PERMIT TO RECLAIM OILFIELD RELATED HYDROCARBONS

PERMIT NO. R9 08-3794
TRANSFERRED FROM
JENEX ACQUISITION CORPORATION

TORO OPERATING COMPANY, INC.
16 WATERWAY
THE WOODLANDS TX 77380

Based on information contained in your application (Form R-9) dated January 27, 2014 and subsequent information you are hereby authorized to reclaim oilfield related hydrocarbons designated herein:

Ector Reclamation Facility
Latitude, Longitude 31.772648 °, -102.509214 °
Ector County, Texas
RRC District 08, Midland

Authority is granted to reclaim oilfield related hydrocarbons in accordance with Statewide Rule 57 and is subject to the following conditions:

I. GENERAL PERMIT CONDITIONS

A. This permit is effective September 5, 2014.

B. The permittee shall maintain financial security in the amount of $ 86,635.00 until this plant has been closed in accordance with this permit. Technical Permitting reserves the right to revise this amount, as necessary. Prior to any modification of this facility that would require increased financial security, an updated closure cost estimate must be submitted to Technical Permitting in Austin, and any additional financial security must be filed with and approved by the Commission prior to making that modification.

C. Must Notify Technical Permitting in Austin every 5 years of intent to keep the permit active.

D. This permit does not authorize the use of any pits or stockpiles. This permit does not authorize discharge from the facility of any oil and gas waste, including contaminated storm water.

E. Use of the facility is limited to the treatment, processing, or reclamation of tank bottoms and other hydrocarbon wastes generated through activities associated with exploration, development, and production of crude oil and other wastes containing crude oil.

F. This grants authority for the reclaiming of oil field related hydrocarbons and does not cover reclamation of any refined products. Commingling or blending of refined products with crude is not permitted unless written authority is granted by the Commission’s Director of
Any deliveries made containing products or crude blended with products must be clearly identified on the Commission Form R-2 as "Products" or "Crude Blended with Products."

G. The permittee shall not accept waste from a waste hauler unless the waste hauler has a Commission issued waste hauler permit and is authorized to deposit waste at this facility.

H. The removal of tank bottoms or other hydrocarbon wastes from the facility for which monthly reports are not filed with the Commission must be authorized in writing by the Commission prior to such removal. A written request for such authorization must be sent to Technical Permitting in Austin, and must detail the location, description, estimated volume, and specific origin of the material removed, as well as the name of the reclamer and intended destination of the material.

I. The receipt of any tank bottoms or other hydrocarbons wastes from outside the State of Texas must be authorized in writing by the Commission prior to such receipt. Written approval is not required if another entity will indicate, in the appropriate monthly report, a corresponding delivery of the same material.

J. This permit is nontransferable without consent of the Commission. Any request for permit transfer must be filed with Technical Permitting in Austin.

II. CONSTRUCTION AND GENERAL OPERATIONS

A. The general layout and arrangement of the facility shall be consistent with the site plan diagram dated February 28, 2014, which is attached to and incorporated as part of this permit as Permit Appendix A and Appendix B.

B. The facility is limited to having no more than 14,310 bbls of unprocessed and processed oil and gas waste and 95 cubic yards of solids resulting from the reclamation process to remain onsite at any given time.

C. Unless otherwise required by conditions of this permit, construction, use, and maintenance of the reclamation plant must be in accordance with the information represented on the application Form(R-9) and attachments thereto.

D. All reclamation plant facilities shall be separate and apart from any other operations such as lease production facilities or saltwater disposal facilities and such facilities are in no way permitted to use common equipment or to be connected in any way.

E. All wastes generated by reclaiming operations shall be disposed of in an authorized manner.

F. All reclamation plant facilities must be clearly identified with signs showing the name of the plant operator and permit number in numerals at least three inches in height.

