United States Department of the Interior

BUREAU OF LAND MANAGEMENT
California State Office
2800 Cottage Way, Suite W-1834
Sacramento, California 95825
www.ca.blm.gov

January 25, 2008

NOTICE OF COMPETITIVE LEASE SALE
OIL AND GAS

SALE LOCATION

Holiday Inn Select Convention Center
801 Truxtun Avenue
Bakersfield, California 93301
(661) 323-1900

In accordance with 43 CFR Part 3120, the California State Office is offering for competitive oil and gas lease sale, 8 parcels containing 3798.32 acres of Federal lands in the State of California. This notice provides:

- the time and place of the sale;
- how to participate in the bidding process;
- the sale process;
- the conditions of the sale;
- how to file a noncompetitive offer after the sale;
- how to file a presale noncompetitive offer; and
- how to file a protest to our offering the lands in this Notice.

Attached to this notice is a list of the lands being offered by parcel number and legal land description. They are listed in Township and Range order and will be offered in that sequence. Below each parcel, we have listed the notices and stipulations that apply to the parcel. These notices and stipulations will be made part of the lease at the time we issue it. For your convenience, we are including copies of the bid form and the lease form.

When and where will the sale take place?

When: The competitive oral sale will begin at 9:00 a.m. on **March 12, 2008.** The sale room will open at 8:00 a.m. to allow you to register and obtain your bid number.

Where: The sale will be held at the Holiday Inn Select, 801 Truxtun Avenue, Bakersfield, California 93301. Parking is available.

Access: The sale room is accessible to persons with disabilities. If assistance is needed for the hearing or visually impaired, contact **Laurie Moore at (916) 978-4377, by email at lmoore@ca.blm.gov, or at the mailing address in the letterhead of this sale notice by February 22, 2008.**

How do I participate in the bidding process?

To participate in the bidding process, you must register to obtain a bid number. We will begin registering bidders at 8:00 a.m. on the day of the sale. Bidders must register in order to bid on a parcel.

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 the attached notice;
- all bids are on a per-acre basis, rounded up to whole acres, for the entire acreage in the parcel;
- the winning bid is the highest oral bid equal to or exceeding the minimum acceptable bid; and
- the decision of the auctioneer is final.

The minimum acceptable bid is $2 per acre. If a parcel contains fractional acreage, round it up to the next whole acre. For example, a parcel of 100.501 acres requires a minimum bid of $202 ($2 x 101 acres). After all the parcels have been offered, you may ask the auctioneer to reoffer any unsold parcel.

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, we will post a notice in the State Office Information Access Center (Public Room). If we cancel the sale, we will try to notify all interested parties early enough to stop them from traveling to the sale site.

- **Payment due:** You cannot withdraw a bid. Your bid is a legally binding commitment to sign the bid form; accept the lease; and pay all monies due. For each parcel you win, the **money due the day of the sale** is the total of the bonus bid deposit (at least $2 per acre), the first year's rent ($1.50 per acre), and the administrative fee ($140). **Any unpaid balance of the bonus bid must be submitted to the California State Office by 4:30 p.m., March 26, 2007,** which is the tenth working day following the sale. If you do not pay the balance due by this date, you forfeit the right to the lease and all money paid the day of the sale. If you forfeit a parcel, we may offer it at a later sale.

- **Form of payment:** You can pay by personal check, certified check, money order, or credit card (Visa, MasterCard, American Express, and Discover cards only). If you plan to make your payment using a credit card, you should contact your bank prior to the sale and let them know you will be making a substantial charge against your account. Please note, we will not accept credit or debit card payments for an amount equal to or greater than $100,000. We also will not accept aggregated smaller amounts to bypass this requirement. If you pay by check, please 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 will require a guaranteed payment, such as a certified check.*** 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:** For each parcel, the successful bidder is required to submit a properly signed Form 3000-2 (dated Oct 1989 or later) with the required payment on the day of the sale. This form constitutes a legally binding offer to accept a lease and can be signed ONLY by the prospective lessee or an authorized representative. You may complete the bid form with the exception of the money part before the sale. You may fill out the money part at the sale. Your completed bid form certifies (1) that you and the prospective lessee are qualified to hold an oil and gas lease under our regulations at 43 CFR 3102.5-2; and (2) that both of you have complied with 18 U.S.C. 1860, a law that prohibits unlawful combinations, intimidation of and collusion among bidders. ***We will not accept any bid form that has information crossed out or is otherwise altered***.

