

FINDING OF NO SIGNIFICANT IMPACT
AND DECISION RECORD
EA-NM-510-05-83

DECISION: It is my decision to authorize the Application For Permit To Drill Or Deepen (APD) and the associated access road Right-of-Way, NM-114088, for the McKamey "BHM" Federal #1 gas well, submitted by Yates Petroleum Corporation. The provisions for the approval of the APD will include the attachment of the Roswell Field Office requirements as defined in the following exhibits; Exhibit A - Location Map, Exhibit B - Well Drilling Requirements, Exhibit C - Conditions of Approval, Exhibit D - Permanent Resource Road Requirements, Exhibit E - Surface Restoration/Reclamation Requirements, and any special mitigating measures developed in the environmental assessment.

In the event the well proves to be a dry hole, or when the well is abandoned, I recommend that reclamation requirements be attached to the well abandonment, including additional requirements imperative for the complete reclamation of the disturbed areas. These actions are subject to 43 CFR 3160 regulations for Onshore Oil and Gas operations on federal lease NM-106692.

Authority for these actions is the Mineral Leasing Act of February 25, 1920, as amended and Title V of the Federal Land Policy and Management Act of October 21, 1976 (90 Stat. 2776; 43 U.S.C. 1761).

These actions will affect public land described as:

APD - Section 26; SE $\frac{1}{4}$ NW $\frac{1}{4}$, 1980' FNL & 1980' FWL

Right-of-Way NM-114088: Section 25: SE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$; Section 26: NW $\frac{1}{4}$ SW $\frac{1}{4}$;
Section 27: W $\frac{1}{2}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$; Section 30: Lot 4, SE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$;
Section 31: NE $\frac{1}{4}$ NE $\frac{1}{4}$; Section 33: N $\frac{1}{2}$; Section 34: NW $\frac{1}{4}$ NW $\frac{1}{4}$.

T. 15 S., R. 30 E., New Mexico Principal Meridian

FINDING OF NO SIGNIFICANT IMPACT: Based on the analysis of potential environmental impacts contained in the attached environmental assessment, I have determined that impacts resulting from the proposed actions are not expected to be significant and an environmental impact statement is not required.

RATIONALE FOR DECISION: The proposed actions would not result in any undue or unnecessary environmental degradation. Portions of the subject land and adjacent land have been used for similar purposes and all present and potential uses and users have been considered.

COMPLIANCE AND MONITORING: The construction phase of the proposed actions and subsequent operational phases will be monitored as per regulations.

/s/Armando A. Lopez

9/7/05

For Larry D. Bray, Assistant Field Manager,
Lands and Minerals

Date

ENVIRONMENTAL ASSESSMENT

EA# NM-510-05-83

WELL NAME & NO.: McKamey "BHM" Federal #1

BLM Serial #: NM-106692

Section 26, T. 15 S., R. 30 E., NMPM,
1980' FNL & 1980' FWL, Unit Letter F

Chaves County, New Mexico

OPERATOR: Yates Petroleum Corporation

ACTION: Application for Permit to Drill

SURFACE/MINERAL ESTATE: Federal Minerals/Surface

I. Introduction

A. Need for the Proposed Action:

Yates Petroleum Corporation proposes to drill and complete a natural gas well at the location described above. The proposed action is needed to develop the mineral lease.

B. Conformance with Land Use Plan:

Oil and gas lease development is in conformance with the Roswell Approved Resource Management Plan and Record of Decision, October 1997.

C. Relationship to Statutes, Regulations, or other Plans:

The proposed action does not conflict with any known State or local planning, ordinance or zoning.

II. Proposed Action and Alternatives

A. Background of the proposed action:

The access road and well pad would be approved as proposed. The well is a re-entry.

B. Proposed Action:

Yates Petroleum Corporation submitted an Application for Permit to Drill on 7/18/05, to drill the McKamey "BHM" Federal #1 gas well. This well is a re-entry that was originally drilled by Chi Operating, Inc., and the well was named the McKamey Federal #1 and was plugged and abandoned in August 1, 1989.

The proposed action would include:

1. The proposed road is approximately 31,912.1 feet in length, beginning from the Hagerman Cutoff County road to the proposed well pad. Of the 31,912.1 feet approximately 26,631 feet would cross public land. The road would have a driving surface (travelway) of 14 feet, with a maximum 30-foot wide surface disturbance area for the road construction. The proposed access road would be constructed and maintained in accordance with the New Mexico Road Policy. An Off-Lease Road was assigned right-of-way NM 114088.

The renovation of approximately 2,297.2 feet of new access road would begin on the northeast corner of the Hilliard "B" Federal

#1 well location to the proposed well pad. All other existing access roads would be maintained in as good or better condition than was existing at the commencement of operations.

2. The construction of the proposed well pad would be 200 feet long by 200 feet wide. The reserve pit would be constructed within the well pad of the 200' X 200'. The construction of the reserve pit would be about 12 feet by 60 feet and dug 4 feet below ground level. The reserve pit would be located on the north side of the well pad. Standard oilfield construction equipment consisting of; track-type tractors, motor graders, dump trucks, and water trucks would be used to construct the access road and well pad. A rotary drilling rig would be used to drill the well to a depth of 10, 853 feet. Associated production facilities (e.g., pipeline, separator, storage tanks, etc.) would be installed during the production phase of this well. Topsoil would be stockpiled for future use over the disturbed areas.

3. Surfacing material (caliche/gravel) needed for the construction of the access road and well pad could be obtained by the operator from a federal pit in the SE¼ of Section 27, T. 15 S., R. 30 E., Chaves County, New Mexico or from plugged and abandoned wells which are in close proximity to the proposed action.

4. Construction activities would be conducted outside of the period of March 15th through June 15th to protect lesser prairie chicken habitat.

B. Alternatives:

1. Relocate the Proposed Action:

The well location is determined on the basis of subsurface geologic formation and to some extent, by spacing regulations imposed by the New Mexico Oil Conservation District II. No other alternative location would have significantly fewer impacts than, or have a clear advantage over, the projected location. Therefore, the alternative of changing the location involved in this action is not analyzed further in this EA.

2. No Action:

Under this alternative, the application would be rejected. None of the environmental impacts associated with the proposed action or alternate location would occur. Additionally, economic benefits of the proposed action would not be realized, and the existing environment, including the developments in place, would remain unchanged.

III. Description of the Affected Environment

A. General Setting:

The proposed access road and well pad are located on federal minerals and surface about 45 miles, SE of Hagerman, N.M.. Historical and present use of the land has been limited to livestock grazing and energy development.

This area is known as the sand country of the Roswell Field Office, comprised of very sandy soil and a unique vegetative community referred to as the shinnery oak/tall grass community.

