be met by the new permittee. A closing, which is tied to completion of transferring not only these but also other permits, is not expected after February 16, 2005. In connection with the notice demonstrating financial assurance, you will see a letter authored by a principal of SWD Specialties, which attaches a copy of the Letter of Credit that it has obtained for the purpose of meeting similar financial assurance requirements for Michigan's oil & gas program regulated under Part 615 of the Natural Resources & Environmental Protection Act, as amended.

We hope and trust that this transmission is adequate to carry out the provisions of the automatic transfers. If you have any questions or comments, please advise as soon as possible.

Very truly yours,

FOSTER, SWIFT, COLLINS & SMITH, P.C.

Charles E. Barbieri

CEB:cas
Enclosures
cc: George Molski
James B. Jensen, Jr. (w/out enc.)
Joe Quandt
David R. Davis, Permits and Bonding Unit

S:\156\ARROW\UIC1.WPD

FOSTER, SWIFT, COLLINS & SMITH, P.C.
Attorneys at Law

Walter S. Foster 1878-1961
Richard B. Foster 1908-1996
Theodore W. Swift 1928-2000
John L. Collins 1926-2001

Webb A. Smith
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David H. Aldrich

S... Storey
C...es A. Janssen
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Deborah J. Williamson
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Robert C. Greene
Scott H. Hogan
James B. Frakie
Mark J. Colon
Craig R. Petersen

LANSING:
313 S. Washington Square
Lansing, MI 48933-2193
PH: 517.371.8100
FX: 517.371.8200

FARMINGTON HILLS:
Suite 230
32300 Northwestern Hwy.
Farmington Hills, MI 48334-1571
PH: 248.539.9900
FX: 248.851.7504

GRAND RAPIDS:
Suite 200
1700 East Beltline, N.E.
Grand Rapids, MI 49525-2076
PH: 616.726.2200
FX: 616.726.2299

Writer's Direct Phone: 517. 371.8155 Fax: 517. 367.7155 Reply To: Lansing

RECEIVED
JAN 17 2006
UIC BRANCH
EPA REGION 5

January 16, 2006

Via Federal Express

UIC Branch (W-16J)
United States Environmental Protection Agency
Region V
77 West Jackson Blvd
Chicago, IL 60604-3590

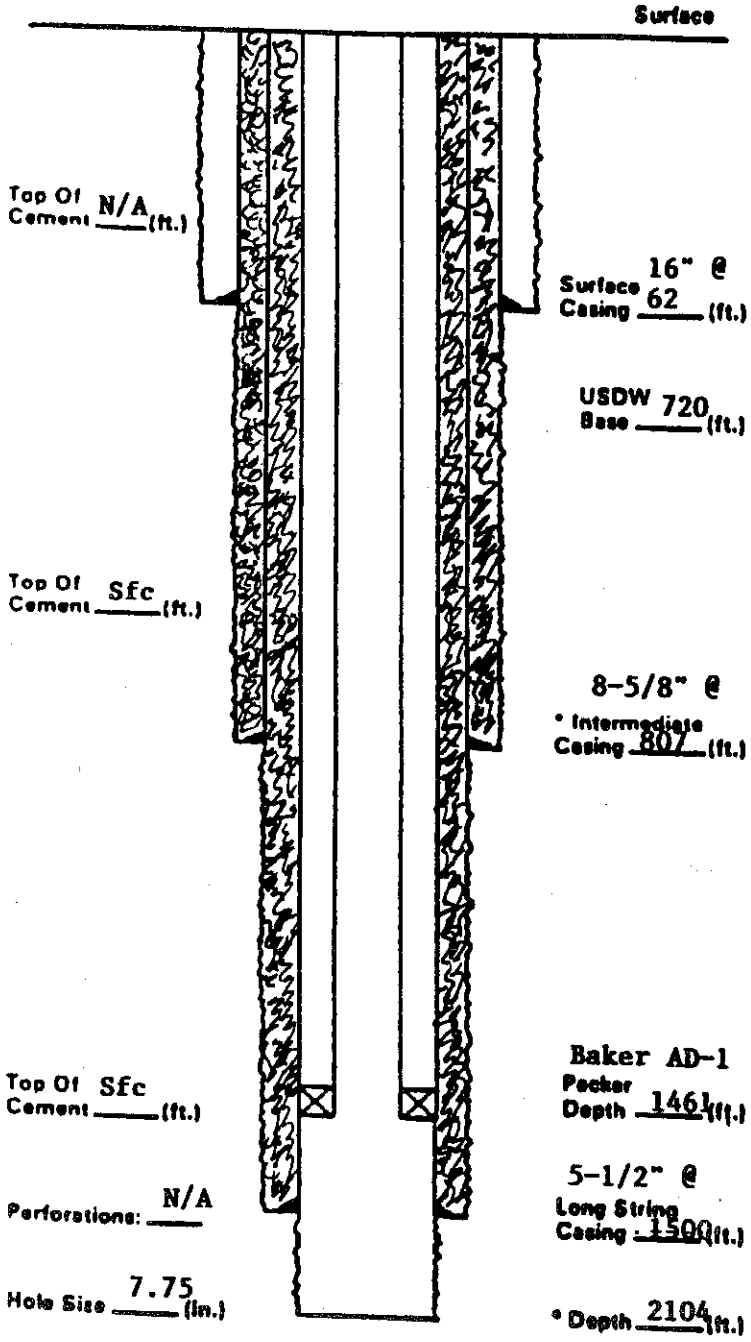
Dear Sir:

Re:

Permit Number: MI-055-2D-C015 Facility Name: State Blair #5-21	Permit Number: MI-079-2D-C008 Facility Name: Simpson #1-9
Permit Number: MI-079-2D-C016 Facility Name: Wlosinski 2-27	Permit Number: MI-079-2D-C001 Facility Name: Hogerheide #1-29 SWD
Permit Number: MI-065-2D-C007 Facility Name: Barber/Kopicko	Permit Number: MI-065-2D-C008 Facility Name: White Oak #1 SWD
Permit Number: MI-025-2D-C003 Facility Name: Kibler/Mather	Permit Number: MI-10-12D-C030 Facility Name: Tel B #2-25
Permit Number: MI-035-2D-C028 Facility Name: Miller #23-41	Permit Number: MI-055-2D-C033 Facility Name: Wedow State Blair #2-28

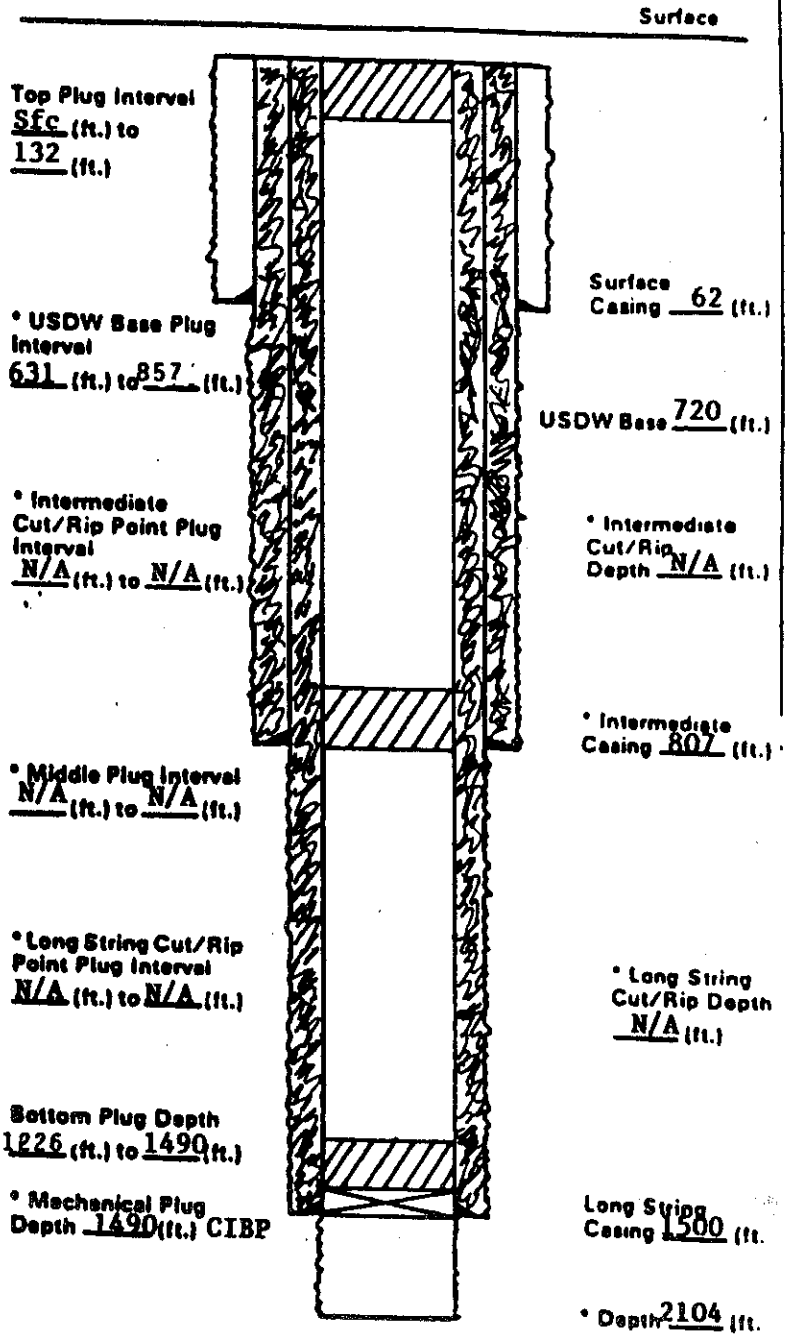
As a matter of introduction, this law office represents SWD Specialities, LLC, which is in the process of acquiring the assignment of several leases and purchasing several specific properties which have underground injection control permits regulated by your agency. In an effort to facilitate the transfer of the above Underground Injection Control permits for these wells under 40 CFR 144.38(b), we are providing you with the current permittee's notification, a copy of a written agreement between the existing and new permittee, which contains information regarding the date of transfer and permit responsibility, coverage and liability and notice demonstrating financial responsibility requirements will