- **Federal oil and gas lease 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 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 has a primary term of 10 years. It will continue beyond its primary term as long as oil or gas in paying quantities is produced on or for the benefit of the lease. Rental at $1.50 per acre or fraction of an acre for the first 5 years ($2 per acre after that) is due on or before the lease anniversary date each year until production begins. Once a lease becomes 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, June 1988 or later edition). A copy of the lease form is included in this notice.

- **Stipulations:** Some parcels have requirements and/or restrictions. Stipulations are included in the parcel descriptions. These stipulations become part of the lease and supersede any inconsistent provisions of the lease form.

- **Lease issuance:** After we receive the bid form, all monies due, and, if appropriate, your unit joinder information, the lease can be issued. The lease effective date is 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.

- **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 outside the sale room when the auction is taking place.

What parcels are available for noncompetitive offer 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, these parcels are available for a period of two years, following the date of the sale, for noncompetitive offers to lease.

How do I file a noncompetitive day-after-sale offer after the sale?

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

- Three copies of Form 3100-11, dated July 2006, *Offer to Lease and Lease for Oil and Gas* properly completed and signed. **(Note: We will accept reproductions of the official form, including computer generated forms that are legible and have no additions, omissions, other changes, or advertising. If you use an obsolete lease form, we will reject your offer.)**

- The most current oil and gas forms are available on the Internet at www.blm.gov/blmforms

- You must describe the lands in your offer as specified in our regulations at 43 CFR 3110.5; and

- Your payment for the total of the **$360** filing fee and the advanced first year's advance rental computed at $1.50 per acre. Remember to round up any fractional acreage when you calculate the amount of rental.

All offers filed the first business day after the sale are considered filed simultaneously. When a parcel receives more than one filing by 4:30 p.m. on the day after the sale, a drawing is held to determine the winner. A presale offer has priority over any offer filed after the sale. Thereafter, any parcels remaining are available for a period of two-years. Offers receive priority as of the date and time of filing in the California State Office.

How do I file a noncompetitive presale offer?

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

- are available;
- 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 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 **June 11, 2006**.

How can I find out the results of this sale?

We will post the sale results in our Public Room. You can buy ($5) a printed copy of the results list by contacting our Public Room at (916) 978-4400. Both this sale Notice and the results list will be available at our public internet site:

http://www.blm.gov/ca/st/en/prog/energy/og/instructions/leasesale/2008.html

May I protest BLM's decision to offer the lands in this Notice for lease?

Yes, under regulation 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 the 15th calendar day prior to the date of the sale. If our office is not open on the 15th day prior to the date of the sale, a protest received on 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 (916) 978-4389. 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 decide the protest within 60 days after the sale. We will issue no 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 appeal BLM's decision to deny my protest?

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.

NOTE: The posting of this notice serves to withdraw the lands listed herein from filings under 43 CFR 3110.1(a)(1)(ii).

Who should I contact if I have a question?

For more information, contact **Laurie Moore at (916) 978-4377**

/s/ Brenda Kidder
Acting For,
Debra L. Marsh
Chief, Branch of Adjudication
Division of Energy and Mineral Resources

THE FOLLOWING PUBLIC DOMAIN LANDS ARE SUBJECT TO FILINGS IN THE MANNER SPECIFIED IN THE APPLICABLE PORTIONS OF THE REGULATIONS IN 43 CFR, SUBPART 3120.