B. Rights of Record:

An inspection of the Master Title Plats and other Bureau records revealed the following title information pertaining to valid existing prior rights on the subject land:

- Oil and gas leases: NM-106692 - covers lease actions.
- No federally administered rights-of-way would be affected in the project area.
- No mining claims are recorded within Sec. 26, T. 15 S., R. 30 E., NMPM.

C. Affected Resources:

The following critical resources have been evaluated and are either not present or are not affected by the proposed action or the alternatives in this EA:

Areas of Critical Environmental Concern (ACEC's)

Cultural Resources (89-R-0041-A)

Farmlands, Prime/Unique

Floodplains

Native American Religious Concerns

Wastes, Hazardous/Solid

Wetlands and Riparian Zones

Wild & Scenic Rivers

Wilderness

1. Air Quality:

The area of the proposed action is considered a Class II air quality area. A Class II area allows moderate amounts air quality degradation. The primary sources of air pollution are dust from blowing wind on disturbed or exposed soils and exhaust emissions from motorized equipment.

2. Soil:

The Soil Survey of Chaves County, New Mexico, Southern Part (USDA Soil Conservation Service 1980) was used to describe and analyze impacts to soils from the proposed action. The soil map units represented in the project area are:

Roswell-Jalmar complex, 0 to 15 percent slopes (Rn) Runoff of the unit soil is very slow and the hazard of water erosion is slight and the hazard of soil blowing is severe.

3. Vegetation: SHINNERY-OAK DUNE

This lease is within the shinnery-oak dune vegetative community as identified in the Roswell Resource Management Plan/ Environmental Impact Statement (RMP/EIS). Appendix 11 of the Draft RMP/EIS describes the Desired Plant Community (DPC) concept and identifies the components of each community. The primary features in the shinnery oak dune (SOD) community are topography influenced by aeolian and alluvial sedimentation on upland plains forming hummocks, dunes, sand ridges and swales and the presence of shinnery oak. The topography is gently sloping and undulating sandy plains, with moderate to very steep hummocky dunes of up to ten feet and more in height scattered throughout the area. Some of the dunes are stabilized with vegetation, while a number of them are unstable and shifting. Dune blowouts with shinnery oak (*Quercus havardii*) and bluestem (*Andropogon* spp.), either isolated or in dune complexes are common in this community. Dominant grasses include sand bluestem (*Andropogon hallii*), little bluestem (*Schizachyrium scoparium*), and three-awn (*Aristida* spp.).

The Ecological Site Description proposed well pad and access road is [CP-2 Sand Hills & Sandy Plains (Pecos-Canadian Plains & Valleys)].

4. Invasive & Noxious Weeds:

There are no known populations of invasive or noxious weed species on the proposed access road and well pad.

Infestations of noxious weeds can have a disastrous impact on biodiversity and natural ecosystems. Noxious weeds affect native plant species by out-competing native vegetation for light, water and soil nutrients. Noxious weeds cause estimated losses to producers \$2 to \$3 billion annually. These losses are attributed to: (1) Decreased quality of agricultural products due to high levels of competition from noxious weeds; (2) decreased quantity of agricultural products due to noxious weed infestations; and (3) costs to control and/or prevent the noxious weeds.

Further, noxious weeds can negatively affect livestock and dairy producers by making forage either unpalatable or toxic to livestock, thus decreasing livestock productivity and potentially increasing producers' feed and animal health care costs. Increased costs to operators are eventually borne by consumers.

Noxious weeds also affect recreational uses, and reduce realty values of both the directly influenced and adjacent properties.

Recent federal legislation has been enacted requiring state and county agencies to implement noxious weed control programs. Monies would be made available for these activities from the federal government, generated from the federal tax base. Therefore, all citizens and taxpayers of the United States are directly affected when noxious weed control prevention is not exercised.

5. Ground Water Quality :

State Engineers' water listing shows fresh water for stock in the Quaternary Alluvium. The deepest expected water should be around 325 ft..

6. Wildlife:

Wildlife species utilizing this area for habitat include mule deer, pronghorn antelope, coyote, fox, rabbits, kangaroo rats, pocket gophers, herptile species, as well as a variety of songbirds, dove, quail, and raptors.

There are no known threatened or endangered species of plant or animals within the project area. The list of federal threatened, endangered and candidate species reviewed for this EA can be found in Appendix 11 of the Roswell Approved RMP (AP11-2).

7. Range: The access road and well pad are located on a BLM grazing allotment #65075, Turkey Track, permitted to Bogle LTD. Company, P.O. Drawer 460, Dexter, NM 88230.

8. Visual Resources:

The proposed actions are located within a designated VRM Class IV area. The setting presents a winter gray setting and in warm months, with foliage, a gray to gray-green color pattern.

9. Recreation:

The area around the proposed action site is primarily used by recreational visitors engaged in hunting, caving, off-highway vehicle use, and other recreational activities. Non-recreation visitors include oil and gas industrial workers and ranchers.

10. Cave/Karst:

No surface cave/karst features were observed in the immediate vicinity of the proposed actions. However, the proposed actions are located in the Low Karst Potential Area.

While the proposed action is located in the (Low Potential Karst Area) (Medium Potential Karst Area) (High Potential Karst Area), no surface cave/karst features were observed in the immediate vicinity of the proposed actions.

11. Minority or Low-income Populations or Communities:

The proposed actions would not affect the minority or low-income populations or communities.

IV. ENVIRONMENTAL IMPACTS

A. Proposed Action Impacts:

The surface disturbance involved in the construction of the well pad would total about 0.9 acre of federal minerals surface. An associated access road Right-of-Way (NM-114088) that is 31,912.1 feet in length of which approximately 26,631 feet would cross public land was issued with this federal action. Approximately 2,297.2 feet of the existing access road would be up graded to a BLM Standard road and the renovation would disturb an additional 1.582 acres of federal surface.

1. Air Quality:

Air quality would temporary be impacted with pollution from exhaust emissions, chemical odors, and dust that would be caused by the motorized equipment used to construct the access road, well pad, and by the drilling rig that will be used to drill the well. Dust dissemination would discontinue upon completion of the construction phase of the access road and well pad. Air pollution from the motorized equipment would discontinue at the completion of the drilling phase of the operations. The winds that frequent the southeastern part of New Mexico generally disperse the odors and emissions. The impacts to air quality would be greatly reduced as the construction and drilling phases are completed.

2. Soil:

The construction of the access road and well pad would physically disturb about 2.5 acres of topsoil and would expose the substratum soil. The exposed soil would be susceptible to wind blowing and water erosion. Surfacing the exposed soil on the access road and well pad would minimize these impacts. Construction of the reserve pit 4 feet below ground level would impact deeper soil horizons on the well pad. The impact to the soil would be remedied upon reclamation of the well pad when the stockpiled soil that was specifically conserved to establish a seedbed is spread over the well pad and vegetation re-establishes.

