" x 1.0" last cemented casing. The double jointing will take place well in advance of running the pipe, therefore, done during daylight hours.

Adequate pipe supports shall be used to support the pipe in a level "aligned" condition. All double-jointed casing lengths shall be examined and shall be as straight as possible.
Use alignment clamps to ensure proper alignment. Give special attention to ensure straightness is within 0.2 percent of the length or less than 1" of deviation in 40' length.

Check double-jointed casing lengths for straightness by using a taut string. Deviation from straight or chord height shall not exceed two inches. The taut string shall be run from the bottom end of the joint to the bottom side of the lift ring on the other end. The measurement is to be read adjacent to the double-joint weld bead. A series of readings shall be taken to find the maximum deviation. Any double-joint with more than two inches of deviation, shall have the weld cut out, beveled by machine (portable flame cutter or machine tool) and re-welded at the double-jointing contractors expense.

**Welding of double joints while running casing.**
Casing welding shall be performed in accordance with API Standard 1104 Welding of Pipelines and Related Facilities. Pipe base material's carbon equivalency will be computed from the material composition as written in the Material Test Report (MTR) that is provided when the pipe is purchased. The welding contractor will provide a Welding Procedure Specification (WPS) that matches the base material and Procedure Qualification Report (PQR) and welders who are qualified to the WPS with Welders Qualification Report (WQR). The welding contractor will provide the WQR for each potential welder prior to his beginning to weld. The field supervisor will verify that the WQR and welder's photo identification match.


Each completed girth, butt weld shall be Nondestructively tested to API Standard 1104 qualifications. The test methods and qualifications shall comply with API Standard 1104 "Certification of Nondestructive Testing Personnel" and "Acceptance Methods for Nondestructive Testing Personnel".

Weld double joints with pipe in vertical position from rig floor. Approximately 48 double joints to be welded. This welding will take place while running the casing to the design depth and will be a 24 hour per day operation.

Use alignment clamps to ensure proper alignment. Give special attention to ensure straightness is within 0.2 percent of the length.
SUBMITTALS
Submit the following "Submittals" to PB Energy Storage Services for review and approval:
Welding procedure specifications.
Welding procedure qualification records; submit prior to start of work.
Welder qualifications for each welder for each procedure the welder is to use.

CONDITIONS
Provide weather protection around welding areas to isolate welding from wind and rain. Do not weld in wet or excessively windy conditions that cannot be prevented.

Pipe ends that are field beveled or beveled by cutting torch shall be reported to the PB ESS representative.

SPECIFICATIONS FOR CEMENTING SERVICES AND MATERIALS
Provide all the labor, equipment, and materials necessary to provide the following services:

Proposed wellbore configuration

1. Cement specifications for the Surface casing. Cement job will pumped through a stabbed-in 5" DP.
   Cement to surface: Class A (Standard) + Defoamer (if deemed necessary)
   Water Ratio 5.2 gals/sk
   Slurry Weight 15.6 lbs/gal.
   Slurry Volume 1.18 ft3/sack
   Excess 50% Open Hole Volume (4 Arm Caliper Available)

2. Cement specifications for the Intermediate. Cement job will pumped through a stabbed-in 5" DP.
   Cement to surface: Class A (Standard) + Defoamer (if deemed necessary).
   Water Ratio 5.2 gals/sk
   Slurry Weight 15.6 lbs/gal.
   Slurry Volume 1.18 ft3/sack
   Excess 50% Open Hole Volume (4 Arm Caliper Available)

3. Cement specifications for the Next to Last Casing. Cement job will pumped through a stabbed-in 5" DP.
Cement to surface: Class G (Premium) + (if deemed necessary).

Water Ratio 5.2 gals/sk
Slurry Weight 16.3 lbs/gal.
Slurry Volume 1.24 ft³/sack
Excess 30% Open Hole Volume (4 Arm Caliper Available)

4. Cement specifications for the Next to Last Casing. Cement job will pumped through a stabbed-in 5" DP.

Cement to surface: Class G (Premium) + (if deemed necessary).

Water Ratio 5.2 gals/sk
Slurry Weight 16.3 lbs/gal.
Slurry Volume 1.24 ft³/sack
Excess 30% Open Hole Volume (4 Arm Caliper Available)

REPORT

The casing cement jobs shall be documented by an affidavit from the cementing company showing the amount and type of cementing materials and the method of placement.

WELL CONDITIONING

Before commencing drilling operations (spudding the well), Magnum will provide detailed procedures for conditioning the hole prior to cementing casing. The pre-flush procedure will ensure that the wellbore is properly conditioned for cementing operations in accordance with recommendations from the cementing contractor.

The well is conditioned to circulate the drilling fluids, sweep cuttings out of the hole, obtain consistent fluid properties, and adjust the fluid viscosity and density in an attempt to prevent cement channeling through the fluid. Detailed procedures for this process have not been written at this time as it is a typical task during drilling, but when the drilling fluids contractor is hired his mud engineer will be tasked to write a program for the fluids.
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16-inch Injection Well Construction Plan

The following is the general program to be used to drill the Magnum 16-inch injection wells. Depths shown are approximate, from Ground Level.

1. Rig up drilling rig.
2. Drive 36-inch conductor casing to approximately 150 feet or refusal.
3. Drill a 17-1/2-inch hole to ± feet and log.
4. Open 17-1/2-inch hole up to ± inch with hole openers of increasing size.
5. Run and cement ± feet of ±-inch O.D., ±-inch wall thickness, ± Centralizers to be placed every other casing section.
6. Allow the cement to set a minimum of 18 hours. Pressure test the casing in accordance with State rules.
7. After the cement sets, cut off the ±-inch casing and weld on a ±-inch x ±-inch reducer and ±-inch flange. Nipple up a ±-inch annular BOP.
8. Drill a 17-1/2-inch hole to slightly above top of salt structure estimated to be ± feet. Lost circulation may occur over this interval; control as necessary by the use of lost circulation material, cement plugs or drill without returns.
9. Run gamma ray, SP induction and resistivity logs as specified.
10. Open the 17-1/2-inch hole to ±-inch with hole openers of increasing size.
12. Run and cement ± feet of ±-inch O.D., 1-inch wall thickness, and ± feet of ±-inch O.D. ±-inch wall thickness or equivalent threaded and coupled pipe to top of salt structure. Use the stab-in cementing method. Centralizers to be placed every other casing section.
13. After the cement sets, pressure test the casing in accordance with State rules.
14. Cut off the ±-inch casing and weld on a ±-inch x ±-inch reducer and ±-inch flange. Nipple up a ±-inch annular BOP.
15. Switch to salt saturated mud after ±-inch casing is set at top of salt structure or at the depth where salt structure is encountered during drilling.
16. Drill a 17-1/2-inch hole to ± feet.
17. Run gamma ray, SP induction, neutron and bulk density logs as specified.
18. Open the 17-1/2-inch hole to ±-inch with hole openers and under reamers of increasing size.
21. Allow the cement to set a minimum of 72 hours. Pressure test the casing in accordance with State rules.

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22. Cut off the [X]-inch casing and weld on a [Y]-inch flange. Nipple up an annular BOP.

23. Drill a 17-1/2-inch hole to ±[Z] feet.

24. Run gamma ray, SP induction, neutron and bulk density logs as specified.

25. Open the 17-1/2-inch hole up to [AA]-inch using hole openers and underreamers.


28. Allow the cement to set a minimum of 72 hours. Pressure test the casing in accordance with State rules.

29. Drill out plug and ten feet of salt formation.

30. Pressure test casing shoe in accordance with the State rules and regulations.

31. Drill a [II]-inch hole to ±[JJ] feet.

32. Log cuttings and check for loss of drilling fluid indicating a porous formation is encountered. If so, perform a tightness test over this interval.

