

BLM

New Mexico
Oklahoma
Texas & Kansas

Competitive Oil and Gas Lease Sale

January 21, 2015

Bureau of Land Management
New Mexico State Office
301 Dinosaur Trail
Santa Fe, New Mexico 87508

www.blm.gov/nm

BLM





In Reply
Refer To:

3120 (NM922-lbo)

United States Department of the Interior
BUREAU OF LAND MANAGEMENT
New Mexico State Office
301 Dinosaur Trail
P.O. Box 27115
Santa Fe, New Mexico 87502-0115
www.blm.gov/nm



October 22, 2014

NOTICE OF COMPETITIVE LEASE SALE
OIL AND GAS

We are pleased to announce that we will offer for competitive sale certain Federal lands in **New Mexico, Farmington Field Office only**, for oil and gas leasing. This notice describes:

- The time and place of the sale;
- How the sale will be conducted;
- How to participate in the bidding process;
- The sale process;
- How long the sale will last;
- The conditions of the sale;
- How to file a noncompetitive offer after the sale; and
- How to file a pre-sale noncompetitive offer;
- How to file a protest to our offering the lands in this Notice.

Beginning on page 1, is a list of the lands we are offering. The lands are described by parcel number and legal land description. They are listed in Range and Township order by state and land type and will be offered in that sequence. Below each parcel we have included any stipulations, lease notices, special conditions, or restrictions that will be made a part of the lease at the time we issue it. We have also identified those parcels where the United States owns less than 100 percent interest in the oil and gas mineral rights, have pending pre-sale noncompetitive offers to lease, and are not available for noncompetitive offers to lease if they receive no bid at this sale. For your convenience, we are also including copies of the stipulations, lease notices, etc. affecting the parcels in this sale notice.

When and where will the sale take place?

- When:** The competitive sale will begin at **9:00 a.m. on Wednesday, January 21, 2015**. The **Accounts Office of the Bureau of Land Management, New Mexico State Office**, will be used to register all bidders. Registration will start at 8:00 a.m. through 9:00 a.m. so you can obtain your bidding number.
- Where:** We will hold the sale at the **Bureau of Land Management, New Mexico State Office, 301 Dinosaur Trail, Santa Fe, New Mexico 87508, Canadian River Conference Room**.
- Access:** The sale room is accessible to persons with disabilities. If you need an auxiliary aid or service to participate in the sale, such as sign language interpreter or material in an alternate format, contact the New Mexico State Office, Information Access Center at (505) 954-2097 by **January 5, 2015**.

How will the sale be conducted?

The sale will be conducted by oral auction. You must make your bids verbally. The winning bid is the highest verbal bid equal to or exceeding the national minimum acceptable bid.

How do I participate in the bidding process?

To participate in the Bureau of Land Management (BLM) bidding process, you must register and obtain a bidder number. If you are bidding for more than one party, you must register and obtain a separate bidder number for each company or individual you represent. We will begin registering bidders at 8:00 a.m. on the day of the sale.

When you register to bid, you will be required to show a valid government-issued photo identification (ID) to verify your identity. If you do not provide a valid photo ID, you will not be allowed to register as a bidder and participate in the auction.

You will also be asked to sign a statement to confirm that any bid you cast will represent a good-faith intention to acquire an oil and gas lease and that you understand that any winning bid will constitute a legally binding commitment to accept the lease and pay monies owed. Further, you will acknowledge that you understand that it is a crime under 18 U.S.C. 1001 and Title 43 U.S.C. 1212 to knowingly and willfully make any false, fictitious, or fraudulent statements or representations regarding your qualifications; bidder registration and intent to bid; acceptance of a lease; or payment of monies owed; and that any such offense may result in a fine or imprisonment for not more than 5 years or both. You will also acknowledge that you understand that it is a crime under 30 U.S.C. 195 (a) and (b) to organize or participate in any scheme to defeat provisions of the mineral leasing regulations. Any person who knowingly violates this provision will be punished by a fine of not more than \$500,000, imprisonment for not more than 5 years or both.

If you, or the party you represent, owe the United States any monies that were due the day of a previous oil and gas lease auction conducted by any BLM office (the minimum monies owed the day of the sale), you will not be allowed to register to bid at this lease sale. The Mineral Leasing Act requires that leases be issued to a "responsible qualified bidder." (30 U.S.C. 226(b)(1)(A)). Any bidder, or party represented by bidding agent, that does not pay the minimum monies owed the day of the sale is not a "responsible qualified bidder" and will be barred from participating in any oil and gas lease auction nationwide until that debt to the United States is settled. In addition, if you or the party you represent defaults at any three sales conducted by any BLM office, you or the party you represent will be barred permanently from participating in any other BLM oil and gas lease sale auction.

What is the sale process?

Starting at 9:00 a.m. on the day of the sale:

- The auctioneer will offer the parcels in the order they are shown in this Notice;
- All bids are on a per-acre basis for the entire acreage in the parcel;
- The winning bid is the highest oral bid;
- The decision of the auctioneer is final. However, if you believe the auctioneer has made an error or not acknowledged your bid, you must immediately make your concerns known to the auctioneer. Once the auctioneer has opened the bidding on the next parcel available for an oil and gas lease, the decisions made on the previous parcels offered are final.

The minimum bid BLM can accept is \$2.00 per acre. If a parcel contains fractional acreage, round it up to the next whole acre. For example, a parcel of 100.51 acres requires a minimum bid of \$202 (\$2 x 101 acres).

How long will the sale last?

We begin the sale at 9:00 a.m. and it continues until all of the parcels in this Notice have been offered. The length of the sale depends on the number of parcels we are offering and the pace of the bidding. Normally, the sale is done before noon.

What conditions apply to the lease sale?

-Parcel withdrawal or sale cancellation: We reserve the right to withdraw any or all parcels before the sale begins. If we withdraw a parcel(s), we will post a notice in the New Mexico State Office Information Access Center (Public Room) before the day of the sale. We will announce withdrawn parcels before beginning the sale. If we cancel the sale, we will notify you as soon as possible.