INAL WELL CONSTRUCTION DURIN OPERATION



** Add Any Additional Information
* May Not Apply

PLUGGING AND ANDONMENT CONSTRUCTION



** Add Any Additional Information
* May Not Apply

LIST OF ALL OPEN AND/OR PERFORATED INTERVALS AND INTERVALS WHERE CASING WILL BE VARIED

Specify Open Hole/Perforations/Varied Casing	From	To	Formation Name

OMB No. 2[illegible]0042 Approval Expires 1/31/05

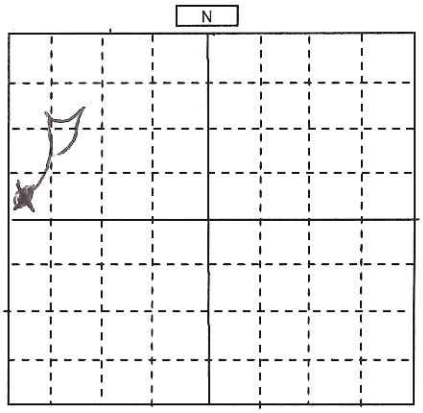
UNITED STATES ENVI[illegible]MENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

MI-055-2D-CO33

PLUGGING AND ABANDONMENT PLAN

Name and Address of Facility	Name and Address of Owner/Operator
WEDOW STATE BLAIR #2-28 SWD BLAIR 28 FIELD	S.W.D SPECIALTIES, LLC 4030 COLUMBUS DR. KALKASI, MI 49646

Locate Well and Outline Unit on Section Plat - 640 Acres



State	County	Permit Number
MI	GRAND TRAVERSE	35,272

Surface Location Description
SW/4,SW/4, SW/4 SEC 28, T26N-R11W

Locate well in two directions from nearest lines of quarter section and drilling unit

Surface Location 610 ft. From (N/S) SOUTH Line of Quarter Section
And 500 ft. From (E/W) WEST Line of Quarter Section

TYPE OF AUTHORIZATION

- [x] Individual Permit
- [ ] Area Permit
- [ ] Rule

Number of Wells _____

Lease Name WEDOW ST. BLAIR

WELL ACTIVITY

- [ ] Class I
  - [ ] Hazardous
  - [ ] Nonhazardous
- [x] Class II
  - [x] Brine Disposal
  - [ ] Enhanced Recovery
  - [ ] Hydrocarbon Storage
- [ ] Class III

Well Number 2-28 SWD

CASING AND TUBING RECORD AFTER PLUGGING

SIZE	WT (LB/FT)	TO BE PUT IN WELL (FT)	TO BE LEFT IN WELL (FT)	HOLE SIZE
8 5/8	32#	807'	807'	12 1/4
5 1/2	15.5#	1500'	1500'	7 7/8

METHOD OF EMPLACEMENT OF CEMENT PLUGS

- [x] Balance Method
- [ ] Dump Bailer Method
- [ ] Two Plug Method
- [ ] Other

CEMENT TO PLUG AND ABANDON DATA:	Plug #1	Plug #2	Plug #3	Plug#4	Plug #5	Plug #6	Plug #7
Size of Hole or Pipe in Which Plug Will Be Placed (inches)	5 1/2	5 1/2	5 1/2				
Depth to Bottom of Tubing or Drill Pipe (ft)	1490'-CIBP	857'	132'				
Sacks of Cement To Be Used (each plug)	30	25	15				
Slurry Volume To Be Pumped (cu. Ft.)	35.4	29.5	17.7				
Calculated Top of Plug (ft.)	1226'	631'	SURFACE				
Measured Top of Plug (if tagged, ft.)	N/A	N/A	N/A				
Slurry Weight (Lb./Gal.)	15.6	15.6	15.6				
Type of Cement or Other Material (Class III)	A	A	A				

LIST ALL OPEN HOLE AND/OR PERFORATED INTERVALS AND INTERVALS WHERE CASING WILL BE VARIED (if any)

From	To	From	To

Estimated Cost to Plug Wells

CEMENT $2,600
RIG OR PULLING UNIT $1,500
CAST IRON BRIDGE PLUG $1,000
MISCALLANEOUS $4,000

CERTIFICATION

I certify under the penalty of law that I have examined and am familiar with the information submitted in this document and all attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment. (Ref.40 CFR 144.32)

Name and Official Title (Please type or print)	Signature	Date Signed
George C. Molski MANAGER	[signature]	2/20/06

EPA Form 7520-14 (Rev. 8-01)

FOSTER, SWIFT, COLLINS & SMITH, P.C.
Attorneys at Law

Walter S. Foster 1878-1961
Richard B. Foster 1908-1996
Theodore W. Swift 1928-2000
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Craig R. Petersen