Additional soil impacts associated with lease development would occur when heavy precipitation causes water erosion damage. When water saturated segment(s) on the access road become impassable, vehicles may still be driven over the road. Consequently, deep tire ruts would develop. Where impassable segments are created from deep rutting, unauthorized drive-arounds may occur outside the designated travelway of the access road. Road constructions requirements and regular maintenance would alleviate potential impacts to the access road from water erosion damage.

3. Vegetation:

The construction of the access road and well pad would remove about 2.5 acres of native vegetation. If it is a producing well, reclamation would not commence until the well is a depleted producer and plugged and abandoned. Vegetation recovery on the access road and well pad would depend on the life of the well. Native vegetation would encroach on the well pad over time with only high traffic areas remaining unvegetated. If drilled as a dry hole and plugged, reclamation of the access road and well pad would immediately follow. Vegetation impacts would be short-term when the access road and well pad re-vegetate within a few years, and the reclamation of the access road and well pad are successful.

4. Invasive & Noxious Weeds:

The construction of an access road and well pad may unintentionally contribute to the establishment and spread of noxious weeds. Noxious weed seed could be carried to and from the project areas by construction equipment, the drilling rig and transport vehicles. The main mechanism for seed dispersion on the road and well pad is by equipment and vehicles that were previously used and or driven across or through noxious weed infested areas. The potential for the dissemination of invasive and noxious weed seed may be elevated by the use of construction equipment typically contracted out to companies that may be from other geographic areas in the region. Washing and decontaminating the equipment prior to transporting onto and exiting the construction areas would minimize this impact.

Impacts by noxious weeds will be minimized due to requirements for the company to eradicate the weeds upon discovery. Multiple applications may be required to effectively control the identified populations.

5. Ground Water Quality:

The use of a plastic-lined reserve pit would reduce or eliminate seepage of drilling fluid into the soil and eventually reaching

groundwater. Spills or produced fluids (e.g., saltwater, oil, and/or condensate in the event of a breach, overflow, or spill from storage tanks) could result in contamination of the soils onsite, or offsite, and may potentially impact groundwater resources in the long term. The casing and cementing requirements imposed on the proposed well would reduce or eliminate the potential for groundwater contamination from drilling muds and other surface sources.

6. Wildlife:

Some small wildlife species may be killed and their dens or nests destroyed during construction of the access road and well pad. The construction of the access road and well pad could cause fragmentation of wildlife habitat. The short-term negative impact to wildlife would occur during the construction phase of the operation due to noise and habitat destruction. In general, most wildlife species would become habituated to the new facilities. For other wildlife species with a low tolerance to activities, the operations on the well pad would continue to displace wildlife from the area due to ongoing disturbances such as vehicle traffic and equipment maintenance. The conditions of approval would alleviate most losses of wildlife species, such as; fencing the reserve pits, netting storage tanks, installation or other modifications of cones on separator stacks, and timing stipulations. Upon abandonment of the well, the area would revegetate and wildlife would return to previous levels.

7. Range:

There would be some minor disruption of livestock grazing in the pasture, specifically on the well pad, during the construction and drilling phase of the well. Vehicle traffic would increase in the area, which may lead to conflicts with livestock.

8. Visual Resources:

Facilities, such as condensate and produced water or oil storage tanks that rise above eight feet, would provide a geometrically strong vertical and horizontal visual contrast in form and line to the characteristic landscape and vegetation, which have flat, horizontal to slightly rolling form and line. The construction of an access road, well pad and other ancillary facilities, would slightly modify the existing area visual resources. The proposed action is located in an area designated VRM Class IV.

The objective of Class IV is to: "Provide for management activities which require major modification of the existing landscape character...Every attempt, however, should be made to reduce or eliminate activity impacts through careful location, minimal disturbance, and repeating the basic landscape elements."

Through color manipulation, by painting well facilities to blend with the rolling to flat vegetative and/or landform setting with a gray-green to brownish color, the view is expected to favorably blend with the form, line, color and texture of the existing landscape. The flat color olive drab from the supplemental environmental colors also closely approximates the brownish color of the setting. All facilities, including the meter building, would be painted this color.

Cumulative adverse visual impacts can be avoided by gradually moving into a more appropriate vegetative/landform setting color scheme.

9. Recreation:

Oil and gas activities would have little or no affect on recreational opportunities within this area. Large blocks of public land would allow recreationists to use public land and avoid the oil and gas facilities within the area.

10. Cave/Karst:

There would be no impact to known cave entrances, or karst features within the areas of the proposed actions. The proposed action is located in a low karst potential area.

11. Minority or Low-income Populations or Communities:

The proposed actions would not impact the minority or low-income populations or communities.

B. Alternatives:

1. Relocation Alternative:

The alternative of changing the location involved in this action was not analyzed further because no other alternative location would have significantly fewer impacts than, or has a clear advantage over, the proposed location.

2. No Action Alternative:

The no action alternative would constitute denial of the application. This alternative would have no consequential results from the identified environmental impacts. There would, however, be an adverse economic impact to the applicant through the denial of the lessee's right to develop the mineral reserves or through increased costs of accessing those mineral reserves through other means. There have been no significant or unmitigatable impacts identified as a result of this analysis, which would warrant selection of the no action alternative.

C. Mitigation:

The Roswell Field Office; Well Location Map (Exhibit A), Well Drilling Requirements (Exhibit B), Conditions of Approval (Exhibit C), Permanent Resource Road Requirements (Exhibit D), Surface Restoration/Reclamation Requirements (Exhibit E), and the special requirements derived from this EA, would be applied to this proposed action to minimize the surface disturbance and conserve the surrounding landscape.

D. Cumulative Impacts:

While it is likely that there will be no significant cumulative impact from the proposed action, continued oil and gas development, and other surface-disturbing activities in this area, may potentially have negative cumulative impacts on vegetation, soil, water, livestock, wildlife, and visual resources.

V. Consultation and Coordination

An onsite inspection was conducted on the access road and well pad on 8/10/05. In attendance was Mr. Bob Asher, Regulatory Agent for Yates petroleum Corporation, and Richard Hill, Environmental Protection Specialist, BLM Roswell Field Office. Coordination and consultation has occurred with the applicant's agent. The comments and suggestions expressed during the onsite consultation have been incorporated into this EA.

Coordination and consultation has occurred with Roswell Field Office's Staff. The comments and suggestions expressed during the analytical review of the proposed action have been incorporated into this Environmental Assessment.

Reviewed by:

Irene M. Gonzales
Irene Gonzales, Realty Specialist

Date

EXHIBIT B

WELL DRILLING REQUIREMENTS

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OPERATORS NAME: Yates Petroleum Corporation LEASE NO.: NM-106692

WELL NAME & NO: McKamey "BHM" Federal #1
QUARTER/QUARTER & FOOTAGE: SE $\frac{1}{4}$ NW $\frac{1}{4}$ - 1980' FNL & 1980' FWL
LOCATION: Section 26, T. 15 S., R. 30 E., NMPM
COUNTY: Chaves County, New Mexico

I. GENERAL PROVISIONS:

- A. The operator has the right of administrative review of these requirements pursuant to 43 CFR 3165.1(a).
- B. The operator shall hereafter be identified as the holder in these requirements. The Authorized Officer is the person who approves the Well Drilling Requirements.

