

DEPARTMENT OF THE ARMY PERMIT

Permittee General Public

Permit No. General Permit SWG-1997-02818

Issuing Office Galveston District

NOTE: The term "you" and its derivatives, as used in this permit, means the permittee or any future transferee. The term "this office" refers to the appropriate district or division office of the Corps of Engineers having jurisdiction over the permitted activity or the appropriate official of that office acting under the authority of the commanding officer.

You are authorized to perform work in accordance with the terms and conditions specified below.

Project Description: This Regional General Permit (RGP) authorizes applicants to install, operate and maintain structures and equipment necessary for oil and gas drilling, production and transportation activities, provided the attached Special Conditions are met. Impacts to waters of the United States, including wetlands, will not exceed 3 acres for a single and complete project.

Project Location: Waters of the United States within a portion of the High Island Oil Field, bounded on the south and west by the existing perimeter levee, on the north by a marsh adjacent to the perimeter levee, and on the east by State Highway 124 and the 5-foot elevation contour, at the base of High Island, Galveston County, Texas.

Permit Conditions:

General Conditions:

1. This General Permit (GP) will expire on 31 December 2013 unless modified, extended or revoked.
2. The time limit for completing the work authorized herein ends 31 December 2013, or if the Department of the Army (DA) authorization is within two years of the expiration of this GP.
3. You must maintain the activity authorized by this permit in good condition and in conformance with the terms and conditions of this permit. You are not relieved of this requirement if you abandon the permitted activity, although you may make a good faith transfer to a third party in compliance with General Condition 4 below. Should you wish to cease to maintain the authorized activity or should you desire to abandon it without a good faith transfer, you must obtain a modification of this permit from this office, which may require restoration of the area.
4. If you discover any previously unknown historic or archeological remains while accomplishing the activity authorized by this permit, you must immediately notify this office of what you have found. We will initiate the Federal and state coordination required to determine if the remains warrant a recovery effort or if the site is eligible for listing in the National Register of Historic Places.
5. If you sell the property associated with this permit, you must obtain the signature of the new owner in the space provided and forward a copy of the permit to this office to validate the transfer of this authorization.
6. If a conditioned water quality certification has been issued for your project, you must comply with the conditions specified in the certification as special conditions to this permit. For your convenience, a copy of the certification is attached if it contains such conditions.
7. You must allow representatives from this office to inspect the authorized activity at any time deemed necessary to ensure that it is being or has been accomplished in accordance with the terms and conditions of your permit.

Special Conditions:

1. All applicants shall notify the U.S. Army Corps of Engineers (Corps) and receive written notification of authorization to the placement of dredge and/or fill material into waters of the United States. The notification shall include:

(a) A completed and signed DA application (Form ENG 4345)

(b) A copy of all DA authorizations previously issued for the work area.

(c) A vicinity map, plan view, typical cross-section and a description of the proposed methods of construction and coordinates of the location. All plans and drawings will be on 8-1/2 by 11 inch and of reproducible quality.

(d) A delineation of waters of the United States, including wetlands

(e) A restoration and/or compensatory mitigation plan based on an approved functional assessment in accordance with 33 CFR 332 Compensatory Mitigation for Losses of Aquatic Resources and SWG Standard Operating Procedure; Using HGM to Determine Potential Wetland Functions and the Appropriate Compensatory Mitigation for Unavoidable Wetland Impacts..

2. Board Roads will be used whenever possible.

3. Borrow ditches for fill roads will be staggered on opposite sides of the roadbed.

4. Culverts, a minimum of 24-inch diameter, will be placed at all road crossings of natural drainages.

5. Mud pits are not authorized by this GP. All by-products of the exploration and production process, including drilling muds, fluids, drill cuttings and oil field waste products must be containerized.

6. The impact site will be restored to pre-construction elevation and contours within 90 days of completion of drilling if the well is a non-producer or within 90-days of the cessation of production.

7. If the well will be used for production, the impacts will be restored to the minimum necessary for production within 90 days of cessation of drilling.

Further Information:

1. Congressional Authorities: You have been authorized to undertake the activity described above pursuant to:

( ) Section 10 of the Rivers and Harbors Act of 1899 (33 U.S.C. 403).

(X) Section 404 of the Clean Water Act (33 U.S.C. 1344).

( ) Section 103 of the Marine Protection, Research and Sanctuaries Act of 1972 (33 U.S.C. 1413).

