RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION

PERMIT TO STORE, HANDLE, AND TREAT CERTAIN NON-HAZARDOUS OIL AND GAS WASTES

Permit Nos. STF-073 and R9 08-1518
TRANSFERRED, AMENDED, RENEWED
Permit Effective August 10, 2016
Supersedes Permit Dated November 4, 2015

TERVITA, LLC
10613 W. SAM HOUSTON PKWY, SUITE 300
HOUSTON, TX 77064

Based on information contained in the original application received October 18, 2012, the amendment request received July 3, 2014, the transfer request received December 29, 2015, 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:

Reeves County Stationary Treatment Facility
W/2 of Section 9, Block C-9 of the Public School Land Survey
Latitude, Longitude: 31.339579°, -103.586039°
Reeves County, Texas
RRC District 08, Midland

NARRATIVE DESCRIPTION OF PROCESS

Incoming oil and gas waste is transferred from vacuum trucks into a concrete unloading trench and settling box. Solids and liquids are separated by thermal, physical, chemical, or gravity separation. Separated fluids are then pumped to receiving tanks and allowed to settle to displace more residual solids. Once these solids have settled, the liquid fraction is pumped to a gun barrel tank where it is further gravity separated into solids, brine water, and oily emulsion. The oily emulsion is transferred from the gun barrel tank to the concentrated oil tank. The brine water fraction is conveyed from the gun barrel tank to the solids settling tank and on to the brine distribution tank. Fluids in the brine distribution tank are recycled and used to clean trucks that contain heavy solids or disposed of in an authorized manner. Oil from the concentrated oil tank is reclaimed and sold to an authorized crude oil gatherer. Solids that settle in the tanks and boxes on-site are disposed of at a Railroad Commission of Texas (RRC) authorized waste disposal facility.
Authority is granted to reclaim oilfield related hydrocarbons in accordance with 16 Texas Administrative Code (TAC) §3.57 (Statewide Rule 57) and 16 TAC §3.8 (Statewide Rule 8) and is subject to the following conditions:

I. GENERAL PERMIT CONDITIONS

A. The authority granted by the stationary treatment facility (STF-073) is effective **August 10, 2016**, and will expire on **August 9, 2021**. The authority granted by the reclamation permit (R9 08-1518) is effective **August 10, 2016**.

B. The permittee shall maintain financial security in the amount of $133,303.00 for Permit Nos. STF-073 and R9 08-1518 until this facility has been closed in accordance with the respective permits. 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 RRC prior to making that modification.

C. The permittee may not receive, store, handle, or treat oil and gas waste at the facility until all necessary air permits are obtained from the Texas Commission on Environmental Quality (TCEQ).

D. Use of the facility is limited to the treatment, processing, separation, or reclamation of the oil and gas wastes specified in Permit Condition II.A.

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

F. This permit does not authorize the use of any pits or other storage areas. Any pits or buried tanks must be permitted in accordance with Statewide Rule 8.

G. This permit does not authorize the discharge of any oil and gas waste from the facility, including contaminated or contact storm water.

H. Any soil, media, or other debris contaminated by a spill of waste or any other materials at the facility must be containerized immediately and processed through the facility or disposed of in an authorized manner.

I. Any soil additives, bio-accelerators, or treatment chemicals must be approved by Technical Permitting prior to use at the facility. They must be stored in vessels designed for the safe storage of the particular compound, and these vessels shall be maintained in a leak free condition.

J. Safety Data Sheets (SDS) must be submitted to Technical Permitting in Austin for any chemical or bio-accelerator proposed to be used in the treatment of waste at the facility. Use of the compound is contingent on RRC approval and must be used and stored according to the manufacturer's recommendations.
K. All chemical laboratory analyses required to be performed in accordance with this permit must be performed using appropriate Environmental Protection Agency (EPA) methods or Standard Methods by an independent National Environmental Laboratory Accreditation Program (NELAP) certified laboratory neither owned nor operated by the permittee. Any sample collected for laboratory analysis must be collected and preserved in a manner appropriate for that analytical method as specified by 40 CFR, Part 136. All geotechnical testing is to be performed utilizing tests standardized by the American Society for Testing and Materials (ASTM) and certified by a Texas registered Professional Engineer.

