
KEMMERER
PROPOSED RESOURCE MANAGEMENT PLAN AND
FINAL ENVIRONMENTAL IMPACT STATEMENT

Appendix H

Standard Oil and Gas Stipulations

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Multiple Mineral Development Stipulation

Operations will not be approved which, in the opinion of the authorized officer, would unreasonably interfere with the orderly development and (or) production from a valid existing mineral lease issued prior to this one for the same lands.

Lease Notice 1

Under Regulation 43 Code of Federal Regulation (CFR) 3101.1 2 and terms of the lease (Bureau of Land Management [BLM] Form 3100 11), the authorized officer may require reasonable measures to minimize adverse impacts to other resource values, land uses, and users not addressed in lease stipulations at the time operations are proposed. Such reasonable measures may include, but are not limited to, modification of siting or design of facilities, timing of operations, and specification of interim and final reclamation measures, which may require relocating proposed operations up to 200 meters, but not off the leasehold, and prohibiting surface-disturbance activities for up to 60 days.

The lands within this lease may include areas not specifically addressed by lease stipulations that may contain special values, may be needed for special purposes, or may require special attention to prevent damage to surface and (or) other resources. Possible special areas are identified below. Any surface use or occupancy within such special areas will be strictly controlled or, if absolutely necessary, prohibited. Appropriate modifications to imposed restrictions will be made for the maintenance and operation of producing wells.

1. Slopes in excess of 25 percent.
2. Within 500 feet of surface water and (or) riparian areas.
3. Construction with frozen material or during periods when the soil material is saturated or when watershed damage is likely to occur.
4. Within 500 feet of Interstate highways and 200 feet of other existing rights of way (i.e., U.S. and state highways, roads, railroads, pipelines, powerlines).
5. Within ¼ mile of occupied dwellings.
6. Material sites.

Guidance

The intent of this notice is to inform interested parties (potential lessees, permittees, operators) that when one or more of the above conditions exist, surface-disturbing activities will be prohibited unless or until the permittee or the designated representative and the surface management agency arrive at an acceptable plan for mitigation of anticipated impacts. This negotiation will occur prior to development and become a condition for approval when authorizing the action.

Specific threshold criteria (e.g., 500 feet from water) have been established based on the best information available. However, geographical areas and time periods of concern must be delineated at the field level (i.e., “surface water and (or) riparian areas” may include both intermittent and ephemeral water sources or may be limited to perennial surface water).

The referenced oil and gas leases on these lands are hereby made subject to the stipulation that the exploration or drilling activities will not interfere materially with the use of the area as a materials

site/free use permit. At the time operations on the above lands are commenced, notification will be made to the appropriate agency. The name of the appropriate agency may be obtained from the respective BLM field office.

Lease Notice 2

Background

The BLM, by including National Historic Trails (NHTs) within its National Landscape Conservation System, has recognized these trails as national treasures. The BLM's responsibility is to review the strategy for management, protection, and preservation of these trails. The NHTs in Wyoming, which include the Oregon, California, Mormon Pioneer, and Pony Express Trails, as well as the Nez Perce Trail, were designated by Congress through the National Trails System Act (Public Law [P.L.] 90-543; 16 United States Code [USC] 1241-1251) as amended through P.L. 106-509 dated November 13, 2000. Protection of the NHTs is normally considered under the National Historic Preservation Act (P.L. 89-665; 16 USC 470 et seq.) as amended through 1992 and the National Trails System Act. Additionally, Executive Order 13195, "Trails for America in the 21st Century," signed January 18, 2001, states in Section 1: "Federal agencies will...protect, connect, promote, and assist trails of all types throughout the United States. This will be accomplished by...(b) Protecting the trail corridors associated with national scenic trails and the high priority potential sites and segments of national historic trails to the degrees necessary to ensure that the values for which each trail was established remain intact." Therefore, the BLM will be considering all impacts and intrusions to the NHTs, their associated historic landscapes, and all associated features, such as trail traces, grave sites, historic encampments, inscriptions, natural features frequently commented on by emigrants in journals, letters and diaries, or any other feature contributing to the historic significance of the trails. Additional NHTs will likely be designated amending the National Trails System Act. When these amendments occur, this notice will apply to those newly designated NHTs as well.