-Fractional interests: If the United States owns less than 100 percent of the oil and gas mineral interest for the land in a parcel, we will show that information with the parcel. When we issue the lease, it will be for the percentage or fraction of interest the United States owns. However, you must calculate your bonus bid and advance rental payment on the gross acreage in the parcel, not the United States net interest. For example, if a parcel contains 200 acres and the United States owns 50 percent of the oil and gas mineral interest, the minimum bonus bid will be \$400 (\$2 X 200 acres) and the advance annual rental will be \$300 (\$1.50 X 200 acres) for the first 5-years and \$400 (\$2 X 200 acres) for the remainder of the lease term. Royalty on production will be calculated on the United States net oil and gas mineral interest.

Payment due on the day of the sale: You cannot withdraw a bid. For **each parcel** you win, you must pay the minimum bonus bid of \$2.00 per acre or fraction of an acre; the first year's advance rental of \$1.50 per acre or fraction of an acre; and a non-refundable administrative fee of **\$155**. You must make this payment to our Accounts Office at the BLM, New Mexico State Office either during, or immediately following the sale.

The minimum monies owed the day of the sale for a winning bid are monies owed to the United States, whether or not a lease is issued. (Title 43 CFR 3120.5-2(b) and Title 43 CFR 3120.5-3(a)). If payment of the minimum monies owed the day of the sale is not received by the date and time above, the Bureau of Land Management will issue a bill for the monies owed. If payment then is not received by the bill due date, the United States will pursue collection by all available methods, and when appropriate issue late fees, civil penalties, interest, administrative charges and penalties on past due amounts. "All available methods" include, but are not limited to, referral to collection agencies and credit reporting bureaus, salary or administrative offset, federal and state payments, including goods or services, federal and state tax refunds, and retirement payments. The debt may be sent to the Internal Revenue Service for inclusion as income to you on form 1099C, Cancellation of Debt. (Federal Claims Collection Act of 1966, as amended; The Debt Collection Improvement Act of 1996; 31 CFR 285).

Remaining payments: If your bonus bid was more than \$2.00 per acre or fraction of an acre and you didn't pay the full amount on the day of the sale, you must pay the remaining balance of your bonus bid by **4:00 p.m. on February 4, 2015**, which is the 10th working day following the sale. Send the remaining balance payment to: **Attn: Accounts Staff - Bureau of Land Management, New Mexico State Office, 301 Dinosaur Trail, Santa Fe, New Mexico 87508.**

If you do not pay in full by this date, you lose the right to the lease and you will forfeit the money you paid on the day of the sale. If you forfeit a parcel, we may offer it at a later sale.

-Method of payment: You can pay by personal check, cashier's check, money order, or credit card (Visa, MasterCard, American Express or Discover Card only). Make checks payable to: **"Department of the Interior - BLM."** We cannot accept cash. If a check you have sent to us in the past has been returned for insufficient funds, we may ask that you give us a guaranteed payment, such as a money order. **Note for customers planning to pay with Credit Card, effective June 30, 2012, BLM will not accept credit or debit card payments to the Bureau for any amount greater than \$49,999.99. Payments of \$50,000 or more should be made by Automated Clearing House (ACH) or Federal Wire Transfer. We suggest that no one plan to make a payment of \$50,000 or more by credit card.** If you pay by credit card and the transaction is refused, we will try to notify you early enough so that you can make other payment arrangements. **However, we cannot grant you any extension of time to pay the money that is due the day of the sale.**

Bid Form: On the day of the sale, if you are a successful bidder you must give us a properly completed and signed competitive bid form (Form 3000-2, August 2007), or earlier edition, copy included with your payment. This form constitutes a legally binding offer by the prospective lessee to accept a lease and all its terms and conditions. Once the form is signed, you cannot change it. ***We will not accept any bid form that has information crossed out or is otherwise altered. Fillable bid forms are available online at:***

<https://www.blm.gov/FormsCentral/show-form.do?nodeId=672#>

We recommend you get a copy of the bid form and complete all, but the money part, before the sale. You can fill out the money part at the sale. Your completed bid form certifies that:

- (1) You and the prospective lessee are qualified to hold an oil and gas lease under our regulations at Title 43 CFR 3102.5-2; and
- (2) Both of you have complied with 18 U.S. C. 1860, a law that prohibits unlawful combinations, intimidation of and collusion among bidders.

-Federal acreage limitations: Qualified individuals, associations, or corporations may only participate in a competitive lease sale and purchase Federal oil and gas leases from this office if such purchase will not result in exceeding the State limit of 246,080 acres of public domain lands and 246,080 acres of acquired lands (30 U.S.C. 184(d)). For the purpose of chargeable acreage limitations, you are charged with your proportionate share of the lease acreage holdings of partnerships or corporations in which you own an interest greater than 10 percent. Lease acreage committed to a unit agreement or development contract that you hold, own or control is excluded from chargeability for acreage limitation purposes.

The acreage limitations and certification requirements apply for competitive oil and gas lease sales, noncompetitive lease offers, transfer of interest by assignment of record title or operating rights, and options to acquire interest in leases regardless of whether an individual, association, or corporation has received, under Title 43 CFR 3101.2-4, additional time to divest excess acreage acquired through merger or acquisition.

-Lease terms: A lease issued as a result of this sale will have a primary term of 10 years. It will continue beyond its primary term as long as oil or gas is produced in paying quantities on or for the benefit of the lease. Advance rental at \$1.50 per acre or fraction of an acre for the first 5 years (\$2.00 per acre after that) is due on or before the anniversary date each year until production begins. Once a lease is producing, you must pay a royalty of 12.5 percent of the value or the amount of production removed or sold from the lease. You will find other lease terms on our standard lease form (**Form 3100-11, October 2008**) or later edition, copy included.

-Stipulations: Some parcels have special requirements or restrictions which are called stipulations. These are noted with each of the parcels. Stipulations are part of the lease and supercede any inconsistent provisions of the lease form.

-Lease Issuance: After we receive the bid form and all the money due, and, **if applicable**, your unit joinder information and required bond, we can issue the lease. Usually, a lease is effective the first day of the month following the month in which we sign it. If you want your lease to be effective the first day of the month in which we sign it, you must ask us in writing to do this. We have to receive your request before we sign the lease.

-Legal Land Descriptions: We prepared this Notice with land status information from our Legacy Rehost 2000 (LR2000) case recordation system. We are providing you with the following information to assist you in understanding the legal descriptions given for each parcel:

- The township and range contains additional zeros. For example, T. 28 N., R. 32 E., is shown as T 0280 N, R 0320 E (additional zeros Underlined).

