

**Worksheet**  
**Documentation of Land Use Plan Conformance and Determination of NEPA Adequacy (DNA)**

U.S. Department of the Interior  
Bureau of Land Management (BLM)

DNA-AZ-110-2008-0035

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A. **BLM Office:** Arizona Strip Field Office

**Lease/Serial/Case File No.:** AZA-34270

**Proposed Action Title/Type:** Application for Permit to Drill (APD), Dutchman 18-1d Wildcat Oil Well

**Location of Proposed Action:** G&SRM, T. 37 N., R. 9 W., Section 18 SESE

**Description of the Proposed Action:** The proposed well would test for oil in Mohave County, Arizona, on a previously cleared drill pad situated on lease AZA-34270 held by Premco Western, Inc. The site is located approximately 33 miles southeast of St. George, Utah; in the Mainstreet grazing allotment (Site Location Map is attached). Mobilization of the drill rig and commencement of drilling operations could occur as early as July 2008, and the estimated duration is 30-45 days. The existing NEPA documents do not consider the development of oil production facilities. Should oil be discovered by the exploration activities, additional environmental documentation and NEPA compliance would be necessary prior to production.

Existing BLM and county-maintained roads would be utilized to access the drill site. No new roads would be constructed; the final 0.4 miles of access has been upgraded to make it passible for vehicles and equipment. The existing roads would be maintained as necessary in accordance with BLM standards. Before drilling could commence, mobilization would require approximately 30 round trips (from St. George to drill site) by vehicles transporting drill equipment, casing, cement, trailers, fuel and other supplies needed to establish the drilling operation. During the drilling operation one or two round trips per day for crew shuttle would be necessary. After drilling operations demobilization would require approximately 30 round trips by vehicles to remove the drill equipment, casing, trailers and supplies left over from the drilling operation.

The existing 150' X 200' pad site would contain all drilling facilities. The existing 50' X 75' reserve pit has been excavated into bedrock to a depth of approximately 8 feet. This pit would be used to hold drill cuttings and drilling water, foam and mud until they are dry. The reserve pit would be fenced prior to drilling and remain so until backfilled to prevent access by wildlife and livestock. If the well is successful, some oil and noxious fluids may be deposited in the reserve pit until the flow of such fluids could be diverted into storage tanks which would be present on site from the onset of operations. A net would be placed over the pit to prevent birds and bats from entering, if the oil or noxious fluids are not removed immediately. Any oil or noxious fluids in the reserve pit would be removed by the operator prior to backfilling of the pit.

The pit would be backfilled and the drill pad would be restored to natural contour. Any salvaged topsoil would be spread and the drill pad would be seeded with a BLM approved seed mixture.

All garbage and other waste material would be stored in a predator proof trash facility. All trash would be hauled from the drill site and deposited in an approved landfill. Burning of trash would not be permitted. Chemical toilets would be present on site. No permanent living or camping facilities would be authorized. Three trailers would be present on site and one each would be used by the mudlogger, tool pusher and geologist/engineer.

Premco Western, Inc., proposes to rotary drill to approximately 7000'. The well would be drilled with air and foam (a non-toxic detergent compound) as long as hole conditions permit, then mud would be used as necessary. Drilling mud and foam that would be utilized include: barite, bentonite gel and non-phosphate biodegradable foaming agent. Water would be transported from St. George by a 3,000 gallon truck and transferred to a 10,000 gallon storage tank on site. Casing and cementing would be used to protect any groundwater zones, potentially productive hydrocarbon zones, lost circulation zones, abnormal pressure zones or prospectively valuable mineral deposits encountered. Any water found in the drilling process would be reported to the BLM and the State of Arizona. All operations would conform to the requirements and guidelines of Onshore Oil and Gas Order No. 2.

If the well is successful, the portions of the drill site not needed for production facilities would be recontoured and reclaimed. An all-weather access road would be needed to maintain the well head. At that time, additional environmental documentation and NEPA compliance would be necessary to consider the effects of oil development and production since the existing environmental and NEPA documents do not consider the development of oil production facilities. The access and pad site would be reclaimed upon cessation of production.

If the well is not successful, the pad site would be recontoured to approximate the original contour and stockpiled surface soils would be spread across the site. The upgraded 0.4 miles of final access road would be ripped. Reseeding would follow with a BLM-approved seed mixture. Reclamation activities should be complete by the fall of 2008. Successful revegetation of the site would take approximately five years. If the initial seeding fails, Premco Western, Inc., and/or their agent would complete additional reseeding under BLM direction.

Additional details regarding the proposed action, as described in the APD and EA-AZ-010-98-05, are located in the project case file at the Arizona Strip Field Office. The proposed action includes the incorporation of BLM's Conditions of Approval (Operating Standards), which are the Mitigation Measures listed on this DNA. Prior to approval of the APD Premco Western, Inc., would need to submit the required lease bond to guarantee performance of reclamation.

