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RAILROAD COMMISSION OF TEXAS

OIL AND GAS DIVISION

Permit No. STF-029

CHARLES HOLSTON, INC.
4500 NE EVANGELINE THRUWAY
CARENCRO LA 70520

Based on information contained in your application dated December 28, 2010, and subsequent information received to date, you are hereby authorized to receive, store, handle, and treat certain oil and gas wastes as specified below at the following facility:

E.P.I.C.-Shelby County Commercial STF Facility, Including Pits Authorized by Pit Permit Nos. 011653A, 011653B, 011653C
Wesley Hill Survey, A-279
Shelby County, Texas
RRC District 06

Authority is granted to receive, store, handle, and treat oil and gas wastes in accordance with Statewide Rule 8 and subject to the following minimum conditions:

NARRATIVE DESCRIPTION OF PROCESS:

Incoming waste is offloaded into one of three above ground pits. When needed, liquids will be skimmed off of the incoming waste and then stored in above ground storage tanks to be reused as wash water. The solids are transferred from the receiving pits to weir tanks to be washed and to allow for further liquid and solid separation. The solids are then transferred from the weir tanks to a rotary kiln. In the kiln, the solids are thermally dehydrated. Vapors from the kiln are condensed, and then stored in storage tanks for reuse as process water within the facility. Solids exiting the rotary kiln are transferred to the rotary calciner for the capture of the hydrocarbon (mostly diesel) fraction within the solids and the removal of any remaining water. The hydrocarbon vapors will be condensed and reused in the washout process. Solids exiting the calciner will be mixed with recovered water for dust suppression, and then stored in a 3-sided metal walled enclosure prior to their removal by truck for final disposal. Any excess water recovered via the process will be disposed of via a permitted commercial disposal well. Any excess diesel will be marketed for use as fuel. The entire processing area is located on a concrete slab underlain by a geosynthetic liner.

I. GENERAL PERMIT CONDITIONS

A. This permit is effective **March 18, 2011**, and expires **February 14, 2016.**

B. This permit may be considered for administrative renewal upon request and subsequent review by the Commission.

C. This permit is nontransferable without the consent of the Commission.

D. No waste may be received at the referenced facility until the monitor wells required by Condition IX have been completed. The documentation required by Condition IX.A must be provided to and approved by Technical Permitting within 30 days of the effective date of this permit.

E. The permittee shall make all records available for review and/or copying during normal business hours upon request of Commission personnel.

F. All laboratory analyses required to be performed by Condition IX.B shall be performed by an independent laboratory neither owned nor operated by the permittee.

G. Failure to comply with any provision of this permit will be cause for modification, suspension, or termination of this permit.

H. The permittee shall submit a Semiannual Report containing the applicable information required in Conditions III.D, V.F, VI.F, VII.F, and IX.B of this permit. The first Semiannual Report shall cover the period beginning on the effective date of the permit and ending June 30, 2011. The reporting periods shall thenceforth be July 1 through December 31 and January 1 through June 30 of each year.

The Semiannual Reports shall be submitted to Technical Permitting in Austin and the Kilgore District Office no later than the 31st day of the month following each reporting period, or each January 31 and each July 31, respectively.

II. INCOMING WASTES

A. AUTHORIZED WASTES

1. Only the following RCRA exempt wastes subject to the jurisdiction of the Railroad Commission of Texas may be received or processed at this facility: water-based drilling mud and associated cuttings, oil-based mud and associated cuttings and solids.

2. This permit does not authorize the reclamation of crude oil from oil and gas waste. A request for authorization under Statewide Rule 57 must be submitted to and approved by Technical Permitting in Austin prior to any reclamation activities at the referenced facility.

3. No oil and gas NORM (Naturally Occurring Radioactive Material) waste, as defined in 16 TAC §4.603, or waste from a facility that is licensed by the Texas State Health Services to process or treat oil and gas NORM waste may be received at this facility.