L. An On-Site Sewage Facility (OSSF) may be constructed, operated, and maintained within the boundaries of the subject facility without an additional permit from the RRC if the OSSF waste is not commingled with any other oil and gas waste. The system must be designed by a Professional Engineer registered in the state of Texas or a sewage system installer licensed in the state of Texas. The construction, operation, and maintenance of the OSSF must also comply with all applicable local, county, and state requirements.

M. A copy of a site-specific Spill Prevention, Control and Countermeasure (SPCC) Plan must be maintained on-site and made available to RRC staff for review and inspection upon request.

N. The permittee must post a sign at the facility entrance, which must show the permit name and number in letters and numerals at least three inches in height.

O. The permittee must make all records required by this permit available for review and copying during normal business hours upon request of RRC personnel.

P. Unless otherwise required by conditions of this permit, construction, use, and maintenance of the facility must be in accordance with the information represented in the permit application and attachments thereto. *If there are any changes to the facility design during construction, they must be included on the “as-built” drawing(s), to be filed with Technical Permitting in Austin upon completion.*

Q. Any deviation from this permit must be approved by amendment from the RRC before implementation.

R. This permit (STF-073) may be considered for administrative renewal upon review by the RRC. Any request for renewal should be received at least 60 days prior to the permit expiration date.

S. This permit is non-transferable without the consent of the RRC. Any request for transfer of this permit must be filed with Technical Permitting in Austin at least 60 days before the permittee wishes the transfer to take place.

T. Failure to comply with any provision of this permit may result in modification, suspension, termination or cancellation of this permit if Technical Permitting determines that the permittee is in violation of RRC rules.
II. INCOMING AND OUTGOING WASTES

A. AUTHORIZED WASTES

1. Only oil and gas wastes subject to the jurisdiction of the RRC that are non-hazardous or exempt from Resource Conservation and Recovery Act (RCRA), Subtitle C may be received. You may receive, store, handle, treat and process only the following oil and gas wastes:
   a. Water-based drilling fluid and associated cuttings.
   b. Oil-based drilling fluid and associated cuttings.
   c. Hydraulic fracturing flow back water.
   d. Formation sands and other solids from saltwater storage tanks or vessels.
   e. Soils contaminated with produced water, crude oil, or condensate.
   f. Pigging wastes from gathering lines.
   g. Hydrocarbon, solids, sands, and emulsion generated from separators, fluid treatment vessels, and production impoundments.
   h. Spent filters, filter media, and back wash from produced water.
   i. Contaminated soil liners from reserve and washout pits.
   j. Fluids and associated solids including sand from flowback of oil and gas wells.
   k. Tank bottoms.
   l. Other hydrocarbon wastes, as defined by Statewide Rule 57 (b) (2).

2. No asbestos-containing material regulated under the Clean Air Act or material containing polychlorinated biphenyls (PCB) regulated under the Toxic Substances Control Act may be accepted for processing at the facility.

3. No oil and gas Naturally Occurring Radioactive Material (NORM) waste as defined in 16 TAC §4.603 (Oil and Gas NORM) or waste from a facility that is licensed by the Texas Department of 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 satellite facility must conduct a shakeout test on all tank bottoms or other hydrocarbon wastes upon receipt from any producing lease storage tank, pipeline storage tank, or other production facility storage vessel, to determine the crude oil content.

2. The shakeout test shall be conducted in accordance with the most current American Petroleum Institute (API) or ASTM method.
3. Each load of incoming waste, other than water-based drilling fluids and associated cuttings, or oil-based drilling fluid and associated cuttings, must be scanned for the presence of NORM using a scintillation meter with a sodium iodide detector. Any load with a reading of 50 microroentgens per hour or greater 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, and 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 RRC District Office by the 15th day of the calendar month following the month of the report. The Form R-2 shall be completed in accordance with Statewide Rule 57.