**Applicant (if any):** Premco Western, Inc., PO Box 911810, St. George, UT 84791

## **B. Conformance with the Land Use Plan (LUP) and Consistency with Related Subordinate Implementation Plans**

The proposed action is in conformance with the Arizona Strip Field Office Record of Decision and Resource Management Plan, 2008 (RMP). The following decisions are from Table 2.12. Minerals Management, in the RMP:

- DFC-MI-01 - “Mineral exploration and development is encouraged on public land in keeping with the BLM’s multiple-use concept. Overall guidance on the management of mineral resources appears in the Domestic Minerals Program Extension Act of 1953, the Mining and Minerals Policy Act of 1970, FLPMA of 1976, the National Materials and Minerals Policy, Research and Development Act of 1980, BLM’s Mineral Resources Policy of May 29, 1984, and the Energy Policy Act of 2005” ;
- DFC-MI-02 - “Leasable Minerals: the Mineral Leasing Act of 1920, Geothermal Steam Act of 1970, and 43 CFR 3100-3500 provide the legal and regulatory framework for the issuance and management of mineral leases. These regulations apply where public interest exists for the development of oil, gas, geothermal, coal and non-energy leasable mineral resources. Stipulations are attached to leases and permits in order to ensure protection of non-mineral resources that are susceptible to impacts resulting from the exploration and development of leasable mineral resources”;
- DFC-MI-05 - “Allow entire Arizona Strip FO to remain open to mineral leasing, location, and sale except where restricted by wilderness designation, withdrawals, or specific areas identified in this RMP”;
- LA-MI-02 - “Fluid Mineral leasing categories will be designated as follows: Category 1, open to lease subject to standard lease terms and conditions and appropriate special stipulations; Category 2, open with special terms and conditions or seasonal restrictions; Category 3, no surface occupancy (NSO) or other surface disturbance; and, Category 4, withdrawn from minerals leasing (See Map 2.10): Category 1 - 1,722,197 acres, Category 2 - 62,397 acres, Category 3 - 115,710 acres, Category 4 - 80,760 acres.” and
- MA-MI-01 - “New reclamation stipulations for exploration and development plans directed toward maintaining naturalness and unique features and/or remoteness on the Arizona Strip FO will be developed and will be added to or replace the existing stipulations. These stipulations will be applied to site-specific proposals (See Appendix K)”

Also, it has been determined that the proposed action would not conflict with other decisions throughout the RMP.

## **C. Identify the applicable NEPA document and other related documents that cover the proposed action.**

Environmental Assessment for Premco Western, Inc., Dutchman Well No. 18-1 Mohave County, APD, EA-AZ-010-98-05 (1998)  
Decision Record, Premco Western, Inc., Dutchman Well No. 18-1 Mohave County, APD, DR-AZ-010-98-04 (1998)

#### **D. NEPA Adequacy Criteria**

**1. Is the current proposed action substantially the same action (or is a part of that action) as previously analyzed?**

Yes

No

Documentation of answer and explanation:

The proposal is identical to an APD that was submitted (AZA-26138), analyzed (EA-AZ-010-98-05) and authorized (DR-AZ-010-98-04) in 1998.

**2. Is the range of alternatives analyzed in the existing NEPA document appropriate with respect to the current proposed action, given current environmental concerns, interests, resource values, and circumstances?**

Yes

No

Documentation of answer and explanation:

The existing NEPA document analyzed the proposed action and the No Action Alternative. This is appropriate since issuance of a lease grants the lessee a right to conduct exploration and development, subject to the terms of the lease. Another alternative considered but eliminated was drilling at other locations on the lease. This alternative was eliminated because there are no substantial environmental concerns or resource conflicts at the proposed location, and similar impacts would occur at other locations. The proposed location was previously drilled and has not been reclaimed, as yet, since operations are ongoing. Past impacts from this activity would be essentially the same as the proposed action.

Under the No Action Alternative, the APD, as proposed, would be denied and the lessee would not be allowed to drill the proposed location. BLM's authority to implement the No Action Alternative may be limited because oil and gas leases allow drilling in the lease area subject to the stipulations of the specific lease agreement. BLM can deny the APD if the proposal would violate lease stipulations, applicable laws and/or regulations and also can impose restrictions to prevent undue or unnecessary environmental degradation. If BLM were to deny the APD, the lessee under the lease terms has a right to drill at another location within the lease, subject to a site-specific environmental analysis. Alternatively the lessee could attempt to reverse BLM's decision through administrative appeals, seek to exchange its lease for leases in other locations or seek compensation from the federal government. The outcome of these actions is beyond the scope of this EA as they cannot be projected or meaningfully analyzed at this time.

**3. Is existing analysis adequate in light of any new information or circumstances (including, for example, riparian proper functioning condition [PFC] reports; rangeland health standards assessments; Unified Watershed Assessment categorizations; inventory and monitoring data; most recent Fish and Wildlife Service lists of threatened, endangered, proposed, and candidate species; most recent BLM lists of sensitive species)? Can you reasonably conclude that all new information and all new circumstances are insignificant with regard to analysis of the proposed action?**

Yes

No

Documentation of answer and explanation:

No new information or circumstances were identified during the interdisciplinary review. Therefore, it is reasonable to conclude that any new information or new circumstances are insignificant with regard to analysis of the proposed action and the analysis in the existing EA is adequate.