4. No waste may be received at the facility if it is not a waste under the jurisdiction of the Railroad Commission of Texas. No hazardous waste as defined by the U.S. Environmental Protection Agency in 40 CFR Part 261 or industrial waste may be received at the facility.

B. TESTING REQUIREMENTS FOR INCOMING WASTES

1. For the purposes of this permit, a representative sample of incoming waste is defined as a composite sample composed of one grab sample from each 50 cubic yards of waste material from each job (e.g., from each well, pit, spill location.)

2. Each load of incoming waste, other than water base drilling fluid and the associated cuttings, or oil base drilling fluid and the associated cuttings, must be scanned for the presence of naturally occurring radioactive material (NORM) using a scintillation meter with a sodium iodide detector. Any load with a maximum reading of 50 microroentgens per hour or more may not be unloaded or processed at the facility unless further analysis of the waste demonstrates that the waste does not exceed 30 picocuries per gram Radium-226 combined with Radium-228 or 150 picocuries per gram of any other radionuclide.

III. RECORDKEEPING REQUIREMENTS

A. The permittee shall maintain the following records on each load of waste received at the facility for a period of three (3) years from the date of receipt:

1. Description of the site where the waste was generated, including:
   a. Generator name;
   b. Lease name and number or gas ID or API Well Number; and
   c. County;
2. Name of transporter;
3. Amount of waste material (specify units); and
4. A description of the type of waste material, including:
   a. Fluid-to-Solid ratio; and
   b. Detailed description of the type of waste including any analysis required by Condition II.B.2 above.

B. The permittee shall maintain the following records on each load of outgoing waste sent from the referenced facility to an authorized disposal facility for a period of three (3) years from the date of shipment:

1. Description of the facility to where the waste is sent to for disposal, including:
   a. Disposal operator name;
   b. Disposal permit number; and
   c. County
2. Name of transporter;
3. Amount of waste material (specify units); and
4. A detailed description of the type of waste material.

C. The permittee shall maintain the following records on each load of outgoing diesel sent from the referenced facility to an authorized disposal facility or sold to a third party for a period of three (3) years from the date of shipment:

1. Description of the facility to which the diesel is sold or to which the diesel is sent to for disposal, including:

   a. Buyer or disposal operator name;
   b. Disposal permit number; and
   c. County

2. Name of transporter;

3. Volume of diesel disposed of or sold (specify units).

D. A report of all records required by Conditions III.A., III.B., and III.C. above, as well as a summary of waste receipts including the cumulative volume of each type of material received on a monthly basis shall be submitted to Technical Permitting in Austin and the Kilgore District Office as part of the Semiannual Report required in Condition I.H. of this permit.

IV. GENERAL SITE CONSTRUCTION AND MAINTENANCE REQUIREMENTS

A. The general layout and arrangement of the facility shall be consistent with the site plan dated December 2010, which is attached to and incorporated as part of this permit as **Permit Appendix A.**

B. A sign shall be posted at each entrance to the facility, which shall show the permit number in letters and numerals at least one-inch in height.

C. The facility shall consist of the following storage vessels:

- One 2,400-bbl water-based drilling fluid collecting pit (Pit Permit No. 011653A)
- One 2,400-bbl oil-based drilling fluid collecting pit (Pit Permit No. 011653B)
- One 1,200-bbl oil-based cuttings and solids collecting pit (Pit Permit No. 011653C)
- One 500-bbl diesel condensation tank;
- One 500-bbl saltwater condensation tank;
- Five 400-bbl diesel storage tanks;
- Four 400-bbl saltwater water tanks;
- One 620-bbl oil based-mud settling (weir) tank;
- One 620-bbl saltwater settling (weir) tank.
- One three-walled dried, treated solids holding area.

No additional storage vessels may be added to the site without prior approval by Technical Permitting. A request for any additional storage vessels must be submitted in writing to Technical Permitting for review.