II. WELL PAD CONSTRUCTION REQUIREMENTS:

- A. The BLM shall administer compliance and monitor construction of the access road and well pad. Notify Richard G. Hill at least 3 working days (72 Hours) prior to commencing construction of the access road and/or well pad. Roswell Field Office number (505) 627 0247.
- B. Prior to commencing construction of the access road, well pad, or other associated developments, the holder shall provide the dirt contractor with a copy of the approved APD signature page, a copy of the location map (EXHIBIT A), a copy of pages 1 & 2 from the Well Drilling Requirements (EXHIBIT B), and a copy of the Permanent Resource Road Requirements (EXHIBIT D).
- C. No soil stockpile is required for this well. The well is a re-entry and the soils are intermixed with caliche material that is not suitable for reclamation.
- D. Reserve Pit Requirements:
 1. The reserve pit shall be constructed 12' X 60' on the South side of the well pad. The pit shall be constructed within the 200' X 200' of the well pad.
 2. The reserve pit shall be constructed to a minimum depth of four (4) feet below ground level. The reserve pit shall be constructed, so that the cuttings in the reserve pit can be buried a minimum depth of three (3) feet below ground level. See Exhibit E – Surface Reclamation/Restoration Requirements.
 3. A synthetic or fabricated liner 12 mil in thickness shall be used to line the reserve pit. The liner shall meet ASTM standards that are designed to be resistant to the reserve pit contents.

WELL DRILLING REQUIREMENTS

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4. The reserve pit shall be fenced on three (3) sides during drilling operations. The fourth side shall be fenced immediately upon rig release.
5. The reserve pit shall be constructed so as not to leak, break, or allow discharge of drilling muds. Under no circumstances will the reserve pit be cut to drain drilling muds on the well location.
6. The reserve pit shall not be located in any natural drainage.
7. The reserve pit shall be equipped to deter entry by birds, bats, other wildlife, and livestock, if the reserve pit contains any oil and/or toxic fluids.
8. Drilling muds shall be properly disposed of before the reserve pit is reclaimed. Drilling muds can be allowed to evaporate in the reserve pit or be removed and transported to an authorized disposal site. The reserve pit shall be backfilled when dry.

9. Dumping of junk or trash into the reserve pit is not allowed. Junk or trash shall be removed from within the reserve pit before the reserve pit is reclaimed. Junk or trash shall not be buried in the reserve pit.

E. Federal Mineral Materials Pit Requirements:

1. Caliche, gravel, or other related materials from new or existing pits on Federal mineral estate shall not be taken without prior approval from the authorized officer. Contact Jerry Dutchover at (505) 627 -0236.
2. Payment for any Federal mineral materials that will be used to surface the access road and the well pad is required prior to removal of the mineral materials.
3. Mineral Materials extracted during construction of the reserve pit may be used for development of the pad and access road as needed, for the McKamey "BHM" Federal #1 gas well only. Removal of any additional material on location must be purchased from BLM prior to removal of any material.
 - a. An optional mineral material pit may be constructed within the archaeologically cleared area. The mineral material removed in the process can be used for pad and access road construction. However, a mineral material sales contract must be purchased from the BLM prior to removal of any material.

F. Well Pad Surfacing Requirement:

The well pad shall be surfaced with 6 inches of compacted caliche, gravel, or other approved surfacing material. The well pad shall be surfaced prior to drilling operations. See Permanent Resource Road Requirements - EXHIBIT D - requirement #4, for road surfacing.

G. Cave Requirements:

1. If, during any construction activities any sinkholes or cave openings are discovered, all construction activities shall immediately cease. Contact Larry Bray at (505) 627-0250.
2. The BLM Authorized Officer will, within 24 hours of notification in "A" above, conduct an on-the-ground field inspection for karst. At the field inspection the authorized field inspector will authorize or suggest mitigating measures to lessen the damage to the karst environment. A verbal order to proceed or stop the operation will be issued at that time.

WELL DRILLING REQUIREMENTS

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III. DRILLING OPERATION REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 in sufficient time for a representative to witness:

A. Spudding B. Cementing casing: 5½ inch C. BOP tests

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

B. CASING:

1. The minimum required fill of cement behind the 5½ inch intermediate casing is cement shall extend upward a minimum of 500 feet above the uppermost perforation.

C. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13½ inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

A. The results of the test shall be reported to the appropriate BLM office.

B. Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.

C. Testing must be done in a safe workman-like manner. Hard line connections shall be required.

D. BOPE shall be tested before drilling into the Wolfcamp formation.

D. DRILLING MUD:

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the Wolfcamp formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

A. Recording pit level indicator to indicate volume gains and losses.

B. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.

C. Flow-sensor on the flow-line to warn of abnormal mud returns from the well.

WELL DRILLING REQUIREMENTS

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IV. ON LEASE WELL REQUIREMENTS:

A. The holder shall post signs identifying the location permitted herein with the requirements contained in Onshore Oil and Gas Order #1 and 43 CFR 3162.6.

B. The following data is required on the well sign that shall be posted in a conspicuous place on the well pad. The sign shall be kept up with current identification and shall be legible for as long as the well is in existence:

Operator Name: Yates petroleum Corporation
Well Name & No.: McKamey "BHM" Federal #1
Lease No.: NM-106692
Footage: 1980' FNL & 1980' FWL
Location: Section 26, T. 15 S., R. 30 E.

C. UPON ABANDONMENT OF THE WELL, THE SAME INFORMATION SHALL BE INSCRIBED ON THE DRY HOLE MARKER WITH A BEADED WELD.

D. The approval of the APD does not in any way imply or grant approval of any on-lease, off-lease, or off-unit action(s). It is the responsibility of the holder to obtain other approval(s) such as rights-of-way from the Roswell Field Office or other agencies, including private surface landowner(s).

E. All vehicles, including caterpillar track-type tractors, motor graders, off-highway trucks and any other type of motorized equipment that is used in the construction of the access road and well pad shall be confined to the area(s) herein approved. The drilling rig that is used to drill the well shall also be confined to the approved area(s).