33. Run gamma ray, neutron and bulk density logs as specified.

34. If logs indicate a porous zone in the salt section, perform tightness test over the zone.

35. Under ream the [KK]-inch hole to [LL]-inch down to a depth of [MM] feet.

36. Run X-Y caliper log.

37. Run casing inspection and cement bond logs in [NN]-inch casing from shoe to surface.

38. Run in approx. [OO]-&C Casing.

39. Install and test the upper wellhead assembly.

40. Run in approx. [PP]-0 feet of [QQ]-inch, [RR] lb/ft, [SS]-Casing.

41. Install remainder of wellhead.

42. Rig down and move out rig from location.

43. Clean up location.
WELDING PROTOCOL


2. Casing double joint welding shall be performed in accordance with API Standard 1104 Welding of Pipelines and Related Facilities. Pipe base material’s carbon equivalency will be computed from the material composition as written in the Material Test Report (MTR) that is provided when the pipe is purchased. The welding contractor will provide a Welding Procedure Specification (WPS) that matches the base material and Procedure Qualification Report (PQR) and welders who are qualified to the WPS with Welders Qualification Report (WQR). The welding contractor will provide the WQR for each potential welder prior to beginning production welding. The field supervisor will verify that the WQR and welder’s photo identification match. Perform nondestructive testing (NDT) on the butt welds using radiography as specified in API Standard 1104 and interpreted by a NDT Level II or III Certified Technician who is qualified under ASNT CP-189, Standard for Qualification and Certification for Nondestructive Testing Personnel, 2006 Edition and CP-105, ASNT Standard Topical Outlines for Qualification of Nondestructive Testing Personnel, 2006 Edition. Each completed girth, butt weld shall be radiograph tested to API Standard 1104 qualifications. The radiograph methods and qualifications shall comply with API Standard 1104 – “Certification of Nondestructive Testing Personnel” and “Acceptance Methods for Nondestructive Testing Personnel”.

3. Casing rig welding shall be performed in accordance with API Standard 1104 Welding of Pipelines and Related Facilities. Pipe base material’s carbon equivalency will be computed from the material composition as written in the Material Test Report (MTR) that is provided when the pipe is purchased. The welding contractor will provide a Welding Procedure Specification (WPS) that matches the base material and Procedure Qualification Report (PQR) and welders who are qualified to the WPS with Welders Qualification Report (WQR). The welding contractor will provide the WQR for each potential welder prior to beginning production welding. The field supervisor will verify that the WQR and welder’s photo identification match. Perform nondestructive testing (NDT) on the butt welds using radiography as specified in API Standard 1104 and interpreted by a NDT Level II or III Certified Technician who is qualified under

**SPECIFICATIONS FOR CEMENTING SERVICES AND MATERIALS**

This specification covers the requirements to supply cement, equipment and services for storage wells located near Delta, UT. The work will be conducted from a land rig. Cement bond logs cannot be used with reliability on the 20-inch plus well casings proposed for the gas storage wells and therefore will not be run on the larger casings. A review of cement bonding capabilities with PB Energy Storage Systems has confirmed that there are no test methods currently available to conduct a bond log. Therefore, cementing operations will be visually verified at the time of cementing via the observance of cement rising within the outer well annulus to the surface.

Proposed wellbore configuration (Depths RKB)

- **36-inch Conductor Pipe:** 0 - Approx. 150 feet (Driven to refusal)
- **30-inch Surface Casing:** feet (Approx. 34-inch Open Hole)
- **24-inch Intermediate Casing:** feet (Approx. 28-inch Open Hole)
- **20-inch Next to Last Casing:** feet (Approx. 24-inch Open Hole)
- **16-inch Last Cemented Casing:** feet (Approx. 22-inch Open Hole)

Top of Salt: Approx. feet

1. Cement specifications for the 30-inch Surface casing. Cement job will be pumped through a stabbed-in 5-inch DP.
   - Cement to surface: Class A (Standard) + Defoamer (if deemed necessary)
   - Water Ratio 5.2 gals/sk
   - Slurry Weight 15.6 lbs/gal.
   - Slurry Volume 1.18 cu. ft./sack
   - Excess 50% Open Hole Volume (4 Arm Caliper Available)

2. Cement specifications for the 24-inch Intermediate. Cement job will be pumped through a stabbed-in 5-inch DP.
   - Cement to surface: Class A (Standard) + Defoamer (if deemed necessary).
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Water Ratio 5.2 gals/sk
Slurry Weight 15.6 lbs/gal.
Slurry Volume 1.18 cu. ft./sack
Excess 50% Open Hole Volume (4 Arm Caliper Available)

3. Cement specifications for the 16-inch Next to Last Casing. Cement job will be pumped through a stabbed-in 5-inch DP.
Cement to surface: Class G (Premium) + 37.2% Salt + Defoamer (if deemed necessary).
Water Ratio 5.0 gals/sk
Slurry Weight 16.3 lbs/gal.
Slurry Volume 1.24 cu. ft./sack
Excess 30% Open Hole Volume (4 Arm Caliper Available)

4. Cement specifications for the 16-inch Last Casing. Cement job will be pumped through a stabbed-in 5-inch DP.
Cement to surface: Class G (Premium) + 37.2% Salt + Defoamer (if deemed necessary).
Water Ratio 5.0 gals/sk
Slurry Weight 16.3 lbs/gal.
Slurry Volume 1.24 cu. ft./sack
Excess 30% Open Hole Volume (4 Arm Caliper Available)

WELL CONDITIONING

Before commencing drilling operations (spudding the well), Magnum will provide detailed procedures for conditioning the hole prior to cementing casing. The pre-flush procedure will ensure that the wellbore is properly conditioned for cementing operations in accordance with recommendations from the cementing contractor.

The well is conditioned to circulate the drilling fluids, sweep cuttings out of the hole, obtain consistent fluid properties, and adjust the fluid viscosity and density in an attempt to prevent cement channeling through the fluid. Detailed procedures for this process have not been written at this time as it is a typical task during drilling, but when the drilling fluids contractor is hired his mud engineer will be tasked to write a program for the fluids.
REPORT

During Drilling the casing cement jobs shall be documented by an affidavit from the cementing company showing the amount and type of cementing materials and the method of placement.

Three samples of the cement slurry for each of the intermediate and salt casings shall be collected in suitable sized and shaped containers so that the hardened cement can be tested for compressive strength.
Attachment G

Magnum Solutions, LLC

Millard County, Utah

Magnum Gas Storage Project

Monitoring Protocols
Mechanical Integrity Testing (MIT) Protocol

The Magnum Solution Mining, LLC facilities manager will prepare check lists and accompanying documentation to ensure consistency in performance of all monitoring required by this permit. These documents will be maintained on site and will be reviewed by DWQ staff during the annual facility inspection.
Mechanical Integrity Test Plan

Several testing methods shall be employed to demonstrate mechanical integrity of the well/cavern system. These methods vary depending upon the stage of development of the well or cavern.

During Drilling

After cementing the 20" production casing, the casing will be tested before continuing drilling. A hydraulic pressure test of the 20" production casing will be conducted before drilling out the plug (shoe) and after waiting on cement at least 72 hours to allow the cement to set. The operator shall test the casing at a pump pressure in pounds per square inch (psi) calculated by multiplying the length of the casing by 0.2. The maximum pressure required however, unless otherwise ordered by the commission shall not exceed 1500 psi (Texas Rule 3.13 (b)(1)(D)). This rule would require a surface pressure of 800 psi. Although this is less than maximum allowable operating pressure at the casing shoe, it is high enough to detect a leak in the casing. The test shall last 30 minutes. The test will be considered good if the pressure loss is less than 10%.

After drilling out the cement plug and completing the hole, the integrity test as outlined hereafter will verify the casing/cement shoe/borehole at maximum operating pressure.

Test of the 20" Casing and the Cavern during Development

Magnum Solutions LLC will utilize the guidelines for Mechanical Integrity Testing used by the State of Kansas as attached hereto. Any changes to the testing procedure will be coordinated and discussed, with the regulatory agency and approval obtained prior to implementation.