D. Any pits and/or buried tanks shall be permitted in accordance with Statewide Rule 8.

E. All untreated waste shall be contained in steel tanks or in permitted pits. All pits and tanks shall be maintained in a leak-free condition.

F. All above ground tanks shall be surrounded by a secondary containment firewall and be located within the roofed area containing the processing area.

G. The perimeter of the property shall be enclosed with a fence suitable to keep out unauthorized access to the extent where terrain and/or vegetation prohibit access to the facility. The site is to be attended continuously or secured when unattended.

H. Any spill of waste, treating chemical, or any other material shall be immediately cleaned up and processed through the treatment process or disposed of in an authorized manner.

I. Spills contained in secondary containment firewalls surrounding the storage areas shall be immediately removed and processed through the treatment process or disposed of in an authorized manner.

J. This facility shall comply with all Texas Commission on Environmental Quality (TCEQ) air quality rules and regulations.

V. WATER BASED DRILLING FLUID COLLECTION PIT (P011653A) CONSTRUCTION AND OPERATION

A. Use of the referenced pit (Permit No. P011653A) is limited to the storage of water based drilling fluid prior to its thermal treatment. No other oil and gas waste may be stored in this pit.

B. The pit bottom shall be constructed of concrete at least ten (10) inches thick. The pit walls shall be constructed of concrete at least twelve (12) inches thick to a height of at least four (4) feet.

C. The capacity of the pit may not exceed 2,400 barrels.

D. At least 2 foot of freeboard must be maintained between the fluid level in the pit and the top of the pit.

E. The pit must be emptied and the liner inspected annually for deterioration and/or leaks. The Kilgore District Office must be notified at least 48 hours before each inspection. The liner must also be inspected whenever evidence of liner leakage arises. If inspection of the liner reveals a leak or other loss of liner integrity, the liner must be replaced or repaired before resuming use of the pit.

F. The permittee must maintain a record of when the liner is inspected and the results of each inspection. This record shall be submitted to Technical Permitting in Austin as part of the Semiannual Report required in Condition I.H of this permit.

G. Unless otherwise required by conditions of this permit, construction, use, and maintenance of the pit shall be in accordance with the information represented on the application (Form H-11) and attachments thereto.

H. A sign shall be posted at the pit, which shall show the pit permit number in numerals at least one inch in height.

I. This permit does not authorize the discharge of any oil and gas waste from the pit.

J. The pit must be dewatered, emptied, backfilled, and compacted within 120 days of final cessation of use of the pit. Final closure of the pit must be accomplished in such a manner that rainfall will not collect at the pit location after pit closure. Upon final closure, Technical Permitting in Austin and the Kilgore District Office shall be notified in writing.

VI. OIL BASED DRILLING FLUID COLLECTION PIT (P011653B) CONSTRUCTION AND OPERATING CONDITIONS

A. Use of the referenced Pit (Permit No. P011653B) is limited to the storage of oil based drilling fluid prior to its thermal treatment. No other oil and gas waste may be stored in this pit.

B. The pit bottom shall be constructed of concrete at least ten (10) inches thick. The pit walls shall be constructed of concrete at least twelve (12) inches thick to a height of at least four (4) feet.

C. The capacity of the pit may not exceed 2,400 barrels.

D. At least 2 foot of freeboard must be maintained between the waste level in the pit and the top of the pit.

E. The pit must be emptied and the liner inspected annually for deterioration and/or leaks. The Kilgore District Office must be notified at least 48 hours before each inspection. The liner must also be inspected whenever evidence of liner leakage arises. If inspection of the liner reveals a leak or other loss of liner integrity, the liner must be replaced or repaired before resuming use of the pit.

F. The permittee must maintain a record of when the liner is inspected and the results of each inspection. This record shall be submitted to Technical Permitting in Austin as part of the Semiannual Report required in Condition I.H of this permit.

