Vanessa P. Hickman State Land Commissioner

December 16, 2013

Mr. Carmon Bonanno Gusher State LLC 11 North Saint James Place Eastborough, Kansas 67206

Re: Approval of Surface Use Plan for AZ State Oil and Gas Leases 13-115963 and -115995 Well Nos. 1-22 State and 2-22 State

Dear Mr. Bonanno:

The Arizona State Land Department (ASLD) has completed its review of the Oil and Gas Drilling Surface Use Plans, including the Archaeological/Cultural Resources Survey report, for State Oil and Gas Leases 13-115963 (well no. 1-22 State) and 13-115995 (well no. 2-22 State), submitted by Gusher State LLC (Gusher State) and received by ASLD on October 24, 2013. The Surface Use Plans for State Oil and Gas Leases 13-115963 and 13-115995 are approved, contingent upon Gusher State signing and returning to ASLD the enclosed "Conditions for Approval". This document, when signed, will provide acknowledgement and acceptance by Gusher State of the specified conditions for completion of the drilling program for the 1-22 State and 2-22 State wells.

If you have any questions or concerns, I may be contacted at the address on the letterhead, by email at jdixon@azland.gov, or by phone at (602) 542-2685.

Sincerely,

Joseph A. Dixon

Minerals Section Manager

Enclosure

cc: Stève Rauzi, Oil and Gas Administrator, Arizona Geological Survey; 13-115963 and 13-115995 Lease Files

Conditions for Approval Oil and Gas Drilling Surface Use Plan for Arizona State Oil and Gas Lease Nos. 13-115963 and 13-115995 with Gusher State LLC

- All reasonable attempts shall be made to avoid conducting drilling operations during inclement weather so as to prevent excessive damage to roads and sites.
- All constructed drill sites, access roads, and turn outs will be reclaimed. This will include removing all trash, backfilling mud pits, cleanup and proper disposal of any contaminated soils that may result from potential oil/fuel spills, followed by scarifying and seeding the disturbed areas with an appropriate seed mixture.
- Any gates or other improvements belonging to grazing lessees are to be repaired or replaced if damaged during the course of the exploration drilling.
- All disturbed surface lands, including pre-existing ranch roads, utilized by Gusher State LLC, or its contractors will either be maintained or properly abandoned as deemed appropriate by the Arizona State Land Department (ASLD).
- The ASLD will be notified within 10 working days of the completion of the approved exploration plan, including the drilling and reclamation work.
- Travel on or across Site 34(ASM), identified in the archaeological survey report (Miller, November 2013), shall be restricted to rubber-tired vehicles, and other than vehicular travel Site 34(ASM) is not to be disturbed by any project-related activities.

Acknowledged and Agreed

Comen Bonower 11/2 12-19-2013

For:

Gusher State LLC

11 North Saint James Place Eastborough, Kansas 67206 Janice K. Brewer Governor

Vanessa P. Hickman State Land Commissioner

December 13, 2013

Dr. James Cogswell Planner-Archaeologist Arizona State Historic Preservation Office 1300 West Washington Phoenix, Arizona 85007

RE: Cultural Resources Review of Oil and Gas Leases 13-115963 and 13-115995 (Gusher State Douglas)

Dear Dr. Cogswell:

Gusher State LLC (GSL) has been assigned Oil and Gas Lease numbers 13-115963 and 13-115995 by the Arizona State Land Department (ASLD) in support of the proposed development of two drill pad locations and an associated 3.03 mile long access route approximately 11 miles north-northwest of Douglas, Cochise County, Arizona. Lease 13-115963 (State of Arizona 1-21 well) includes approximately 2400 acres of Arizona State Trust land, located within portions of Sections 16, 17, 20, and 21, T22S, R27E; Lease 13-115995 (State of Arizona 2-22 well) includes approximately 1960 acres of Arizona State Trust land, located within portions of Sections 13, 14, 15, 22, and 23, T22S, R27E Gila and Salt River Baseline & Meridian. Each of the drill pads encompasses two acres, and the access road corridor totals 36.5 acres.

Per the 2006 Interagency Service Agreement between ASLD and the Arizona State Historic Preservation Office, the area indicated in the application has been examined to determine if any historic properties, which may be listed on or eligible for inclusion in the Arizona or National Register of Historic Places (A/NRHP) are present. The results of the review are included herein and will be provided to affected parties (including Mr. Joe Dixon, ASLD Minerals Section Manager) to detail any efforts ASLD may require the applicant to undertake in regards to historic properties.

At the request of GSL, William Self Associates, Inc. (WSA) conducted an intensive cultural resources survey of the proposed project area, results of which are reported in *Gusher State Class I Inventory and Class III Survey of Proposed Drill Sites and Overland Route, Cochise County, Arizona* (Miller, November 2013). Survey of the two proposed drill sites and a 100 foot wide corridor centered on the access route (totaling 40.5 acres of Trust land) was conducted under the authority and conditions of Arizona Antiquities Act Blanket Permit 2013-028bl, issued to WSA by the Arizona State Museum (ASM).

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One historic archaeological sites, AZ FF:6:34(ASM), was identified and documented during the survey. Site 34(ASM) consists of a probable segment of the Courtland Branch of the El Paso and Southwest Railroad, constructed in 1909 and abandoned in 1932. WSA considers Site 34(ASM) to be eligible for inclusion in the NRHP under Criterion A of 36 CFR Part 60.4, and ASLD agrees. As such, WSA has recommended that any travel on the railroad grade be restricted to rubber-tired vehicles, and that the grade not be disturbed by any project-related activities; ASLD has reviewed the survey report and concurs. I am therefore recommending to Mr. Dixon that the following be made conditions of approval for Leases 13-115963 and 13-115995:

- a) If any ground disturbing activities associated with Leases 13-115963 or 13-115995 are
 to occur on Arizona State Trust land in areas not previously subjected to cultural
 resources survey and subsequently reported in the document reviewed herein (Miller,
 November 2013), additional cultural resources inventory will be required PRIOR TO
 any such disturbance;
- b) Travel on or across Site 34(ASM) shall be restricted to rubber-tired vehicles;
- c) Other than vehicular travel, Site 34(ASM) is not to be disturbed by any project-related activities;
- d) Should previously undocumented cultural resources be identified during any project-related construction or maintenance activities, all such work shall cease in the immediate vicinity of the remains, and pursuant to A.R.S. §41-844, the Director of the Arizona State Museum shall be immediately notified; the Manager of the Cultural Resources Management Program at ASLD shall also be notified. Should human remains be identified, the Repatriation Coordinator of the Arizona State Museum will be notified immediately; the Manager of the Cultural Resources Management Program at ASLD shall also be notified.

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We appreciate the continued cooperation of the Arizona State Historic Preservation Office in considering the potential for impacts to Arizona's cultural resources which may result from the plans and/or actions of the Arizona State Land Department. If you, Mr. Dixon or the Arizona State Museum have any comments or concerns, please contact me at (520) 209-4261, or via email at bstone@azland.gov.

Sincerely,

Bradford W. Stone

Archaeological Projects Specialist

c: Joe Dixon, ASLD

Nancy Pearson, ASM Carmon Bonanno, GSL

Shane Miller WSA