2. Limits of this authorization.

a. This permit does not obviate the need to obtain other Federal, state, or local authorizations required by law.

b. This permit does not grant any property rights or exclusive privileges.

c. This permit does not authorize any injury to the property or rights of others.

d. This permit does not authorize interference with any existing or proposed Federal project.

3. Limits of Federal Liability. In issuing this permit, the Federal Government does not assume any liability for the following:

a. Damages to the permitted project or uses thereof as a result of other permitted or unpermitted activities or from natural causes.

- b. Damages to the permitted project or uses thereof as a result of current or future activities undertaken by or on behalf of the United States in the public interest.
  - c. Damages to persons, property, or to other permitted or unpermitted activities or structures caused by the activity authorized by this permit.
  - d. Design or construction deficiencies associated with the permitted work.
  - e. Damage claims associated with any future modification, suspension, or revocation of this permit.
4. Reliance on Applicant's Data: The determination of this office that issuance of this permit is not contrary to the public interest was made in reliance on the information you provided.
5. Reevaluation of Permit Decision. This office may reevaluate its decision on this permit at any time the circumstances warrant. Circumstances that could require a reevaluation include, but are not limited to, the following:
- a. You fail to comply with the terms and conditions of this permit.
  - b. The information provided by you in support of your permit application proves to have been false, incomplete, or inaccurate (See 4 above).
  - c. Significant new information surfaces which this office did not consider in reaching the original public interest decision.

Such a reevaluation may result in a determination that it is appropriate to use the suspension, modification, and revocation procedures contained in 33 CFR 325.7 or enforcement procedures such as those contained in 33 CFR 326.4 and 326.5. The referenced enforcement procedures provide for the issuance of an administrative order requiring you to comply with the terms and conditions of your permit and for the initiation of legal action where appropriate. You will be required to pay for any corrective measures ordered by this office, and if you fail to comply with such directive, this office may in certain situations (such as those specified in 33 CFR 209.170) accomplish the corrective measures by contract or otherwise and bill you for the cost.

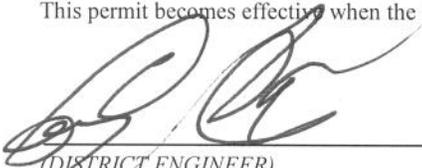
6. Extensions. General condition 1 establishes a time limit for the completion of the activity authorized by this permit. Unless there are circumstances requiring either a prompt completion of the authorized activity or a reevaluation of the public interest decision, the Corps will normally give favorable consideration to a request for an extension of this time limit.

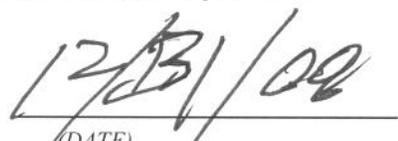
Your signature below, as permittee, indicates that you accept and agree to comply with the terms and conditions of this permit.