- The section numbers contain additional leading zeros. For example, section 4 is shown as sec. 004.

- Lands are described separately by lots, aliquot parts, tracts, and exceptions to survey for each section.

- LR2000 will code a ½ township as a 2 in the database. This 2 will appear as the last digit in the number. For example, T 14 ½ N, will appear as T 0142 N.

-Cellular Phone Usage: You are restricted from using cellular phones in the sale room during the oral auction. You must confine your cellular phone usage to the hallway or area outside the saleroom when the auction is taking place.

-Other Conditions of the Sale: At the time the sale begins, we will make any rules regarding sale procedures that we feel are necessary for the proper conduct of the sale.

NON-COMPETITIVE OFFERS TO LEASE

What parcels are available for noncompetitive offers to lease?

Unless stated in this notice, parcels that do not receive a bid at the competitive sale are available for noncompetitive offers to lease beginning the first business day following the day of the sale. If not withdrawn, or shown with a noncompetitive Pre-sale offer pending, these parcels are available for noncompetitive offers to lease for a period of two years following the day of the sale.

How do I file a noncompetitive offer after the sale?

If you want to file a noncompetitive offer to lease on an unsold parcel, you must give us-

-Three copies of Form 3100-11, *Offer to Lease and Lease for Oil and Gas* properly completed and signed. **(Note: We will accept copies of the official form, including computer generated forms, that are legible and have no additions, omissions, other changes, or advertising.)** You must describe the lands in your offer as specified in our regulations at Title 43 CFR 3110.5; and

-Your payment for the total of the **\$405** filing fee and the first year's advance rental computed at (\$1.50 per acre or fraction of an acre). Remember to round up any fractional acreage when you calculate the rental amount.

For your convenience, you may leave your noncompetitive offers for any parcel which has received no bid with the Accounts Staff. We consider all offers filed the day of the sale and the first business day after it, for any of the unsold parcels, to be filed as of 9:00 a.m. the first business day following the day of the sale. If a parcel receives more than one offer, we will hold a drawing to select the winner (see Title 43 CFR 1822.17). We have identified those parcels that have pending presale offers. A noncompetitive presale offer to lease has priority over any other noncompetitive offer to lease filed after the sale.

How do I file a noncompetitive presale offer?

Under our regulations at Title 43 CFR 3110.1(a), you may file a noncompetitive presale offer for lands that-

- Are available, and;
- Have not been under lease during the previous one-year period, or;
- Have not been included in a competitive lease sale within the previous two-year period.

Your noncompetitive presale offer to lease must be filed prior to the official posting of this sale notice. If your presale offer was timely filed, was complete and we do not receive a bid for the parcel that contains the lands in your offer, it has priority over any other noncompetitive offer to lease for that parcel filed after the sale. Your presale offer to lease is your consent to the terms and conditions of the lease, including any additional stipulations. If you want to file a presale offer, follow the guidance listed above for filing a noncompetitive offer after the sale and the regulations at Title 43 CFR 3110.1(a).

When is the next competitive oil and gas lease sale scheduled?

We have tentatively scheduled our next competitive sale for **Wednesday, April 22, 2015**.

Please send nominations for the **January 20, 2016**, Lease Sale by **March 27, 2015**.

How can I find out the results of this sale?

We will post the sale results in the New Mexico State Office Information Access Center (Public Room). You can buy (\$5) a printed copy of the results by contacting our Accounts Staff, at (505) 954-2111. The results list is also available on our public internet website:

www.blm.gov/nm/ (click on Programs, then click on Energy).

May I protest BLM's Decision to offer the lands in this notice for lease?

Yes, under regulation Title 43 CFR 3120.1-3, you may protest the inclusion of a parcel listed in this sale notice. All protests must meet the following requirements:

- We must receive a protest no later than close of business on **November 20, 2014**. If our office is not open on that day a protest received the next day our office is open to the public will be considered timely filed. The protest must also include any statement of reasons to support the protest. We will dismiss a late-filed protest or a protest filed without a statement of reasons.
- A protest must state the interest of the protesting party in the matter.
- You may file a protest either by mail in hardcopy form or by telefax. You may not file a protest by electronic mail. A protest filed by fax must be sent to **(505) 954-2010**. A protest sent to a fax number other than the fax number identified or a protest filed by electronic mail will be dismissed.
- If the party signing the protest is doing so on behalf of an association, partnership or corporation, the signing party must reveal the relationship between them. For example, unless an environmental group authorizes an individual member of its group to act for it, the individual cannot make a protest in the group's name.

If BLM receives a timely protest of a parcel advertised on this Sale Notice, how does it affect bidding on the parcel?

We will announce receipt of any protests at the beginning of the sale. We will also announce a decision to either withdraw the parcel or proceed with offering it at the sale.

If I am the high bidder at the sale for a protested parcel, when will BLM issue my lease?

We will make every effort to resolve the protest prior to the date of the lease sale. If a protest cannot be resolved prior to the lease sale, we will then attempt to resolve the protest within 60 days after the sale. We will not issue a lease for a protested parcel until the State Director makes a decision on the protest. If the State Director denies the protest, we will issue your lease concurrently with that decision.

If I am the successful bidder of a protested parcel, may I withdraw my bid and receive a refund of my first year's rental and bonus bid?

No. In accordance with BLM regulations (43 CFR 3120.5-3) you may not withdraw your bid.

If BLM upholds the protest, how does that affect my competitive bid?

If we uphold a protest and withdraw the parcel from leasing, we will refund your first year's rental, bonus bid and administrative fee. If the decision upholding the protest results in additional stipulations, we will offer you an opportunity to accept or reject the lease with the additional stipulations prior to lease issuance. If you do not accept the additional stipulations, we will reject your bid and we will refund your first year's rental, bonus bid and administrative fee.

If BLM's decision to uphold the protest results in additional stipulations, may I appeal that decision?

Yes, you may. Note, an appeal from the State Director's decision must meet the requirements of Title 43 CFR §4.411 and Part 1840.

May I withdraw my bid if the protestor files an appeal?