Storage Operations

Following the mechanical integrity test after completion of mining the caverns will be tested on a periodic basis using methods and procedures in accordance with requirements set forth by the State of Utah.
KANSAS DEPARTMENT OF HEALTH & ENVIRONMENT

NITROGEN/BRINE INTERFACE MECHANICAL INTEGRITY TEST (MIT)

PART I: CASING (INTERNAL) MIT
PART II: CAVERN (EXTERNAL) MIT

Procedure #: UICLPG-20

(6/06)

Narrative:

K.A.R. 28-45-16 requires that each well and each cavern be tested for integrity every five years. The nitrogen/brine interface test is designed to evaluate the internal (well) mechanical integrity and/or the external (cavern) mechanical integrity. The MIT procedure consists of filling the cavern with brine and then injecting nitrogen into the well and establishing an interface at a depth appropriate for either a well or cavern test. The nitrogen test pressure should be equal to the maximum allowable operating pressure gradient based on the casing seat. The interface, temperature and pressure data are used to calculate the pre-test and post-test nitrogen volumes. Comparison of the pre-test and post-test nitrogen volumes and movement of the nitrogen/brine interface are used to evaluate the well/cavern integrity.

TEST PROCEDURE SUMMARY

NITROGEN/BRINE INTERFACE MECHANICAL INTEGRITY TEST (MIT)

PART I: CASING (INTERNAL) MIT
PART II: CAVERN (EXTERNAL) MIT

All nitrogen/brine mechanical integrity tests must be conducted by a party that has experience in conducting this type of test due to the complexity of the test and associated safety requirements. The test contractor must have knowledge of: 1) the pressure rating of the well and wellhead components; 2) the use of dead-weight tests or calibrated data loggers to verify brine and nitrogen pressure; 3) methods to track the volume of nitrogen injected before and during the test; 4) differential pressure monitoring to prevent collapse of the tubing; and 5) a working knowledge of other procedural tasks that ensure a viable and safe test.

The permittee is responsible for verifying that the party/company contracted to conduct the mechanical integrity test has experience and is qualified to conduct the test in a safe manner. Failure to follow test procedure and failure to submit any supporting data required by KDHE may result in the test being considered invalid by KDHE. An invalid test will not meet the regulatory requirement.

Submit a test plan as specified in Procedure #UICLPG-21 to KDHE for review and approval at least 30 days prior to test commencement. Do not commence test operations until approval for the plan is received from the Kansas Department of Health and Environment (KDHE).

TEST PREPARATION:

- Certify that pressure ratings of the wellhead and the tubulars are adequate for the test pressures.
- Visually inspect the wellhead.
- Ensure fittings are adequate to facilitate wireline equipment, nitrogen injection, and pressure instrumentation. Install an accurate electronic pressure recording system on the well’s annulus and brine tubing.
- Remove all product (feasible) from the cavern prior to conducting the test.
- Note the presence of any product in the annulus.
- Coordinate the test time with KDHE so that KDHE may have the opportunity to witness the test.
PRE-PRESSURIZATION:  (Typically for cavern test)
Prepressurize the cavern with brine prior to nitrogen injection, if necessary. The compressibility of the cavern and the volume of nitrogen to be injected must be considered (estimated) in calculating the pressure required prior to nitrogen injection.

1. Record the volume of fluid injected and the rate of pressurization. The fluid used for prepressuring should be saturated brine. The rate of pressurization typically should not exceed 2.5 psi/min. The casing seat pressure is not to exceed the regulatory MAOP of either 0.75 or 0.8 psi/ft. K.A.R. 28-45-12 requires that a wellhead be equipped with a continuous pressure monitoring system that is capable of maintaining a pressure history before the well can be operated with a MAOP greater than 0.75 psi/ft. The well should be tested at the MAOP allowed by regulation.

2. Record the tubing and annulus pressures.

3. Monitor the cavern pressure until the rate of pressure change is 10 psi/day or less. Stabilization period must be a minimum of 24 hours.

PRE-NITROGEN INJECTION:

4. Check with nitrogen supplier for the nitrogen volume required for equipment “cool down”.

5. Nitrogen must be measured with a meter. Connect pressure and flow recording equipment to the wellhead so that accurate nitrogen pressure and volume data can be obtained for the test analysis.

6. Prior to nitrogen injection, conduct a temperature survey (base log) from the surface to 50 ft below the expected nitrogen interface for the casing or cavern MIT.

7. Conduct a density survey from 50 feet below the lowest expected nitrogen interface to 50 feet above the uppermost. Note the location of any product present in the annulus. Optimal logging speed for the density log is approximately 15 – 20 ft/min. Subsequent logging runs with the density tool should be at approximately the same speed as the initial logging run for accuracy and correlation purposes.

PART I: CASING TEST

NITROGEN INJECTION:

8. Inject nitrogen into the annulus between the cemented casing and the hanging string at a constant rate and at (approximately) the same temperature indicated by the temperature log. Measure nitrogen with a nitrogen meter.

9. Position the logging tools at regular depth intervals and record the annulus, brine pressure, nitrogen temperature and time as the nitrogen interface passes.

10. Terminate nitrogen injection when the interface depth is just above the casing seat (if this is the only interval being tested). If multiple intervals are to be tested, test shallow intervals before testing the deep intervals.

11. If a single test interval is used to test the casing, use the following formula to calculate the time required to achieve a minimum detectable leak rate (MDLR), or test sensitivity, of less than 100 barrels of nitrogen per year.

\[
T = \frac{V \times R \times 365 \text{days} \times \text{year} \times 24 \text{hours/day}}{100 \text{bbls/year}}
\]

- \(T\) = Duration of test in hours
- \(V\) = Unit annular volume of casing, bbls/ft
- \(R\) = Resolution of the interface tool in feet

Note: reference programs or tables and show calculations for converting weight or volume (SCF) of nitrogen to barrels (bbls) of nitrogen.

The test duration may be shortened if a leak is identified.

A one-hour casing test may be conducted if it is followed by a cavern nitrogen/brine interface test. The minimum test duration for the cavern test is 24 hours.
12. Record the time, nitrogen pressure, tubing pressure and the interface depth. Initialize the test for the calculated test duration.

13. At the end of the test, relog the interface depth with the density tool and record the surface pressures. Down-hole movement of the interface may indicate that the test length should be extended.

14. If the nitrogen interface test is being run on the casing only, run a final temperature log.

15. Any up-hole movement of the interface accompanied by a loss in nitrogen pressure indicates nitrogen is being lost from that portion of the casing in contact with the nitrogen. Any interface movement greater than the resolution of the tool should be explained. If a leak is located in the casing above the interface depth, the interface may move up hole to the location of the leak. If multiple leaks are present in the casing, the interface may rise to the location of the greatest leak, however, conclusive determination of the leak location may not be possible.

If the casing test is not followed by a cavern test, calculate the MDLR and the CNLR.

16. Calculate the minimum detectable leak rate (MDLR):

\[
\text{MDLR (bbls/yr)} = \frac{V \times R \times 365 \text{days/year}}{T}
\]

\(V = \text{Unit volume of borehole, bbls/ft}\)
\(R = \text{Resolution of the interface tool, ft}\)
\(T = \text{Duration of test, days}\)

17. Calculate the nitrogen leak rate (CNLR). Submit supporting data for determination of nitrogen volume (charts, conversion tables, weight measurements, mass-balance calculations accounting for temperature and pressure, source for values used in equation, data from software packages, etc)

\[
\text{CNLR (bbls/day)} = \frac{1}{T} \left[ \left( \frac{V_S}{P_S} \right) - \left( \frac{V_F}{P_F} \right) \right]
\]

\(\text{CNLR} = \text{Calculated nitrogen leak rate}\)
\(T = \text{test duration, days}\)
\(V_S = \text{nitrogen volume at test start (bbls)}\)
\(V_F = \text{nitrogen volume at test finish (bbls)}\)
\(P_S = \text{nitrogen pressure at the test start (psia)}\)
\(P_F = \text{nitrogen pressure at test finish (psia)}\)
\(\text{CNLR (bbls/yr)} = \text{CNLR (bbls/day)} \times 365 \text{ days/year}\)

Pass/fail criteria: The MDLR must be less than 100 barrels of nitrogen per year.
The CNLR must be less than the MDLR to demonstrate integrity.

**PART II: CAVERN TEST**

1. Resume the nitrogen injection and monitor the interface location with the logging tools. Record the time and surface pressures as the interface crosses the casing seat.