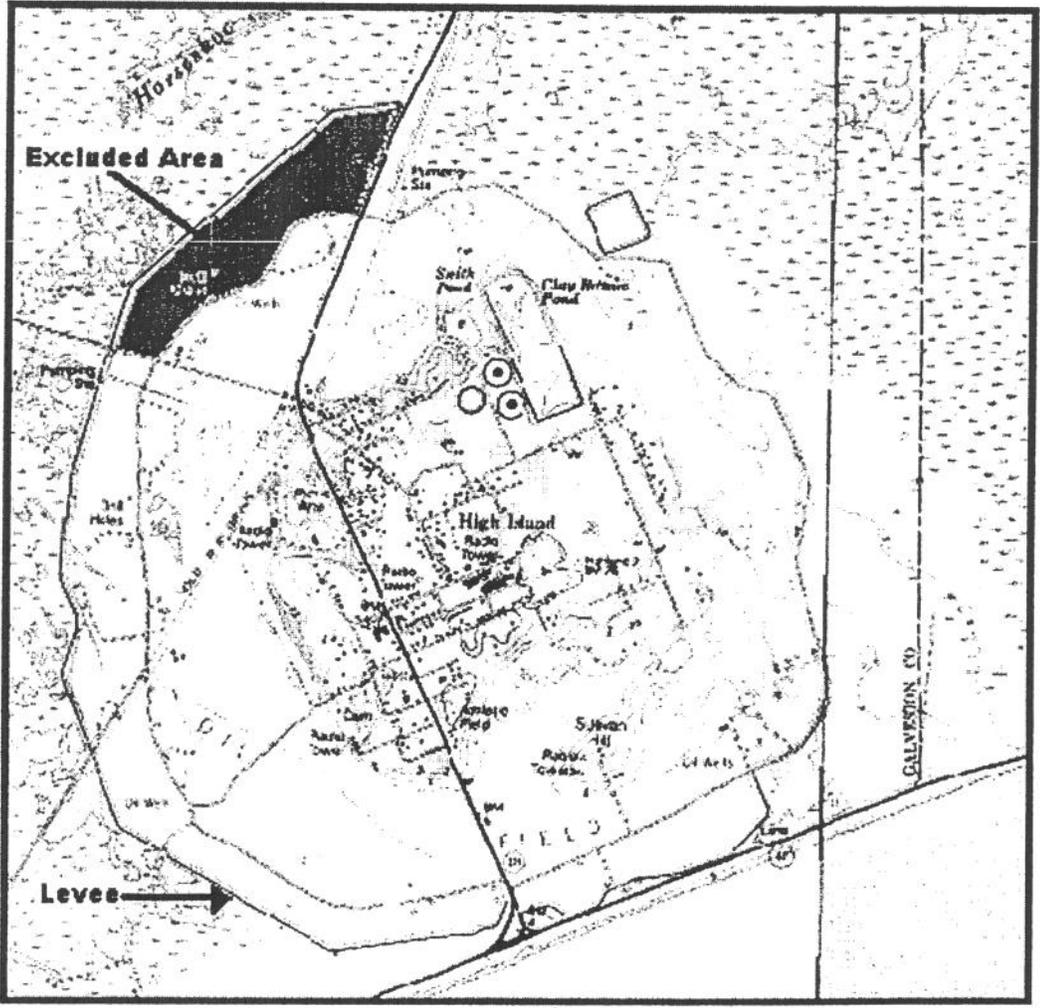
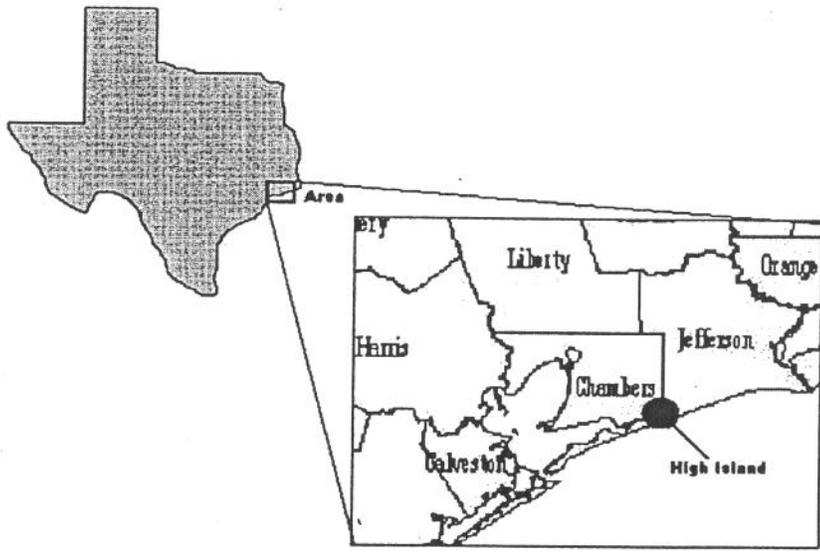
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 (PERMITTEE)  
**PERMITTEE**

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 (DATE)

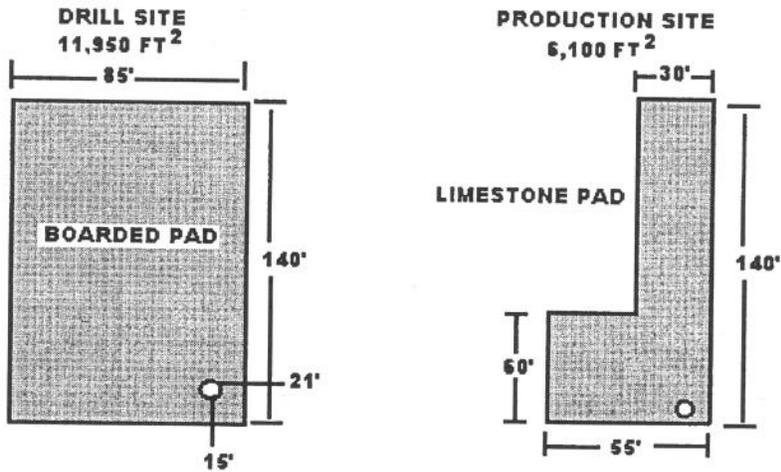
This permit becomes effective when the Federal official, designated to act for the Secretary of the Army, has signed below.