No. If the protestor appeals our decision to deny the protest, you may not withdraw your bid. We will issue your lease concurrently with the decision to deny the protest. If resolution of the appeal results in lease cancellation, we will authorize refund of the bonus bid, rentals and administrative fee if--

- There is no evidence that the lessee(s) derived any benefit from possession of the lease during the time they held it, and;
- There is no indication of bad faith or other reasons not to refund the rental, bonus bid and administrative fee.

Expression of Interest (EOI)

As directed by Washington Office (WO) Instruction Memorandum (IM) 2014-004, the BLM will publish EOI submissions received on or after January 1, 2014, on the website of the BLM State Office where the nomination parcel is located. EOI submitters who consider their name and address confidential should not include that information in their EOI. The BLM no longer requires submitter to provide this information for contact purposes; however, the BLM will make this information available to the public.

For more information please review WO-IM 2014-004 at http://www.blm.gov/wo/st/en/info/regulations/Instruction_Memos_and_Bulletins/national_instruction-2014.html

Inclement Weather Conditions

On occasion the Santa Fe area will have an abundance of snow or other weather conditions that prohibit the staff to make it to work safely at regular scheduled business hours. In the event of hazardous weather, please tune in to KOAT-TV, Channel 7 out of Albuquerque, and they will post the information for the Bureau of Land Management, New Mexico State Office, on their listing of closures or delays or you may call for recorded information on delays or closures at (505) 954-2000.

The procedure for future Oil and Gas Lease Sales scheduled on a business day with a 2-hour delay or the Office is Closed for Business the BLM will proceed as follows:

1. In the event of a 2-hour delay, the doors to the BLM, NMSO will remain locked until 9:30a.m. The Oil and Gas Lease Sale will begin at 11:00 a.m. with registration starting at 10:00 a.m.

2. In the event that the BLM office is Closed for Business on the day of an Oil and Gas Lease Sale, the Sale will be cancelled and rescheduled at a later date.

Every effort will be made to post the information on delays of Closed for Business on the main entrance exterior doors of the building.

Your safety and the safety of our BLM employees is our major concern.

Whom should I contact if I have a question?

For general information, please contact our Information Access Center at (505) 954-2098 or for information or questions about the sale, contact: **Lourdes Ortiz** at (505) 954-2146.

/s/ Gloria S. Baca
Gloria S. Baca
Supervisory, Land Law Examiner
Branch of Adjudication

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Serial Number

OFFER TO LEASE AND LEASE FOR OIL AND GAS

The undersigned (page 2) offers to lease all or any of the lands in Item 2 that are available for lease pursuant to the Mineral Lands Leasing Act of 1920, as amended and supplemented (30 U.S.C. 181 et seq.), the Mineral Leasing Act for Acquired Lands of 1947, as amended (30 U.S.C. 351-359), or _____ (other).

READ INSTRUCTIONS BEFORE COMPLETING

1. Name

Street

City, State, Zip Code

2. This application/offer/lease is for: (Check Only One) ☐ PUBLIC DOMAIN LANDS ☐ ACQUIRED LANDS (percent U.S. interest _____)

Surface managing agency if other than Bureau of Land Management (BLM): _____ Unit/Project _____

Legal description of land requested: *Parcel No.: _____ *Sale Date (mm/dd/yyyy): _____

***See Item 2 in Instructions below prior to completing Parcel Number and Sale Date.**

T. _____ R. _____ Meridian _____ State _____ County _____

Amount remitted: Filing fee \$ _____ Rental fee \$ _____ Total acres applied for _____
Total \$ _____

DO NOT WRITE BELOW THIS LINE

3. Land included in lease:

T. _____ R. _____ Meridian _____ State _____ County _____

Total acres in lease _____

Rental retained \$ _____

This lease is issued granting the exclusive right to drill for, mine, extract, remove and dispose of all the oil and gas (except helium) in the lands described in Item 3 together with the right to build and maintain necessary improvements thereupon for the term indicated below, subject to renewal or extension in accordance with the appropriate leasing authority. Rights granted are subject to applicable laws, the terms, conditions, and attached stipulations of this lease, the Secretary of the Interior's regulations and formal orders in effect as of lease issuance, and to regulations and formal orders hereafter promulgated when not inconsistent with lease rights granted or specific provisions of this lease.

NOTE: This lease is issued to the high bidder pursuant to his/her duly executed bid form submitted under 43 CFR 3120 and is subject to the provisions of that bid and those specified on this form.

Type and primary term:

THE UNITED STATES OF AMERICA

☐ Noncompetitive lease (ten years)

by _____
(BLM)

☐ Competitive lease (ten years)

(Title) (Date)

☐ Other _____ EFFECTIVE DATE OF LEASE _____

(Continued on page 2)

4. (a) Undersigned certifies that (1) offeror is a citizen of the United States; an association of such citizens; a municipality; or a corporation organized under the laws of the United States or of any State or Territory thereof; (2) all parties holding an interest in the offer are in compliance with 43 CFR 3100 and the leasing and leasing authorities; (3) offeror's chargeable interests, direct and indirect, in each public domain and acquired lands separately in the same State, do not exceed 246,080 acres in oil and gas leases (of which up to 200,000 acres may be in oil and gas options or 300,000 acres in leases in each leasing District in Alaska of which up to 200,000 acres may be in options; (4) offeror is not considered a minor under the laws of the State in which the lands covered by this offer are located; (5) offeror is in compliance with qualifications concerning Federal coal lease holdings provided in sec. 2(a)(2)(A) of the Mineral Leasing Act; (6) offeror is in compliance with reclamation requirements for all Federal oil and gas lease holdings that signature to this offer constitutes acceptance of this lease, including all terms conditions, and stipulations of which offeror has been given notice, and any amendment or separate lease that may include any land described in this offer open to leasing at the time this offer was filed but omitted for any reason from this lease. The offeror further agrees that this offer cannot be withdrawn, either in whole or in part unless the withdrawal is received by the proper BLM State Office before this lease, an amendment to this lease, or a separate lease, whichever covers the land described in the withdrawal, has been signed on behalf of the United States.

This offer will be rejected and will afford offeror no priority if it is not properly completed and executed in accordance with the regulations, or if it is not accompanied by the required payments.

(Signature of Lessee or Attorney-in-fact)

, 20

day of

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212 make it a crime for any person knowingly and willfully to make to any department or Agency of the United States any false, fictitious, or fraudulent statements or representations as to any matter within its jurisdiction.

