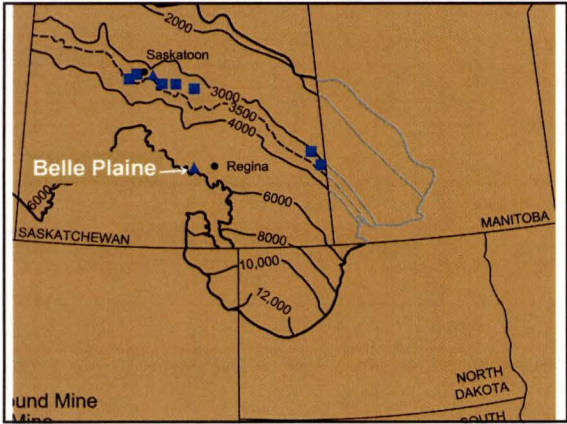


Cory Mine – Saskatoon, Saskatchewan





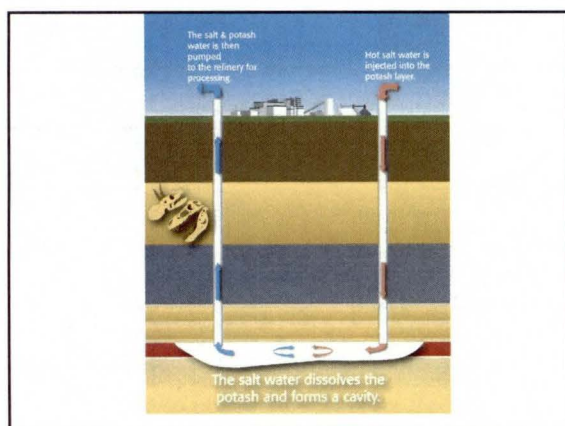


Belle Plaine, Saskatchewan

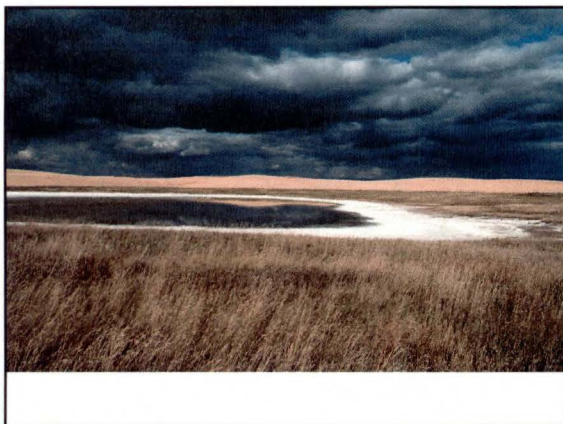




Cluster Site





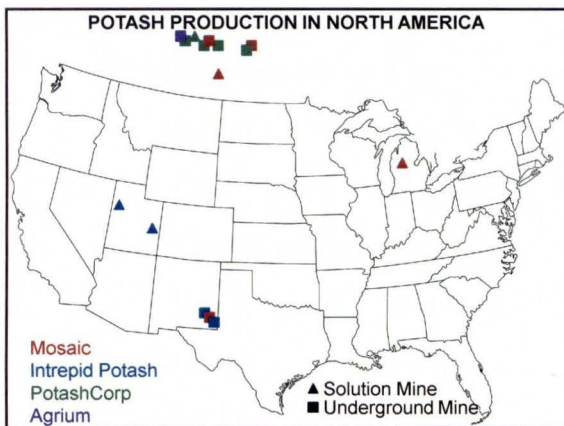


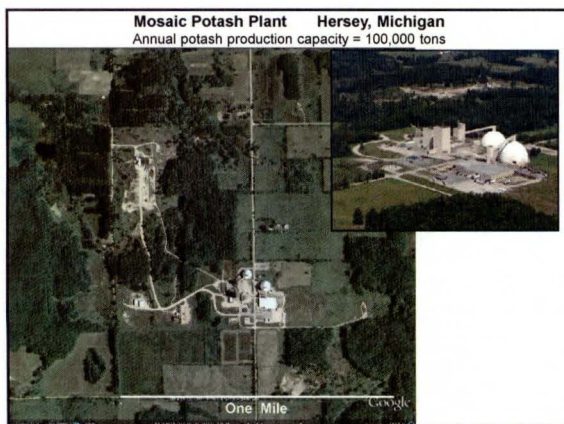


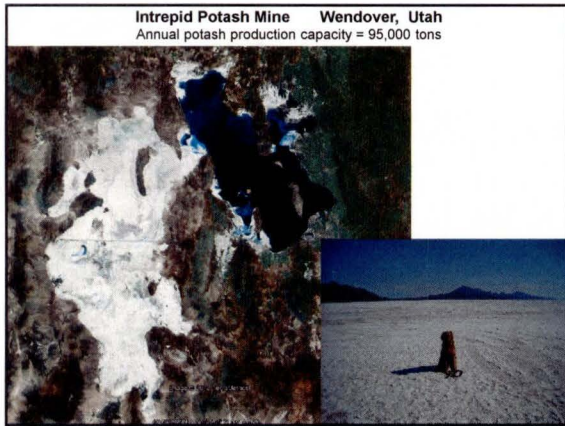
Sodium sulfate at Miller Lake near the town of Alkabo in Divide County