G. Unless otherwise required by conditions of this permit, construction, use, and maintenance of the pit shall be in accordance with the information represented on the application (Form H-11) and attachments thereto.

H. A sign shall be posted at the pit, which shall show the pit permit number in numerals at least one inch in height.

I. This permit does not authorize the discharge of any oil and gas waste from the pit.

J. The pit must be dewatered, emptied, backfilled, and compacted within 120 days of final cessation of use of the pit. Final closure of the pit must be accomplished in such a manner that rainfall will not collect at the pit location after pit closure. Upon final closure, Technical Permitting in Austin and the Kilgore District Office shall be notified in writing.

VII. OIL BASED CUTTINGS AND SOLIDS COLLECTION PIT (Permit No. P011653C) CONSTRUCTION AND OPERATING CONDITIONS

A. Use of this pit (Permit No. P011653C) is limited to the storage of oil based cutting and solids prior to their thermal treatment. No other oil and gas waste may be stored in this pit.

B. The pit bottom shall be constructed of concrete at least ten (10) inches thick. The pit walls shall be constructed of concrete at least twelve (12) inches thick to a height of at least four (4) feet.

C. The capacity of the pit may not exceed 1,200 barrels.

D. At least 2 foot of freeboard must be maintained between the waste level in the pit and the top of the pit.

E. The pit must be emptied and the liner inspected annually for deterioration and/or leaks. The Kilgore District Office must be notified at least 48 hours before each inspection. The liner must also be inspected whenever evidence of liner leakage arises. If inspection of the liner reveals a leak or other loss of liner integrity, the liner must be replaced or repaired before resuming use of the pit.

F. The permittee must maintain a record of when the liner is inspected and the results of each inspection. This record shall be submitted to Technical Permitting in Austin as part of the Semiannual Report required in Condition I.I of this permit.

G. Unless otherwise required by conditions of this permit, construction, use, and maintenance of the pit shall be in accordance with the information represented on the application (Form H-11) and attachments thereto.

H. A sign shall be posted at the pit, which shall show the pit permit number in numerals at least one inch in height.

I. This permit does not authorize the discharge of any oil and gas waste from the pit.

J. The pit must be dewatered, emptied, backfilled, and compacted within 120 days of final cessation of use of the pit. Final closure of the pit must be accomplished in such a manner that rainfall will not collect at the pit location after pit closure. Upon final closure, Technical Permitting in Austin and the Kilgore District Office shall be notified in writing.

VIII. DRIED, TREATED SOLIDS HOLDING AREA

A. Dried solids resulting from the thermal treatment process shall be stored on the facility's concrete slab within a three-walled containment structure labeled as Dry Solids Holding & Loading on the site plan which is attached to and incorporated as part of this permit as **Permit Appendix A.** The dried solids are only temporarily stored in this area prior to their offsite disposal.

B. A maximum of 415 cubic yards of dried solids may be stored in the Dry Solids Holding Area. Any dried solids resulting from the treatment process that exceed this 600 ton limit are not authorized to be stored onsite and must be disposed of offsite in an authorized manner.

C. This permit does not authorize the discharge of any oil and gas waste from the Dry Solids Holding Area.

IX. MONITOR WELLS

A. Four (4) monitor wells must be installed and numbered as represented on **Permit Appendix B**.

1. The wells must be completed in accordance with 16 TAC Part 4, Chapter 76 (Water Well Drillers and water Well Pump Installers).
2. The wells must be completed in the shallowest groundwater zone and the completion must isolate that zone from any deeper groundwater zone.
3. The screened interval of the wells must be designed to intercept the top of the groundwater.
4. Provision must be made to protect the well heads from damage by vehicles and heavy equipment.
5. The following information must be submitted after the wells are completed:
   a. A soil boring log for each well, with the soils described using the Unified Soil Classification System (equivalent to ASTM D 2487 and 2488). The log must also include the method of drilling, total depth, and the top of the first encountered water or saturated soils.
   b. A well installation diagram for each well.
   c. A survey elevation for each well head reference point.
   d. A potentiometric map showing static water levels and the calculated direction of groundwater flow.