**4. Do the methodology and analytical approach used in the existing NEPA document continue to be appropriate for the current proposed action?**

Yes

No

Documentation of answer and explanation:

The methodology and analytical approach used in the existing NEPA document is substantially the same as those used in current NEPA documents and continues to be appropriate for the current proposed action.

**5. Are the direct and indirect impacts of the current proposed action substantially unchanged from those identified in the existing NEPA document? Do the existing NEPA documents analyze impacts related to the current proposed action at a level of specificity appropriate to the proposal (plan level, programmatic level, project level)?**

Yes

No

Documentation of answer and explanation:

The direct and indirect impacts of the current proposed action are substantially unchanged from those identified in the existing NEPA document. The existing NEPA document analyzed

impacts related to the current proposal at a project level, which is a level of specificity appropriate for the current proposal.

**6. Can you conclude without additional analysis or information that the cumulative impacts that would result from implementation of the current proposed action are substantially unchanged from those analyzed in the existing NEPA document?**

Yes

No

Documentation of answer and explanation:

The existing NEPA document found no residual impacts would remain after the application of all mitigation measures and operating standards. The current proposal is substantially the same as the analyzed action. Therefore, no additional analysis or information is needed to conclude the cumulative impacts from the current proposal are substantially unchanged from those analyzed in the existing NEPA document.

Given the moderate potential for the existence of oil deposits, and the fact that wells drilled on the District have not encountered any oil and gas resources, the probability is very low that this well would be successful and oil field development would occur. If oil is encountered, the cumulative impacts of field development would be addressed through additional NEPA analysis, which would be initiated at that time.

**7. Are the public involvement and interagency review associated with existing NEPA document adequate for the current proposed action?**

Yes

No

Documentation of answer and explanation:

The public involvement and interagency review associated with the existing NEPA document included mailing a letter describing the existing proposal to publics and organizations. Concerned individuals or organizations were requested in this letter to request a copy of the preliminary environmental assessment considering the potential impacts of the proposal. Copies of the preliminary environmental assessment were mailed to the Arizona Geologic Survey, Arizona Department of Environmental Quality, Grand Canyon Trust, Southern Utah Wilderness Alliance, Arizona Game and Fish Department and Mohave County Public Land Use Committee along with a request for comments regarding the alternatives, affected resources and impacts. Letters describing the proposal were sent to publics who had earlier requested that they be informed of land/minerals issues on the District. The only response from any of the parties was from the Arizona Game and Fish Department which stated they do not believe that the proposed action would result in any significant impact to wildlife. This public involvement and

interagency review of the existing NEPA document is therefore considered adequate for the current proposed action.

**E. Interdisciplinary Analysis:** Identify those team members conducting or participating in the preparation of this worksheet.

<u>Name</u>	<u>Title</u>	<u>Resource Represented</u>
<u>Gloria Benson</u>	<u>Native American Coordinator</u>	<u>Native American concerns</u>
<u>Lorraine Christian</u>	<u>Field Office Manager</u>	<u>Management</u>
<u>Rody Cox</u>	<u>Geologist</u>	<u>Minerals, Geology</u>
<u>Kitti Jensen</u>	<u>Wildlife Biologist</u>	<u>T &amp; E Animals, Wildlife</u>
<u>Laurie Ford</u>	<u>Realty Specialist</u>	<u>Lands, Realty, Minerals</u>
<u>Diana Hawks</u>	<u>Recreation Planner</u>	<u>Recreation, Wilderness, VRM</u>
<u>John Herron</u>	<u>Archeologist</u>	<u>Cultural Resources</u>
<u>Lee Hughes</u>	<u>Ecologist</u>	<u>T &amp; E Plants</u>
<u>Ray Klein</u>	<u>GCPNM Supervisory Ranger</u>	<u>Law Enforcement</u>
<u>Linda Price</u>	<u>Vermilion Cliffs Mon. Mgr.</u>	<u>Standards &amp; Guides</u>
<u>Whit Bunting</u>	<u>Range Conservationist</u>	<u>Range, Vegetation</u>
<u>Bob Smith</u>	<u>Soil, Water, Air Specialist</u>	<u>Hazardous Materials</u>
<u>Richard Spotts</u>	<u>Environmental Coordinator</u>	<u>NEPA</u>
<u>Ron Wadsworth</u>	<u>Supervisory LEO</u>	<u>Law Enforcement</u>
<u>LD Walker</u>	<u>Weed Coordinator</u>	<u>Noxious Weeds</u>

**F. Mitigation Measures:** List any applicable mitigation measures that were identified, analyzed, and approved in relevant LUPs and existing NEPA document. List the specific mitigation measures or identify an attachment that includes those specific mitigation measures.

**These mitigation measures (operating standards) must be implemented and are incorporated into the approved APD.**

All lease and/or unit operations will be conducted in such a manner that full compliance is made with applicable laws, regulations (43 CFR parts 3100, 3160 and 3180), lease/agreement terms, Onshore Oil and Gas Orders, Notice to Lessee's, and this approved plan of operation.

A copy of the approved application and these conditions shall be maintained on location during all construction and drilling operations. Deviation from the approved plan without prior approval is not allowed.