F. Containment Structure Requirement:

1. A containment structure or earthen dike shall be constructed and maintained around all storage facilities/batteries. The containment structure or earthen dike shall surround the storage facilities/batteries.
2. The containment structure or earthen dike shall be constructed two (2) feet high around the facilities/batteries (the containment structure or earthen dike can be constructed higher than the two (2) feet high minimum).
3. The perimeter of the containment structure or earthen dike can be constructed substantial larger for greater holding capacity of the contents of the largest tank.
4. The containment structure or earthen dike shall be constructed so that in case of a spill the structure can contain the entire contents of the largest tank, plus 24 hour production, within the containment structure or earthen dike, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

WELL DRILLING REQUIREMENTS

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G. Painting Requirement:

All above-ground structures (e.g.: meter houses, tanks, above ground pipelines, and related appurtenance, etc.) not subject to safety requirements shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be a color which simulates "Standard Environmental Colors" designated by the Rocky Mountain Five-State Interagency Committee. The color selected for painting all the well facilities is Olive Drab supplemental environmental color chart 18-0622 TPX.

H. Fence Requirement:

The holder shall minimize disturbance to existing fences and other improvements on public land. The holder is required to promptly repair impacted improvements to at least their former state. On private surface the holder shall contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence. No permanent gates shall be allowed unless approved by the Authorized Officer.

I. Open-vent Exhaust Stack Requirements:

1. All open-vent exhaust stacks associated with heater-treater, separators and dehydrator units shall be modified to prevent birds

and bats from entering them and to the extent practical to discourage perching and nesting.

2. New production equipment installed on federal leases after November 1st, 1993, shall have the open-vent exhaust stacks constructed to prevent the entry of birds and bats and to the extent practical, to discourage perching, and nesting.

V. Invasive and Noxious Weeds Requirement:

A. The holder shall be held responsible if noxious weeds become established within the area. Evaluation of the growth of noxious weeds shall be made upon discovery. Weed control will be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipelines, and adjacent land affected by the establishment of weeds due to this action. The holder is responsible for consultation with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policy.

B. The holder shall insure that the equipment and or vehicles that will be used to construct, maintain and administer the access roads, well pad and resulting well are not polluted with invasive and noxious weed seed. Transporting of invasive and noxious weed seed could occur if the equipment and vehicles were previously used in noxious weed infested areas. In order to prevent the spread of noxious weeds, the Authorized Officer shall require that the equipment and vehicles be cleaned with either high pressure water or air prior to construction, maintenance and administration of the access roads, well pad, and resulting well.

WELL DRILLING REQUIREMENTS

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VI. SPECIAL REQUIREMENT(S):

A. Lesser Prairie Chicken Stipulation:

The Roswell Approved Resource Management Plan and Record Of Decision addresses the preservation of the Lesser prairie chicken wildlife habitat. In cooperation with NMDGF, the RFO shall also consider the preservation of the North Bluit Lesser Prairie Chicken Management Area.

1. There shall be no earthmoving construction activities, well exploratory and/or developmental drilling, well completion, plugging and abandonment activities, between March 15th through June 15th, of each year. During that period, other activities, including the operation and maintenance of oil and gas facilities, will not be allowed between 3:00 a.m. and 9:00 a.m.. To the extent practicable, activities occurring for a short period of time may be conducted so long as they do not commence until after 9:00 A.M.. Any deviation from this stipulation must be approved in writing by the Roswell Field Office Manager or the appropriate Authorized Officer.

2. All motors or engines that produce high noise levels shall have mufflers installed that effectively reduce excessive noise levels within prairie chicken habitat. High noise levels produced by motors or engines shall be reduced and muffled so as not to exceed 75 db measured at 30 feet from the source of the noise.

3. Upon abandonment of the well, reclamation activities can be conducted between March 15th through June 15th, so long as reclamation work shall not be conducted between the hours of 3:00 AM to 9:00 AM. Any deviation from this requirement shall require prior approval by the Authorized Officer.

4. In an emergency situation, the Authorized Officer can allow a pit to be constructed for the purpose of collecting crude oil for removal. To prevent wildlife from entering the pit, netting of adequate size to deter access by wildlife shall cover the pit until it is no longer a threat to wildlife, and the pit is reclaimed.

EXHIBIT C

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CONDITIONS OF APPROVAL

OPERATOR: Yates Petroleum Corporation
LEASE NO: NM-106692
WELL NAME & NO.: McKamey "BHM" Federal #1
LOCATION: Section 26 T. 15 S., R. 30 E., N.M.P.M.
QUARTER/QUARTER & FOOTAGE: SE $\frac{1}{4}$ NW $\frac{1}{4}$ - 1980' FNL & 1980' FWL
COUNTY: Chaves County, New Mexico

GENERAL CONDITIONS OF APPROVAL:

1. The operator shall hereafter be identified as the holder in these requirements. The Authorized Officer is the person who approves the Conditions Of Approval.
2. The holder shall indemnify the United States against any liability for damage to life or property arising from occupancy or use of public lands under this authorization.
3. The holder shall have surface use approval prior to any construction work on change(s) or modification(s) to the access road and/or well pad. The holder shall submit (Form 3160 5), Sundry Notice and Report On Wells, an original plus one (1) copy to the Roswell Field Office, stating the basis for any changes to previously approved plans. Prior to any revised construction the holder shall have an approved Sundry Notice and Report On Wells or written authorization to proceed with the change in plans ratified by the Authorized Officer.
4. Weed Control:

A. The holder shall be held responsible if noxious weeds become established within the area. Evaluation of the growth of noxious weeds shall be made upon discovery. Weed control will be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipelines, and adjacent land affected by the establishment of weeds due to this action. The holder is responsible for consultation with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policy.

CONDITIONS OF APPROVAL

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B. The holder shall insure that the equipment and or vehicles that will be used to construct, maintain and administer the access roads, well pad and resulting well are not polluted with invasive and noxious weed seed. Transporting of invasive and noxious weed seed could occur if the equipment and vehicles were previously used in noxious weed infested areas. In order to prevent the spread of noxious weeds, the Authorized Officer shall require that the equipment and vehicles be cleaned with either high pressure water or air prior to construction, maintenance and administration of the access roads, well pad, and resulting well.

5. Hazardous Substances:

a. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act Of 1976, as amended (15 U.S.C. 2601, et. seg.) with regard to any toxic substances that are used, generated by or stored on the project/pipeline route or on facilities authorized. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193). Additionally, any release of toxic substances (leaks, spills, etc.) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation and Liability Act, Section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the Authorized Officer concurrent with the filing of the reports to the involved Federal agency or State government.

b. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substances or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et. seg. or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, et. seg.) on this project/pipeline (unless the release or threatened release is wholly unrelated to the holder's activity on the pipeline). This agreement applies without regard to whether a release is caused by the operator, its agent, or unrelated third parties.

6. Undesirable Events:

If, during any phase of the construction, operation, maintenance, or termination of the authorization, any oil or other pollutants, should be discharged, and impacting Federal land, the control and total removal, disposal, and cleaning up of such oil or other pollutants, wherever found, shall be the responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean up such discharge on or affecting Federal land, or to repair all damages to Federal land resulting therefrom, the Authorized Officer may take such measures as deemed necessary to control and cleanup the discharge and restore the area, including, where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve the holder of any liability or responsibility.