PARCEL CA 3-08-1

T. 20S., R 17E., MD Mer.,
Sec. 30, SENE, SE.

Fresno County 200.00 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulations 1 & 2

PARCEL CA 3-08-2

T. 25S., R. 17E., MD Mer.,
Sec. 14: ALL.

Kern County 640.00 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulations 1 & 2

PARCEL CA 3-08-3

T. 29S., R. 20E., MD Mer.,
Sec. 1, SENE, N2SE;
Sec. 1, LOT 4;
Sec. 2, LOTS 2, 8.

Kern County 221.78 Acres
Bakersfield FO
Subject to Special Stipulations 1 & 2

PARCEL CA 3-08-4

T. 28S., R. 22E., MD Mer.,
Sec. 18, ALL;
Sec. 30, LOTS 1 & 2 of NW and
LOTS 1 & 2 of SW;
Sec. 30, SE.

Kern County 1,119.58 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulations 1 & 2

PARCEL CA 3-08-5

T. 29S., R. 22E., MD Mer.,
Sec. 4, LOT 1 of NE AND LOT 1 of NW;
Sec. 6, LOTS 1 AND 2 of NE;
Sec. 6, SE.

Kern County 477.89 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulations 1 & 2

PARCEL CA 3-08-6

T. 31S., R. 22E., MD Mer.,
Sec. 19, S2SE;
Sec. 19, LOTS 2-9 and S2 of LOT 10;
Sec. 30, NENE;
Sec. 33, NW;
Sec. 33, LOTS 7 & 8.

Kern County 898.060 Acres
Split Estate Lands except:
Sec. 19, LOTS 4 & 5;
Sec. 30, NENE;
Sec. 33, NW;
Sec. 33, LOTS 7 & 8.
Bakersfield FO
Subject to Special Stipulations 1 & 2

PARCEL CA 3-08-7

T. 28S., R. 27E., MD Mer.,
Sec. 2, LOTS 1 & 2 of NE.

Kern County 201.01 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulations 1, 2 & 3

PARCEL CA 3-08-8

T. 26S., R. 28E., MD Mer.,
Sec. 18: NENE.

Kern County 40.00 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulations 1 & 2

The following notice will be attached to all issued leases:

NOTICE TO LESSEE
MLA Section 2(a)(2)(A)

Provisions of the Mineral Leasing Act (MLA) of 1920, as amended by the Federal Coal Leasing Amendments of 1976, affect an entity's qualifications to obtain an oil and gas lease. Section 2(a)(2)(A) of the MLA, 30 U.S.C. 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 approval by a State Office on a pending coal action, i.e., arms-length assignment, relinquishment, or logical mining unit, the initial lessee as assignor or as transferor is no longer in compliance with Section 2(a)(2)(A). The assignee 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 or transferor compliance with Section 2(a)(2)(A) is contained in the lease case file as well as in other Bureau of Land Management records available through the State Office issuing this lease.

Special Lease Stipulations

Special Stipulation No. 1

Limited Surface Use - Protected Species: All or a portion of this lease is within the range of one or more plant or animal species (shown at the end of this stipulation) that are either listed as threatened or endangered, or are proposed for such listing by the U.S. Fish and Wildlife Service (USFWS).

The lessee is notified that time frames for processing applications may be delayed beyond established standards to allow for species surveys, and consultation or conferencing with the USFWS. Notice is also given that surface-disturbing activities may be moved or modified, and that some activities may be prohibited during seasonal time periods. Surface disturbing activities will be prohibited on the lease only where:

a. The proposed action is likely to jeopardize the continued existence of listed or proposed species, or

b. The proposed action is inconsistent with the recovery needs of a listed species as identified in an approved USFWS Recovery Plan.

Prior to the authorization of any surface disturbing activities, a preliminary environmental review will be conducted to identify the potential presence of habitat for these species. Authorizations may be delayed until completion of the necessary surveys during the appropriate time period for these species. The lessee should be aware that the timing of the surveys is critical, in that some species can only be surveyed during a brief period each year.

The BLM may need to initiate consultation or conference with the USFWS if the site inspection concludes that a listed or proposed species may be affected by the proposed activity. The lessee should be aware that the USFWS has up to 135 days to render their biological opinion, and that there are provisions for an additional 60-day extension. Offsite habitat protection or enhancement for wildlife or vegetation (compensation) may be required by the USFWS when habitat is disturbed. The consultation may also result in some restrictions to the lessee's plan of development, including movement or modification of activities, and seasonal restrictions. Surface disturbing activities will be prohibited on the lease if the consultation or conference concludes that either of the conditions identified in a or b above exists.

Federally Listed or Proposed Species
for the
March 12, 2008 Lease Sale

Species may be added or deleted from the list as new information becomes available.