The operator is fully responsible for the actions of his subcontractors.

Operators have the responsibility to assure that activities authorized by this permit are conducted in a manner that complies with other applicable Federal, State, and local laws and regulations.

Approval of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

This Application for Permit to Drill (APD) shall be valid for two years from the date of approval, provided the lease does not expire. If activities have not commenced by the end of the two-year period, the APD shall be returned to the operator without prejudice. Should the operator still desire to drill the well, a new APD must be submitted to this office. Upon written request by the operator, a one-time **two year** extension to this time period may be granted by the Authorized Officer (AO).

Failure to comply with the provisions of this permit, including applicable regulations, stipulations, and/or approval conditions, will be considered a violation subject to the enforcement provisions of 43 CFR Subpart 3163.

If fill materials are needed to maintain roads or well sites, proper permits must be obtained from the appropriate surface owner. On BLM administered lands, the use of materials shall conform with 43 CFR §3610.2-3.

### **Required Notifications**

The operator shall contact the BLM, Arizona Strip Field - **(435) 688-3244**, at least 48 hours prior to commencement of access and site construction or reclamation activities. (Contact: **Rody Cox**).

The operator shall contact the BLM, Utah State Office, Branch of Fluid Minerals, **(801) 539-4045**, FAX (801) 539-4261, at least 24 hours prior to the following operations (Contact: **Al McKee**):

- spudding (including dry hole digger or rig hole rigs);
- running and cementing all casing strings;
- pressure testing of BOPE or any casing string.
- pressure integrity test (mud weight equivalency test) of each casing shoe.

In the case of newly drilled dry holes, and in any emergency situation, after hour authorization may be obtained by contacting the following individuals, in the order listed:

Utah State Office, BLM, Branch of Fluid Minerals

Al McKee (801) 828-7498 (Cell)  
Petroleum Engineer

Larry Denny (801) 539-4048 (Work)  
Inspection & Enforcement Coordinator (801) 865-2337 (Cell)

If unable to reach any of the above individuals, please call the following:

Rody Cox (435) 986-3868 (Home)  
Geologist

## Conditions of Approval

**Drilling Plan** - The Nine Point Plan of the Application for Permit to Drill will be supplemented as follows:

1. Onshore Order No. 2, *Drilling Operations*, requires that all formations containing usable quality water (less than 10,000 ppm) be protected via cement. If encountered while drilling, usable quality water would require protection by bringing the cement at least  $\pm 100'$  above the usable quality water zone.
2. No variances were requested nor approved from the minimum standards of Order Nos. 2 and 6.
3. All minimum standards specified in Onshore Order No. 2, III.E. *Special Drilling Equipment*, shall be in place and operational during all air drilling operations.
4. After running and cementing the 5-1/2" production casing string, a cement bond log or cement evaluation tool, or equivalent, shall be run to determine cement top and quality.
5. Any DST operations shall conform to Onshore Oil and Gas Order No 2, III. D. Drill Stem Testing Requirements.
6. Daily drilling and completion progress reports shall be submitted to the Utah State Office on a weekly basis, and shall include daily mud reports.
7. Operations authorized by this permit shall not be suspended for more than 30 days without prior approval of the Authorized Officer (AO). All conditions of this approval shall be applicable during any operations conducted with a replacement/completion rig.
8. Two copies of all logs, and a single copy of core descriptions, core analyses, drill stem tests, well-test data, geologic summaries, sample descriptions, and all other surveys or data obtained and compiled during the drilling and/or completion operations shall be submitted to the **BLM, Arizona Strip Field Office, at 345 East Riverside Drive, St. George, Utah, 84790.**
9. Gas produced from this well may not be vented or flared beyond an initial authorized test period of 30 days or 50 MMCF following its completion, whichever comes first, without the prior written approval of the authorized officer. Should gas be vented or flared without approval beyond the authorized test period, the operator may be directed to shut-in the well until the gas can be captured or approval to continue venting or flaring as uneconomic is granted and the operator shall be required to compensate the lessor for the portion of the gas vented or flared without approval which is determined to have been avoidably lost.

10. Section 102 (b) (3) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3162.4-1 (c), requires that "not later than the 5th business day after any well begins production on which royalty is due anywhere on a lease site or allocated to a lease site, or resumes production in the case of a well which has been off production for more than 90 days, the operator shall notify the authorized officer by letter or sundry notice, Form 3160-5, or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed."

The date on which production is begun or resumed will be construed for oil wells as the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or, the date on which liquid hydrocarbons are first produced into a permanent storage facility, whichever occurs first; and, for gas wells as the date on which associated liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or, the date on which gas is first measured through permanent metering facilities, whichever occurs first.

If you fail to comply with this requirement in the manner and time allowed, you shall be liable for a civil penalty of up to \$10,000 per violation for each day such violation continues, not to exceed a maximum of 20 days. See Section 109 (c) (3) of the Federal Oil and Gas Royalty Management Act of 1982 and the implementing regulations at Title 43 CFR 3162.4-1 (c) and 3163.2 (e) (2).

