



Paul Ostrander
Chief of Staff
Kenai Peninsula Borough
144 N. Binkley Street
Soldotna, Alaska 99669

March 6, 2012

Dear Paul –

Thank you for taking the time to meet us on February 21st regarding the Borough landfill rates. Per our conversation, AIMM Technologies, Inc. hereby formally requests a waiver on the 2012 pricing for Special Waste for approximately 3,000 tons of waste generated from local drilling operations in 2011.

AIMM Technologies, Inc. ("AIMM") is a worldwide industrial cleaning company specializing in advanced technologies for the refining, drilling, and petrochemical industries. After a long tenure on the North Slope, AIMM established an office in the Kenai Peninsula Borough ("the Borough") in June of 2006, after an asset purchase of S and R Enterprises. The goal of our Alaska Division was to bring our innovative service lines to the Peninsula, not only to promote economic growth in the area, but to offer our customers safe, cost effective alternatives. Over the last five years, AIMM has expanded our service lines to meet the needs of our customers and the community in a variety of ambitious projects, many of which have never been attempted in Alaska.

Our latest project, Drill Cuttings Management, was implemented as a result of our customer's requirements and the lack of disposal facilities in Alaska. Over the last few years, the drilling industry on the Peninsula has changed with the departure of many assets of "supermajors" and the arrival of mid-size and independent drilling companies. The smaller drilling companies lack the infrastructure of the supermajors, and as a result, do not have the facilities to dispose of their non-hazardous drill cuttings in an economical manner. After long discussions with our customers and realizing the economic impact of a lack of local disposal options, AIMM developed a method for processing non-hazardous drill cuttings. During the development process, AIMM was in contact with the Kenai Peninsula Borough Solid Waste Department and Alaska Department of Environmental Conservation ("ADEC") to discuss the disposal options and criteria. After extended discussions, analysis, and agreements, AIMM was issued a temporary processing and disposal permit from the ADEC to process non-hazardous drilling wastes and to dispose the processed wastes at the Kenai Peninsula Borough Landfill ("the landfill"). When we commenced processing for the 2011 drilling season, we used the then current landfill commercial rate of \$20.00 per ton of Special Waste for our job costing and proposals.

Our drill cuttings management offer was warmly accepted throughout the local drilling industry. In 2011, AIMM processed and disposed of approximately 28,000 tons of bulk non-hazardous drill cuttings that generated revenue to the Borough of approximately \$568,000.00. In addition to the income generated, the bulk cuttings were utilized by the landfill as an alternative daily cover material, allowing the Borough to avoid the additional costs of having to purchase and transport material for daily cover.



On October 13, 2011, AIMM was notified via email that the Solid Waste Department would be increasing the price of Special Waste from \$20 a ton to \$85 a ton. At the time of receipt, AIMM had a final well to process for 2011 and did not believe that the price increase would affect any existing 2011 contracts. Unfortunately, drilling of the final well extended through the end of 2011 and was not completed until mid-January 2012. AIMM was able to process and dispose of all bulk drill cuttings received through the end of the December 2011. An additional 3,000 tons of processed cuttings were generated during the first weeks of 2012. Due to the narrow margins of the type of processing, it became obvious that AIMM would realize a significant loss by disposing the remaining processed material at the new Borough pricing and contacted the Borough in January to discuss a waiver for the remaining disposal.

For the current stockpiled waste (approximately 3,000 tons), AIMM requests that the Borough grant a waiver of the new 2012 rates and allow the disposal at the 2011 price of \$20.00 a ton.

If there are any questions, concerns, or clarifications, please do not hesitate to contact me by phone or email, (409) 945-5414 or brooks@aimmtechnologies.com.

Best regards,

A handwritten signature in black ink, appearing to read "Brooks Bradford, Jr.", written in a cursive style.

Brooks Bradford, Jr.
President
AIMM Technologies, Inc.

CC: Mike Navarre