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.

Sec. 2. Royalties--Royalties must be paid to proper office of lessor 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 therefrom, 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.

A. General:

1. Page 1 of this form is to be completed only by parties filing for a noncompetitive lease. The BLM will complete page 1 of the form for all other types of leases.

2. Entries must be typed or printed plainly in ink. Offeror must sign

Item 4 in ink.

3. An original and two copies of this offer must be prepared and filed in the proper BLM State Office. See regulations at 43 CFR 1821.2-1 for office locations.

4. If more space is needed, additional sheets must be attached to each copy of the form submitted.

B. Special:

Item 1 - Enter offeror's name and billing address.

Item 2 - Identify the mineral status and, if acquired lands, percentage of Federal ownership of applied for minerals. Indicate the agency controlling the surface of the land and the name of the unit or project which the land is a part. The same offer may not include both Public

NOTICES

The Privacy Act of 1974 and the regulations in 43 CFR 2.48(d) provide that you be furnished with the following information in connection with information required by this oil and gas lease offer.

AUTHORITY: 30 U.S.C. 181 et seq.; 30 U.S.C. 351-359.

PRINCIPAL PURPOSE: The information is to be used to process oil and gas offers and leases.

ROUTINE USES: (1) The adjudication of the lessee's rights to the land or resources. (2) Documentation for public information in support of notations made on land status records for the management, disposal, and use of public lands and resources. (3) Transfer to appropriate Federal agencies when consent or concurrence is required prior to granting a right in public lands or resources. (4)(5) Information from the record and/or the record will be transferred to appropriate Federal, State, local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecutions.

EFFECT OF NOT PROVIDING INFORMATION: If all the information is not provided, the offer may be rejected. See regulations at 43 CFR 3100.

Domain and Acquired lands. Offeror also may provide other information that will assist in establishing title for minerals. The description of land must conform to 43 CFR 3110. A single parcel number and Sale Date will be the only acceptable description during the period from the first day following the end of a competitive process until the end of that same month, using the parcel number on the List of Lands Available for Competitive Nominations or the Notice of Competitive Lease Sale, whichever is appropriate.

Payments: The amount remitted must include the filing fee and the first year's rental at the rate of \$1.50 per acre or fraction thereof. The full rental based on the total acreage applied for must accompany an offer even if the mineral interest of the United States is less than 100 percent. The filing fee will be retained as a service charge even if the offer is completely rejected or withdrawn. To protect priority, it is important that the rental submitted be sufficient to cover all the land requested. If the land requested includes lots or irregular quarter-quarter sections, the exact area of which is not known to the offeror, rental should be submitted on the basis of each such lot or quarter-quarter section containing 40 acres. If the offer is withdrawn or rejected in whole or in part before a lease issues, the rental remitted for the parts withdrawn or rejected will be returned.

Item 3 - This space will be completed by the United States.

Bidder Registration Form
Competitive Oil and Gas Lease Sale

By completing this form, I certify that the undersigned, or the principal party whom the undersigned is acting on behalf of, is in compliance with the applicable regulations and leasing authorities governing a bid and subsequent lease. I certify that any bid submitted by the undersigned or on behalf of the principal party is a good faith statement of intention by the undersigned or the principal party to acquire an oil and gas lease on the offered lands. Further, I acknowledge that if a bid is declared the high bid, it will constitute a legally binding commitment to execute the Bureau of Land Management's Form 3000-2, Competitive Oil and Gas or Geothermal Resources Lease Bid, and to accept the lease.

In addition, if a bid is declared the high bid, the undersigned or the principal party will pay to the Bureau of Land Management (BLM) by the close of official business hours on the day of the auction, or such other time as may be specified by the authorized officer, an amount at least equal to minimum monies owed the day of sale for that bid, as set out in applicable regulations. The undersigned and the principal party acknowledge that these monies are due to the Bureau of Land Management as a result of winning the auction. Further, the undersigned and the principal party understand that if payment is not received by the due date, the BLM will issue a bill for monies owed, and if payment is not received, the United States will pursue collection by all appropriate methods, and as appropriate, will assess late fees, civil penalties, interest, administrative charges, and penalties on past due amounts (Federal Claims Collection Act of 1966, as amended; The Debt Collection Improvement Act of 1996; 31 CFR part 285).

I certify that neither I nor the principal party whom I represent owes the United States any monies that were due the day of sale from any oil and gas lease auction conducted by any Bureau of Land Management office.

It is a crime under 18 U.S.C. 1001 and 43 U.S.C. 1212 for any person to knowingly and willfully make any false, fictitious or fraudulent statements or representations as to any matter within the jurisdiction of the government. Any such offense may result in a fine or imprisonment for not more than 5 years, or both.

It is a crime under 30 U.S.C. 195(a) and (b) to organize or participate in any scheme to defeat provisions of the mineral leasing regulations or for any person to obtain money or property by means of false statements regarding a person's ability to obtain a lease. Any person who knowingly violates this provision shall be punished by a fine of not more than \$500,000, imprisonment for not more than 5 years, or both.

A separate registration is required for each company or individual you are representing. Please fill in the company/individual name and address as it would appear on any issued lease. We will send a copy of the lease and billing notices to the name and address as shown below. (NOTE: Please use the same lessee name and address information on BLM Form 3000-2.)

Lessee Name: _____ Bidder No. (leave blank) _____

Mailing Address: _____

City: _____ State: _____ Zip Code: _____

Bidder Name: _____ Phone Number: _____
(including area code)

Relationship to Lessee: _____
(Self, Agent, Attorney-in-Fact, President, etc.)