Strategy

The BLM will proceed in this objective by conducting a viewshed analysis on either side of the designated centerline of the NHTs in Wyoming, except, at this time, for the Nez Perce Trail, for the purpose of identifying and evaluating potential impacts to the trails, their associated historic landscapes, and their associated historic features. Subject to the viewshed analysis and archeological inventory, reasonable mitigation measures may be applied. These may include, but are not limited to, modification of siting or design of facilities to camouflage or otherwise hide the proposed operations within the viewshed. Additionally, specification of interim and final reclamation measures may require relocating the proposed operations within the leasehold. Surface-disturbing activities will be analyzed in accordance with the National Environmental Policy Act of 1969 (P.L. 91-190; 42 USC 4321-4347) as amended through P.L. 94-52, July 3, 1975, and P.L. 94-83, August 9, 1975, and the National Historic Preservation Act, supra, to determine if any design, siting, timing, or reclamation requirements are necessary). This strategy is necessary until the BLM determines that, based on the results of the completed viewshed analysis and archeological inventory, the existing land use plans (Resource Management Plans) have to be amended.

The use of this lease notice is a predecisional action that is necessary until final decisions regarding surface-disturbing restrictions are made. Final decisions regarding surface-disturbing restrictions will take place with full public disclosure and public involvement over the next several years if BLM determines that it is necessary to amend existing land use plans.

Guidance

The intent of this notice is to inform interested parties (potential lessees, permittees, operators) that when any oil and gas lease contains remnants of NHTs, or is located within the viewshed of an NHTs' designated centerline, surface-disturbing activities will require the lessee, permittee, operator or their designated representative, and the surface management agency to arrive at an acceptable plan for mitigation of anticipated impacts. This negotiation will occur prior to development and become a condition for approval when authorizing the action.

SPECIAL LEASE STIPULATION

This lease may be found to contain historic properties and/or resources protected under the National Historic Preservation Act (NHPA), American Indian Religious Freedom Act, Native American Graves Protection and Repatriation Act, E.O. 13007, or other statutes and executive orders. The BLM will not approve any ground disturbing activities that may affect any such properties or resources until it completes its obligations under applicable requirements of the NHPA and other authorities. The BLM may require modification to exploration or development proposals to protect such properties, or disapprove any activity that is likely to result in adverse effects that cannot be successfully avoided, minimized or mitigated. Lease Notice 3

Greater Sage-Grouse Habitat

The lease may in part, or in total, contain important Sage-Grouse habitats as identified by the BLM, either currently or prospectively. The operator may be required to implement specific measures to reduce impacts of oil and gas operations on the Sage-Grouse populations and habitat quality. Such measures shall be developed during the Application for Permit to Drill (APD) on-site and environmental review process and will be consistent with the lease rights granted.

Offer to Lease and Lease for Oil and Gas (Form 3100-11, July 2006)

LEASE TERMS

Sec. 1. Rentals - Rentals must be paid to proper office of lessor in advance of each lease year. Annual rental rates per acre or fraction thereof are:

- (a) Noncompetitive lease, \$1.50 for the first 5 years; thereafter \$2.00;
- (b) Competitive lease, \$1.50; for the first 5 years; thereafter \$2.00;
- (c) Other, see attachment, or as specified in regulations at the time this lease is issued.

If this lease or a portion thereof is committed to an approved cooperative or unit plan which includes a well capable of producing leased resources, and the plan contains a provision for allocation of production, royalties must be paid on the production allocated to this lease. However, annual rentals must continue to be due at the rate specified in (a), (b), or (c) rentals for those lands not within a participating area.

Failure to pay annual rental, if due, on or before the anniversary date of this lease (or next official working day if office is closed) must automatically terminate this lease by operation of law. Rentals may be waived, reduced, or suspended by the Secretary upon a sufficient showing by lessee.

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Sec. 2. Royalties - Royalties must be paid to proper office of lessor. Royalties must be computed in accordance with regulations on production removed or sold. Royalty rates are:

- (a) Noncompetitive lease, 12 1/2%
- (b) Competitive lease, 12 1/2 %
- (c) Other, see attachment; or as specified in regulations at the time this lease is issued.