2. Spot the nitrogen below the casing seat and terminate the nitrogen injection.

3. Calculate the initial nitrogen volume at the start of the test. Submit formulas (PVT) and calculations used to determine nitrogen volume. The unit volume of the borehole can be determined from casing and tubing sizes. The open-hole volume below the casing seat may be determined with a sonar survey. Another method for determining the annular or borehole unit volume is as follows:
Pump a finite volume of nitrogen into the annulus and log the interface.

Calculate unit volume:

\[
\left[ \frac{\text{nitrogen (bbls)}}{\text{depth (ft)}} \right]
\]

Nitrogen pumped/change in interface depth

4. Run the post-nitrogen injection density survey to log the nitrogen interface.
5. Record the nitrogen and brine wellhead pressures.
6. Conduct a temperature survey over the test interval.
7. The test length is typically not less than 24 hours. Monitor the brine and nitrogen wellhead pressures during the test period. The test duration should ensure that the leak rate can be resolved with the accuracy of the instrumentation used.
8. At the end of the test, record the final brine and nitrogen wellhead pressures.
9. Run a density survey to determine if the nitrogen interface has moved. Down-hole movement of the interface may indicate that the test length should be extended.
10. Run a final temperature log over the test interval.
11. Calculate the final nitrogen volume. Submit formulas (PVT) and calculations used to determine nitrogen volume. Accurate nitrogen volume is necessary to determine if pressure changes were affected by temperature, salt leaching, salt creep or from volume loss in the cavern system.
12. Calculate the minimum detectable leak rate (MDLR).

\[
\text{MDLR (bbls/yr)} = \frac{V \cdot R \cdot 365 \text{days/year}}{T}
\]

\[
V = \text{Unit volume of borehole, bbls/ft}
\]

\[
R = \text{Resolution of the interface tool, ft}
\]

\[
T = \text{Duration of test, days}
\]

Pass/fail criteria: The MDLR must be less than 1000 barrels of nitrogen per year. The CNLR must be less than the MDLR to demonstrate integrity.

13. Calculate the nitrogen leak rate (CNLR):

\[
\text{CNLR (bbls/day)} = \frac{1}{T} \left[ \left( \frac{V}{S} \right) - \frac{(P_F V_F)}{(P_S)} \right]
\]

\[
\text{CNLR} = \text{Calculated nitrogen leak rate}
\]

\[
T = \text{test duration, days}
\]

\[
V = \text{nitrogen volume at test start (bbls)}
\]

\[
F = \text{nitrogen volume at test finish (bbls)}
\]

\[
P = \text{nitrogen pressure at the test finish (psia)}
\]

\[
P = \text{nitrogen pressure at test start (psia)}
\]

\[
\text{CNLR (bbls/yr)} = \text{CNLR (bbls/day)} \times 365 \text{ days/year}
\]

References:
Mechanical Integrity Test-Nitrogen Interface Method; SMRI Short Course; Spring 1998 Meeting
Goin, Kenneth L., 1983, A Plan For Certification and Related Activities For The Department of Energy
Strategic Petroleum Reserve Oil Storage Caverns: SPR Geotechnical Division 6257, Sandia National
Laboratories, Albuquerque, New Mexico
McDonald, Larry K., Nitrogen Leak-Rate Testing; Subsurface Technology, Inc.: 2003 KDHE/KCC
Underground Liquid Hydrocarbon and Natural Gas Cavern Well Technology Fair
Joe Ratigan, PB Energy Storage Services, Inc., Rapid City, South Dakota
# KANSAS DEPARTMENT OF HEALTH & ENVIRONMENT

## NITROGEN/BRINE INTERFACE TEST PLAN

**Procedure #:** UICLPG-21  
**(6/06)**

**Narrative:**

K.A.R. 28-45-16 requires that each well and each cavern be tested for integrity. Each cavern with a single casing must be tested for integrity every five years. Each cavern with double casing protection must be tested every ten years. The nitrogen/brine interface test is designed to evaluate the integrity of the underground hydrocarbon storage well and/or cavern.

Submit a test plan to KDHE for review and approval at least 30 days prior to test commencement. Use the following format. Do not alter the format.

<table>
<thead>
<tr>
<th>Submit a casing schematic.</th>
<th>Depth to salt:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attachment #:</td>
<td></td>
</tr>
<tr>
<td>Single casing</td>
<td>Depth to casing shoe:</td>
</tr>
<tr>
<td>Double casing</td>
<td>Depth to cavern:</td>
</tr>
<tr>
<td></td>
<td>Total depth:</td>
</tr>
<tr>
<td>Describe roof configuration:</td>
<td>Date of last sonar survey:</td>
</tr>
<tr>
<td>Salt roof thickness:</td>
<td>Date of last gamma-density log:</td>
</tr>
<tr>
<td>Additional logs or test to be run:</td>
<td>1.</td>
</tr>
<tr>
<td></td>
<td>2.</td>
</tr>
<tr>
<td></td>
<td>3.</td>
</tr>
<tr>
<td>Maximum operating pressure and test pressures:</td>
<td>Formulas and calculations:</td>
</tr>
<tr>
<td>Proposed changes to FIELD PROCEDURE (UICLPG-22):</td>
<td></td>
</tr>
</tbody>
</table>

## TEST DESIGN:

**Estimate nitrogen for cool down:**

<table>
<thead>
<tr>
<th>Casing test and/or Cavern test (Circle)</th>
<th>Interval Depth:</th>
<th>Test Duration:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.</td>
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<td></td>
<td>2.</td>
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<td></td>
<td>3.</td>
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<td></td>
<td>4.</td>
<td></td>
</tr>
</tbody>
</table>

**Estimate compressibility:**

**Estimate nitrogen volume for test:**

Submit the final report in the format specified in Procedure # UICLPG-23 to KDHE within 45 days after completion of the test.
FIELD PROCEDURE REPORT
NITROGEN/BRINE INTERFACE TEST

Procedure #: UICLPG-22
(6/06)

Narrative:

The following field procedure for the nitrogen/brine interface test must be completed and submitted with the final report (Procedure #UICLPG-23). Do not alter the format.

<table>
<thead>
<tr>
<th>Type of MIT:</th>
<th>Well Casing</th>
<th>Cavern</th>
<th>Casing/Cavern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility:</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TEST PREPARATION</th>
<th>Date/time:</th>
</tr>
</thead>
</table>

Wellhead inspection results: external corrosion, faulty valves, gasket leaks, etc

Removal of product
Date:

Check wellhead, piping, and connection for leaks. Describe results.

<table>
<thead>
<tr>
<th>PRE-PRESSURIZATION</th>
<th>Date/time:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Brine pressure</th>
<th>Product pressure</th>
</tr>
</thead>
</table>

Cavern compressibility:

Cavern pressure change < 10 psi/day

<table>
<thead>
<tr>
<th>PRE-NITROGEN INJECTION</th>
<th>Date/time:</th>
<th>Temperature (°F):</th>
</tr>
</thead>
</table>

Nitrogen cool down volume

Base temperature log from surface to 50 ft below expected interface

Date/time:

Base density log (a minimum of 50 ft below the expected interface level or an acceptable depth above the casing seat)

Date/time:

Interface depth:

Anomalies (washouts, etc)
Measure nitrogen with a meter. Terminate nitrogen injection when the interface depth is just above the casing seat. If multiple intervals are to be tested, test intervals from shallow to deep.