**Surface Use Plan of Operations** - The 12 Point Plan of the Application for Permit to Drill will be supplemented as follows:

1. Standard Archaeological Stipulations
  - i. Any surface, or sub-surface archaeological, historical, or paleontological remains not covered by the CRPR discovered during preparation or actual work shall be left intact; all work in the area shall stop immediately and the Authorized Officer will be notified. Commencement of work shall be allowed upon clearance by the Authorized Officer in consultation with the Archaeologist.
  - ii. An additional archaeological survey shall be required in the event the proposed project location is changed, or additional surface disturbing activities are added to the project after the initial survey. Any such survey will have to be completed prior to commencement, or continuation of the project.
  - iii. If in connection with this work any human remains, funerary objects, sacred objects or objects of cultural patrimony as defined in the Native American Graves Protection and Repatriation Act (P.L. 101-601; 104 Stat. 3048; 25 U.S.C. 3001) are discovered, the lessee shall stop operations in the immediate area of the discovery, protect the remains and objects, and immediately notify the Authorized

Officer. The lessee shall continue to protect the immediate area of the discovery until notified by the Authorized Officer that operations may resume.

2. Before dirt work commences, heavy equipment operators must meet with BLM and Premco Western, Inc., personnel on site to review stipulations and determine project area boundaries.
3. Burning trash will not be allowed. All trash must be contained in a predator proof trash facility and hauled to an approved disposal site during and at the completion of drilling activities.
4. Surface disturbance shall be limited to the extent practicable and only where shown on the well location map. Grading of the well location shall be kept to the minimum necessary.
5. The stockpiled surface soil shall be signed and identified.
6. The reserve pit will be surrounded with a wire sheep fence. At the first indication of oil or other noxious fluids, the reserve pit will be covered with wire mesh screen to prevent wildlife and livestock from entering the pit.
7. There is potential for the spread of noxious and invasive weeds from equipment contaminated with weed seed and/or biomass. To reduce this potential, the BLM requires the following measures be taken: The lessee will thoroughly power wash and remove all vegetative material and soil before transporting equipment to the drill site to help minimize the threat of spreading noxious and invasive weeds. This includes trucks, trailers, and all other machinery. The lessee shall be responsible for the eradication of noxious weeds on disturbed areas within the limits of the drill site during the approval period. The lessee is responsible for consultation with the authorized officer and local authorities for implementing acceptable weed treatment methods. Any use of chemical treatments will be made using only chemicals approved in Final Vegetation Treatments Using Herbicides on Bureau of Land Management Lands in 17 Western States Programmatic Environmental Impact Statement (June 2007), by a state certified applicator who will abide by all safety and application guidelines as listed on the product label and Material Safety Data Sheet (MSDS). Any reclamation efforts requiring seeding will be done with certified, weed-free native seed.
8. Reclamation of all disturbed areas is required. After the stockpiled soil is spread across the reclaimed drill site and access road, it will be scarified and seeded. Revegetation of all disturbed areas except in the wash, which will naturally return to its pre-drilling condition, is required. The seed mixture to be used will be specified by the BLM at the time of reclamation. The seed may be applied by rangeland drill or broadcast and harrow or other drag techniques as approved by the AO. All seed used shall be certified minimum 90 % pure live seed and shall meet Arizona State requirements for weed free specifications.
9. The lessee is responsible for damage to roads caused by operations and will repair them to BLM standards.
10. Soils with a rocky surface will have the surface returned to as near natural (pre-construction) conditions as possible so as to minimize erosion and to blend in with the surrounding features.

11. Within 30 days of completion of drilling, the location will be cleared of all equipment, debris and materials not required for production.
12. If the well is producible, then an additional drilling plan and surface use plan shall be submitted to the AO for approval prior to any additional work.

## **CONCLUSIONS**

Based on the review documented above, I conclude that:

### **Plan Conformance:**

- This proposal conforms to the applicable land use plan.
- This proposal does not conform to the applicable land use plan

### **Determination of NEPA Adequacy**

- The existing NEPA documentation fully covers the proposed action and constitutes BLM's compliance with the requirements of NEPA.
- The existing NEPA documentation does not fully cover the proposed action. Additional NEPA documentation is needed if the project is to be further considered.

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**Signature of the Responsible Official**

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**Date**

## DECISION MEMORANDUM

### APD, Premco Western, Inc., Dutchman 18-1d Well DNA-AZ-110-2008-035

U.S. Department of the Interior  
Bureau of Land Management  
Arizona Strip Field Office

#### Approval and Decision

Based on a review of the project described in the attached Determination of NEPA Adequacy documentation and Arizona Strip Field Office staff recommendations, I have determined that the project is in conformance with the Arizona Strip Field Office Record of Decision and Resource Management Plan, 2008. It is my decision to approve the action as proposed.

This decision includes the mitigation measures listed in the attached Conditions of Approval.

#### Administrative Review or Appeal Opportunities

This decision is effective upon the date it is signed by the authorized officer. Under BLM regulation, this decision is subject to administrative review in accordance with 43 CFR 3165. Any request for administrative review of this decision must include information required under 43 CFR 3165.3(b) (State Director Review), including all supporting documentation. Such a request must be filed in writing with the State Director, Bureau of Land Management, Arizona State Office, One North Central Avenue, Phoenix, AZ, 85004, within 20 business days of the date this decision is received or considered to have been received.

