

STIPULATIONS

STIPULATION FOR LANDS OF THE NATIONAL FOREST SYSTEM
UNDER JURISDICTION OF
DEPARTMENT OF AGRICULTURE

The permittee/lessee must comply with all the rules and regulations of the Secretary of Agriculture set forth at Title 36, Chapter II, of the code of Federal Regulations governing the use and management of the National Forest System (NFS) when not inconsistent with the rights granted by the Secretary of the Interior in the permit. The Secretary of Agriculture's rules and regulations must be complied with for (1) all use and occupancy of the NFS prior to approval of an exploration plan by the Secretary of the Interior, (2) uses of all existing improvements, such as Forest development roads, within and outside the area permitted by the Secretary of the Interior, and (3) use and occupancy of the NFS not authorized by an exploration plan approved by the Secretary of the Interior.

All matters related to this stipulation are to be addressed

To : Forest Service
National Forests in Texas
At : 2221 North Raguet Street
: Lufkin, TX 75904
Telephone No : (936) 639-8501

Who is the authorized representative of the Secretary of Agriculture.

CONTROLLED SURFACE USE STIPULATION
NATIONAL FORESTS IN TEXAS
(Protect streamside management zones)

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

Portions of this lease contain streamside management zones (floodplains, wetlands). As a minimum, these areas are established within the 100 year flood plain of all intermittent streams and perennial streams, and 100 feet from the normal pool level contour of lakes. Site- specific proposals for surface-disturbing activities (such as pipelines and seismic surveys) within these areas will be analyzed and will normally result in establishment of protective requirements or limitations for the affected site. Surface occupancy for oil and gas wells will not be allowed within the streamside management zone. (MA-4-63)

On the lands described below:

For the purpose of:

To meet visual quality objectives and protect streamside management zones in accordance with the National Forest and Grasslands in Texas Final Land and Resource Management Plan, dated March 28, 1996.

Any change to this stipulation will be made in accordance with the Land Use Plan and/or the regulatory provisions for such changes. (For guidance on the use of this stipulation, see BLM Manual 1624 and 3101 or FS Manual 1950 and 2820.)

CONTROLLED SURFACE USE STIPULATION
NATIONAL GRASSLANDS IN TEXAS
(Protect Streamside Management Zone Areas)

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

Portions of this lease contain segments of either perennial or intermittent streams as defined by the Forest Service. Areas within 100' of perennial streams or 66' of intermittent streams will be subject to special requirements or limitations for surface use or occupancy. Specific requirements or limitations will be determined as Surface Use Plans of Operations (SUPOs) are submitted and will normally result in establishment of protective requirements or limitations for the affected site. (MA-3-43)

On the lands described below:

For the purpose of:

To meet visual quality objectives and protect streamside management zone areas in accordance with the National Forests and Grasslands in Texas Final Land and Resource Management Plan, dated March 28, 1996.

Any change to this stipulation will be made in accordance with the Land Use Plan and/or the regulatory provisions for such changes. (For guidance on the use of this stipulation, see BLM Manual 1624 and 3101 or FS Manual 1950 and 2820.)

CONTROLLED SURFACE USE STIPULATION
NATIONAL FORESTS IN TEXAS
(Protect Lakeshores – Toledo Bend Reservoir)

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

Proposals for a structure, facility, or motorized uses on Toledo Bend Reservoir lands between the 172' and 175' MSL contours, or on a strip of land extending inland 200 meters from the 175' contour, may be subject to special requirements or limitations, such to be determined on a case-by-case basis.

On the lands described below:

For the purpose of:

To meet visual quality objectives and protect lakeshores in accordance with the National Forests and Grasslands in Texas Final Land and Resource Management Plan, dated March 28, 1996.

Any change to this stipulation will be made in accordance with the land use plan and/or the regulatory provisions for such changes. (For guidance on the use of this stipulation, see BLM Manual 1624 and 3101 or FS Manual 1950 and 2820.)

