

STIPULATIONS

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.

LEASE NOTICE
POTENTIAL CAVE OR KARST OCCURRENCE AREA

All or a portion of the lease is located in a potential cave or karst occurrence area. Within this area, caves or karst features such as sinkholes, passages, and large rooms may be encountered from the surface to a depth of as much as 2,000 feet, within surface areas ranging from a few acres to hundreds of acres. Due to the sensitive nature of the cave or karst systems of this area, special protective measures may be developed during environmental analyses and be required as part of approvals for drilling or other operations on this lease. These measures could include: changes in drilling operations; special casing and cementing programs; modifications in surface activities; or other reasonable measures to mitigate impacts to cave or karst values. These measures may be imposed in accordance with 43 CFR 3101.1-2; 43 CFR 3162.5-1; Onshore Oil and Gas Order No. 1; and Section 6 of the lease terms.

LEASE NOTICE
OIL AND GAS DEVELOPMENT WITHIN THE DESIGNATED POTASH AREA

This lease is located within the Secretary of the Interior's Designated Potash Area. It is subject to Secretarial Order No. 3324, signed December 3, 2012, the Federal Land Policy and Management Act (FLPMA), the Mineral Leasing Act (MLA) and regulations, orders, and directives of the Bureau of Land Management. The Order provides procedures and guidelines for more orderly co-development of oil, gas and potash deposits owned by the United States within the Secretary's Potash Area.

Pursuant to applicable laws; the terms, conditions and attached stipulations to the Lease; the Secretary of the Interior's formal orders; and regulations; drilling of an oil and gas well from a surface location within the Designated Potash Area will only be permitted if drilling occurs under the following conditions:

- 1) a Drilling Island associated with a Development Area established under this Order or a Drilling Island established under a prior Order;
- 2) a Barren Area and the Authorized Officer (AO) determines that such operations will not adversely affect active or planned potash mining operations in the immediate vicinity of the proposed drill-site; or
- 3) a Drilling Island, not covered by (1) above, or single well site established under this Order by the approval and in the sole discretion of the AO, provided that such site was jointly recommended to the AO by the oil and gas lessee(s) and the nearest potash lessee(s).

In addition, the lessee may be required to participate in an approved Development Area. A Development Area is an area established by the BLM within the Designated Potash Area in consideration of appropriate oil and gas technology such that wells can be drilled from a Drilling Island capable of effectively extracting oil and gas resources while managing the impact on potash resources. A Development Area typically will contain a single Drilling Island from which all new oil and gas wells that penetrate the potash formations will be drilled. Drilling Islands will not be allowed within one mile of any area where approved potash mining operations will be conducted within three years consistent with a three-year mine plan without the consent of the affected potash lessee(s).

Leases within a Development Area will be unitized or subject to an approved communitization agreement unless there is a compelling reason for another operating system. In addition, the drilling of new wells will be subject to safety Buffer Zones of $\frac{1}{4}$ mile for oil wells and $\frac{1}{2}$ mile for gas wells from the perimeter of existing underground open mine workings within which oil or gas operations will generally not be allowed

unless the Buffer Zones are adjusted in an individual case by the AO or revised by the BLM Director.

Leases will be subject to applicable laws; the terms, conditions and attached stipulations; the Secretary of the Interior's formal orders in effect as of lease issuance; and to regulations and formal orders hereafter promulgated.

Prior to submitting an application for permit to drill or to re-enter an existing well bore, the lessee should contact the Field Office to determine if a Development Area has been established for the area that includes this lease.

**OIL & GAS DEVELOPMENT WITHIN THE DESIGNATED POTASH
AREA STIPULATION**

This lease is located within the Secretary of the Interior's Designated Potash Area. It is subject to Secretarial Order No. 3324, signed December 3, 2012. Pursuant to applicable laws; the terms, conditions and attached stipulations to the Lease; the Secretary of the Interior's formal orders; and regulations;, this lease is subject to the following requirements.

The lessee agrees that:

- (1) Drilling for oil and gas shall be permitted only in the event that the lessee establishes to the satisfaction of the Authorized Officer, Bureau of Land Management, that such drilling will not interfere with the mining and recovery of potash deposits, or the interest of the United States will best be served by permitting such drilling.
- (2) No wells shall be drilled for oil or gas at a location which, in the opinion of the Authorized Officer, would result in undue waste of potash deposits or constitute a hazard to or unduly interfere with mining operations being conducted for the extraction of potash deposits.
- (3) When the Authorized Officer determines that unitization is necessary for orderly oil and gas development and proper protection of potash deposits, no well shall be drilled for oil or gas except pursuant to a unit plan approved by the Authorized Officer.
- (4) The drilling or the abandonment of any well on said lease shall be done in accordance with applicable oil and gas operating regulations (43 CFR 3160), including such requirements as the Authorized Officer may prescribe as necessary to prevent the infiltration of oil, gas or water into formations containing potash deposits or into mines or workings being utilized in the extraction of such deposits.
- (5) Drilling for and production of oil and gas will be subject to applicable laws; the terms, conditions and attached stipulations; the Secretary of the Interior's formal orders in effect as of lease issuance, including Secretarial Order No. 3324; any subsequent revisions and orders of the Authorized Officer thereunder; and to regulations and formal orders hereafter promulgated.