Signature _____ Date _____
For BLM Use Only: Type of identification: _____

Hotels close to the BLM
NMSO Office

Inn at Santa Fe
8376 Cerrillos Road
(505) 474-9500
(Next to the Outlet Stores Mall)

La Quinta Inn
4298 Cerrillos Road
(505) 471-1142
(Next to Santa Fe Place Mall)

Fairfield Inn
4150 Cerrillos Road
(505) 474-7569
(Next to Santa Fe Place Mall)

Comfort Inn
4312 Cerrillos Road
(505) 474-7330

Courtyard by Marriott
3347 Cerrillos Road
(505) 473-2800

Holiday Inn Express
3450 Cerrillos Road
(505) 474-7570

Hyatt Place Santa Fe
4320 Cerrillos Rd.
(505) 474-7777

BUREAU OF LAND MANAGEMENT
NEW MEXICO STATE OFFICE
January 21, 2015, LEASE SALE STATISTICS BY STATE
Parcels With and Without Pre-Sale Noncompetitive Priority Offers

STATE	PARCELS WITH PRESALE OFFERS	PARCELS WITHOUT PRESALE OFFERS	TOTAL PARCELS	ACRES WITH PRESALE OFFERS	ACRES WITHOUT PRESALE OFFERS	TOTAL ACRES
NM	0	5	5		2,802.56	2,802.56
TOTALS	0	5	5		2,802.56	2,802.56

NEW MEXICO PUBLIC DOMAIN

NM-201501-001 1521.160 Acres

T.0220N, R.0060W, 23 PM, NM

Sec. 004 SE;
 005 SW;
 006 LOTS 6,7;
 006 E2SW,SE;
 008 N2;
 009 N2,W2SW;
 010 NW;

Sandoval County

Farmington FO

NMNM 24965, NMNM 25806

NMNM 76833, NMNM 80480

BIA-1 Navajo Nation Stipulation

BIA-3 Pipeline

BIA-5 (NSO)Occupied Structures

F-15-POD Plan of Development

F-41-LN Biological Survey

F-44-NSO Community/Residences

F-47-CSU Air Dispersion Modeling

NM-10 Drainage

NM-11-LN Special Cultural Resource

WO-ESA 7 Endangered Species Act

NM-201501-002 200.000 Acres

T.0220N, R.0060W, 23 PM, NM

Sec. 015 SE;
 022 NENE;

Sandoval County

Farmington FO

NMNM 19814, NMNM 19814A

BIA-1 Navajo Nation Stipulation

BIA-3 Pipeline

BIA-5 (NSO) Occupied Structures

F-15-POD Plan of Development

F-41-LN Biological Survey

F-44-NSO Community/Residences

F-47-CSU Air Dispersion Modeling

NM-10 Drainage

NM-11-LN Special Cultural Resource

WO-ESA 7 Endangered Species Act

NM-201501-003 480.000 Acres

T.0220N, R.0060W, 23 PM, NM

Sec. 023 E2;
 024 NW;

Sandoval County

Farmington FO

NMNM 36344

BIA-1 Navajo Nation Stipulation

BIA-3 Pipeline

BIA-5 (NSO) Occupied Structures

F-15-POD Plan of Development

F-41-LN Biological Survey

F-44-NSO Community/Residences

F-47-CSU Air Dispersion Modeling

NM-10 Drainage

NM-11-LN Special Cultural Resource

WO-ESA 7 Endangered Species Act

NM-201501-004 441.400 Acres

T.0230N, R.0070W, 23 PM, NM

Sec. 006 LOTS 5-7;

006 SENW,E2SW,SWSE;

007 NE;

Sandoval County

Farmington FO

NMNM 23052, NMNM 28745

BIA-1 Navajo Nation Stipulation

BIA-3 Pipeline

BIA-5 (NSO) Occupied Structures

F-15-POD Plan of Development

F-41-LN Biological Survey

F-44-NSO Community/Residences

F-47-CSU Air Dispersion Modeling

NM-10 Drainage

NM-11-LN Special Cultural Resource

WO-ESA 7 Endangered Species Act

NM-201501-005 160.000 Acres

T.0230N, R.0070W, 23 PM, NM

Sec. 035 NE;

Sandoval County

Farmington FO

BIA-1 Navajo Nation Stipulation

BIA-3 Pipeline

BIA-5 (NSO) Occupied Structures

F-9-CSU Paleontology

F-15-POD Plan of Development

F-41-LN Biological Survey

F-44-NSO Community/Residences

F-47-CSU Air Dispersion Modeling

NM-10 Drainage

NM-11-LN Special Cultural Resource

WO-ESA 7 Endangered Species Act

Number of Parcels - 5

Total Acreage - 2802.56

Total number of Parcels with Presale Offers - 0

Parcel Number of Parcels with Presale Offers - 0

Total Acreage with Presale Offers - 0

Any portion of the listed lands may be deleted upon determination that such lands are not available for leasing.

STIPULATIONS

NAVAJO AREA, BUREAU OF INDIAN AFFAIRS
SURFACE MANAGEMENT AGENCY LEASE STIPULATIONS
FOR FEDERAL OIL AND GAS LEASE OFFERING

1. Lessee shall carry on all operations in a good and workmanlike manner in accordance with approved methods and practices.
2. Lessees shall abide by and conform to appropriate provisions of Titles 25, 36, and 43, Code of Federal Regulations, and any and all other applicable regulations and manuals of the Secretary now or hereafter in force relative to surface leasing rights-of-way and as amended, and National Area Environmental Protection guidelines; the National Historic Preservation Act of 1966, as amended, Archaeological Resources Protection Act, and American Indian Religious Freedom Act and other applicable laws, 30 BIA, 36 CFR 800 and 43 CFR 7.
 - a. Prior to issuing any cultural clearances, the Lessee shall provide the necessary cultural clearances to the Bureau of Land Management after consultation with the Navajo Nation Historic Preservation Department, P. O. Box 2898, Window Rock, AZ 86515, and provide copies of all historic preservation related documents associated with an undertaking. The Navajo Nation contracted under Public Law 93-638 the Navajo Area Archaeology Office.
 - b. Prior to entry upon the land or the disturbance of the surface thereof for drilling or other purposes, Lessee shall submit a development plan for surface use to the Area Manager, Farmington Resource Area, Bureau of Land Management, 1235 La Plata Highway, Farmington, NM 87401. An Environmental Analysis will be made by the Bureau of Land Management in consultation with the BIA Navajo Area Office for the purpose of ensuring proper protection of the surface, the natural resources, the environment and existing improvements and for assuring timely reclamation of disturbed lands. Upon completion of said environmental analysis, the Oil and Gas Field Manager shall notify Lessee of the conditions to which the proposed surface disturbing operations will be subject. (Note: Prior to operations beginning; Lessee shall furnish a copy of its development plan and Bureau of Land Management conditions to the BIA. The BIA reserves the right to require site specific archaeological surveys and environmental reviews on tracts selected for development prior to giving concurrence to proposed actions(s). The BIA will consult with the Navajo Nation prior to concurring in such actions.)
3. The Lessee shall not use or permit to be used any part of said leased land for any unlawful conduct or purpose whatsoever. Lessee will not use or permit to be used any part of said leased land for the manufacture, sale, gift, transportation, or storage of intoxicating liquors, beverages or drugs. In the event any representative of Lessee or its contractor or subcontractor, employed in connection with the operations on the lease premises shall be responsible for