7. Archaeological, Paleontology, and Historical Sites:

- a. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on the holder's behalf, on public or Federal land shall be immediately reported to the Authorized Officer. The holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery will be made by the Authorized Officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder shall be responsible for the cost of evaluation and any decision as to the proper mitigation measures will be made by the Authorized Officer after consulting with the holder.
- b. The holder is hereby obligated to comply with procedures established in the Native American Graves Protection and Repatriation Act (NAGPRA) to protect such cultural items as human remains, associated funerary objects, sacred objects, and objects of cultural patrimony discovered inadvertently during the course of project implementation. In the event that any of the cultural items listed above are discovered during the course of the project work, the holder shall immediately halt the disturbance and contact the BLM within 24 hours for instructions. The holder or initiator of any project shall be held responsible for protecting, evaluating, reporting, excavating, treating, and disposing of these cultural items according to the procedures established by the BLM in consultation with Indian Tribes. Any unauthorized collection or disturbance of cultural resources may result in a shutdown order by the Authorized Officer.

8. Sanitation:

The holder shall be responsible for maintaining the site in a sanitary condition at all times; waste materials shall be disposed of promptly at an appropriate waste disposal site. "Waste" means all discarded matter including, but not limited to, human waste, trash, garbage, refuse, oil drums, petroleum products, ashes, and equipment.

9. Open-top Tanks: Any open-top tank containing oil and/or toxic fluids shall be covered with netting or equipped to prevent birds, bats, and other wildlife from entering the open-top tank.

10. Other: None

PERMANENT RESOURCE ROAD REQUIREMENTS

Operator: Yates Petroleum Corporation
BLM Serial Number: NM-106692
Well Name & No.: McKamey "BHM" Federal #1
Location: Section 26, T. 15 S., R. 30 E.
1980' FNL & 1980' FWL, Chaves County, N.M.

The holder agrees to comply with the following requirements:

1. GENERAL REQUIREMENTS:

- A. The operator shall hereafter be identified as the holder in these requirements. The Authorized Officer is the person who approves the Permanent Resource Road Requirements.
- B. The holder shall minimize any disturbance to structures on public domain surface. Damages caused to any structure during road construction operations shall be promptly repaired by the holder. Functional use of any structure shall be maintained at all times. The holder shall make a documented good faith effort to contact the owner prior to disturbing any structure.
- C. When necessary to pass through an existing fence line, the fence shall be braced on both sides of the passageway prior to cutting and the fence shall be promptly repaired to at least it's former state or to a higher standard than it was previously constructed.
- D. A professional engineer shall design the access road if the road grade exceeds 10 percent slope.

2. INGRESS AND EGRESS:

The access road shall be constructed to access the well pad on the Northwest corner of the well pad to comply with the planned access road route.

3. ROAD TRAVELWAY WIDTH:

The travelway of the road shall be constructed 14 feet wide. The maximum width of surface disturbance shall not exceed 30 feet of road construction. The specified travelway width is 14 feet for all road travelway surfaces unless the Authorized Officer approves a different width.

PERMANENT RESOURCE ROAD REQUIREMENTS

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4. SURFACING:

- A. Beginning from the dedicated road (county road and/or state highway) all access roads on federal surface and the entire length of the new access road travelway shall be surfaced prior to drilling operations.
- B. The access road travelway shall be surfaced with caliche or gravel material. If other surfacing material is used, the new type of material shall be approved by the Authorized Officer. The travelway of the road shall be surfaced with caliche material. The caliche material shall be compacted to a minimum thickness of 6 inches for the entire length of the travelway surface on the access road. The width of surfacing shall not be less than 14 feet of travelway surface. Prior to using any mineral materials from an existing federal pit, authorization must first be obtained from the Authorized Officer.

5. CROWNING AND DITCHING:

Crowning with materials on site and ditching on one side of the road, on the uphill side, shall be required. The road cross section shall conform to the cross section diagrams in Figure 1 (attached page 6). Where conditions dictate, ditching shall be required on both sides of the road. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road).

6. DRAINAGE:

- A. Drainage control shall be ensured over the entire road through the construction of ditches, sidehill outsloping and insloping, lead off ditches, culvert installation, and low water crossings.
- B. All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval for lead-off ditches shall be determined according to the following table, but may be amended depending upon existing soil types and centerline road slope (in %): PERCENT SLOPE AND SPACING INTERVALS FOR LEAD-OFF DITCHES:

| Percent slope | Spacing interval |
|---------------|------------------|
| 0 4% | 150' 350' |
| 4 6% | 125' 250' |
| 6 8% | 100' 200' |
| 8 10% | 75' 150' |

CROSS SECTION OF TYPICAL LEAD-OFF DITCH

1' MINIMUM DEPTH

BERM NATURAL GROUND SURFACE

PERMANENT RESOURCE ROAD REQUIREMENTS

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- C. A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.
- D. On road slopes exceeding 2%, water flow shall drain water into an adjacent lead-off ditch. Water flow drainage location and spacing shall be determined by the following formula:

FORMULA FOR SPACING INTERVAL OF LEAD-OFF DITCHES:

$$\text{spacing interval} = \frac{400'}{\text{road slope in \%}} + 100'$$

Ex. 4% slope: spacing interval = $\frac{400}{4} + 100 = 200$ feet

7. CULVERT INSTALLATION: NONE

ONE (1) CULVERT SHALL BE INSTALLED AT THE DEEP WATERWAY CHANNEL FLOW CROSSING IN THE XX¼XX¼ OF SECTION - T. S. - R. E. (SEE EXHIBIT A - LOCATION MAP).

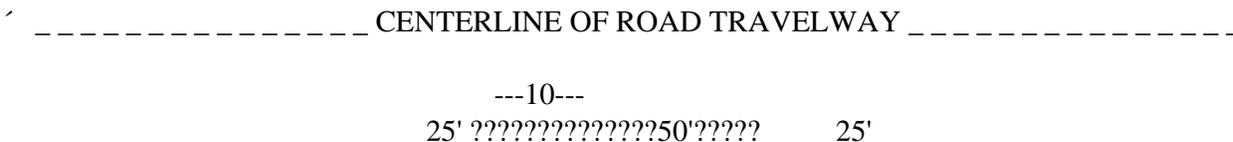
Culvert pipes shall be used where ravines, arroyo gullies, and deep waterway channel flows are crossed by the access road construction route. The culvert(s) shall not be less than XX inches in diameter (minimum 18 inch culvert). The location for the culvert installation is designated on the attached map - EXHIBIT A. (A culvert pipe installation diagram shall be attached to this requirement when a culvert is required to be installed, see EXHIBIT - X).