B. The monitor wells must be monitored for the following parameters after installation and quarterly thereafter:

1.	Static water level.	8.	Nitrates
2.	Benzene	9.	Carbonates
3.	TPH	10.	Calcium
4.	TDS	11.	Magnesium
5.	Chlorides	12.	Sodium
6.	Bromides	13.	Potassium
7.	Sulfates		

Copies of the results must be filed with Technical Permitting as part of the Semiannual Report required in Condition I.H of this permit.

X. STORMWATER CONTROL

A. This permit does not authorize the discharge of any oil and gas waste or any stormwater that has come into contact with oil and gas waste.

B. Any stormwater entering the processing area must be collected and disposed of in an authorized manner.

C. All permitted pits at the facility shall be covered by a roof constructed in a manner to prevent rainfall from entering the pits.

D. A discharge permit from the Environmental Protection Agency (EPA) may be required for non-contact stormwater discharges. If required, the permit from the EPA must be in place prior to commencement of discharge operations.

XI. CLOSURE OF THE SITE

A. Closure of the E.P.I.C.-Shelby County Facilityshall proceed as follows:

1. All waste must be processed through the facility or disposed of in an authorized manner. No waste may be permanently disposed of at this facility at any time.
2. The contents of all containment areas, tanks, vessels, or other containers shall be disposed of in an authorized manner.
3. All treatment and storage equipment shall be removed and salvaged, if possible, or disposed of in an authorized manner.
4. The facility roof shall be dismantled and disposed of in an authorized manner.
5. The facility slab and synthetic liner underlying the slab shall both be removed and disposed of in an authorized manner.
6. After waste removal and site excavation are completed, representative soil samples shall be obtained from around the location of the treatment facility as indicated in Item 22 of the permit application dated December 28, 2010. These composite samples shall be analyzed and the following constituent levels shall not be exceeded:

Constituent (units)	Closure Limit
pH (s.u.)	6.0 to 10.0
Electrical Conductivity (mmhos)	4.0
TPH (mass %)	<1
BTEX (mg/kg)	30.0
Metals (mg/kg):	
Arsenic	10.0
Barium	10000.0
Cadmium	10.0
Chromium	100.0
Lead	200.0
Mercury	10.0
Selenium	10.0
Silver	200.0

7. A map showing the sampling locations and copies of the analysis required by Condition XI.A.6 shall be submitted to Technical Permitting in Austin. When acceptable constituent levels have been verified in writing by Techncial Permitting, all earthen berms shall be leveled to grade. Topsoil shall then be contoured and seeded with appropriate vegetation.
8. Provisions shall be taken to prevent erosion both during and following closure activities.
9. All monitor wells shall remain unplugged and monitoring reporting requirements remain effective until written approval from Technical Permitting in Austin is granted for plugging the monitor wells.

B. Technical Permitting and the Kilgore District Office shall be notified in writing at least 45 days prior to commencement of closure activity so that the Commission may monitor closure to assure compliance with the closure plan. Closure activities shall be performed in accordance with the information contained in the permit application dated December 28, 2010.