### CASING TEST

<table>
<thead>
<tr>
<th>Interval 1</th>
<th>Time:</th>
<th>Interface depth</th>
<th>N pressure</th>
<th>Brine pressure</th>
<th>Time:</th>
<th>Length of test:</th>
<th>Interface depth:</th>
<th>Brine pressure:</th>
<th>Nitrogen pressure:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test Start</td>
<td></td>
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<tr>
<td>Density log</td>
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<tr>
<td>Temperature log</td>
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<tr>
<td>Interval logged</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Comments: Note any interface movement or loss of nitrogen pressure</td>
<td></td>
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</tr>
</tbody>
</table>

### CASING TEST

<table>
<thead>
<tr>
<th>Interval 2</th>
<th>Time:</th>
<th>Interface depth</th>
<th>N pressure</th>
<th>Brine pressure</th>
<th>Time:</th>
<th>Length of test:</th>
<th>Interface depth:</th>
<th>Brine pressure:</th>
<th>Nitrogen pressure:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test Start</td>
<td></td>
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<tr>
<td>Density log</td>
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<tr>
<td>Temperature log</td>
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<tr>
<td>Interval logged</td>
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<td></td>
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<tr>
<td>Comments: Note any interface movement or loss of nitrogen pressure</td>
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<td></td>
</tr>
</tbody>
</table>

### CASING TEST

<table>
<thead>
<tr>
<th>Interval 3</th>
<th>Time:</th>
<th>Interface depth</th>
<th>N pressure</th>
<th>Brine pressure</th>
<th>Time:</th>
<th>Length of test:</th>
<th>Interface depth:</th>
<th>Brine pressure:</th>
<th>Nitrogen pressure:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test Start</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Density log</td>
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<tr>
<td>Temperature log</td>
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<td></td>
<td></td>
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<tr>
<td>Interval logged</td>
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<tr>
<td>Comments: Note any interface movement or loss of nitrogen pressure</td>
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</tr>
</tbody>
</table>
## PART 2: CAVERN TEST

<table>
<thead>
<tr>
<th>Cavern Test</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Resume nitrogen injection</td>
<td>Record surface pressures and time the interface crosses the casing seat</td>
</tr>
<tr>
<td>Brine pressure:</td>
<td></td>
</tr>
<tr>
<td>Nitrogen pressure:</td>
<td></td>
</tr>
<tr>
<td>Time:</td>
<td></td>
</tr>
</tbody>
</table>

Set interface below the casing and terminate nitrogen injection

Log interface with density log

<table>
<thead>
<tr>
<th>Brine pressure:</th>
<th>Nitrogen pressure:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temperature log over test interval</td>
<td></td>
</tr>
<tr>
<td>Comments:</td>
<td></td>
</tr>
</tbody>
</table>

### START TEST

Calculate initial nitrogen volume at start of test:

<table>
<thead>
<tr>
<th>Test period</th>
<th>Length:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitor brine and nitrogen pressures during test</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Time:</th>
<th>Brine:</th>
<th>Nitrogen:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time:</td>
<td>Brine:</td>
<td>Nitrogen:</td>
</tr>
<tr>
<td>Time:</td>
<td>Brine:</td>
<td>Nitrogen:</td>
</tr>
<tr>
<td>Time:</td>
<td>Brine:</td>
<td>Nitrogen:</td>
</tr>
<tr>
<td>Time – Final:</td>
<td>Brine:</td>
<td>Nitrogen:</td>
</tr>
</tbody>
</table>

### Final Density log

<table>
<thead>
<tr>
<th>Depth:</th>
</tr>
</thead>
</table>

### Final Temperature log

<table>
<thead>
<tr>
<th>Comments:</th>
</tr>
</thead>
</table>

### Final nitrogen volume:

**Comments:**

K.A.R. 28-45-16 requires that a licensed professional engineer or licensed geologist, or a licensed professional engineer's or licensed geologist's designee supervise all test procedures and associated field activity.

Supervised by: (Print name)

Company/Title:

Signature:  
Date:
FINAL REPORT  
NITROGEN/BRINE INTERFACE TEST

Procedure #: UICLPG-23  
(6/06)

Narrative:
Submit the final report in the format specified to KDHE within 45 days after completion of the nitrogen/brine interface test. Do not alter this format.

<table>
<thead>
<tr>
<th>Test Results</th>
<th>Compare MDLR and NLR:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Show formula and calculation for MDLR:</td>
<td></td>
</tr>
<tr>
<td>Show formula and calculation for NLR:</td>
<td></td>
</tr>
</tbody>
</table>

Explain any interface movement during the test:

Discuss the relationship of pressure trends to cavern integrity:

Discuss temperature stability and any accompanying effect on the MIT:

Discuss pressure changes in adjacent caverns. Attach a chart or a graph.
Summarize test results:

Submit FIELD PROCEDURE REPORT (UICLPG-22)
Submit all required logs.
Submit supporting data, including graphs for stabilization, temperatures, pressures, injection, etc. Submit appropriate charts.
Submit calibration charts for gauges and meters.

K.A.R. 28-45-16 requires that a licensed professional engineer or licensed geologist review all test results.

Submit the final report to KDHE within 45 days after completion of the test.
ATTACHMENT J - UIC MONITORING, RECORDING AND REPORTING PLAN

1.0 REQUIREMENTS

Submit a monitoring, recording, and reporting plan, including maps, for meeting the monitoring and reporting requirements of R317-7-10.3(B), 40CFR146.33, 40CFR146.8, and R317-7-10(B). In the plan

- Identify types of tests, methods, and equipment used to generate monitoring data
- Address the proper use, maintenance, and installation of monitoring equipment
- Propose the type, intervals, and frequency sufficient to yield data that are representative of monitored activity.

2.0 PHYSICAL AND CHEMICAL CHARACTERISTICS OF INJECTED FLUID

The Magnum Wells will be solution mined using fresh water produced from water wells located on the Magnum facility. The salinity of the injected fluid will be measured, along with the fluid temperature on a daily basis. Specific gravity and temperature will be monitored using calibrated hydrometers and thermometers. Hydrometers will be calibrated and maintained in accordance with ASTM A126-05a and thermometers will be calibrated and maintained in accordance with ASTM E77-07.

The data will be trended to ensure that no changes in the injected water take place during the duration of the solution mining operations.

3.0 MONITORING OF INJECTION PRESSURE AND FLOW

Injection pressures, injection flow rates, injection temperature, brine pressure, brine flow rate, brine temperature and the nitrogen blanket pressure will be monitored continuously by instrumentation in the control room. The information will be recorded at least once per day as a daily summary. The daily summary will be included in quarterly reports. This data will be used to calculate the growth of the cavern and provide a daily check on well integrity by ensuring that the water inflow and brine outflow balance. All the recorded data will be available to the Executive Secretary upon request.

All pressure monitoring, temperature monitoring, and flow rate monitoring instrumentation calibration will be done in accordance with manufacturer recommendations.

4.0 DEMONSTRATION OF MECHANICAL INTEGRITY

Prior to initiating solution mining and at the completion of leaching, the cavern will be tested using the nitrogen mechanical integrity technique. The test pressure at the shoe of the cemented casing will be slightly above (about 0.92 psi per foot of depth) the permitted operating pressure (0.90 psi per foot of depth) to ensure that the casing and cement are not leaking. The nitrogen mechanical integrity test technique essentially involves pressuring the cavern or well to the desired test pressure, and injecting nitrogen in the outer annulus of the well (the space between the cemented casing and the hanging tubing) to a depth about 50 to 100 feet below the casing shoe.
The well will then be shut-in for 24 to 48 hours to allow the nitrogen temperature to equalize with the in-situ temperature. The initial depth of the nitrogen/brine interface below the casing shoe and the temperature of the wellbore will then be measured with a wireline tool. After a period of time, not less then 24 hours, determined by the size of the borehole below the casing shoe, a second interface and temperature survey will be run. The pressure at the wellhead will be monitored and recorded continuously during the test.

The change in the calculated volume of the nitrogen between the two interface measurements will be determined from the surface nitrogen pressure, the well temperature logs and the change in the level of the nitrogen/brine interface. The change in the nitrogen volume will then be converted to an equivalent fluid loss.

The temperature stabilization period, the duration of the test and the desired depth of the initial nitrogen/brine interface level will be determined from logs run during and after well construction. The selection of these features will be made so as to ensure that the test has a minimum detectable leak rate (test sensitivity) of no more than 100 barrels per year of nitrogen.

All pressure monitoring instruments will be calibrated in accordance with manufacturer's recommendations. Testing will be performed under the supervision of a degreed engineer and the report submitted to the Executive Secretary within 30 days of test completion.