8. TURNOUTS:

Vehicle turnouts shall be constructed on all single lane roads (unless the Authorized Officer determines that the turnouts are not required). Turnouts shall be intervisible and shall be constructed on all blind curves with additional turnouts as needed to keep spacing below 1000 feet. Turnouts shall conform to the following diagram:

STANDARD TURNOUT - PLAN VIEW

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9. CATTLEGUARDS:

PERMANENT RESOURCE ROAD REQUIREMENTS

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A. ONE (1) CATTLEGUARD SHALL BE INSTALLED AT THE FENCE CROSSING IN THE XX¹/₄XX¹/₄ OF SECTION - T. S. - R. E. (SEE EXHIBIT A - LOCATION MAP).

B. A cattleguard installation diagram shall be attached to this stipulation when a cattleguard is required to be installed - see EXHIBIT X - DIAGRAM A & B).

C. The existing cattleguard(s) on the access road shall be replaced if they are damaged from heavy vehicular traffic use and the Authorized Officer determines that a new cattleguard shall be installed where the existing in place cattleguard(s) have deteriorated beyond practical use. The holder shall be held responsible for the condition of the existing in place cattleguard(s) that are utilized for vehicular traffic use on lease operations by the holder.

D. Where used, all cattleguard grids and foundation designs and construction shall meet the American Association of State Highway and Transportation Officials (AASHTO) Load Rating H 20, although AASHTO U 80 rated grids shall be required where heavy loads, (exceeding H 20 loading,) are anticipated. (See BLM standard drawings for cattleguards – Exhibit X – Diagram A & B). Cattleguard grid length shall not be less than 8 feet and width of not less than 14 feet. A wire gate (16 foot minimum width) will be provided on one side of the cattleguard unless requested otherwise by the surface user.

10. MAINTENANCE:

A. The holder shall maintain the road in a safe, usable condition. A maintenance program shall include, but not be limited to blading, ditching, culvert installation, culvert cleaning, cattleguard maintenance, surfacing, and weed control.

B. The holder shall cooperate with other authorized users in maintenance of the road(s). Failure of the holder to share maintenance costs in dollars, equipment, materials, and manpower proportionate to the holders use with other authorized users may be adequate grounds to terminate the road use. The determination as to whether maintenance expenditures have been withheld by the holder and the decision to terminate the road use shall be at the discretion of the Authorized Officer. Upon request, the Authorized Officer shall be provided with copies of any maintenance agreements entered into by the holder.

11. PUBLIC ACCESS:

A Public access on this road shall not be restricted by the holder without specific written approval being granted by the Authorized Officer. Gates or cattleguards on public land shall not be locked or closed to public use unless closure is absolutely necessary and is authorized in writing by the Authorized Officer.

12. ROAD REHABILITATION REQUIREMENTS:

A. SEE -SURFACE RECLAMATION/RESTORATION REQUIREMENTS - Exhibit E.

13. SPECIAL REQUIREMENT(S): NONE

EXHIBIT E

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SURFACE RECLAMATION/RESTORATION REQUIREMENTS

OPERATORS NAME: Yates Petroleum Corporation LEASE NO.: NM-106692

WELL NAME & NO: McKamey "BHM" Federal #1

QUARTER/QUARTER & FOOTAGE: SE¼NE¼ - 1980' FNL & 1980' FWL

LOCATION: Section 26, T. 15 S., R. 30 E., NMPM

COUNTY: Chaves County, New Mexico

I. GENERAL PROVISIONS:

A. The operator has the right of administrative review of these requirements pursuant to 43 CFR 3165.1(a).

B. The operator shall hereafter be identified as the holder in these requirements. The Authorized Officer is the person who administers the reclamation requirements.

C. The holder shall comply with all the surface reclamation/restoration required by the Authorized Officer pertaining to the reclamation/restoration of the access road and well pad.

II. FORM 3160 5, SUNDRY NOTICES AND REPORTS ON WELLS:

A. The holder shall adhere to the following:

1. If the well is not drilled, please notify the BLM so that an official release can be approved.

2. Downhole requirement: If the well is a dry hole and will be plugged, approval of the proposed plugging program may be obtained orally. However, oral approval must be confirmed in writing by immediately filing a Sundry Notice And Report On Wells (Form 3160 5) "Notice of Intention to Abandon", an original and five (5) copies shall be submitted to the Roswell Field Office. The report should show the total depth reached, the reason for plugging, and the proposed intervals, by depths, where plugs are to be placed, type of plug, type of plugging mud, etc..

3. The same notification shall be required of the Holder for the reclamation/restoration of the access road and well pad. The Holder shall initially report surface reclamation/restoration of the access road and well pad concurrently with the Downhole requirement. A Sundry Notice And Report On Wells (Form 3160 5) "Notice of Intention to Abandon", an original and five (5) copies shall be submitted to the Roswell Field Office. Upon receipt of the "NOI" the Authorized Officer shall provide the holder

with the specific requirements for the reclamation/restoration of the access road and well pad.

SURFACE RECLAMATION/RESTORATION REQUIREMENTS

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4. Subsequent Report Of Abandonment: The holder shall submit a second report on Form 3160 5, Sundry Notices and Reports On Wells, an original and five (5) copies shall be submitted to the Roswell Field Office, pertaining to the reclamation/restoration of the access road and well pad. The holder shall demonstrate that the surface reclamation/restoration requirements have been complied with. The holder shall specify that the reclamation work accomplished the restoration of the disturbed areas to as near the original surface condition the land was in prior to construction of the access road and well pad.

5. Final Abandonment Notice: The holder shall submit a third report on Form 3160 5, Sundry Notices and Reports On Wells, an original and five (5) copies shall be submitted to the Roswell Field Office, that shall ascertain that all surface reclamation/restoration requirements have finally been completed and that the access road and well pad are ready for final inspection. The holder shall specify that the surface has been reclaimed in accordance with federal regulations and request for the final approval of the access road and well pad.

III. BOND LIABILITY:

A. Liability under bond shall be retained until all surface reclamation/restoration of the access road and well pad has been completely reclaimed to the satisfaction of the Authorized Officer.

IV. ACCESS ROAD AND WELL PAD RECLAMATION REQUIREMENTS:

1. If the well is completed, all areas of the well pad not necessary for operations shall be reclaimed to resemble the original contours of the surrounding terrain.

2. Upon abandonment of the well, cut-and-fill slopes shall be re-contoured and reduced to a slope of 3:1 or less. The road shall be recontoured to as near the original topography, as possible.

3. Upon abandonment of the well, all production equipment shall be removed from the well pad and properly disposed of.

4. Upon abandonment of the well, the surface material (caliche/gravel) shall be removed from the well pad and/or access road. The removal of surface material shall be done with the minimal amount of mixing of the caliche or gravel material with the in place subsurface soils. The Authorized Officer shall be notified by the Holder for the proper disposal of the surfacing material from the well pad and access road.