Any party who is adversely affected by the State Director's decision may appeal that decision to the Interior Board of Land Appeals as provided in 43 CFR 3165.4

If you wish to file a petition for stay (suspension) of the effectiveness of this decision during the time that your appeal is being reviewed by the Board, the petition for stay should accompany your notice of appeal and shall show sufficient justification based on the following standards:

#### Standards for Obtaining a Stay

1. The relative harm to the parties if the stay is granted or denied,
2. The likelihood of the appellant's success on the merits,
3. The likelihood of immediate and irreparable harm if the stay is not granted, and
4. Whether the public interest favors granting the stay.

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Lorraine M. Christian, Field Manager

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Date

## CONDITIONS OF APPROVAL

**Company:** Premco Western, Inc.  
**Well No:** Dutchman #18-1d  
**Location:** SE¼ SE¼ Sec 18, T. 37 N., R. 9 W. GSR B&M  
Mojave, Arizona  
**Lease No:** AZA-34270

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### **I. Please Note:**

All lease and/or unit operations will be conducted in such a manner that full compliance is made with applicable laws, regulations (43 CFR parts 3100, 3160 and 3180), lease/agreement terms, Onshore Oil and Gas Orders, Notice to Lessee's, and this approved plan of operation.

A copy of the approved application and these conditions shall be maintained on location during all construction and drilling operations. Deviation from the approved plan without prior approval is not allowed.

The operator is fully responsible for the actions of his subcontractors.

Operators have the responsibility to assure that activities authorized by this permit are conducted in a manner that complies with other applicable Federal, State, and local laws and regulations.

Approval of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

This Application for Permit to Drill (APD) shall be valid for two years from the date of approval, provided the lease does not expire. If activities have not commenced by the end of the two-year period, the APD shall be returned to the operator without prejudice. Should the operator still desire to drill the well, a new APD must be submitted to this office. Upon written request by the operator, a one-time two year extension to this time period may be granted by the Authorized Officer (AO).

Failure to comply with the provisions of this permit, including applicable regulations, stipulations, and/or approval conditions, will be considered a violation subject to the enforcement provisions of 43 CFR Subpart 3163.

If fill materials are needed to maintain roads or well sites, proper permits must be obtained from the appropriate surface owner. On BLM administered lands, the use of materials shall conform with 43 CFR §3610.2-3.

## II. Required Notifications:

The operator shall contact the BLM, Arizona Strip Field - (435) 688-3244, at least 48 hours prior to commencement of access and site construction or reclamation activities. (Contact: **Rody Cox**).

The operator shall contact the BLM, Utah State Office, Branch of Fluid Minerals, (801) 539-4045, FAX (801) 539-4261, at least 24 hours prior to the following operations (Contact: **Al McKee**):

- spudding (including dry hole digger or rig hole rigs);
- running and cementing all casing strings;
- pressure testing of BOPE or any casing string.
- pressure integrity test (mud weight equivalency test) of each casing shoe.

In the case of newly drilled dry holes, and in any emergency situation, after hour authorization may be obtained by contacting the following individuals, in the order listed:

Utah State Office, BLM, Branch of Fluid Minerals

Al McKee (801) 828-7498 (Cell)  
Petroleum Engineer

Larry Denny (801) 539-4048 (Work)  
Inspection & Enforcement Coordinator (801) 865-2337 (Cell)

If unable to reach any of the above individuals, please call the following:

Rody Cox (435) 986-3868 (Home)  
Geologist

## III. Conditions of Approval:

**A. Drilling Plan** - The Nine Point Plan of the Application for Permit to Drill will be supplemented as follows:

1. Onshore Order No. 2, *Drilling Operations*, requires that all formations containing usable quality water (less than 10,000 ppm) be protected via cement. If encountered while drilling, usable quality water would require protection by bringing the cement at least  $\pm 100'$  above the usable quality water zone.
2. No variances were requested nor approved from the minimum standards of Order Nos. 2 and 6.
3. All minimum standards specified in Onshore Order No. 2, III.E. *Special Drilling Equipment*, shall be in place and operational during all air drilling

operations.

4. After running and cementing the 5-1/2" production casing string, a cement bond log or cement evaluation tool, or equivalent, shall be run to determine cement top and quality.
5. Any DST operations shall conform to Onshore Oil and Gas Order No 2, III. D. Drill Stem Testing Requirements.
6. Daily drilling and completion progress reports shall be submitted to the Utah State Office on a weekly basis, and shall include daily mud reports.
7. Operations authorized by this permit shall not be suspended for more than 30 days without prior approval of the Authorized Officer (AO). All conditions of this approval shall be applicable during any operations conducted with a replacement/completion rig.
8. Two copies of all logs, and a single copy of core descriptions, core analyses, drill stem tests, well-test data, geologic summaries, sample descriptions, and all other surveys or data obtained and compiled during the drilling and/or completion operations shall be submitted to the BLM, Arizona Strip Field Office, at 345 East Riverside Drive, St. George, Utah, 84790.
9. Gas produced from this well may not be vented or flared beyond an initial authorized test period of 30 days or 50 MMCF following its completion, whichever comes first, without the prior written approval of the authorized officer. Should gas be vented or flared without approval beyond the authorized test period, the operator may be directed to shut-in the well until the gas can be captured or approval to continue venting or flaring as uneconomic is granted and the operator shall be required to compensate the lessor for the portion of the gas vented or flared without approval which is determined to have been avoidably lost.
10. Section 102 (b) (3) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3162.4-1 (c), requires that "not later than the 5th business day after any well begins production on which royalty is due anywhere on a lease site or allocated to a lease site, or resumes production in the case of a well which has been off production for more than 90 days, the operator shall notify the authorized officer by letter or sundry notice, Form 3160-5, or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed."