Federally Listed Plants

Common Name	**Scientific Name**	**Status**
California Jewelflower	*Caulanthus californicus*	endangered
San Joaquin woollythreads	*Lembertia congdonii*	endangered
Kern Mallow	*Eremalche kernensis*	endangered
Bakersfield Cactus	*Opuntia treleasei*	endangered
San Joaquin Adobe Sunburst	*Psuedobahia peirsonii*	threatened

Federally Listed Animals

Blunt nosed leopard lizard	*Gambelia silus*	endangered
California condor	*Gymnogypus californianus*	endangered
Giant kangaroo rat	*Dipodomys ingens*	endangered
San Joaquin kit fox	*Vulpes macrotis mutica*	endangered
Tipton kangaroo rat	*Dipodomys nitratoides nitratoides*	endangered

Special Stipulation No. 2

Limited Surface Use - Sensitive Species: All or a portion of this lease is within the range of one or more plant or animal species (see attached list) that are either Federal candidates for listing as threatened or endangered (Federal Candidate), are listed by the State of California as threatened or endangered (State Listed), or are designated by the Bureau of Land Management (BLM) as Sensitive (Bureau Sensitive).

The lessee is notified that time frames for processing applications may be delayed beyond established standards to allow for species surveys and coordination with the USFWS and California Department of Fish and Game. Notice is also given that surface disturbing activities may be relocated beyond the standard 200 meters but not more than 1/4 mile and that surface disturbing activities may be prohibited during seasonal time periods.

Prior to the authorization of any surface disturbing activities, a preliminary environmental review will be conducted to identify the potential presence of habitat for these species. Authorizations may be delayed until completion of the necessary surveys during the appropriate time period for theses species. The lessee should be aware that the timing of the surveys is critical, in that some species can only be surveyed during a brief period each year. The BLM may need to coordinate with the USFWS or the California Department of Fish and Game if the site inspection concludes that a Federal Candidate, State Listed or Bureau Sensitive species may be affected by the proposed activity. Coordination may delay application processing beyond established time frames.

To prevent or reduce disturbance to Federal Candidate, State Listed, or Bureau Sensitive species, surface operations may be moved up to 1/4 mile and surface disturbing activities may be prohibited during seasonal time periods.

Federal Candidate, State Listed and BLM Sensitive Species
for the
March 12, 2008 Lease Sale

Species may be added or deleted from the list as new information becomes available.

Federal Candidate Animal Species

None

State Listed Only Animal Species

(Species that are both federally listed and state listed are not repeated on this list)

San Joaquin antelope squirrel	*Ammospermophilus nelsoni*

California BLM Sensitive Animal Species

Mammals

Short-nosed kangaroo rat	*Dipodomys nitratoides brevinasus*
Tulare grasshopper mouse	*Onychomys torridus tularensis*
San Joaquin pocket mouse	*Perognathus inornatus inornatus*
Pallid bat	*Antrozous pallidus*

Birds

Burrowing owl	*Athene cunicularia*
Le Conte's thrasher (San Joaquin Population)	*Toxostoma lecontei lecontei*

Reptiles

None

Amphibians

None

Invertebrates

None

Federal Candidate, State Listed and BLM Sensitive Plant Species
For the
March 12, 2008 Lease Sale

Federal Candidate and State Listed - None
BLM Sensitive
Hall's tarplant (*Deiandra halliana*)
heartscale (*Atriplex cordulata*)
Hoover's Woollystar (Federally delisted, but treated as BLM Sensitive) *(Eriastrum hooveri)*
Kern County larkspur (*Delphinium purpusii*)
Lemmon's jewelflower (*Caulanthus coulteri* var. *lemmonii*)
Lost Hills crownscale (*Atriplex vallicola*)
Mason's neststraw (*Stylocline masonii*)
Munz's tidy tips (*Layia munzii*)
oil neststraw (*Stylocline citroleum*)
pale-yellow layia (*Layia heterotricha*)
Panoche peppergrass (*Lepidium jaredii* spp. *album*)
Piute Mountains navaretia (*Navarretia setiloba*)
recurved larkspur (*Delphinium recurvatum*)
round-leaved filaree (*California macrophylla*)
San Benito spineflower (*Chorizanthe biloba* var. *immemoria*)
San Bernardino aster (*Symphyotrichum defoliatum*)
shining navarretia (*Navarretia nigelliformis* ssp. *radicans*)
showy madia (*Madia radiata*)
straight-awned spineflower (*Chorizanthe rectispina*)
striped adobe-lily (*Fritilaria striata*)
Tejon poppy (*Eschscholtzia lemonii* spp. *kernensis*)
Temblor buckwheat (*Eriogonum temblorense*)