Writer's Direct Phone: (517) 371-8155 Fax: (517) 367-7155 Reply To: Lansing

RECEIVED
FEB 22 2006
UIC BRANCH
EPA REGION 5

February 21, 2006

Via Federal Express

Stephen Roy (WG165)
Underground Injection Control Program
United States Environmental Protection Agency
77 West Jackson Boulevard
Chicago, IL 60604-3590

LANSING:
313 S. Washington Square
Lansing, MI 48933-2193
PH: 517.371.8100
FX: 517.371.8200

FARMINGTON HILLS:
Suite 230
32300 Northwestern Hwy.
Farmington Hills, MI 48334-1571
PH: 248.539.9900
FX: 248.851.7504

GRAND RAPIDS:
Suite 200
1700 East Beltline, N.E.
Grand Rapids, MI 49525-2076
PH: 616.726.2200
FX: 616.726.2299

Dear Sir:

Re: SWD Specialties/Transfer of UIC Permits

As you are aware, this office represents SWD Specialties, LLC, which informed your agency of the transfer of certain underground injection control permits from Kalkaska Oilfield Services to SWD Specialties, LLC. In that regard, you asked for the Plugging and Abandonment plans for those wells. We now enclose a copy of those plans for your reference. We would ask that you confirm that the agency will consider these UIC permits transferred at the time that the closing occurs regarding the transfer of the wells in question. If you have any questions or comments, please advise.

Very truly yours,

FOSTER, SWIFT, COLLINS & SMITH, P.C.

Charles E. Barbieri

CEB:cas
Enclosures
cc: George Molski (w/o enc.)
James B. Jensen, Jr. (w/out enc.)
Joe Quandt (w/out enc.)
Larry Organek (w/out enc.)
S:\156\Arrow\roy.doc

aforementioned, shall be governed by, and construed in accordance with the Uniform Commercial Code of the State of Michigan.

Partial drawings are permitted without canceling the Letter of Credit balance. This original Letter of Credit must be submitted to us together with any drawings thereunder for our endorsement of any payments affected by us and or cancellation.

It is a condition of this Letter of Credit that it shall be automatically extended for additional terms of one (1) year from the present or each future expiration date unless we give the Supervisor of Wells and the Company, at least ninety (90) days before said expiration date, written notice by certified mail, return receipt requested, or hand delivery, that we elect to terminate this Credit at the end of its then current term.

In the event we give notice of our election to terminate this Letter of Credit and SWD Specialties, LLC. fails to replace this Letter of Credit with other financial assurances acceptable to the Department, you may draw on this Letter of Credit, up to the aggregate amount, less any prior drafts presented by the Department and paid by us, not sooner than thirty (30) days after the date of such notice by presentation of a draft marked "Drawn under Northwestern Bank Letter of Credit No. 0511154", accompanied by a statement purportedly signed by an authorized representative of the Department reading as follows:

> "The Michigan Department of Environmental Quality is making this drawing because SWD Specialties, LLC has failed to replace this Letter of Credit with other financial assurances acceptable to the Department."

We hereby engage with you that drafts in conformity with the terms of this Letter of Credit will be duly honored upon presentation if presented on or after November 15, 2005 and on or before November 15, 2006. The amount of each draft must be endorsed on the reverse of this Letter of Credit by the negotiating financial institution.

William H. Green
Vice President

Northwestern Bank

625 S. Garfield Ave.
P.O. Box 809
Traverse City, MI 49685-0809
(231) 947-5490

www.nwbank.com

Irrevocable Letter of Credit # 0511154
Date: November 15, 2005
Expiration Date: November 15, 2006
Wedow State Blair 2-28 SWD well
Part 615 Supervisor of Wells, 1994 PA 451, as amended

Supervisor of Wells
Michigan Department of Environmental Quality
P.O. Box 30256
Lansing, MI 48909-7756

We hereby issue our Irrevocable Letter of Credit #0511154 in your favor on behalf of SWD Specialties, LLC, hereinafter known as the Company, for a sum of Twenty Thousand Dollars ($20,000.00), available by your drafts at sight drawn on our institution, Northwestern Bank. Drafts must be marked "Drawn under Northwestern Bank Letter of Credit # 0511154 dated November 15, 2005".

This letter is issued to provide financial assurance to the State of Michigan for the well known as Wedow State Blair 2-28 SWD.

The Supervisor of Wells may draw on this Letter of Credit in the event (1) that the Department of Environmental Quality issues a Notice of Violation indicating that the Company has failed to comply with the provisions of PART 615 SUPERVISOR OF WELLS, 1994 PA 451, as amended in the final completion of the aforesaid well or wells. "Final Completion" means the locating, drilling, completing, producing, reworking, plugging, filling of pits, and clean up of well site, including the filing of prescribed records and approval thereof by the Supervisor of Wells; or (2) that the Company fails to provide the Supervisor of Wells with an extension of this Letter of Credit or other financial assurance; or (3) that the Company is adjudged insolvent or bankrupt. The Company shall be deemed, for purposes of this Letter of Credit, adjudged bankrupt upon any petition under Title 11 of the United States Code, filed on the Debtors behalf, and an order for relief granted by any of the United States District of Bankruptcy Courts.