Lessor reserves the right to specify whether royalty is to be paid in value or in kind, and the right to establish reasonable minimum values on products after giving lessee notice and an opportunity to be heard. When paid in value, royalties must be due and payable on the last day of the month following the month in which production occurred. When paid in kind, production must be delivered, unless otherwise agreed to by lessor, in merchantable condition on the premises where produced without cost to lessor. Lessee must not be required to hold such production in storage beyond the last day of the month following the month in which production occurred, nor must lessee be held liable for loss or destruction of royalty oil or other products in storage from causes beyond the reasonable control of lessee.

Minimum royalty in lieu of rental of not less than the rental which otherwise would be required for that lease year must be payable at the end of each lease year beginning on or after a discovery in paying quantities. This minimum royalty may be waived, suspended, or reduced, and the above royalty rates may be reduced, for all or portions of this lease if the Secretary determines that such action is necessary to encourage the greatest ultimate recovery of the leased resources, or is otherwise justified.

An interest charge will be assessed on late royalty payments or underpayments in accordance with the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) (30 U.S.C. 1701). Lessee must be liable for royalty payments on oil and gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator, or due to the failure to comply with any rule, regulation, order, or citation issued under FOGRMA or the leasing authority.

Sec. 3. Bonds - A bond must be filed and maintained for lease operations as required under regulations.

Sec. 4. Diligence, rate of development, unitization, and drainage - Lessee must exercise reasonable diligence in developing and producing, and must prevent unnecessary damage to, loss of, or waste of leased resources. Lessor reserves right to specify rates of development and production in the public interest and to require lessee to subscribe to a cooperative or unit plan, within 30 days of notice, if deemed necessary for proper development and operation of area, field, or pool embracing these leased lands. Lessee must drill and produce wells necessary to protect leased lands from drainage or pay compensatory royalty for drainage in amount determined by lessor.

Sec. 5. Documents, evidence, and inspection - Lessee must file with proper office of lessor, not later than 30 days after effective date thereof, any contract or evidence of other arrangement for sale or disposal of production. At such times and in such form as lessor may prescribe, lessee must furnish detailed statements showing amounts and quality of all products removed and sold, proceeds there from, and amount used for production purposes or unavoidably lost. Lessee may be required to provide plats and schematic diagrams showing development work and improvements, and reports with respect to parties in interest, expenditures, and depreciation costs. In the form prescribed by lessor, lessee must keep a daily drilling record, a log, information on well surveys and tests, and a record of subsurface investigations and furnish copies to lessor when required. Lessee must keep open at all reasonable times for inspection by any representative of lessor, the leased premises and all wells, improvements, machinery, and fixtures thereon, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or in the leased lands. Lessee must maintain copies of all contracts, sales agreements, accounting records,

and documentation such as billings, invoices, or similar documentation that supports costs claimed as manufacturing, preparation, and/or transportation costs. All such records must be maintained in lessee's accounting offices for future audit by lessor. Lessee must maintain required records for 6 years after they are generated or, if an audit or investigation is underway, until released of the obligation to maintain such records by lessor.

During existence of this lease, information obtained under this section will be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 6. Conduct of operations - Lessee must conduct operations in a manner that minimizes adverse impacts to the land, air, and water, to cultural, biological, visual, and other resources, and to other land uses or users. Lessee must take reasonable measures deemed necessary by lessor to accomplish the intent of this section. To the extent consistent with lease rights granted, such measures may include, but are not limited to, modification to siting or design of facilities, timing of operations, and specification of interim and final reclamation measures. Lessor reserves the right to continue existing uses and to authorize future uses upon or in the leased lands, including the approval of easements or rights-of-way. Such uses must be conditioned so as to prevent unnecessary or unreasonable interference with rights of lessee.

Prior to disturbing the surface of the leased lands, lessee must contact lessor to be apprised of procedures to be followed and modifications or reclamation measures that may be necessary. Areas to be disturbed may require inventories or special studies to determine the extent of impacts to other resources. Lessee may be required to complete minor inventories or short term special studies under guidelines provided by lessor. If in the conduct of operations, threatened or endangered species, objects of historic or scientific interest, or substantial unanticipated environmental effects are observed, lessee must immediately contact lessor. Lessee must cease any operations that would result in the destruction of such species or objects.