Following the mechanical integrity test after completion of mining the caverns will be tested on a periodic basis using methods and procedures in accordance with requirements set forth by the State of Utah.

5.0 MONITORING OF CAVERN DEVELOPMENT

During solution mining of the caverns, the development of the cavern will be controlled by monitoring of the fluid injection and production quantities (Item 3.0 above) and periodic performance of sonar caliper surveys. The measured quantity of water injected and salinity of the produced brine will be used to calculate the daily increase in cavern volume. The sonar caliper surveys will be run at least once a year and at completion of mining in each cavern. The sonar survey will provide a check on the calculated cavern volume and the shape of the cavern.

6.0 MONITORING OF FLUID LEVEL IN FORMATION

This section is not applicable for solution mining wells since the well is ull at all times. 7.0 QUARTERLY REPORTING ON MONITORING WELLS IN SUBSIDENCE ZONES

No monitoring wells are planned for the Magnum project.

Subsidence will be monitored on an annual basis by Magnum and will be evaluated by a degreed engineer who is thoroughly experienced in subsidence of cavern storage facilities. Subsidence measurements will begin with a baseline survey that will be run prior to starting solution mining. Subsidence surveys will be conducted throughout the life of the facility. The subsidence report will be submitted to the Executive Secretary on an annual basis.

Subsidence surveys will be conducted by measuring precise elevations of fixed points within the cavern field, the total Magnum facility and along public right-of-ways. The elevations of the points in and adjacent to the cavern field will be measured from a benchmark located at a distance from the facility that will not be impacted by any subsidence related to the caverns.
8.0 QUARTERLY REPORTING — EXECUTIVE SECRETARY

Daily summaries of water and brine pressures, temperatures, fluid volumes, and space created as well as the nitrogen blanket pressure will be reported to the Executive Secretary on a quarterly basis. Total volume of water injected and brine withdrawn from the storage cavern will be reported to the Executive Secretary on a quarterly basis.
Part J
Magnum Solution Mining, LLC
Millard County, Utah
Magnum Gas Storage Project
16-inch Injection Well Monitoring, Recording, and Reporting Plan
Part J – 16-inch Injection Well UIC Monitoring, Recording, and Reporting Plan

1.0 REQUIREMENTS

Submit a monitoring, recording, and reporting plan, including maps, for meeting the monitoring and reporting requirements of R317-7-10.3(B), 40CFR146.33, 40CFR146.8, and R317-7-10(B). In the plan:

1. Identify types of tests, methods, and equipment used to generate monitoring data
2. Address the proper use, maintenance, and installation of monitoring equipment
3. Propose the type, intervals, and frequency sufficient to yield data that are representative of monitored activity.

2.0 PHYSICAL AND CHEMICAL CHARACTERISTICS OF INJECTED FLUID

The Magnum salt storage caverns will be solution mined using fresh water produced from water wells located on the Magnum facility. The salinity of the injected fluid will be measured, along with the fluid temperature on a daily basis. Specific gravity and temperature will be monitored using calibrated hydrometers and thermometers. Hydrometers will be calibrated and maintained in accordance with ASTM A126-0Sa and thermometers will be calibrated and maintained in accordance with ASTM E77-07.

The data will be trended to ensure that no changes in the injected water take place during the duration of the solution mining operations.

3.0 MONITORING OF INJECTION PRESSURE AND FLOW

Injection pressures, injection flow rates, injection temperature, brine pressure, brine flow rate, brine temperature and the nitrogen blanket pressure will be monitored continuously by instrumentation in the control room. The information will be recorded at least once per day as a daily summary. The daily summary will be included in quarterly reports. This data will be used to calculate the growth of the cavern and provide a daily check on well integrity by ensuring that the water inflow and brine outflow balance. All the recorded data will be available to the State of Utah DWQ Executive Secretary upon request.

All pressure monitoring, temperature monitoring, and flow rate monitoring instrumentation calibration will be done in accordance with manufacturer recommendations.

4.0 DEMONSTRATION OF MECHANICAL INTEGRITY

Prior to initiating solution mining and at the completion of leaching, the cavern will be tested using the nitrogen mechanical integrity technique. The test pressure at the shoe of the 16-inch cemented casing will be slightly above (about 0.92 psi per foot of depth) the permitted operating pressure (0.90 psi per foot of depth) to ensure that the casing and cement are not leaking. The nitrogen mechanical integrity test technique essentially
involves pressuring the cavern or well to the desired test pressure, and injecting nitrogen in the outer annulus of the well (the space between the cemented 20-inch casing and the hanging 16-inch tubing) to a depth about 50 to 100 feet below the casing shoe.

The well will then be shut-in for 24 to 48 hours to allow the nitrogen temperature to equalize with the in-situ temperature. The initial depth of the nitrogen/brine interface below the casing shoe and the temperature of the wellbore will then be measured with a wire line tool. After a period of time, not less than 24 hours, determined by the size of the borehole below the casing shoe, a second interface and temperature survey will be run. The pressure at the wellhead will be monitored and recorded continuously during the test.

The change in the calculated volume of the nitrogen between the two interface measurements will be determined from the surface nitrogen pressure, the well temperature logs and the change in the level of the nitrogen/brine interface. The change in the nitrogen volume will then be converted to an equivalent fluid loss.

The temperature stabilization period, the duration of the test, and the desired depth of the initial nitrogen/brine interface level will be determined from logs run during and after well construction. The selection of these features will be made so as to ensure that the test has a minimum detectable leak rate (test sensitivity) of no more than 500 barrels per year of nitrogen.

Prior to the commencement of testing all pressure monitoring instruments will be calibrated in accordance with manufacturer's recommendations. Testing will be performed under the supervision of a degreed engineer and the report submitted to the Executive Secretary within 30 days of test completion.

Following the post-completion mechanical integrity test the caverns will be tested on a periodic basis using methods and procedures in accordance with requirements set forth by the State of Utah.

5.0 MONITORING OF CAVERN DEVELOPMENT

During solution mining of the caverns, the development of the cavern will be controlled by monitoring of the fluid injection and production quantities (Item 3.0 above) and periodic performance of sonar caliper surveys. The measured quantity of water injected and salinity of the produced brine will be used to calculate the daily increase in cavern volume. The sonar caliper surveys will be run at least once a year and at completion of mining in each cavern. The sonar survey will provide a check on the calculated cavern volume and the shape of the cavern.

6.0 MONITORING OF FLUID LEVEL IN FORMATION

This section is not applicable for solution mining wells since the well is full at all times.

7.0 QUARTERLY REPORTING ON MONITORING WELLS IN SUBSIDENCE ZONES

No monitoring wells are planned for the Magnum project. Subsidence will be monitored on an annual basis by Magnum and will be evaluated by a degreed engineer who is
thoroughly experienced in subsidence of cavern storage facilities. Subsidence measurements will begin with a baseline survey that will be run prior to starting solution mining.

Subsidence surveys will be during operations of the facility. The subsidence report will be submitted to the Executive Secretary on an annual basis. Subsidence surveys will be conducted by measuring precise elevations of fixed points within the cavern field, the total Magnum facility and along public right-of-ways. The elevations of the points in and adjacent to the cavern field will be measured from a benchmark located at a distance from the facility that will not be impacted by any subsidence related to the caverns.