If any provision of this Letter of Credit is construed as ineffective by the court of competent jurisdiction, all other provisions of this Letter of Credit shall remain in full effect and be enforceable pursuant to the effective provisions contained herein.

This Letter of Credit is subject to the Uniform Customs and Practices for Documentary Letters of Credit, 1993 revision of the International Chamber of Commerce, Publication No. 500, and as to matters not governed by the Uniform Customs and Practice for Documentary Credits,

DEQ

MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY - OFFICE OF GEOLOGICAL SURVEY

REQUEST FOR TRANSFER OF PERMIT

Required by authority of Part 615 Supervisor of Wells or Part 625 Mineral Wells, Act 451 PA 1994 as amended. Non-submission and/or falsification of this information may result in fines and/or imprisonment.

☒ Part 615 Oil/Gas Well ☐ Part 625 Mineral Well

Permit number	Well type	Current true vertical depth
35272	Brine Disposal	2107'

Well name and number: Wedow State Blair #2-28 SWD

Surface location: SW 1/4 SW 1/4 NW 1/4 Section 28 T 26N R 11W

Township	County
Blair	Grand Traverse

NOTE: Eligibility for permits is conditioned upon compliance with the statutes, rules and orders of the Department of Environmental Quality. Permits shall not be transferred to persons not in compliance. A permit for a well shall not be transferred if the permittee is under notice because of unsatisfactory conditions at the well site until compliance is achieved. The acquiring permittee shall attach a current Organization Report (EQP 7200-13)
This permit does not convey property rights in either real estate or material nor does it authorize any injury to private property or invasion of private or public rights nor does it waive the necessity of seeking federal and local permits or complying with other state statutes.

TRANSFER OF A PERMIT FROM:

Name(s) of Selling Permittee(s): Kalkaska Oil Field Services

Fed. I.D.# or S.S.#: 38-308-3604

Address: Number and Street, City or Town, State, ZIP Code Telephone: 4030 Columbus Drive, NE, PO Box 1090, Kalkaska, MI 49646 616-258-6026

All permits rights and responsibilities are discharged by:

Permittee	Authorized representative name	Signature	Date
Kalkaska Oil Field Services	Rick Root	Rick Root	12-13-05

TRANSFER OF A PERMIT TO:

Name(s) of Acquiring Permittee(s): SWD Specialties, LLC

Fed. I.D.# or S.S.#: EIN 20-3310760

Address: Number and Street, City or Town, State, ZIP Code Telephone: 4030 Columbus Drive, Kalkaska, MI 49646 - Bus: 231-258-9134

(We are) (I am) an owner or authorized representative of the owner of the well under this permit and assume full responsibility for the drilling, operation, and abandonment in conformity with the law, regulations and orders.

BOND: ☒ Single Well ☒ Attached Surety or Bank Northwestern Bank
☐ Blanket ☐ On File Bond Number LOC #0511154 Amount $20,000
☐ Statement of Financial Responsibility

All permittee rights and responsibilities are assumed by:

Permittee	Authorized representative name	Signature	Date
SWD Specialties, LLC	George Molski	[signature]	11/30/05

FOR DEPARTMENT OF ENVIRONMENTAL QUALITY USE ONLY

Approved _____ Signature _____ Date _____

Distribution by DEQ: ☐ Lansing ☐ Selling Owner ☐ Field ☐ Acquiring Owner

EQP 7200-7 (rev. 8/2004) Mail Original and 3 copies to: OFFICE OF GEOLOGICAL SURVEY
MICHIGAN DEPT OF ENVIRONMENTAL QUALITY
PO BOX 30256
LANSING MI 48909-7756

OMB No. ' 0042 Approval Expires 1/31/05

U ED STATES ENVIRONMENTAL PROTECTION AG. CY
WASHINGTON, D.C. 20460

PLUGGING AND ABANDONMENT PLAN

Name and Address of Facility
WEDOW STATE BLAIR #2-28 SWD
4371 Hwy M37S
Grawn, Michigan. 49646

Name and Address of Owner/Operator
S.W.D SPECIALTIES, LLC
4030 COLUMBUS DR.
Kalkaska Michigan 49646

Locate Well and Outline Unit on Section Plat - 640 Acres

N

State	County	Permit Number
Michigan	GRAND TRAVERSE	MI-055-2D-C033

Surface Location Description
SW 1/4,SW1 /4, SW1/4 SEC 28, T26N-R11W

Locate well in two directions from nearest lines of quarter section and drilling unit

Surface Location 610 ft. From (N/S) SOUTH Line of Quarter Section
And 500 ft. From (E/W) WEST Line of Quarter Section