any of the unlawful acts described in this clause, Bureau of Land Management shall give Lessee information as to such violation(s) with a copy of the notice to BIA and Navajo Nation. Lessee shall immediately take steps to cure the violations, including the termination or transfer of such employee. (25 CFR 162.5(g) (3); 18 U.S.C. Sections 1151, 1154, and 1156, as amended.)

4. Except as otherwise stated herein, copies of correspondence and notices shall be mailed to the Bureau of Indian Affairs in care of the Area Director, Navajo Area Office, Attention: Branch of Real Property Management, Bureau of Indian Affairs, P. O. Box 1060, Gallup, NM 87305-1060; and to the Navajo Nation in care of the President, Navajo Nation, Attention: Navajo Tribal Minerals Department, P. O. Box 146, Window Rock, AZ 86515.

THE NAVAJO NATION STIPULATIONS

1. The surface ownership of lands contained in this lease may be all or partly managed by the Navajo Tribe. Site specific rights-of-way clearances and/or inventories may be required prior to entry upon the surface for operation of the lease holdings. Prior contact with the Navajo Nation will be required prior to operations beginning. All applicable laws of the Navajo Nation (including tax laws, water codes, requirements of Environmental Protection Administration, etc.) shall be complied with by the Lessee.

2. The Navajo Nation requires a copy of complete exploration and development data (drilling logs, seismic data, etc.) obtained by the Lessee on the subject lands will be provided to the Navajo Nation at no cost. All materials data will be held confidential as described in 43 CFR 3162.8.

3. Navajo grazing rights to the surface of the lands so leased shall be protected, and the Nation's rights respecting the use of water shall be unimpaired.

4. Lessee shall not obtain water for use in drilling from Indian-owned wells, tanks, springs, or stockwater reservoirs without prior written permission from the Navajo Nation. Lessee shall not drill any water wells for its use without prior written consent of the Navajo Nation and the Area Director.

5. Lessee shall compensate the Navajo Nation and its grazing permittees (if any), for all surface use(s) as well as damages to crops, buildings, and other improvements of surface landowner, including loss of grazing lands, occasioned by the Lessee's operations except the Lessee's control. Compensation for surface use shall be negotiated by Lessee and the Navajo Nation and will be based upon the duration of activity on the land.

6. Lessee shall not drill any well within 500 feet of any house, structure, or reservoir of water without the Navajo Nation's written consent.

7. Lessee shall bury all pipelines crossing tillable lands below plow depth unless other arrangements are made with the Navajo Nation.

8. Upon the request of the Navajo Nation or if so required by the Area Director or his authorized representative, and under the direction of the Field Manager, Bureau of Land Management, the Lessee shall condition any well drilled which does not produce oil or gas in paying quantities, but which is capable of producing water satisfactorily for domestic, agricultural, or livestock use by the Navajo Nation. Otherwise, after the expiration or termination of the lease, the Lessee shall remove all pumping equipment installed by Lessee at any well.

NAVAJO AREA, BUREAU OF INDIAN AFFAIRS
SURFACE MANAGEMENT AGENCY LEASE STIPULATIONS
FOR FEDERAL OIL AND GAS LEASE OFFERING

The pipeline will be so installed that it will not interfere with the construction and/or development of the area for agricultural purposes and/or operation of same in connection with the Navajo Indian Irrigation Project. Any changes or relocations found to be necessary during said construction and/or development will be accomplished at the Company's expense.

In addition, the pipeline will be buried to a depth of 48 inches and any permanent metering and production equipment installed at the actual site will conform to "no well and/or production equipment within irrigable fields of the Navajo Indian Irrigation Project will exceed two feet above natural surface elevation and be adequately barricaded for safety." Further, if crops are planted prior to accomplishment of the pipeline work, surface damages must be negotiated with Navajo Agricultural Products Industry.

NO SURFACE OCCUPANCY OR USE
OCCUPIED STRUCTURES AND DWELLINGS

All or a portion of the lease contains dwellings or structures occupied by one or more persons. No Surface Occupancy or use is allowed on the portion of the lease described below. These restricted lands may be developed by directional drilling from outside the restricted area.

No surface occupancy on the lands described below:

**Waiver: This no surface occupancy or use restriction maybe waived if written consent of
Such waiver is received from the Navajo Regional Director.**

**For the Purpose of: Lessening the impacts caused by mineral resource development on a
place of residence and the occupants within.**

CONTROLLED SURFACE USE STIPULATION
PALEONTOLOGY

Surface occupancy or use is subject to the following special operating constraints:

- Restrict vehicles to existing roads and trails.
- Require a paleontological clearance on surface disturbing activities.

On the lands described below:

For the purpose of: To protect the area for scientific study.

If circumstances or relative resource values change or if it can be demonstrated that oil and gas operations can be conducted without causing unacceptable impacts, this stipulation may be waived, excepted, or modified by the BLM Authorized Officer, if such action is consistent with the provisions of the Farmington Resource Management Plan, or if not consistent, through a land use plan amendment and associated National Environmental Policy Act analysis document. If the BLM Authorized Officer determines that the waiver, exception, or modification shall be subject to a 30-day public review period.

Any changes to this stipulation will be made in accordance with the land use plan and/or the regulatory provisions for such changes.

Bureau of Land Management
Farmington Field Office

F-9-CSU
September 2003

PLAN OF DEVELOPMENT (POD)
STIPULATION

A plan of development (POD) for the entire lease must be submitted for review and approval, including NEPA analysis, by the Bureau of Land Management (BLM) authorized officer, prior to approval of development (APD, Sundry Notices) actions. The POD must indicate planned access to well facilities (roads, pipelines, power lines), and the approximate location of well sites. Should it become necessary to amend the POD, the amendment must be approved prior to the approval of subsequent development action. Deviations from a current POD are not authorized until an amended POD has been approved by BLM.