2. The permittee must 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:
      i. Generator name.
      ii. Lease Name, Lease Number and Well Number, or Gas I.D. Number, or API Well Number.
      iii. County.
   b. Name and RRC permit number of the transporter.
   c. Date the waste is received.
   d. Volume of waste material received (specify units).
   e. Type and description of waste.

3. The permittee shall maintain the following records on each load of waste removed from the facility for a period of three (3) years from the date of receipt:
   a. Date waste is removed and hauled to a disposal facility.
   b. Name and RRC permit number of the transporter.
   c. Volume of each shipment of waste hauled to a disposal facility.
   d. Type of waste (basic sediment, water, water-based mud, etc.).
   e. Name and RRC permit number of the facility to which the waste was hauled to for disposal.
III. RECLAMATION PROCESS (PERMIT NO. R9 08-1518)

A. Use of the reclamation plant 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.

B. The “Application for a Permit to Operate a Reclamation Plant” (Form R-9), which is attached as Permit Appendix A, 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 RRC’s Director of Field Operations following a formal written request for such blending by the reclamation plant operator. Any deliveries made containing products or crude blended with products must be clearly identified on the RRC Form R-2 as “Products” or “Crude Blended with Products.”

C. The removal of tank bottoms or other hydrocarbon wastes from the facility for which a monthly report (Form R-2) is not filed with the RRC must be authorized in writing by the RRC 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 reclaimer and intended destination of the material.

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

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

IV. CONSTRUCTION AND GENERAL OPERATION

A. The general layout and arrangement of the facility must be consistent with the “Figure 1 – Current Site Plan, Reeves County Stationary Treatment Facility” graphic received December 29, 2015, which is attached to and incorporated as part of this permit as Permit Appendix B.

B. The facility is limited to having no more than 6,180 barrels (bbl) or 1,286 cubic yards (cy) of unprocessed and processed oil and gas waste and 20 cy of residual solids resulting from handling, separation, and treatment on-site at any given time.

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

1. Two 90-bbl Unloading Areas.
2. Six 500-bbl Receiving Tanks.
3. Two 500-bbl Brine Distribution Tanks.
4. Two 500-bbl Oil Emulsion Tanks.
5. One 500-bbl Fresh Water Tank.
6. One 500-bbl Frac Tank.
7. One 20-cy Solids Roll-Off Box.

D. No additional equipment may be added without prior written approval by Technical Permitting. A request for any additional equipment must be submitted in writing to Technical Permitting for review.

E. All equipment at the facility shall be kept on a metal tank pads and shall be surrounded on all sides by metal berms at least two feet above the base of the pad.

F. No waste, treated or untreated, may be placed on the ground, or on a metal pad. All untreated and treated waste must be stored in steel tanks or in steel water-tight roll-off boxes.

G. Berms or containment structures must be constructed around all waste management units and must be compacted or constructed of material that meets or exceeds 95% Standard Proctor (ASTM D698) or 90-92% Modified Proctor (ASTM D1557) density. Each berm shall maintain a slope no steeper than a three to one (horizontal to vertical) ratio, unless constructed of concrete or equivalent material (firewalls). These structures must be used to divert non-contact stormwater around the waste management areas and contain and isolate stormwater within the waste management units.

H. All the storage tanks containing fluid waste shall be contained within dikes. Secondary containment consisting of 120% total capacity is recommended, however a minimum capacity consistent with the EPA rules governing SPCC Plans, that will capture 100% capacity of the largest storage unit plus the volume of a 25-year / 24-hour rainfall event (for Reeves County) is acceptable.

I. All solid wastes generated by the separation process shall be disposed of in an authorized manner.

J. Liquid wastes, brine water or produced water, must be recycled for reuse or disposed of in an authorized manner.

K. Any waste, treated or untreated, received at the facility must leave the facility within 90 days of receipt for disposal at an authorized oil and gas waste disposal facility.