TYPE OF AUTHORIZATION
- [x] Individual Permit
- [ ] Area Permit
- [ ] Rule

Number of Wells _____

Lease Name WEDOW ST. BLAIR

WELL ACTIVITY
- [ ] Class I
  - [ ] Hazardous
  - [ ] Nonhazardous
- [x] Class II
  - [x] Brine Disposal
  - [ ] Enhanced Recovery
  - [ ] Hydrocarbon Storage
- [ ] Class III

Well Number 2-28 SWD

CASING AND TUBING RECORD AFTER PLUGGING

SIZE	WT (LB/FT)	TO BE PUT IN WELL (FT)	TO BE LEFT IN WELL (FT)	HOLE SIZE
8 5/8	32#	807'	807'	12 1/4
5 1/2	15.5#	1500'	1500'	7 7/8

METHOD OF EMPLACEMENT OF CEMENT PLUGS
- [x] Balance Method
- [ ] Dump Bailer Method
- [ ] Two Plug Method
- [ ] Other

CEMENT TO PLUG AND ABANDON DATA:	Plug #1	Plug #2	Plug #3	Plug#4	Plug #5	Plug #6	Plug #7
Size of Hole or Pipe in Which Plug Will Be Placed (inches)	5 1/2	5 1/2	5 1/2				
Depth to Bottom of Tubing or Drill Pipe (ft)	1490'-CIBP	857'	132'				
Sacks of Cement To Be Used (each plug)	30	25	15				
Slurry Volume To Be Pumped (cu. Ft.)	35.4	29.5	17.7				
Calculated Top of Plug (ft.)	1226'	631'	SURFACE				
Measured Top of Plug (if tagged, ft.)	N/A	N/A	N/A				
Slurry Weight (Lb./Gal.)	15.6	15.6	15.6				
Type of Cement or Other Material (Class III)	A	A	A				

LIST ALL OPEN HOLE AND/OR PERFORATED INTERVALS AND INTERVALS WHERE CASING WILL BE VARIED (if any)

From	To	From	To

Estimated Cost to Plug Wells
CEMENT $2,600
RIG OR PULLING UNIT $1,500
CAST IRON BRIDGE PLUG $1,000
MISCALLANEOUS $4,000

CERTIFICATION

I certify under the penalty of law that I have examined and am familiar with the information submitted in this document and all attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment. (Ref.40 CFR 144.32)

Name and Official Title (Please type or print)	Signature	Date Signed
Rick Root Yard Manager	Rick Root	3-2-2006

EPA Form 7520-14 (Rev. 8-01)

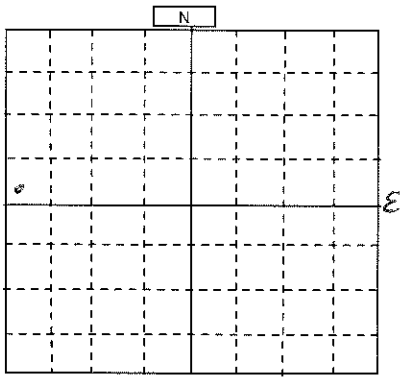
OMB No. 2')42 Approval Expires 1/31/05

UI .D STATES ENVIRONMENTAL PROTECTION AGL
WASHINGTON, D.C. 20460

APPLICATION TO TRANSFER PERMIT

NAME & ADDRESS OF EXISTING PERMITTEE	NAME & ADDRESS OF SURFACE OWNER
Kalkaska Oilfield Services 4030 Columbus Drive, NE Kalkaska, Michigan 49646	Kalkaska Oilfield Services 4030 Columbus Drive, NE Kalkaska, Michigan 49646

Locate Well and Outline Unit on Section Plat - 640 Acres



STATE	COUNTY	PERMIT NUMBER
Michigan	Grand Traverse	MI-055-2D-C033

SURFACE LOCATION DESCRIPTION

SW 1/4 of SW 1/4 of NW 1/4 of __ 1/4 of Section 28 Township 26N Range 11W

LOCATE WELL IN TWO DIRECTIONS FROM NEAREST LINES OF QUARTER SECTION AND DRILLING UNIT

Surface Location 610 ft. From (N/S) South Line of Quarter Section

And 500 ft. From (E/W) West Line of Quarter Section

WELL ACTIVITY

- [ ] Class I
- [x] Class II
  - [x] Brine Disposal
  - [ ] Enhanced Recovery
  - [ ] Hydrocarbon Storage
- [ ] Class III
- [ ] Other

WELL STATUS

- [x] Operating
- [ ] Modification/Conversion
- [ ] Proposed

TYPE OF PERMIT

- [x] Individual
- [ ] Area

Number of Wells [ ]

Lease Number Wedow ST Blair **Well Number** 2-28

NAME(S) AND ADDRESS(ES) OF NEW OWNER(S)	NAME AND ADDRESS OF NEW OPERATOR
S.W.D. Speciaties, LLC 4030 Columber Drive, NE Kalkaska, Michigan 49646	S.W.D. Speciaties, LLC 4030 Columber Drive, NE Kalkaska, Michigan 49646

Attach to this application a written agreement between the existing and new permittee containing a specific date for transfer of permit responsibility, coverage, and liability between them.