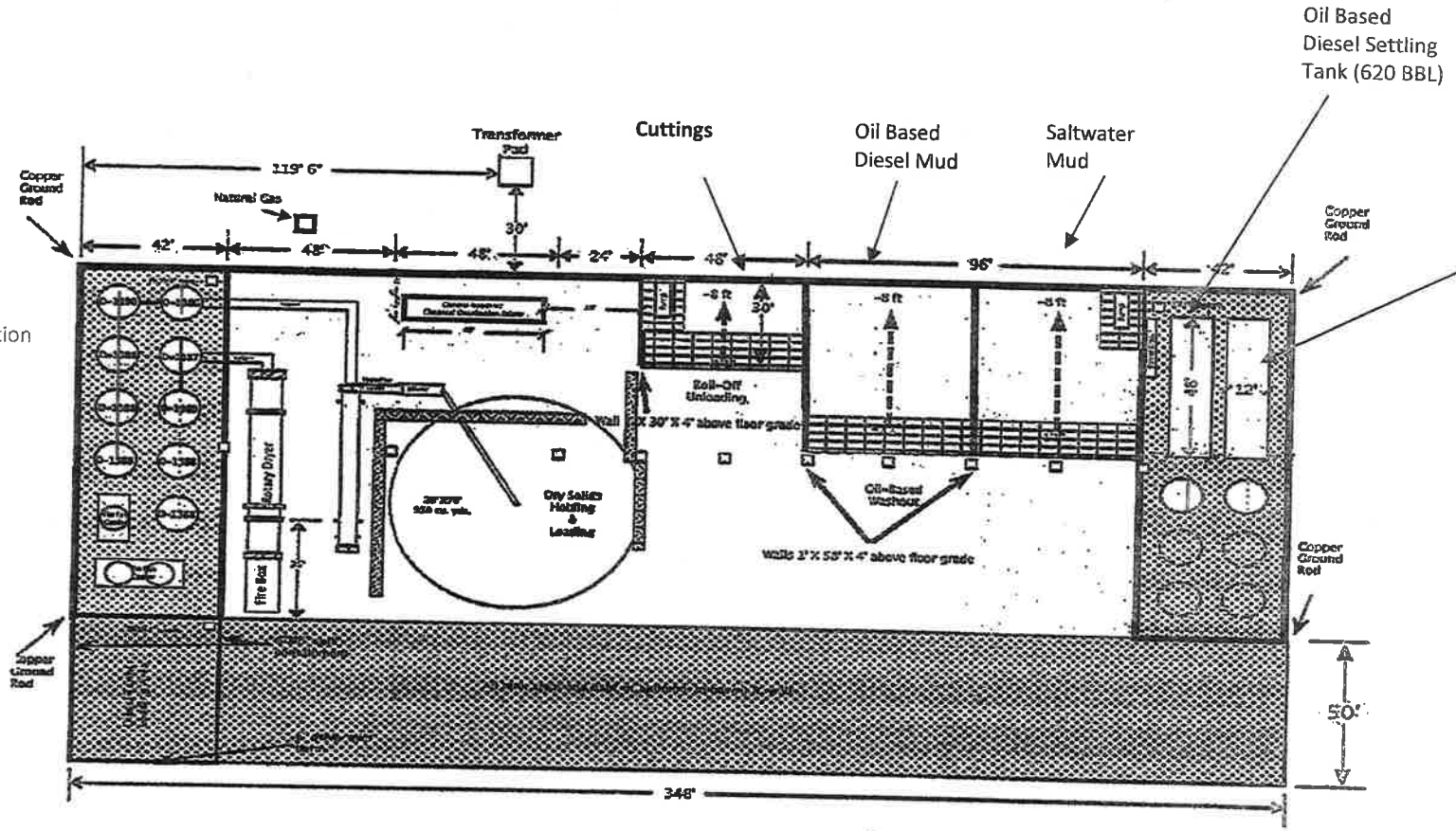
This authorization is granted subject to review and cancellation should investigation show that such authorization is being abused.

Jill Hybner, Manager
Environmental Permits and Support
Technical Permitting

Figure 2: Site Location Map

Charles Holsten, INC
Epic Facility

ESA Job #CHI1002.C
December 2010



Permit Appendix A
Charles Holston, Inc.
Permit Nos. STF-029 and Pit Permit Nos. 011653A, 011653B, and 011653C
March 2011

Permit Appendix B
Charles Holston, Inc.
Permit Nos. STF-029 and Pit Permit Nos. 011653A, 011653B, and 011653C
March 2011