The date on which production is begun or resumed will be construed for oil wells as the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or, the date on which liquid hydrocarbons are first produced into a permanent storage facility,

whichever occurs first; and, for gas wells as the date on which associated liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or, the date on which gas is first measured through permanent metering facilities, whichever occurs first.

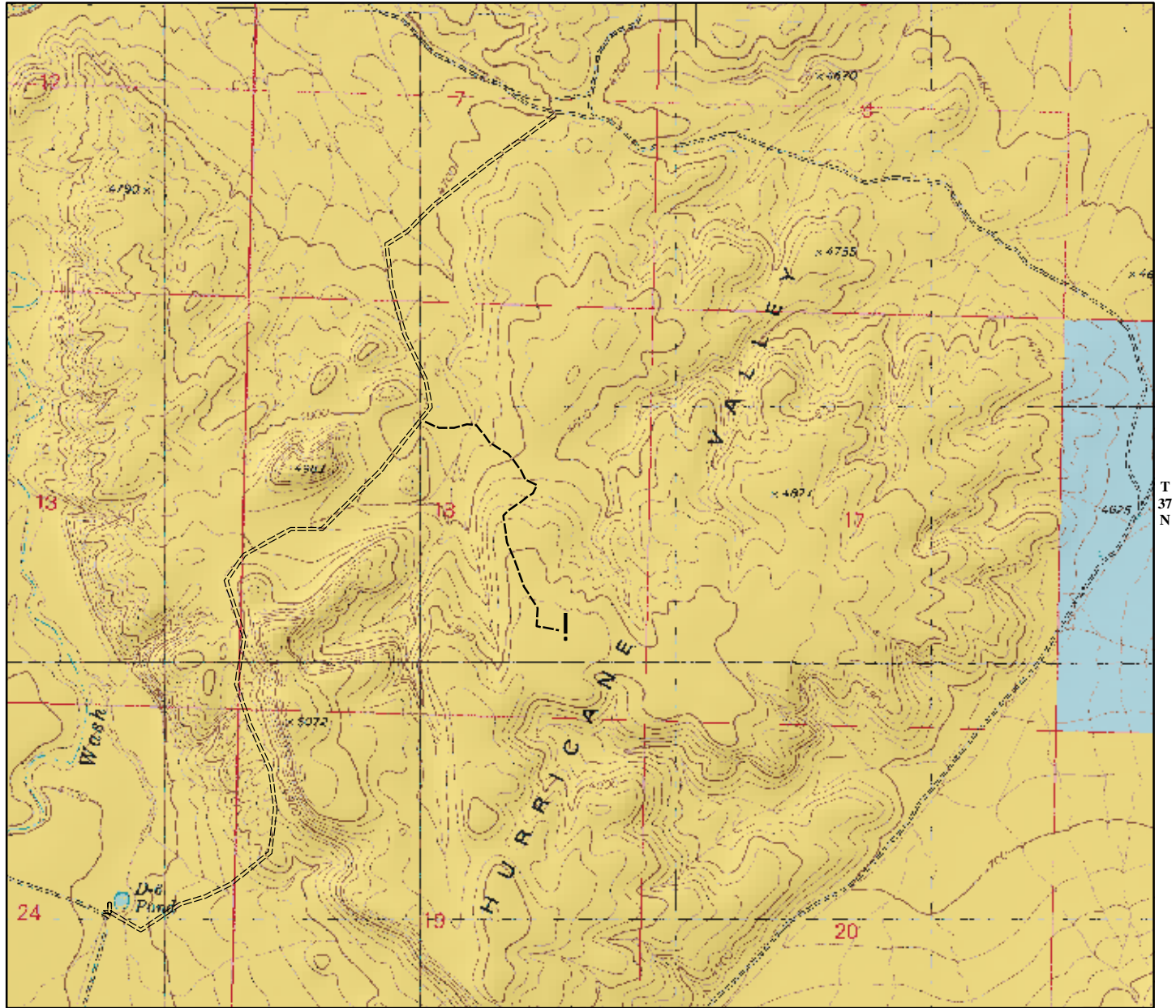
If you fail to comply with this requirement in the manner and time allowed, you shall be liable for a civil penalty of up to \$10,000 per violation for each day such violation continues, not to exceed a maximum of 20 days. See Section 109 (c) (3) of the Federal Oil and Gas Royalty Management Act of 1982 and the implementing regulations at Title 43 CFR 3162.4-1 (c) and 3163.2 (e) (2).