G. Earthen dikes at least one foot above the land surface must be maintained on all sides of the reclamation plant.

III. INCOMING AND OUTGOING WASTES

A. AUTHORIZED WASTES

1. Only RCRA-exempt or non-hazardous wastes subject to the jurisdiction of the Railroad Commission of Texas may be received or processed at this facility. This permit authorizes the receipt of only the following oil and gas wastes:
   a. Tank bottoms; and
b. Other hydrocarbon wastes, as defined by Statewide Rule 57

2. No oil and gas Naturally Occurring Radioactive Material (NORM) waste 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.

B. TESTING REQUIREMENTS FOR INCOMING WASTES

1. The operator of the reclamation plant must conduct a shakeout test on all tank bottoms or other hydrocarbon wastes upon removal from any producing lease tank, pipeline storage tank, or other production facility, to determine crude oil content and lease condensate thereof.

2. The shakeout test shall be conducted in accordance with the most current American Petroleum Institute or American Society for Testing Materials method.

3. Each load of incoming waste, other than water-based drilling fluid and the associated cuttings, or oil-based drilling fluid and the associated cuttings, must be scanned for the presence of 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.

C. RECORDKEEPING REQUIREMENTS

1. Details of receipts, deliveries and stock on hand must be reported monthly on the Form R-2, Monthly Report for Reclaiming and Treating Plants. Submit the original of the Form R-2 report directly to Technical Permitting in Austin and a copy of the report to the appropriate District Office by the 15th day of the calendar month following the month by the report. Form R-2 shall be completed in accordance with Statewide Rule 57.

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

   a. Description of the site where the waste was generated, including:

      (1) Generator name;
      (2) Lease Name and Lease Number, Well Number or Gas I.D. Number or API Well Number;
      (3) County

   b. Name of transporter;

   c. Date the waste is received; and

   d. Volume of the waste material (specify units).

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

   a. Date waste is removed and hauled to disposal;

   b. Name of the carrier;

   c. Volume of each shipment of waste hauled to disposal;
d. Type of waste (basic sediment, water, water-based mud, etc.); and

e. Name of the facility to which the waste was hauled to for disposal.

IV. FACILITY CLOSURE

A. Technical Permitting in Austin and the appropriate District Office must be notified in writing 45 days prior to commencement of closure activities.

B. All waste, chemicals, materials must be processed through the facility and removed from the facility for authorized reuse, or disposed of in an authorized manner.

C. Processing equipment and aboveground storage tanks, and any other equipment and storage must be removed from the facility.

D. Provisions must be taken to prevent erosion both during and following closure.

E. A minimum of two representative soil samples per acre must be taken to characterize the scope of any contamination at the facility. Samples must be taken from around the collecting pit, separation area, thermal area berms, storage, tanks, processing equipment and from underneath the collecting pits; Those samples must be analyzed and may not exceed the following limitations:

<table>
<thead>
<tr>
<th>PARAMETER</th>
<th>CLOSURE LIMIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>pH</td>
<td>6.0 to 10.0 s. u.</td>
</tr>
<tr>
<td>Electrical Conductivity (EC)</td>
<td>≤ 4.0 mmhos/cm</td>
</tr>
<tr>
<td>TPH (at least to C40)</td>
<td>&lt; 1% by mass</td>
</tr>
<tr>
<td>BTEX</td>
<td>≤ 30.0 mg/kg</td>
</tr>
<tr>
<td>Benzene</td>
<td>Report</td>
</tr>
<tr>
<td>Toluene</td>
<td>Report</td>
</tr>
<tr>
<td>Ethylbenzene</td>
<td>Report</td>
</tr>
<tr>
<td>Total Xylenes</td>
<td>Report</td>
</tr>
<tr>
<td>Metals:</td>
<td></td>
</tr>
<tr>
<td>Arsenic</td>
<td>&lt; 10.0 mg/kg</td>
</tr>
<tr>
<td>Barium</td>
<td>&lt; 20,000 mg/kg</td>
</tr>
<tr>
<td>Cadmium</td>
<td>&lt; 1.00 mg/kg</td>
</tr>
<tr>
<td>Chromium (total)</td>
<td>&lt; 5.00 mg/kg</td>
</tr>
<tr>
<td>Lead</td>
<td>&lt; 200 mg/kg</td>
</tr>
<tr>
<td>Mercury</td>
<td>&lt; 10.0 mg/kg</td>
</tr>
<tr>
<td>Selenium</td>
<td>&lt; 5.0 mg/kg</td>
</tr>
<tr>
<td>Silver</td>
<td>&lt; 200 mg/kg</td>
</tr>
</tbody>
</table>
F. Soil samples shall be located in all areas where any leakage or staining has occurred. At the time of closure and prior to sampling, a soil sampling plan shall be submitted to Technical Permitting in Austin.