Sec. 7. Mining operations - To the extent that impacts from mining operations would be substantially different or greater than those associated with normal drilling operations, lessor reserves the right to deny approval of such operations.

Sec. 8. Extraction of helium - Lessor reserves the option of extracting or having extracted helium from gas production in a manner specified and by means provided by lessor at no expense or loss to lessee or owner of the gas. Lessee must include in any contract of sale of gas the provisions of this section.

Sec. 9. Damages to property - Lessee must pay lessor for damage to lessor's improvements, and must save and hold lessor harmless from all claims for damage or harm to persons or property as a result of lease operations.

Sec. 10. Protection of diverse interests and equal opportunity – Lessee must pay, when due, all taxes legally assessed and levied under laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; and take measures necessary to protect the health and safety of the public.

Lessor reserves the right to ensure that production is sold at reasonable prices and to prevent monopoly. If lessee operates a pipeline, or owns controlling interest in a pipeline or a company operating a pipeline, which may be operated accessible to oil derived from these leased lands, lessee must comply with section 28 of the Mineral Leasing Act of 1920.

Lessee must comply with Executive Order No. 11246 of September 24, 1965, as amended, and regulations and relevant orders of the Secretary of Labor issued pursuant thereto. Neither lessee nor lessee's subcontractors must maintain segregated facilities.

Sec. 11. Transfer of lease interests and relinquishment of lease – As required by regulations, lessee must file with lessor any assignment or other transfer of an interest in this lease. Lessee may relinquish this lease or any legal subdivision by filing in the proper office a written relinquishment, which will be effective as of the date of filing, subject to the continued obligation of the lessee and surety to pay all accrued rentals and royalties.

Sec. 12. Delivery of premises - At such time as all or portions of this lease are returned to lessor, lessee must place affected wells in condition for suspension or abandonment, reclaim the land as specified by lessor and, within a reasonable period of time, remove equipment and improvements not deemed necessary by lessor for preservation of producible wells.

Sec. 13. Proceedings in case of default - If lessee fails to comply with any provisions of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease will be subject to cancellation unless or until the leasehold contains a well capable of production of oil or gas in paying quantities, or the lease is committed to an approved cooperative or unit plan or communitization agreement which contains a well capable of production of unitized substances in paying quantities. This provision will not be construed to prevent the exercise by lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver will not prevent later cancellation for the same default occurring at any other time. Lessee will be subject to applicable provisions and penalties of FOGPMA (30 U.S.C. 1701).

Sec. 14. Heirs and successors-in-interest - Each obligation of this lease will extend to and be binding upon, and every benefit hereof will inure to the heirs, executors, administrators, successors, beneficiaries, or assignees of the respective parties hereto.

Attachment to Each Lease

Notice to Lessee

Provisions of the Mineral Leasing Act (MLA) of 1920, as amended by the Federal Coal Leasing Amendments Act of 1976, affect an entity's qualifications to obtain an oil and gas lease. Section 2(a)(2)(A) of the MLA, 30 USC 201 (a)(2)(A), requires that any entity that holds and has held a federal coal lease for 10 years beginning on or after August 4, 1976, and who is not producing coal in commercial quantities from each such lease, cannot qualify for the issuance of any other lease granted under the MLA. Compliance by coal lessees with Section 2(a)(2)(A) is explained in 43 CFR 3472.

In accordance with the terms of this oil and gas lease, with respect to compliance by the initial lessee with qualifications concerning federal coal lease holdings, all assignees and transferees are hereby notified that this oil and gas lease is subject to cancellation if (1) the initial lessee as assignor or as transferor has falsely certified compliance with Section 2(a)(2)(A), or (2) because of a denial or disapproval by a state office of a pending coal action; i.e., arms-length assignment, relinquishment, or logical mining unit, or the initial lessee as assignor or as transferor is no longer in compliance with Section 2(a)(2)(A). The assignee, sublessee, or transferee does not qualify as a bona fide purchaser and, thus, has no rights to bona fide purchaser protection in the event of cancellation of this lease due to noncompliance with Section 2(a)(2)(A).

Information regarding assignor, sublessor, or transferor compliance with Section 2(a)(2)(A) is contained in the lease case file, as well as in other BLM records available through the state office issuing this lease.