L. The facility must maintain security and prevent unauthorized access. The entire property must be surrounded by a security fence. Access must be secured by a locked gate when the facility is unattended.

M. Each month an inspection of the entire facility must be performed on all concrete slabs, processing equipment, berms, and aboveground storage tanks for deterioration, leaks and spills. Records of each inspection must be kept on-site and maintained by the permittee. The permittee must maintain the following records for a period of three years from the date of the inspections:
1. The results of the monthly inspection of concrete slabs within the facility for evidence of deterioration, leakage, or storm water run-on, and a description of corrective action taken, if any.

2. The results of the monthly inspection of process equipment, tanks, and roll-off boxes for evidence of deterioration or leakage, and a description of corrective action taken, if any.

3. The results of the monthly inspection of waste levels within the storage areas, tanks, and roll-off boxes, and a description of corrective action taken, if any.

N. The permittee must submit a Quarterly Report containing the applicable information required in Permit Condition IV.M. to Technical Permitting in Austin no later than the 30th day of the month following each reporting period (January 1 through March 31, April 1 through June 30, July 1 through September 30, and October 1 through December 31), or each January 30, April 30, July 30, and October 30.

V. STORMWATER CONTROL

A. The facility must be designed and constructed to contain contact stormwater and prevent run-on of non-contact stormwater.

B. A discharge permit from the 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.

C. Contact stormwater shall be prevented from migrating outside of the waste processing and storage areas. The facility shall be sloped to facilitate the separation of contact and non-contact stormwater.

D. Non-contact stormwater shall be prevented from entering the waste processing and storage areas. Areas outside of the bermed waste processing and storage areas shall be sloped to prevent non-contact stormwater from contacting waste.

E. Contact stormwater must be collected within 24 hours of accessibility and disposed of in an authorized manner.

F. 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.

VI. FACILITY CLOSURE

A. Technical Permitting in Austin and the appropriate RRC District Office must be notified in writing 60 days prior to commencement of closure activities.

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

C. All waste processing equipment, aboveground storage tanks, piping, and any other equipment and storage vessels must be removed from the facility.
D. Provisions must be taken to prevent erosion both during and following closure activities.

E. After waste removal and site excavations are completed, a minimum of two representative soil samples per acre must be taken to characterize the scope of contamination (if any) at the facility. Samples must be taken from around the perimeter berms, storage tanks, processing equipment areas and from underneath the concrete pads if demolished. Those samples must be analyzed for the following parameters and not exceed the specified constituent limitations:

<table>
<thead>
<tr>
<th>PARAMETER</th>
<th>LIMITATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>pH</td>
<td>6 to 10 standard units</td>
</tr>
<tr>
<td><em>EPA Method 9045C or equivalent</em></td>
<td></td>
</tr>
<tr>
<td>Electrical Conductivity (EC)</td>
<td>≤ 4.0 mmhos/cm</td>
</tr>
<tr>
<td>Total Petroleum Hydrocarbons (TPH)</td>
<td>≤ 10,000 mg/kg or 1% by weight</td>
</tr>
<tr>
<td><em>EPA Method 5035A/TX1005</em></td>
<td></td>
</tr>
<tr>
<td>Total Benzene, Toluene, Ethylbenzene, Xylenes (BTEX)</td>
<td>≤ 30 mg/kg</td>
</tr>
<tr>
<td><em>EPA Method 5035A/8021/8260B</em></td>
<td></td>
</tr>
<tr>
<td>Metals (Total)</td>
<td></td>
</tr>
<tr>
<td><em>EPA Method 6010/6020/7471A</em></td>
<td></td>
</tr>
<tr>
<td>Arsenic</td>
<td>≤ 10 mg/kg</td>
</tr>
<tr>
<td>Barium</td>
<td>≤ 10,000 mg/kg</td>
</tr>
<tr>
<td>Cadmium</td>
<td>≤ 10 mg/kg</td>
</tr>
<tr>
<td>Chromium</td>
<td>≤ 100 mg/kg</td>
</tr>
<tr>
<td>Lead</td>
<td>≤ 200 mg/kg</td>
</tr>
<tr>
<td>Mercury</td>
<td>≤ 10 mg/kg</td>
</tr>
<tr>
<td>Selenium</td>
<td>≤ 10 mg/kg</td>
</tr>
<tr>
<td>Silver</td>
<td>≤ 200 mg/kg</td>
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</tbody>
</table>