G. A map drawn to scale depicting the sampling locations and copies of the analyses must be submitted to Technical Permitting in Austin. When acceptable soil constituent levels have been verified by Technical Permitting in Austin, the earthen berms must be leveled to grade and topsoil must then be contoured and seeded with appropriate vegetation.

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

APPROVED AND ISSUED ON September 5, 2014

[Signature]
Grant Chambless, P.G.
Manager
Environmental Permits & Support
Technical Permitting

Attachments;
Form R-9
Appendix A
Appendix B
Form R9
RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

APPLICATION FOR PERMIT TO OPERATE
A RECLAMATION PLANT

(Transfer) R9-08-3794

1. OPERATOR NAME: Transfer Company, INC.
2. OPERATOR P-5 No.: 362692
3. RRC DISTRICT NO.: 8
4. COUNTY OF PLANT LOCATION: HECTOR

5. OPERATOR ADDRESS: including city, state, and zip code
16 Waterway, The Woodlands, TX 77380

6. PURPOSE OF PLANT:
□ New permit for new facility. Estimated completion date:
□ New permit for existing facility. Name of previous operator: Jenex Acquisition Corp
□ One time renewal of existing permit serial/registration (R-2) no.

7. TYPE OF FACILITY
□ Permanent
□ Portable

8. Driving directions from the nearest town (identify town):
Cypress, TX
Take I-20 W. to Moss Ave Exit. Follow service road W. for 2 miles.

9. Brief description of storing process:
We take in oil W. B5 + W. content of more than 1% less than 1% as condensate.

10. Material transported to plant or (see that No. 6):
□ vehicles owned by applicant
□ for hire vehicles
□ both applicant's and for hire vehicles

11. Identify all oil and/or gas-related facilities located within 100 yards of facility (example: well, pipeline, wastewater disposal facility, tank battery, etc.)

CERTIFICATION: I certify under penalties prescribed in Sec 51.143, Texas Natural Resources Code, that I am authorized to make this report, that it was prepared by me or under my supervision and direction, and that the data and facts stated herein are true, correct, and complete to the best of my knowledge.

Chris Jensen
Vice President

NAME (print or type)
363-629-5219
1/29/2014
DATE

TO BE COMPLETED BY RAILROAD COMMISSION PERSONNEL

This permit is valid until cancellation under either of the following conditions:
1. The above named operator requests cancellation in writing.
2. The commission cancels the permit after notice and opportunity for hearing because:
   a. the permit facility has been inactive for 12 months or
   b. there has been a violation or a violation is threatened of any provision of the permit, the conservation laws of the state, or rules or orders of the Commission.

This permit is non-transferable. The financial assurance filed in support of this application shall be renewed and continued in effect until its conditions have been met or released is authorized by the Commission. The facility schematic diagram is to be kept with this permit.

Permit and diagram are to be kept at facility.

Serial/registration no. R9-08-3794 issued renewed effective
September 3, 2014

C. J. C. 
Great Chase

Signature of RRC representative
Name (print or type)
Phone No.

ALL WASTES GENERATED BY RECLAMING OPERATIONS SHALL BE DISPOSED OF IN ACCORDANCE WITH STATEWIDE RULES 8.9. AND 46 (RELATING TO WATER PROTECTION, DISPOSAL WELLS, AND FLUID INJECTION)
Closure Cost Site Plan

APPENDIX A
Closure Cost Site Plan

APPENDIX B