For the Purpose of: Plans of Development will be required to help direct development to reduce surface impacts.

Bureau of Land Management
Farmington Field Office

F-15-POD
July 2013

LEASE NOTICE
BIOLOGICAL SURVEY

A biological survey may be required prior to any surface disturbing activity on BLM managed lands. Proposed activities may be subject to seasonal closures within sensitive species habitat.

No Surface Occupancy
Community/Residences

No surface occupancy or use is allowed on the lands described below:

No surface occupancy is allowed within 660 feet of any occupied residences of a community.

If circumstances or relative resource values change or if it can be demonstrated that oil and gas operations can be conducted without causing unacceptable impacts, this stipulation maybe waived, excepted, or modified by the BLM Authorized Officer, if such action is consistent with the provisions of the Farmington Resource Management Plan, or if not consistent, through a land use plan amendment and associated National Environmental Policy Act analysis document. If the BLM Authorized Officer determines that the waiver, exception, or modification involves an issue of major public concern, the waiver, exception, or modification shall be subject to a 30-day public review period.

Any changes to this stipulation will be made in accordance with the land use plan and/or the regulatory provisions for such changes.

CONTROLLED SURFACE USE STIPULATION
AIR DISPERSION MODELING

Due to the close proximity of occupied dwellings to potential well sites on the lease parcel, information about the air quality impacts at the dwellings must be determined and disclosed as part of the NEPA analysis. In order to determine the impacts, the lessee will be responsible for conducting air dispersion modeling for all wells proposed and within one mile of occupied dwellings prior to BLM making a decision on any proposed wells and associated operations and infrastructure. The BLM will determine the near-field air impacts based on air dispersion modeling that conforms to EPA New Mexico Environment Department guidelines. Based on modeling results, the BLM may have mitigation requirements, with a potential for moving the proposed well and associated operations and infrastructure away from the occupied dwelling(s). A Plan of Development (POD) will be required.

Air dispersion modeling in accordance with EPA and state modeling guidelines can be used to determine “near-field” impacts. This modeling could not be completed at the time of the Resource Management Plan because it requires very specific information about how leases are developed and the locations of development. At the time of the lease sale, there is still not enough information available about how the lease will be developed to accurately determine the near-field air quality impacts. Exact locations and equipment specifications are known at the time of the Application for Permit (APD) to Drill, so the NEPA analysis associated with the APD must contain the disclosure of the near-field air impacts from the development of these leases.

On the lands described below:

For the purpose of:

- (1)** fulfilling the objective of the Farmington Resource Management Plan (2003) to “ensure that mineral development is carried out in a manner that minimizes environmental damage and provides for the rehabilitation of affected lands”;
- (2)** comply with the requirements of the Federal Land Policy and Management Act of 1976, 43 U.S.C. 1701-1785 to “provide for compliance with applicable pollution control laws, including State and Federal air, water, noise or other pollution standards”;

(3) ensuring that federal agency activities and actions comply with all applicable air quality laws, regulations, standards and implementation plans, per the 1990 Clean Air Act Amendments Section 118; and

(4) to promote efforts which will prevent damage to the environment and promote human health and welfare (NEPA Section 2). Any changes to this stipulation, will be made in accordance with the land use plan and/or regulatory provisions for such changes. (For guidance on the use of this stipulation, see Bureau of Land Management Manuals 1624 and 3101 or Forest Service Manuals 1950 and 2820.)

DRAINAGE STIPULATION FOR FEDERAL LANDS

All or part of the lands contained in this lease is subject to drainage by well(s) located adjacent to this lease. The lessee shall be required within 60 days of lease issuance to submit to the authorized officer plans for protecting the lease from drainage. Compensatory royalty will be assessed effective the expiration of this 60-day period if no plan is submitted. The plan must include either an Application for Permit to Drill (APD) a protective well, or an application to communitize the lease so that it is allocated production from a protective well off the lease. Either of these options may include obtaining a variance to State spacing for the area. In lieu of this plan, the lessee shall be required to demonstrate that a protective well would have little or no chance of encountering oil and gas in quantities sufficient to pay in excess the costs of drilling and operating the well. In the absence of either an acceptable plan for protecting the lease from drainage or an acceptable justification why a protective well would be uneconomical, the lessee shall be obligated to pay compensatory royalty to the Office of Natural Resources Revenue at a rate to be determined by the authorized officer.

SPECIAL CULTURAL RESOURCE
LEASE NOTICE

All development activities proposed under the authority of this lease are subject to compliance with Section 106 of the NHPA and Executive Order 13007. The lease area may contain historic properties, traditional cultural properties (TCP's), and/or sacred sites currently unknown to the BLM that were not identified in the Resource Management Plan or during the lease parcel review process. Depending on the nature of the lease developments being proposed and the cultural resources potentially affected, compliance with Section 106 of the National Historic Preservation Act and Executive Order 13007 could require intensive cultural resource inventories, Native American consultation, and mitigation measures to avoid adverse effects—the costs for which will be borne by the lessee. The BLM may require modifications to or disapprove proposed activities that are likely to adversely affect TCP's or sacred sites for which no mitigation measures are possible. This could result in extended time frames for processing authorizations for development activities, as well as changes in the ways in which developments are implemented.

Bureau of Land Management
New Mexico State Office

NM-11-LN
February 9, 2004

ENDANGERED SPECIES ACT
SECTION 7 CONSULTATION STIPULATION

The lease area may now or hereafter contain plants, animals, or their habitats determined to be threatened, endangered, or other special status species. BLM may recommend modifications to exploration and development proposals to further its conservation and management objective to avoid BLM-approved activity that will contribute to a need to list such a species or their habitat. BLM may require modifications to or disapprove proposed activity that is likely to result in jeopardy to the continued existence of a proposed or listed threatened or endangered species or result in the destruction or adverse modification of a designated or proposed critical habitat. BLM will not approve any ground-disturbing activity that may affect any such species or critical habitat until it completes its obligations under applicable requirements of the Endangered Species Act as amended, 16 U.S.C. § 1531 et seq., including completion of any required procedure for conference or consultation.

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