**B. Surface Use Plan of Operations - The 12 Point Plan of the Application for Permit to Drill will be supplemented as follows:**

1. Standard Archaeological Stipulations
  - i. Any surface, or sub-surface archaeological, historical, or paleontological remains not covered by the CRPR discovered during preparation or actual work shall be left intact; all work in the area shall stop immediately and the Authorized Officer will be notified. Commencement of work shall be allowed upon clearance by the Authorized Officer in consultation with the Archaeologist.
  - ii. An additional archaeological survey shall be required in the event the proposed project location is changed, or additional surface disturbing activities are added to the project after the initial survey. Any such survey will have to be completed prior to commencement, or continuation of the project.
  - iii. If in connection with this work any human remains, funerary objects, sacred objects or objects of cultural patrimony as defined in the Native American Graves Protection and Repatriation Act (P.L. 101-601; 104 Stat. 3048; 25 U.S.C. 3001) are discovered, the lessee shall stop operations in the immediate area of the discovery, protect the remains and objects, and immediately notify the Authorized Officer. The lessee shall continue to protect the immediate area of the discovery until notified by the Authorized Officer that operations may resume.
2. Before dirt work commences, heavy equipment operators must meet with BLM and Premco Western, Inc., personnel on site to review stipulations and determine project area boundaries.
3. Burning trash will not be allowed. All trash must be contained in a predator proof trash facility and hauled to an approved disposal site during and at the completion of drilling activities.

4. Surface disturbance shall be limited to the extent practicable and only where shown on the well location map. Grading of the well location shall be kept to the minimum necessary.
5. The stockpiled surface soil shall be signed and identified.
6. The reserve pit will be surrounded with a wire sheep fence. At the first indication of oil or other noxious fluids, the reserve pit will be covered with wire mesh screen to prevent wildlife and livestock from entering the pit.
7. There is potential for the spread of noxious and invasive weeds from equipment contaminated with weed seed and/or biomass. To reduce this potential, the BLM requires the following measures be taken: The lessee will thoroughly power wash and remove all vegetative material and soil before transporting equipment to the drill site to help minimize the threat of spreading noxious and invasive weeds. This includes trucks, trailers, and all other machinery. The lessee shall be responsible for the eradication of noxious weeds on disturbed areas within the limits of the drill site during the approval period. The lessee is responsible for consultation with the authorized officer and local authorities for implementing acceptable weed treatment methods. Any use of chemical treatments will be made using only chemicals approved in Final Vegetation Treatments Using Herbicides on Bureau of Land Management Lands in 17 Western States Programmatic Environmental Impact Statement (June 2007), by a state certified applicator who will abide by all safety and application guidelines as listed on the product label and Material Data Safety Sheet (MSDS). Any reclamation efforts requiring seeding will be done with certified, weed-free native seed.
8. Reclamation of all disturbed areas is required. After the stockpiled soil is spread across the reclaimed drill site and access road, it will be scarified and seeded. Revegetation of all disturbed areas except in the wash, which will naturally return to its pre-drilling condition, is required. The seed mixture to be used will be specified by the BLM at the time of reclamation. The seed may be applied by rangeland drill or broadcast and harrow or other drag techniques as approved by the AO. All seed used shall be certified minimum 90 % pure live seed and shall meet Arizona State requirements for weed free specifications.
9. The lessee is responsible for damage to roads caused by operations and will repair them to BLM standards.
10. Soils with a rocky surface will have the surface returned to as near natural (pre-construction) conditions as possible so as to minimize erosion and to blend in with the surrounding features.
11. Within 30 days of completion of drilling, the location will be cleared of all equipment, debris and materials not required for production.

12. If the well is producible, then an additional drilling plan and surface use plan shall be submitted to the AO for approval prior to any additional work.

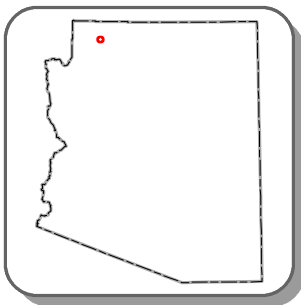


Site Location Map

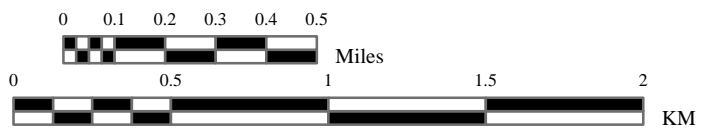
USGS Russell Spring 7 1/2 min. Quad

Legend

- Bureau of Land Management
- State Lands
- Proposed Drill Site
- Upgraded Existing Access



1:24,000



United States Department of the Interior  
 Bureau of Land Management  
 Arizona Strip Field Office

Map created on Feb 19, 2008

CAUTION:

Land ownership data is derived from less accurate data than the 1:24000 scale base map. Therefore, land ownership may not be shown for parcels smaller than 40 acres, and land ownership lines may have plotting errors due to source data.

No warranty is made by the Bureau of Land Management for the use of the data for purposes not intended by the BLM.