On the land(s) described below:

All Lands in Lease

For the protection of: The rights and safety of the oil and gas and potash lessees and operators.

CONTROLLED SURFACE USE
SLOPES OR FRAGILE SOILS

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

Surface disturbance will not be allowed on slopes over 30 percent. Exceptions will be considered for authorized mineral material extraction sites and designated OHV areas, for the installation of projects designed to enhance or protect renewable natural resources, or if a plan of operating and development which provides for adequate mitigation of impacts was approved by the Authorized Officer. Occupancy or use of fragile soils will be considered on a case-by-case basis.

On the lands described below:

All lands in lease.

For the purpose of:

Protecting Slopes or Fragile Soils

CONTROLLED SURFACE USE
STREAMS, RIVERS, AND FLOODPLAINS

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

Surface disturbance will not be allowed within up to 200 meters of the outer edge of 100-year floodplains, to protect the integrity of those floodplains. On a case-by-case basis, an exception to this requirement may be considered based on one or more of the criteria listed below. The first three criteria would not be applied in areas of identified critical or occupied habitat for federally listed threatened or endangered species.

--Additional development in areas with existing developments that have shown no adverse impacts to the riparian areas as determined by the Authorized Officer, following a case-by-case review at the time of permitting.

--Suitable off-site mitigation if habitat loss has been identified.

--An approved plan of operations ensures the protection of water or soil resources, or both.

--Installation of habitat, rangeland or recreation projects designed to enhance or protect renewable natural resources.

For the purpose of: Protecting Streams, Rivers and Floodplains

On the lands described below:

All lands in lease.

CONTROLLED SURFACE USE
PLAYAS AND ALKALI LAKES

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

Surface disturbance will not be allowed within up to 200 meters of playas or alkali lakes. Waiver of this requirement will be considered on a case-by-case basis for projects designed to enhance or protect renewable natural resources. An exception for oil and gas development will be considered if playa or lake loss was mitigated by the protection and development of another playa exhibiting the potential for improvement.

Mitigation could include:

installing fencing; developing a supplemental water supply; planting trees and shrubs for shelter belts; conducting playa basin excavation; constructing erosion control structures or cross dikes; or by improving the habitat in another area.

On the lands described below:

All lands in lease.

For the purpose of:

Protecting playas and alkali lakes

CONTROLLED SURFACE USE
CAVES AND KARST

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

Surface disturbance will not be allowed within up to 200 meters of known cave entrances, passages or aspects of significant caves, or significant karst features. Waiver of this requirement will be considered for projects that enhance or protect renewable natural resource values, or when an approved plan of operations ensures the protection of cave and karst resources.

For the purpose of:

Protecting Caves and Karst Features

CONTROLLED SURFACE USE
LESSER PRAIRIE-CHICKENS

No surface use is allowed during the following time periods; unless otherwise specified, this stipulation does not apply to the operation and maintenance of production facilities.

Drilling for oil and gas, and 3-D geophysical exploration operations will not be allowed in lesser prairie-chicken habitat during the period of March 1 through July 15, each year. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, geophysical exploration other than 3-D operations, and pipeline, road, and well pad construction, will be allowed except between 3:00 a.m. and 9:00 a.m. The 3:00 a.m. and 9:00 a.m. restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require human presence during the period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 feet from the source of the noise.

Open-top tanks, disposal pits, or other open pits will be required to be covered with a fine mesh netting to make them inaccessible to avian species and other wildlife.

Timing

A low profile marker will be required for a plugged or abandoned well. The well marker must be approximately 2 inches above ground level and contain the operator's name, lease name, well number, and location, including unit letter, section, township and range. This information must be welded or stamped or otherwise permanently engraved into the metal of the marker.

Exceptions to these requirements will be considered for areas of no or low lesser prairie-chicken booming activity, or unoccupied habitat, including leks, as determined at the time of permitting, or in emergency situations.

For the purpose of: Protecting Lesser Prairie-Chickens

CONTROLLED SURFACE USE
SAND DUNE LIZARD

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

Surface disturbance will not be allowed in documented occupied habitat areas, or within up to 200 meters of suitable habitat associated with occupied habitat areas identified through field review. An exception to this restriction will be considered when an on-site evaluation of habitat extent, available species occurrence data, the proposed surface use, and proposed mitigations indicate the proposal will not adversely affect the local population.

