D. In the event that gas production is established, arrangements will be made to connect to a gas sales line in the area.

4. Location and Type of Water Supply:

The well will be drilled with a combination fresh water mud system and air as outlined in the drilling program. The water will be obtained from commercial water stations in the area and hauled to the location by transport truck over the existing access roads shown in Exhibit #3. If a commercial fresh water source is nearby, fasline may be laid along existing road ROW's and fresh water water pumped into the well. No water will be drilled on the location.

5. Method of Handling Water Disposal:

A. Drill cuttings not retained for evaluation purposes will be disposed into the reserve pits.

B. Drilling fluids will be contained in steel mud tanks. The reserve pit will contain any excess drilling fluid or flow from the well during drilling, cementing, and completion operations. The reserve pit will be an earthen pit, approximately 50'X 50'X 6' deep and fenced on three sides prior to drilling. It will be fenced on the fourth side immediately following rig removal.

C. Water produced from the well during completion may be disposed into the reserve pit or steel tank (depending on the rates.) After the well is permanently placed on production, produced water will be collected in tanks (fiberglass or steel) until hauled by transport to an approved disposal system, produced oil will be collected in steel tanks and sold.

D. Garbage and trash produced during drilling or completion operations will be placed in a trash trailer and contained to prevent scattering by the wind. The trash will be disposed of at an approved disposal. No toxic