Special Stipulation No. 3

Parcel Number CA 03-08-7 (North Kern Front)

1. This parcel contains 19 existing wells. Not all of the wells have pumping equipment on them. All of the existing gathering lines are still in place. There are no production facilities located within the confines of this parcel. There is a waste water processing facility on this parcel. The successful bidder must install BLM approved facilities OR make arrangements with the lessee of the southern parcel for processing of production OR request and receive approval to move the production to another adjacent production facility. If the existing facilities on the southern parcel are utilized, or another adjacent facility, the BLM requires approval of an off-lease storage and sales agreement prior to production.

2. The successful bidder on this parcel will have up to 180 days (trial period) to evaluate the property and meet with the Bakersfield Field Office to present the results of this study and any data acquired. This trial period will require no bonding. The testing and evaluation phase of this trial period will constitute a maximum of the first 90 days. Production testing can occur but no sales will be allowed until transition into phase two of the trial period. This maximum 90 day production period (Phase 2) also complies with the California Department of Oil, Gas, and Geothermal Resources (CDOGGR) "test drive" program. The decision must be made by the end of trial period (end of phase 2) whether to keep the lease and produce it or to relinquish it back to the BLM. At the end of the trial period the lessee will either relinquish the lease OR post a bond in an amount to be determined by the Bakersfield Field Office.

3. During or following the 180-day trial, if the successful lessee or his designated operator chooses to resume normal lease operations, such lessee or operator must comply with all terms and conditions of the Federal lease, as well as applicable BLM policy and federal regulations pertaining to oil and gas lease operations. This will include compliance with all onshore orders and BLM California Idle Well Policy.

4. During the trial period, the lessee may not salvage or remove any of the existing leasehold equipment without prior approval of the Bakersfield Field Office.

5. Individual well and facility data are available for viewing at the Bakersfield Field Office by appointment only. Contact Nora DeDios at (661) 391-6129 or John Kaiser at (661) 391-6142 for more information.

6. All or part of the lands contained in this parcel tract may be subject to drainage by the wells listed below, all of which are located adjacent to this parcel in section 2, T. 28S., R. 27E., and section 35, T. 27S., R. 27E., MDB&M, Kern County, California.

2-1A	Section 2	Oxy USA Inc.
3-1	Section 2	Oxy USA Inc.
4-1	Section 2	Oxy USA Inc.
5-1	Section 2	Oxy USA Inc.
6-1	Section 2	Oxy USA Inc.
1-8	Judkins	Western States International
2-8	Judkins	Western States International
3-8	Judkins	Western States International
4-8	Judkins	Western States International
5-8	Judkins	Western States International
6-8	Judkins	Western States International
8-7	Witmer A	Western States International

7. The lessee shall, within 6 months of lease issuance, submit for approval by the authorized officer: (1) Plans for protecting the lease from drainage.

Please note: There are already wells on the federal parcel which may serve as protective wells, once they are returned to production.

If the lessee is unable or unwilling to return the existing wells to production, then the plan must include either (a) an Application for Permit to Drill (APD) for the necessary protective well/s or (b) a proposal for inclusion in an agreement for the affected portion(s) of the lease. Any agreement should provide for an appropriate share of the production from the offending well(s) to be allocated to the lease; or (2) engineering, geologic, and economic data to demonstrate to the authorized officer's satisfaction that no drainage has or is occurring and/or that either the existing or a new protective well would have little or no chance of encountering and/or producing oil or gas in quantities sufficient to yield a reasonable rate of return in excess of the costs of drilling, completing, and operating the well.

8. If no plan, agreement, or data is submitted and drainage is determined to be occurring, compensatory royalty will be assessed. Compensatory royalty will be assessed effective the first day following expiration of the 6-month period and shall continue until a protective well has been drilled and placed in continued production status or until the offending well(s) ceases production, whichever occurs first.