  
 \_\_\_\_\_  
 (DISTRICT ENGINEER)  
**CASEY CUTLER**  
**CHIEF, POLICY ANALYSIS SECTION**  
**FOR COLONEL DAVID C. WESTON**

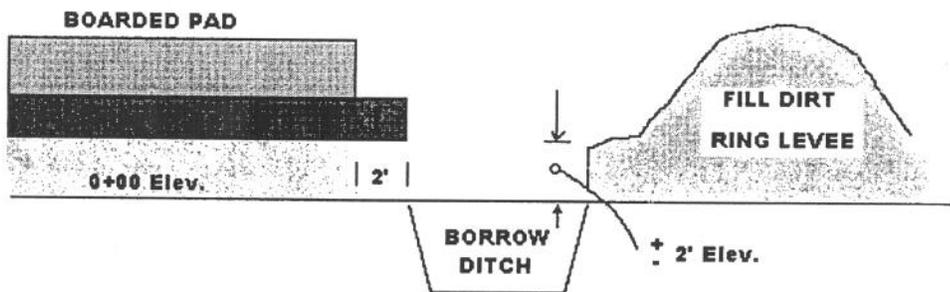
  
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TYPICAL OILWELL LOCATION  
HIGH ISLAND FIELD



DRILLING LOCATION



MICHAEL L. WILLIAMS, CHAIRMAN  
VICTOR G. CARRILLO, COMMISSIONER  
ELIZABETH A. JONES, COMMISSIONER



TOMMIE SEITZ  
DIRECTOR, OIL AND GAS DIVISION

# RAILROAD COMMISSION OF TEXAS

## OIL AND GAS DIVISION

January 20, 2009

U S ARMY CORPS OF ENGINEERS  
REGULATORY BRANCH (CESWF-PE-RE)  
GALVESTON, TX  
ATTN Jayson Hudson

Re: U.S Army Corps of Engineers, Reissuance of Regional General Permit for the Development of Petroleum Exploration Activities In Texas  
SWG-2002-02818 (Formerly 15208(04)) High Island Oil Field  
Galveston County, Texas

Dear Mr. Hudson:

The Railroad Commission of Texas (RRC) has examined the above referenced proposed regional general permit in response to the public notice issued September 3, 2008. The RRC is the certifying agency for federal permits authorizing activities associated with the exploration, development, and production, including pipeline transportation, of oil, gas, or geothermal resources that may result in a discharge to waters of the United States within the State of Texas. I have examined the proposed permit and identified no conflicts between the proposed permit and applicable state water quality laws.

In a letter dated November 3, 2008, the Texas Parks and Wildlife Department (TPWD) requested the inclusion of special conditions to address an established mitigation plan for impacts to wetlands. This office understands that the USACE plans to revise the subject permit to include language to address this request. In addition, TPWD requested the inclusion of a special conditions to require a plan for specific minimum success criteria and monitoring of emergent wetland consistent with the Galveston USACE's interagency special conditions and protocols for emergent wetlands temporarily impacted by oilfield development. This office understands that the USACE does not plan to include the requested special condition because the regional general permit is designed to result in minimal impacts and because the interagency special conditions referenced by the TPWD are for a different area of the state and are not appropriate to the High Island area covered by this regional general permit. This office agrees with this reasoning.

Based on my review of the application, there is reasonable assurance that the activities under this permit, if conducted in the manner described and in accordance with applicable state and federal regulations, will not cause a violation of applicable water quality requirements. Water quality certification of the referenced application is hereby issued.

In addition, the subject area is within the boundary covered by the Texas Coastal Management Plan (TCMP). The proposed activity is below the threshold for review of the Coastal Coordination Council.

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January 20, 2009  
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The RRC has reviewed this proposed action for consistency with the TCMP goals and policies, in accordance with the regulations of the TCMP, and has found that the proposed action will not have a direct and significant adverse affect on any coastal natural resource area identified in the applicable policies, and has determined that the proposed action is consistent with the applicable goals and policies of the TCMP, with one condition. This office recommends that the permit include language requiring offsite disposal of drilling muds, drilling fluids, and drill cuttings at an authorized disposal facility.

Please call me at (512)463-7308 if you have any questions.

Sincerely,



Leslie Savage, Water Quality Certification Coordinator  
Oil & Gas Division  
Railroad Commission of Texas