The new permittee must show evidence of financial responsibility by the submission of surety bond, or other adequate assurance, such as financial statements or other materials acceptable to the director

CERTIFICATION

I certify under the penalty of law that I have examined and am familiar with the information submitted in this document and all attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment. (Ref.40 CFR 144.32)

NAME AND OFFICIAL TITLE	SIGNATURE	DATE SIGNED
Rick Root Yard Manager	Rick Root	3-2-2006

EPA Form 7520-7 (Rev. 8-01)

December 13, 2005

United States Environmental Protection Agency
77 West Jackson Blvd.
Chicago, IL 60604-3590

Permit Number: MI-055-2D-C033
Facility Name: Wedow State Blair #2-28

To Whom It May Concern:

This letter is to provide notice of a transfer of an underground injection control permit from Kalkaska Oilfield Services of Kalkaska, Michigan, to SWD Specialties, LLC, 1019 Heatherton Road, P. O. Box 339, Johannesburg, MI 49751 [Bus # 989-732-0735/fax # 989-732-3714], pursuant to 40 CFR 144.38(b)(2). This notice includes a copy of the written agreement between the existing permit holder and the party purchasing the well property. Responsibility for this permit will be transferred on a date after January 15, 2006 when the parties are prepared to close in accordance with the October 5, 2005 Salt Water Disposal Well Purchase and Assignment Agreement.

This transfer will include permit responsibility, coverage and liability between the parties. The buyer, SWD Specialties, LLC, has met the requirements of Section 144.52(a)(7), and has the resources to close, plug and abandon the underground injection operation in a manner prescribed by the Director. See attached documentation.

Sincerely,

KALKASKA OILFIELD SERVICES

By Rick Root
Name: Rick Root
Title: Area Manager
4030 Columbus Drive NE
P. O. Box 1090
Kalkaska, MI 49646
Bus # 616-258-6026

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UIC PERMIT TRANSFER AGREEMENT

WHEREAS, Arrow Energy Services, Inc. ("Arrow") and Key Energy Services, Inc. ("Key") entered into an Asset Purchase Agreement on April 29, 2005 to, in part, allow for the transfer of certain underground injection control wells that are permitted in the name of Kalkaska Oilfield Services of Kalkaska, Michigan.

WHEREAS, WellTech Eastern, Inc., Kalkaska Oilfield Services, Inc., Key Energy Services, Inc., and SWD Specialties, LLC entered into a Salt Water Disposal Well Purchase and Assignment Agreement on October 5, 2005 to transfer certain wells.

WHEREAS, in accordance with the aforementioned agreements, SWD Specialties, LLC, will acquire the underground injection control wells: Hogerheide #1-29 SWD, permit MI-079-2D-C001; Simpson #1-9, permit MI-079-2D-C008; White Oak #1 SWD, permit MI-065-2D-C008; Miller #23-41, permit MI-035-2D-C028; Wedow State Blair #2-28, permit MI-055-2D-C033; State Blair #5-21, permit MI-055-2D-C015; Kibler/Mather, permit MI-025-2D-C003; Barber/Kopicko, permit MI-065-2D-C007; Wlosinski #2-27, permit MI-079-2D-C016; and Tel B #2-25, Permit MI-10-12D-C030 ("Underground Injection Control Wells").

WHEREAS, federal regulations require an agreement for transfer of the Underground Injection Control Well permits.

NOW, THEREFORE, in recognition of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, the parties hereto hereby agree as follows:

1. In accordance with 40 CFR 144.38(b)(2), Key and/or its wholly owned subsidiary, Kalkaska Oilfield Services, Inc., shall transfer the permit responsibility, coverage and liability for the Underground Injection Control Wells to SWD Specialties, LLC, on a date after January 15, 2006, when the parties are prepared to close in accordance with the October 5, 2005 Salt Water Disposal Well Purchase and Assignment Agreement.

2 . SWD Specialities, LLC, can satisfy the financial responsibility requirements of 40 CFR 144.52(a)(7) for the Underground Injection Control Wells on or before the transfer date specified in paragraph 1 of this Agreement;

The parties hereto have executed this Transfer Agreement as of December 31, 2005.

KALKASKA OILFIELD SERVICES, INC.

By _____
Name: Rick Root
Title: Area Manager
4030 Columbus Drive NE
P. O. Box 1090
Kalkaska, MI 49646
Bus # 616-258-6026

ARROW ENERGY SERVICES, INC.

By _____
Name: George Molski
Title: President
1019 Heatherton Road
P. O. Box 339
Johannesburg, MI 49751
Bus # 989-732-0735

KEY ENERGY SERVICES, INC.