5. The surfacing material that is removed can be used on existing roads in need of maintenance, or hauled to a federal material pit for disposal. If the material is to be used on a road or hauled to a material pit, contact the BLM Authorized Officer at (505) 627-0272 for possible additional requirements.

6. Upon removal of the surfacing material, the access road and well pad shall be ripped a maximum of 16 inches deep (Ripping depth will be determined by depth of soil shown in the Soil Conservation Service Survey Handbook).

SURFACE RECLAMATION/RESTORATION REQUIREMENTS

3 of 5 pages

7. All culverts and other road structures (e.g.: cattleguard, H-Braces, signs, etc.) shall be removed and properly disposed of.

8. All over-burden material shall be replaced in the cut areas, ditches, lead-off ditches, and any other excavated earthwork shall be back filled.

9. An earthen berm shall be constructed at the entrance of the road to prevent vehicular traffic on the reclaimed road.

V. Reserve Pit Reclamation Requirements:

A. Upon reclamation of the reserve pit, the impervious, reinforced, synthetic or fabricated 12 mil in thickness liner shall be used to encapsulate the reserve pit cuttings.

B. The dried cuttings in the reserve pit shall be buried a minimum depth of three (3) feet below ground level.

C. The reserve pit area shall be covered with a three (3) feet minimum cap of clean soil or like material that is capable of supporting native plant growth. Once the reserve pit contents have been capped, the cap shall not be disturbed without NMOCD approval.

D. Should the cuttings in the reserve pit not meet the three (3) feet below ground level depth, the excess contents shall be removed from the reserve pit until the required minimum depth of three (3) feet below ground level requirement has been met. The excess cuttings shall be removed from the well location and shall be properly disposed of at an authorized disposal site.

E. Contact Jerry Dutchover, at (505) 627-0236, three days before commencing the reserve pit reclamation.

VI. SEEDING REQUIREMENTS:

A. No topsoil stockpile is required on this well pad.

B. The reclaimed area(s) shall be seeded with the seed mixture that was determined by the Roswell Field Office for the Desired Plant Community on this well site.

C. The same seed mixture shall be used for the reclamation of the access road and well pad.

D. The planting of the seed shall be done in accordance with the following seeding requirements:

1. The topsoil soil shall be plowed under with soil turning equipment and the plowed surface shall be disked before seeding. Seed shall be planted using a drill equipped planter with a depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture shall be evenly and uniformly planted over the disturbed area. Smaller/heavier seed has a tendency to drop to the bottom of the drill and is planted first; the holder shall take appropriate measures to ensure this

SURFACE RECLAMATION/RESTORATION REQUIREMENTS 4 of 5 pages

does not occur. Where drilling is not possible, seed shall be broadcast and the area shall be raked or chained to cover the seed. When broadcasting the seed, the pounds per acre noted below are to be doubled.

2. The holder shall seed all the disturbed areas with the DPC seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed per acre, (Pounds of pure live seed per acre: pounds of seed X percent purity X percent germination = pounds pure live seed). There shall be no primary or secondary noxious weeds in the seed mixture.

In accordance with State law(s) the seed should be tested for purity and viability within nine (9) months prior to sell. Commercial seed shall be either certified or registered seed. The seed mixture container shall be tagged in accordance with State law(s) and the certified seed tag shall be made available for inspection by the Authorized Officer.

3. Desired Plant Community seed mixture to be planted in pounds of pure live seed per acre:

RPD: Roswell fine sand, 2-25% slope; Jalmar fine sands, 0-2% slope and FMA: Faskin, loamy fine sands, 0-2% slope;
Malmstrom loamy fine sand, 0-2% slope

Sandy Plains CP-2 Ecological Site and Sand hills CP-2 Ecological Site

| Common Name and Preferred Variety | Scientific Name | Pounds of Pure Live Seed Per Acre |
|---|---|--------------------------------------|
| Sand bluestem, var. Woodward | (<i>Andropogon hallii</i>) | 2.00 lbs. |
| Little bluestem var. Pastura | (<i>Schizachyrium scoparium</i>) | 1.00 lb. |
| Sideoats grama, var. Vaughn or El Reno | (<i>Bouteloua curtipendula</i>) | 1.50 lbs. |
| Sand dropseed | (<i>Sporobolus cryptandrus</i>) | 0.33 lb. |
| Plains bristlegrass | (<i>Setaria macrostachya</i>) | 2.00 lbs. |
| Desert or Scarlet Globemallow | (<i>Sphaeralcea ambigua</i>) or (<i>S. coccinea</i>) | 0.67 lb. |
| Buckwheat | (<i>Eriogonum</i> spp.) | 1.50 lbs. |
| TOTAL POUNDS PURE LIVE SEED PER ACRE | | 9.00 lbs. |

4. If one species is not available, increase ALL others proportionately. The seed mixture shall be certified weed free seed. A minimum of 4 species is required, including 1 forb species.

E. The recommended time to seed is from June 15th through September 15th. The optimum seeding time is in mid-July. Successive seeding should be done either late in the fall (Sept. 15th - Nov. 15th, before freeze up) or early as possible the following spring to take advantage of available ground moisture. However, the holder may seed immediately after completing surface abandonment requirements.

SURFACE RECLAMATION/RESTORATION REQUIREMENTS

5 of 5 pages

F. The seeding of the disturbed areas shall be repeated until a vegetative thicket is established on the access road and well pad. The Authorized Officer shall make the determination when the regrowth on the disturbed areas is satisfactory.

G. The holder shall be responsible for the establishment of vegetation on the access road and well pad. Evaluation of vegetative growth will not be made before the completion of the first growing season after seeding. The Authorized Officer reserves the right to require reseeded at a specific time if seed does not germinate after one growing season. Waiver of this requirement would be considered if diligent attempts to revegetate the disturbed areas have failed and the Authorized Officer determines that further attempts to replant the access road and well pad are futile.

H. Contact Mr. Richard Hill at (505) 627-0247 to witness the seeding operations, two (2) days prior to seeding the disturbed areas.

I. Invasive and Noxious Weeds Requirement:

1. The holder shall be held responsible if noxious weeds become established within the reclaimed areas. Evaluation of the growth of noxious weeds shall be made upon discovery. Weed control will be required on the disturbed land where noxious weeds exist, which includes the road, pad, associated pipeline corridor/routes, and adjacent land affected by the establishment of weeds due to this action. The holder is responsible for consultation with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policy.

2. The holder shall insure that the equipment and or vehicles that will be used to reclaim the access roads and well pad are not polluted with invasive and noxious weed seed. Transporting of invasive and noxious weed seed could occur if the equipment and vehicles were previously used in noxious weed infested areas. In order to prevent the spread of noxious weeds, the Authorized Officer shall require that the equipment and vehicles be cleaned with either high pressure water or air prior to reclamation of the

access roads and well pad.