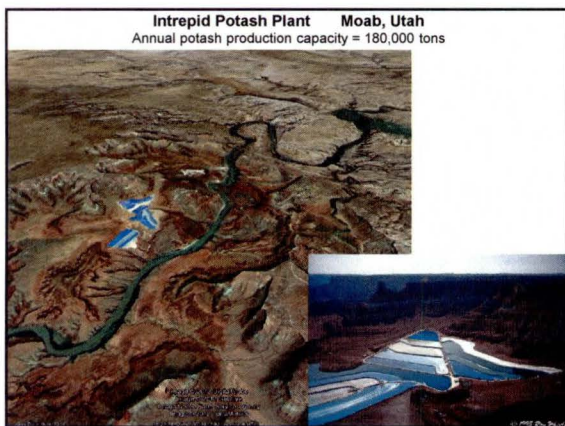


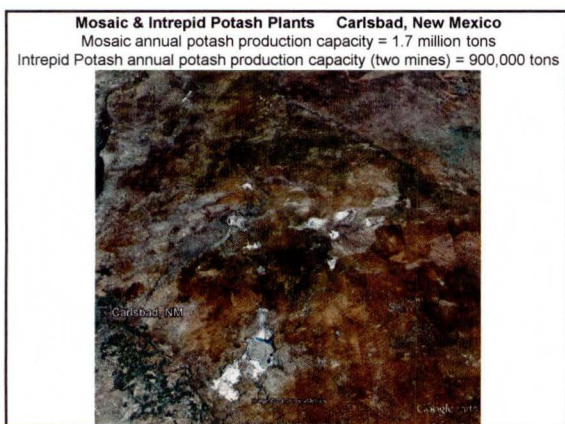




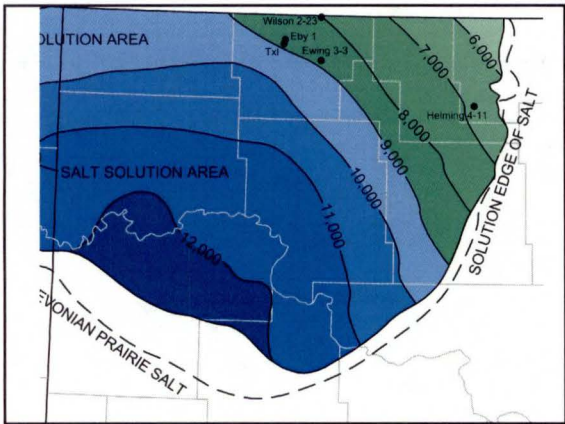














Sorenson Eby etal # 1

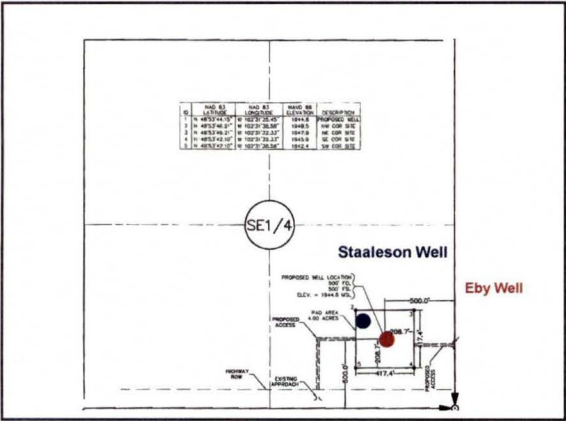
BASIC DATA PROVIDED TO STATE OF NORTH DAKOTA

Confidential until August 13, 2012

- 1) Logs
- 2) Core Analysis
- 3) Core
- 4) Cuttings



Sorenson Eby etal # 1 well pad



Compressed Air Energy Storage in ND Feasibility Project

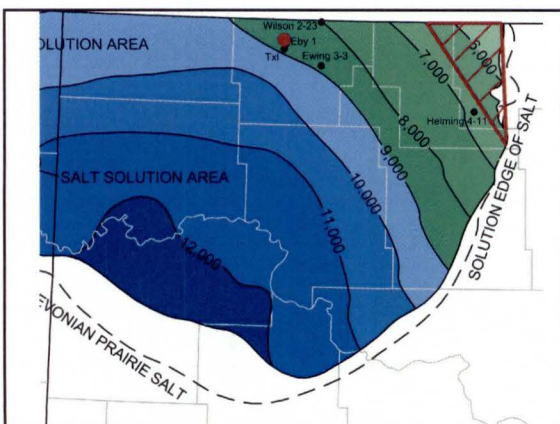
Funded by the North Dakota Renewable Energy Council

Dakota Salts
Electrical Power and Research Institute (EPRI)
Schlumberger Water Services

Laboratory tests performed on the salt core obtained from the Eby well.