8.0 QUARTERLY REPORTING — EXECUTIVE SECRETARY

Daily summaries of water and brine pressures, temperatures, fluid volumes, and space created as well as the nitrogen blanket pressure will be reported to the Executive Secretary on a quarterly basis. Total volume of water injected and brine withdrawn from the storage cavern will be reported to the Executive Secretary on a quarterly basis.
Attachment H

Magnum Solutions, LLC

Millard County, Utah

Magnum Gas Storage Project

Reporting Tables
<table>
<thead>
<tr>
<th>Triggering Event</th>
<th>Time Frame</th>
<th>Permittee Response</th>
<th>Utah DWQ Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims of Confidential Business Information</td>
<td>At the time of submittal</td>
<td>Stamp the words “Confidential Business Information” on each page of submittal</td>
<td>Written Approval/Response</td>
</tr>
<tr>
<td>Permittee becomes aware that he failed to submit any relevant facts or submitted incorrect information in any report to the Executive Secretary.</td>
<td>Within 10 days after permittee becomes aware of the event</td>
<td>Submit such facts or information. Submittal must be signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
</tr>
<tr>
<td>Completion of Well Construction</td>
<td>Within 60 days after the completion of well construction</td>
<td>Submit an &quot;As-Constructed&quot; Well Report signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate (Check for deviations from the approved plan.)</td>
</tr>
<tr>
<td></td>
<td>Within 90 days after the completion of well construction</td>
<td>Submit modified Plan for Abandonment of Class III Wells to include plans for well and a reliable cost estimate to P&amp;A well based on current well condition. Plan must be signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
<td>Require amendment to Financial Assurance when contingency is exceeded.</td>
</tr>
<tr>
<td>Any spill, leak or noncompliance of a permit condition that may endanger human health or the environment.</td>
<td>Within 24 hours after the permittee becomes aware of the event</td>
<td>Orally report to Executive Secretary or representative at 801-536-4387 (during normal business hours) or at 801-536-4123 (for reporting at all other times)</td>
<td>Oral Response and Reminder of Written Report</td>
</tr>
<tr>
<td></td>
<td>Within 5 days after the permittee becomes aware of the event</td>
<td>Submit written report including description of the spill, leak or noncompliance and its cause, exact dates and times, steps taken to mitigate the effects, and steps taken or planned to prevent a re-occurrence. If a leak or noncompliance is ongoing, the submission shall indicate the anticipated time it is expected to continue. Report must be signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
</tr>
<tr>
<td>Commencement of injection into new well</td>
<td>After receiving written approval from DWQ to commence injection.</td>
<td>Permittee has fulfilled all applicable conditions of this permit pertaining to new injection wells of the permit</td>
<td>Written Approval to commence injection</td>
</tr>
<tr>
<td>Triggering Event</td>
<td>Time Frame</td>
<td>Permittee Response</td>
<td>Utah DWQ Response</td>
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<td>Orally report to Executive Secretary or representative at 801-536-4387 (during normal business hours) or at 801-536-4123 (for reporting at all other times).</td>
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<td>Within 5 days after the permittee becomes aware of the event</td>
<td>Submit written report including description of the spill, leak or noncompliance and its cause, exact dates and times, steps taken to mitigate the effects, and steps taken or planned to prevent a re-occurrence. If a leak or noncompliance is ongoing, the submission shall indicate the anticipated time it is expected to continue. Report must be signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
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<tr>
<td>Permittee becomes aware that he failed to submit any relevant facts or submitted incorrect information in any report to the Executive Secretary.</td>
<td>Within 10 days after permittee becomes aware of the event</td>
<td>Submit such facts or information. Submittal must be signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
</tr>
<tr>
<td>Plugging and Abandonment of Injection Well</td>
<td>No less than 45 days prior to the planned conversion or abandonment of the well</td>
<td>Submit written notice of intent to plug and abandon to DWQ including Well Condition Report with supporting documentation and individual plugging and abandonment plans. Well Condition Report must be signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
<td>Written Approval/Response</td>
</tr>
<tr>
<td></td>
<td>Within 60 days after completion of the plugging and abandonment of the well.</td>
<td>Submit a Plugging and Abandonment (&quot;As-Plugged&quot;) Report to DWQ including the certification of accuracy and statement of compliance with approved P&amp;A plan or statement justifying deviation from approved P&amp;A plan. As-Plugged Report must be signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
</tr>
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</tr>
<tr>
<td>Emergency Well Conversion or Plugging and Abandonment</td>
<td>No less than 24 hours before the emergency action</td>
<td>Orally report to Executive Secretary or representative at 801-536-4387 (during normal business hours) or at 801-536-4123 (for reporting at all other times).</td>
<td>Oral Approval/Response</td>
</tr>
<tr>
<td></td>
<td>Within 5 days after receiving oral approval from DEQ</td>
<td>Submit a written request for approval of emergency action including justification. Submittal must be must be signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
<td>Written Approval/Response</td>
</tr>
<tr>
<td></td>
<td>Within 60 days after completion of the emergency action</td>
<td>Submit a Plugging and Abandonment (&quot;As-Plugged&quot;) Report to DWQ including the certification of accuracy and statement of compliance with approved P&amp;A plan or statement justifying deviation from approved P&amp;A plan. As-Plugged Report must be signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
</tr>
<tr>
<td>Inactive Wells - Cessation of injection activities for 2 years</td>
<td>After 2 years of inactivity</td>
<td>Plug and abandon the injection well unless a variance has been requested and received before the end of the 2 year period</td>
<td>Written Response to Request for Variance</td>
</tr>
<tr>
<td></td>
<td>At the end of the second. Fourth, sixth, etc. year of this permit</td>
<td>Review and evaluate inactive wells to ensure compliance with conditions for allowing inactive wells to remain unplugged. Submit Inactive/Temporarily Abandoned Well Evaluation Report to DWQ signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
</tr>
<tr>
<td>Reactivation of Inactive Well</td>
<td>No less than 45 days prior to the planned reactivation of an inactive well</td>
<td>Submit written notice of intent to reactivate well to DWQ and demonstrate mechanical integrity of the well in accordance with Part III (H) of this permit.</td>
<td>Written Approval/Response</td>
</tr>
<tr>
<td>Temporary Abandonment/Plugging</td>
<td>No less than 45 days prior to the planned temporary abandonment of the well</td>
<td>Submit written notice of intent to temporarily abandon to DWQ including Well Condition Report with supporting documentation and individual temporary plugging plans. Well Condition Report must be signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
<td>Written Approval</td>
</tr>
<tr>
<td>Triggering Event</td>
<td>Time Frame</td>
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<td>Utah DWQ Response</td>
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<tr>
<td>Within 60 days after completion of the temporary abandonment of the well</td>
<td>Submit a Plugging and Abandonment (&quot;As-Plugged&quot;) Report to DWQ including the certification of accuracy and statement of compliance with approved P&amp;A plan or statement justifying deviation from approved P&amp;A plan. As-Plugged Report must be signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
<td></td>
</tr>
<tr>
<td>At the end of the second, fourth, sixth, etc. year of this permit</td>
<td>Review and evaluate temporarily abandoned wells to ensure compliance with conditions for allowing wells to remain temporarily abandoned. Submit Inactive/Temporarily Abandoned Well Evaluation Report to DWQ signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
<td></td>
</tr>
<tr>
<td>Reactivation of Temporarily Abandoned Well</td>
<td>No less than 45 days prior to the planned reactivation of a temporarily abandoned well.</td>
<td>Submit written notice of intent to reactivate well to DWQ and demonstrate mechanical integrity of the well in accordance with Part III (H) of this permit.</td>
<td>Written Approval/Response</td>
</tr>
</tbody>
</table>
### Table of Reporting and Notification Requirements for Mechanical Integrity Testing (MIT)