By _____
Name: THOMAS G. MURPHY JR
Title: VP- PERFORMANCE MANAGEMENT
6 Desta Drive
Midland, TX 79705
Bus # 713.851.3721

SWD SPECIALITIES, LLC

By _____
Name: George Molski
Title: Member
1019 Heatherton Road
P. O. Box 339
Johannesburg, MI 49751
Bus # 989-732-0735

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Chief
Underground Injection Control Branch
U.S. Environmental Protection Agency
77 West Jackson Boulevard, WU-16J
Chicago, IL 60604-3590

Dear Sir:

This letter requests that the attached State Bond # LOC 0511154 in the amount of $20,000 be considered an acceptable mechanism for meeting the Federal Underground Injection Control program financial responsibility requirement for the following well:

1.	Well Name:	Wedow State Blair #2-28 SWD	
2.	Well Location:	Township Blair	Range T26N R11W
		Section 28	SW 1/4 SW 1/4 NW 1/4
		County Grand Traverse	
3.	UIC Application #	MI 055-2D-C033	
4.	SWD Specialties, LLC		
5.	Address	10915 Heatherton Road, PO Box 339, Johannesburg, MI 49751	
6.	Phone	(989) 732-0735	

I certify under the penalty of law that I have personally examined and am familiar with the information submitted in this document and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate and complete. I am aware that there are significant penalties for submitted false information, including the possibility of fine and imprisonment. (Ref. 40 CFR 144.32)

11/23/05

George Molski, Member — Signature — Date Signed

cc: David R. Davis

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Northwestern Bank

625 S. Garfield Ave.
P.O. Box 809
Traverse City, MI 49685-0809
(231) 947-5490

www.nwbank.com

Irrevocable Letter of Credit # 0511154
Date: November 15, 2005
Expiration Date: November 15, 2006
Wedow State Blair 2-28 SWD well
Part 615 Supervisor of Wells, 1994 PA 451, as amended

Supervisor of Wells
Michigan Department of Environmental Quality
P.O. Box 30256
Lansing, MI 48909-7756

We hereby issue our Irrevocable Letter of Credit #0511154 in your favor on behalf of SWD Specialties, LLC, hereinafter known as the Company, for a sum of Twenty Thousand Dollars ($20,000.00), available by your drafts at sight drawn on our institution, Northwestern Bank. Drafts must be marked "Drawn under Northwestern Bank Letter of Credit # 0511154 dated November 15, 2005".

This letter is issued to provide financial assurance to the State of Michigan for the well known as Wedow State Blair 2-28 SWD.

The Supervisor of Wells may draw on this Letter of Credit in the event (1) that the Department of Environmental Quality issues a Notice of Violation indicating that the Company has failed to comply with the provisions of PART 615 SUPERVISOR OF WELLS, 1994 PA 451, as amended in the final completion of the aforesaid well or wells. "Final Completion" means the locating, drilling, completing, producing, reworking, plugging, filling of pits, and clean up of well site, including the filing of prescribed records and approval thereof by the Supervisor of Wells; or (2) that the Company fails to provide the Supervisor of Wells with an extension of this Letter of Credit or other financial assurance; or (3) that the Company is adjudged insolvent or bankrupt. The Company shall be deemed, for purposes of this Letter of Credit, adjudged bankrupt upon any petition under Title 11 of the United States Code, filed on the Debtors behalf, and an order for relief granted by any of the United States District of Bankruptcy Courts.

If any provision of this Letter of Credit is construed as ineffective by the court of competent jurisdiction, all other provisions of this Letter of Credit shall remain in full effect and be enforceable pursuant to the effective provisions contained herein.

This Letter of Credit is subject to the Uniform Customs and Practices for Documentary Letters of Credit, 1993 revision of the International Chamber of Commerce, Publication No. 500, and as to matters not governed by the Uniform Customs and Practice for Documentary Credits,

aforementioned, shall be governed by, and construed in accordance with the Uniform Commercial Code of the State of Michigan.

Partial drawings are permitted without canceling the Letter of Credit balance. This original Letter of Credit must be submitted to us together with any drawings thereunder for our endorsement of any payments affected by us and or cancellation.

It is a condition of this Letter of Credit that it shall be automatically extended for additional terms of one (1) year from the present or each future expiration date unless we give the Supervisor of Wells and the Company, at least ninety (90) days before said expiration date, written notice by certified mail, return receipt requested, or hand delivery, that we elect to terminate this Credit at the end of its then current term.

In the event we give notice of our election to terminate this Letter of Credit and SWD Specialties, LLC. fails to replace this Letter of Credit with other financial assurances acceptable to the Department, you may draw on this Letter of Credit, up to the aggregate amount, less any prior drafts presented by the Department and paid by us, not sooner than thirty (30) days after the date of such notice by presentation of a draft marked "Drawn under Northwestern Bank Letter of Credit No. 0511154", accompanied by a statement purportedly signed by an authorized representative of the Department reading as follows:

> "The Michigan Department of Environmental Quality is making this drawing because SWD Specialties, LLC has failed to replace this Letter of Credit with other financial assurances acceptable to the Department."

We hereby engage with you that drafts in conformity with the terms of this Letter of Credit will be duly honored upon presentation if presented on or after November 15, 2005 and on or before November 15, 2006. The amount of each draft must be endorsed on the reverse of this Letter of Credit by the negotiating financial institution.

William H. Green
Vice President