Conclusions:

Cavern should be located where the top of the Prairie Formation is no more than 6,500 feet below the surface.

**Compressed Air Energy Storage in ND Feasibility Project**

Funded by the North Dakota Renewable Energy Council

Dakota Salts
Electrical Power and Research Institute (EPRI)
Schlumberger Water Services

Laboratory tests performed on the salt core obtained from the Eby well.

Conclusions:

Cavern should be located where the top of the Prairie Formation is no more than 6,500 feet below the surface.

Creep not as big a potential problem as initially assumed.

Cyclic fatigue of a pressure-cycled salt cavern may be less of a problem at these depths.

Future testing should use 1) larger diameter cores, 2) cores from the western Bottineau County area, and 3) criteria specific to a proposed plant and cavern.

SUBSURFACE MINERALS

North Dakota Century Code

- 38-11.2 SUBSURFACE EXPLORATION DAMAGES
- 38-12 REGULATION, DEVELOPMENT, AND PRODUCTION OF SUBSURFACE MINERALS

North Dakota Administrative Code

- 43-02-02 SUBSURFACE MINERAL EXPLORATION AND DEVELOPMENT
- 43-02-02.1 UNDERGROUND INJECTION CONTROL PROGRAM
- 43-02-02.2 IN SITU LEACH URANIUM MINING RULES

SUBSURFACE MINERALS

- ND Oil and Gas Rules
- ND Public Service Commission Rules
- Michigan Potash Rules
- Wyoming Potash Rules
- New Mexico Potash Rules
- Utah Potash Rules

HOLE PLUGGING

- 43-02-02-24. Method of plugging.
- 43-02-03-34. Method of plugging.
- R 299.2431 Plugging; general requirements.
- R 299.2433 Plugging instructions.
- R 299.2434 Removal of uncemented casing required during plugging.
- R 299.2435 Methods and materials
- R 299.2436 Plugging records; contents and filing
- R 299.2437 Commencement of plugging operations
- R 299.2438 Pulling of surface pipe and conductor pipe
- Ch 8 - Sec 2. General Drill Hole Abandonment Requirements
- Ch 11 - Sec 8. Requirements for Plugging of Drill Holes and Repair, Conversion, and Plugging of Wells.
- 19.15.25.10 PLUGGING
- 19.15.25.11 REPORTS FOR PLUGGING AND ABANDONMENT
- 19.15.25.12 APPROVED TEMPORARY ABANDONMENT
- 19.15.25.13 REQUEST FOR APPROVAL AND PERMIT FOR APPROVED TEMPORARY ABANDONMENT
- 19.15.25.14 DEMONSTRATING MECHANICAL INTEGRITY
- R647-4-108. [Hole Plugging Requirements.](#)
- R649-3-24. [Plugging and Abandonment of Wells.](#)

Proposed Allocation Model

- 1) Establish field boundary
- 2) Cluster well spacing of 160 to 320 acres
- 3) Grid the field on 160 to 640 acre tracts
- 4) Determine potash thickness for each tract
- 5) Allocate royalty to each tract based on average potash thickness
- 6) Individual royalties calculated as % of proceeds to that specific tract

NORTH DAKOTA POTASH TAXATION

HB 1046

Creates a 2% tax on potash produced in the state.

Processing plant, mining facility or satellite facilities will be locally assessed.

Byproducts are taxed at a rate of 4% of gross value

"Byproducts" includes any mineral product, or combination or compound thereof, produced during the processing of potash that is sold and includes aluminum, antimony, arsenic, barium, beryllium, bismuth, boron, cadmium, calcium, cerium, cesium, chromium, cobalt, columbium, copper, gallium, gemstones, germanium, gold, gypsum, hafnium, indium, iridium, iron, lanthanum, lead, lithium, magnesium, manganese, mercury, molybdenum, nickel, osmium, palladium, platinum, praseodymium, rare earth metals, rhenium, rhodium, rubidium, ruthenium, samarium, scandium, selenium, silicon, silver, sodium, strontium, tantalum, tellurium, thallium, thorium, tin, titanium, tungsten, vanadium, yttrium, zinc, and zirconium. The term does not include oil, natural gas, or liquid hydrocarbon, individually or in any combination, coal, carbon dioxide, or severed sand or gravel subject to an extraction or severance tax under any other provisions of this title.

ND Tax Department

Potash Taxation Rates

	Michigan	New Mexico	Utah	Saskatchewan	Wyoming
Severance Tax:	No	2.5% Taxable Value	No	3.1% value + 15% net profit* 5.5% value + 35% net profit**	4% Gross Value
Excise Tax:	No	0.5% Severers Tax 0.125% Processors Tax	No	No	6-7% of taxable value (gross products tax)
Royalty:	4% State 1% Federal	2% State 1% Federal	5% State 1% Federal	2-3%	

* potash ore value of ≤ \$53.33 / ton

** potash ore value of > \$53.34 / ton