For the purpose of:

Protecting Sand Dune Lizards

VISUAL RESOURCE MANAGEMENT

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

Painting of oil field equipment and structures to minimize visual impacts is to be conducted according to the requirements of Notice to Lessees (NTL) 87-1, New Mexico. Low profile facilities also may be required, when needed to reduce the contrast of a project with the dominant color, line, texture, and form of the surrounding landscape. Other surface facilities or equipment approved by the BLM, such as large-scale range improvements or pipelines, will be painted, when needed, to conform to the requirements of visual resource management to minimize visual impacts. Paint colors will be selected from the environmental color chart approved by the Rocky Mountain Coordinating Committee. The selected paint color will match as closely as possible the predominant soil or vegetation color of the area. Upon completion of the well and installation of the production facilities (if the well is a producer) the pad will be reclaimed back to a size necessary for production operations only. The edges will be recontoured and the extra caliche and pad material (excluding top soil) will be hauled off-site. The BLM may require additional reclamation depending upon vegetation recovery. The reclaimed area will be recontoured and reseeded according to vegetation and soil type.

For the purpose of: Protecting Visual Resources Management

SHINNERY OAK SAND DUNE HABITAT COMPLEX
PLAN OF DEVELOPMENT

A plan of development (POD) for the entire lease must be submitted for review and approval, including NEPA analysis, by the BLM, prior to approval of development actions (APD, Sundry Notices). 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 approval of subsequent development actions. Deviations from a current POD are not authorized until an amended POD has been approved by BLM.

For the purpose of:

Managing habitat suitable for the lesser prairie-chicken (LPC) and sand dune lizard (SDL). The lease contains isolated blocks of unfragmented habitat suitable for LPC or SDL. Habitat parameters within this area are needed for the life cycle of the species (e.g., edge) or, with habitat manipulation, the area could become suitable habitat. To the extent possible, buffer zones around active LPC leks will be utilized to provide resource protection.

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.

NO SURFACE OCCUPANCY STIPULATION
PECOS RIVER CORRIDOR SRMA

No surface occupancy or use is allowed on the land(s) described below. It is the intention of the Bureau of Land Management (BLM) that these lands be developed by directional drilling techniques or by communitization with adjacent wells.

For the purpose of: Protecting a combination of significant natural resource values including highly sensitive scenic landscapes, erosive soils, prime wildlife habitat, and for the protection of the scarce water-based and semi-primitive recreation activities within the Pecos River Corridor Special Recreation Management Area (SMA No. 23) as discussed in the 1988 Carlsbad Resource Management Plan (RMP) and 1997 Carlsbad RMP Amendment.

SAND DUNE LIZARD SURVEY REQUIREMENTS
AND PLAN OF DEVELOPMENT

A survey for occupied and suitable sand dune lizard habitat for the entire lease is required. The surveys will occur according to BLM approved protocol by BLM approved surveyors. Survey results must be submitted and reviewed by BLM prior to approval of development actions (APD, Sundry Notices). Based on the results of the surveys, a Plan of Development (POD) may be required. 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 approval of subsequent development actions. Deviations from a current POD are not authorized until an amended POD has been approved by BLM.

For the purpose of:

Managing habitat suitable for the sand dune lizard (SDL). The lease contains isolated blocks of habitat potentially suitable for SDL. Surveying the entire lease for occupied and suitable habitat will provide vital information for management of this special status species habitat.

RECLAMATION

The subject properties contain facilities (well, pad, road, powerline, pipeline, etc.) that were not plugged, removed and/or reclaimed to current standards. Unless the facilities are put to a beneficial and direct use under the new lease, the lessee shall plug, remediate and reclaim the facilities within two years of lease issuance. If an extension is requested, the lessee must submit a detailed plan (including dates) prior to the two year deadline. All plugging, remediation and reclamation shall be performed in accordance with Bureau of Land Management requirements and be approved in advance by the Authorized Officer.

The well(s) to be plugged and reclaimed are as follows:

Payne Federal # 001: 2310' FNL and 2310" FWL of
T. 23S., R. 32 E.,
Sec. 35: SENW

Reclamation needed on the old reserve pit, the well pad and the access road. The old reserve pit is approximately 0.6 acre in size that would need to be reclaimed, The well pad location is approximately 0.5 acres in size, and the amount of access road needing reclaimed within the lease parcel is approximately 1,157 feet x 14 feet or 0.4 acres that need reclaimed. The total approximate amount of reclamation within the lease would be 1.5 acres in size.

The reclamation to be accomplished would be to remove the caliche from the surface and rip and reseed the topsoil.

The facilities to be reclaimed are shown above.

We're On-Line!!

**BLM, New Mexico
Oklahoma
Kansas
Texas**

blm.gov/nm



Oil & Gas Information includes:

- Sale Notice
- Sale Results
- Sale Schedule
- Forms
- FAQs
- Contacts
- Leasing Instructions & Guidelines
- NTLs, Onshore Orders

Email links are provided at the site
for your comments and suggestions