**Utah UIC Permit Number: UTU-27-AP-9232389; Magnum Solution Mining, LLC**

<table>
<thead>
<tr>
<th>Triggering Event</th>
<th>Time Frame</th>
<th>Permittee Response</th>
<th>Utah DWQ Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims of Confidential Business Information</td>
<td>At the time of submittal</td>
<td>Stamp the words “Confidential Business Information” on each page of submittal</td>
<td>Written Approval</td>
</tr>
<tr>
<td>Permittee becomes aware that he failed to submit any relevant facts or submitted</td>
<td>Within 10 days after permittee becomes aware</td>
<td>Submit such facts or information. Submittal must be signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
<td></td>
</tr>
<tr>
<td>incorrect information in any report to the Executive Secretary.</td>
<td>of the event</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Placing of a new well into operation</td>
<td>Prior to well operation</td>
<td>Demonstration/documentation of MIT</td>
<td>Written Approval</td>
</tr>
<tr>
<td>Loss of Mechanical Integrity</td>
<td>Immediately</td>
<td>Cease operation immediately</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Immediately</td>
<td>Take steps to prevent losses of brine through the leaks caused by high hydrostatic head or pressure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Within 15 days after loss of mechanical integrity.</td>
<td>Submit to the Executive Secretary a schedule indicating what will be done to restore mechanical integrity to the well, or if it will be plugged.</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
</tr>
<tr>
<td></td>
<td>Within 90 days after loss of mechanical integrity</td>
<td>Restore mechanical integrity to the well, or plug and abandon the well in accordance with a plugging and abandonment plan approved by the Executive Secretary.</td>
<td>Written Approval</td>
</tr>
<tr>
<td>Loss of Mechanical Integrity which may potentially endanger an USDW and/or</td>
<td>Within 24 hours after the permittee becomes</td>
<td>Orally report to Executive Secretary or representative at 801-536-4387 (during normal business hours) or at 801-536-4123 (for reporting at all other times).</td>
<td>Oral Response and Reminder of Written Report</td>
</tr>
<tr>
<td>Any spill, leak or noncompliance of a permit condition that may endanger human health or the environment.</td>
<td>aware of the event</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Within 5 days after the permittee becomes</td>
<td>Submit written report including description of the spill, leak or noncompliance and its cause, exact dates and times, steps taken to mitigate the effects, and steps taken or planned to prevent a re-occurrence. If a leak or noncompliance is ongoing, the submission shall indicate the anticipated time it is expected to continue. Report must be signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
</tr>
</tbody>
</table>
## Table of Reporting and Notification Requirements for Mechanical Integrity Testing (MIT)

**Utah UIC Permit Number: UTU-27-AP-9232389; Magnum Solution Mining, LLC**

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<thead>
<tr>
<th>Triggering Event</th>
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<th>Permittee Response</th>
<th>Utah DWQ Response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MIT Frequency</strong></td>
<td>Every 5 years</td>
<td>Test for casing leaks and vertical flow behind casing according to <a href="#">Part III H</a> of the permit</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
</tr>
<tr>
<td>Prior to new well operation</td>
<td>Prior to placing a new well into operation</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
<td></td>
</tr>
<tr>
<td>Prior to well operation</td>
<td>Following any repair or workover of a well</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
<td></td>
</tr>
<tr>
<td><strong>MIT Requests</strong></td>
<td>At any time</td>
<td>The Executive Secretary may require an MIT</td>
<td></td>
</tr>
<tr>
<td><strong>MIT Inspections</strong></td>
<td>No less than 30 days prior to MIT</td>
<td>Notify DWQ of intent to perform MIT</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
</tr>
<tr>
<td><strong>MIT Reporting</strong></td>
<td>Within 60 days after completion of MIT</td>
<td>Submit results of MIT.</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
</tr>
<tr>
<td>Triggering Event</td>
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</tr>
<tr>
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</tr>
<tr>
<td>Operator Change of Address</td>
<td>No less than 15 days prior to the effective date of the event</td>
<td>Submit written notice to the Executive Secretary</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Claims of Confidential Business Information</td>
<td>At the time of submittal</td>
<td>Stamp the words “Confidential Business Information” on each page of submittal</td>
<td>Written Approval</td>
</tr>
<tr>
<td>Planned physical alterations or additions to the UIC permitted facilities</td>
<td>No less than 30 days prior to implementing the event</td>
<td>Submit written notice to the Executive Secretary</td>
<td>Written Approval</td>
</tr>
<tr>
<td>Any spill, leak or noncompliance of a permit condition that may endanger human</td>
<td>Within 24 hours after the permittee becomes aware of the event</td>
<td>Orally report to Executive Secretary or representative at 801-536-4387 (during</td>
<td>Oral Response and Reminder</td>
</tr>
<tr>
<td>health or the environment.</td>
<td></td>
<td>normal business hours) or at 801-536-4123 (for reporting at all other times).</td>
<td>of Written Report</td>
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<td></td>
<td>Within 5 days after the permittee becomes aware of the event</td>
<td>Submit written report including description of the spill, leak or noncompliance</td>
<td>Written Acknowledgement of</td>
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<td></td>
<td>and its cause, exact dates and times, steps taken to mitigate the effects, and</td>
<td>Receipt and Response, if</td>
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<td></td>
<td>steps taken or planned to prevent a re-occurrence. If a leak or noncompliance is</td>
<td>Appropriate</td>
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<td></td>
<td>ongoing, the submission shall indicate the anticipated time it is expected to</td>
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<td></td>
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<td>continue.</td>
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<tr>
<td>Receipt of this permit</td>
<td>Within 30 days after receipt of this permit</td>
<td>Report to the Executive Secretary that the person(s) designated to implement the</td>
<td>Not Required</td>
</tr>
<tr>
<td>Permittee becomes aware that he failed to submit any relevant facts in the</td>
<td>Within 10 days after permittee becomes aware of the event</td>
<td>Submit such facts or information. Submittal must be signed and certified in</td>
<td></td>
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<tr>
<td>permit application or submitted incorrect information in a permit application</td>
<td></td>
<td>accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
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<td>or in any report to the Executive Secretary.</td>
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<tr>
<td>Cessation of injection activities</td>
<td>after 2 years of inactivity</td>
<td>Plug and abandon the injection well unless a variance has been obtained prior to</td>
<td></td>
</tr>
<tr>
<td>Anticipated Noncompliance</td>
<td>As soon as the permittee becomes aware of the event</td>
<td>Give advance notice of any planned change in the permitted facility or activity that</td>
<td></td>
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<td></td>
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<td>may result in a noncompliance with permit requirements.</td>
<td></td>
</tr>
<tr>
<td>Triggering Event</td>
<td>Time Frame</td>
<td>Permittee Response</td>
<td>Utah DWQ Response</td>
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<tr>
<td>Endangering Noncompliance</td>
<td>Within 24 hours after permittee becomes aware of event</td>
<td>Provide oral report of any monitoring data or other information, noncompliance with a permit condition, malfunction of injection system which may cause endangerment to USDW; also report annual mine cavity brine level tests that show three consecutive drops in brine level.</td>
<td>Oral Response and Reminder of Written Report</td>
</tr>
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<td></td>
<td>Within 5 days after permittee becomes aware of event</td>
<td>Submit written report describing the endangering noncompliance; its cause; the period of noncompliance, including the exact time and dates; whether or not it has been corrected; the anticipated time it is expected to continue; and steps taken or planned to reduce, eliminate, and prevent a recurrence of the noncompliance.</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
</tr>
<tr>
<td>Other Noncompliance</td>
<td>Next Quarterly Monitoring Report</td>
<td>Submit written report describing the noncompliance; its cause; the period of noncompliance, including the exact time and dates; whether or not it has been corrected; the anticipated time it is expected to continue; and steps taken or planned to reduce, eliminate, and prevent a recurrence of the noncompliance.</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
</tr>
<tr>
<td>Renewal of Financial Responsibility</td>
<td></td>
<td>Demonstrate the adequacy of the financial assurance to close, plug and abandon all wells not permanently plugged and abandoned by the permittee in compliance with this permit.</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
</tr>
<tr>
<td>Triggering Event</td>
<td>Time Frame</td>
<td>Permittee Response</td>
<td>Utah DWQ Response</td>
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<tr>
<td>Insolvency of Financial Institution</td>
<td>Within 60 days after either of the following events occurs:</td>
<td>Submit an alternate demonstration of financial responsibility acceptable to the Executive Secretary</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
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<td></td>
<td>a) The institution issuing the financial assurance instrument files for bankruptcy; or</td>
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<td>b) The authority of the institution issuing the financial instrument is suspended or revoked.</td>
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<td>Upward fluid migration through well bore of any previously unknown or improperly plugged or unplugged well</td>
<td>Immediately upon permittee becoming aware of the event</td>
<td>Cease injection until proper plugging of the well can be performed.</td>
<td>Written Acknowledgement of Receipt and Response, if Appropriate</td>
</tr>
<tr>
<td>Submittal of Reports</td>
<td></td>
<td>All reports or other information, submitted as required by this permit or requested by the Executive Secretary, shall be signed and certified in accordance with UAC R317-7-9.3 (40 CFR 144.32).</td>
<td></td>
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</tbody>
</table>