

Additional Sheet
2018 Annual Report
Coal Creek Resources
M-1988-044
Schmidt Construction Company
Anniversary Date: March 28

Probably last year of operation: Between now and April 2019 will likely be the last year of operation for this sand pit. At present it does not appear that Schmidt will be pursuing a lease extension and the State Land Board has not offered an extension. The direction of the Lowry Range Property seems to be changing and is not compatible with surface mining of the property. However, oil and gas development is expected to continue. This conclusion could change but that is not expected. Schmidt does have about 32 more acres that they could mine and that would probably last another 10 years with current market demand. The market demand has never fully returned to the level it was before the extended and severe recession that occurred 10 years ago.

Status of 2014 Reclamation Area: Inspection in early-March showed the area seeded in August of 2014 is continuing to look in good condition, but lacks significant development in the vegetation. It appears to be quite similar to the way it was last year at this time. The dry 2016-2017 winter as well as this last winter has certainly had an impact on the vegetation. And the dry hot summer in between did not help. Management of grazing by another lessee is being done with care and consideration. Although it has been hoped for some time now that the remaining seeded areas can be released, the drought of the last two years seems to have impacted vegetation enough that a request for release might not be proper quite yet. Another assessment will be made in July and perhaps that view will change by then.

New Oil and Gas Wells: Conoco/Phillips has installed two new wells on about a 5 acre gravel covered pad within an area that is within the permit but on land that was previously mined, reclaimed, and released. The total area of this activity is about 11.5 acres, composed of the fenced boundary and the access road. The construction of the pad was very well implemented with very good sediment and erosion control structures. This area is noted on both the guide map and the detail map.

Conoco/Phillips has an oil and gas lease that includes most of the Lowry Range. Their action caused no interference with Schmidt's operations, both companies jointly maintain the main road, and other activities are kept compatible.

Conoco/Phillips asked Schmidt if installation of the wells would cause a problem. As the land is already reclaimed and released there seemed to be none of the difficulty that would occur with installing wells on land that was reclaimed and not released. That would be an unauthorized change in final land use. Therefore, Schmidt gave their permission to use the land. It is within the permit, however.

A number of years ago this was addressed with an agreement that because it is State land and there are multiple leases on the same land, so long as the action does not adversely affect the completion of reclamation, a simple notification of the action is all that is necessary. However, in that agreement it was also agreed that even though the action is within the permit boundary, Schmidt is not responsible for any damages that might occur as a result of the action. That applies to this facility. Schmidt is satisfied that Conoco/Phillips has designed and implemented this new drill pad in a very responsible way and has taken steps to prevent damages to the extent possible.