F. A summary of the soil sampling required by Permit Condition VI.E. must include:
   a. A map drawn to scale with coordinates of the sampling locations.
   b. A table indicating the results of the parameters sampled.
   c. The date of sampling.
   d. The approximate depth of the sample below land surface.
   e. Copies of the laboratory analytical reports and chain of custody.

G. Any soil sample that exceeds the Parameter Limitations specified in Permit Condition VI.E. is considered waste and must be disposed of at an authorized disposal facility.

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1 LA Dept. of Natural Resources Lab Procedures for Analysis of Exploration & Production Waste, or equivalent
H. When acceptable constituent levels have been verified in writing by Technical Permitting, all berms and tank pads must be leveled, and the site must be backfilled with clean fill and restored to natural grade. Topsoil must be contoured and seeded with appropriate vegetation.

I. Final grading of the storage and processing areas must be accomplished in such a manner that rainfall will not collect in the former waste processing and storage area locations after closure. Upon final closure, the appropriate RRC District Office and Technical Permitting in Austin shall be notified in writing.

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

APPROVED AND ISSUED ON August 10, 2016.

[Signature]

Grant Chambless, P.G.
Manager, Environmental Permits and Support Technical Permitting

Attachments: Permit Appendices A and B

cc: RRC – District 08, Midland
RRC – Production Audit, Austin
RRC – EPS Reporting Log, Austin
PERMIT APPENDIX A

Application For Permit To Operate A Reclamation Plant

Permit No. R9 08-1518
RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

APPLICATION FOR PERMIT TO OPERATE
A RECLAMATION PLANT

1. OPERATOR NAME, exactly as shown on P.S. Organization Report
Tervita, LLC

5. OPERATOR ADDRESS, including city, state, and zip code
10613 W. Sam Houston Pkwy. North, Ste. 300
Houston, TX 77064

2. OPERATOR P.S. NO.
844072

6. PURPOSE OF FILING

☐ New permit for new facility
Estimated completion date: Facility is in place.

☐ New permit for existing facility
Name of previous operator:

☐ One-time renewal of existing permit
serial/registration (1-2) no.

3. RRC DISTRICT NO.
08

8. Driving directions from the nearest town (identify town)
The facility's address is 291 Ranch Road 1934 in Pecos, TX. The facility is located at the southeast corner of the intersection of Ranch Road 1934 and County Road 338, approximately 6 miles southwest of the central portion of Lindsay, Texas. (see Figure 1 in Attachment 2).

9. Brief description of treatment process
Oil/water/solids separation using heat, gravity, and mechanical methods. Refer to Figure 2 in Attachment 2 for more information.

10. Material transported to plant (see list 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, saltwater disposal facility, tank battery, etc.)

<table>
<thead>
<tr>
<th>TYPE OF FACILITY</th>
<th>OPERATOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pipeline</td>
<td>WTG Gass Transmission</td>
</tr>
</tbody>
</table>

CERTIFICATION: I certify under penalties prescribed in Sec. 91.143, 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.

Harold Barber, P.E.
Director of Asset Management

832-399-4522
Dec. 23, 2015

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 release 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. 908-1518 is issued/renewed effective August 10, 2010.

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

*Associated with Commercial STF-073.*
PERMIT APPENDIX B

Figure 1 – Current Site Plan
Reeves County Stationary Treatment Facility