CONTROLLED SURFACE USE STIPULATION 1-I2
NATIONAL FORESTS IN TEXAS

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

Portions of the land in this lease are, or may be, occupied by clusters of the endangered red-cockaded woodpeckers (RCWs). Exploration and development proposals may be modified and/or limited, in accordance with the *Recovery Plan for the Red-cockaded Woodpecker*, second revision approved January 27, 2003. Protective measures include, but are not limited to, the following requirements of the recovery plan:

Protection of Cavity Tree Clusters During Nesting Season

The protected area includes all cavity trees used by the RCWs and a 200 ft. buffer zone. This area usually doesn't exceed 10 acres. During the nesting season, which generally runs from March 1 through July 31, human disturbance within and adjacent to the clusters will be reduced as much as possible, for example, use of motorized vehicles will be restricted to existing roads, other potentially disturbing activities will be limited to daylight hours, avoiding activities within at least one or two hours of dawn and dusk. New road construction through these areas wouldn't be allowed during nesting season.

Foraging Habitat:

120 acres of good quality foraging habitat should be provided within 0.5 miles of the center of each cluster, as described in Section 8I of the recovery plan, preferably 50% or more within 0.25 miles of the cluster center. In areas that have multiple clusters the foraging habitat will overlap so that the 120 acres of habitat may support more than one cluster.

Upon receipt of a site-specific proposal, the Forest Service will provide current inventory records of cluster locations and may require that localized surveys be performed to assure no uninventoried clusters are present.

On the lands described below:

For the purpose of: To protect red-cockaded woodpecker clusters foraging and habitat areas in accordance with the National Forest and Grasslands in Texas Final Land and Resource Management Plan, dated March 28, 1996.

Any change 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
NATIONAL FORESTS IN TEXAS
(Soil erosion, water quality or flood prevention)

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

Extensive areas within this lease are considered critical areas for flood prevention and/or erosion control. Control structures and erosion damage rehabilitation work either exist now or may be added during the period of the lease. Surface occupancy may be restricted, including no surface occupancy, or limited in order to assure minimum conflict with erosion control or flood prevention goals. Restrictions or limitations will be identified by a site-specific analysis of a proposal for lease activities.
(MA-3)

On the lands described below:

For the purpose of:

To meet soil erosion, water quality, or flood prevention goals in accordance with the National Forests and Grasslands in Texas Final Land and Resource Management Plan, dated March 28, 1996.

Any change to this stipulation will be made in accordance with the land use plan and/or the regulatory provisions for such changes. (For guidance on the use of this stipulation, see BLM Manual 1624 and 3101 or FS Manual 1950 and 2820.)

LEASE NOTICE
NATIONAL FORESTS IN TEXAS
(Sabine River Authority)

Other than foot travel, any proposals for surface occupancy involving those lands below the 172' MSL contour, which have been exchanged to the Sabine River Authority (SRA), will require coordination with the United States Corps of Engineers (COE) as the Forest Service is not the responsible surface management agency for the transferred lands. In addition, the Sabine River Authority of Texas will be requested to comment on such proposals. Proposals for surface occupancy involving both FS administered and COE administered lands will require joint approval from both agencies.

Sabine River Authority Tract (SRA) – No Surface Occupancy:

TIMING LIMITATION STIPULATION
NATIONAL FORESTS AND GRASSLANDS IN TEXAS
(Probable bald eagle nesting locations)

Surface use may be deferred during the following time period(s). This stipulation does not apply to operation and maintenance of production facilities.

Part or all of this lease is within one (1) mile of a bald eagle nesting site. During nesting periods, seismic exploration, new clearing of vegetation, and exploratory drilling or any other site-specific proposals for activities within these areas will be analyzed. Such analysis could result in establishment of protective requirements or limitations for the affected site and activities may be restricted if, in the opinion of the responsible agency biologist, restrictions are necessary to assure nesting success. (FW-221)

Approximately October 1 through May 15 per year

On the lands described below:

For the purpose of:

To avoid disturbance of actual or probable bald eagle nesting locations in accordance with the National Forests and Grasslands in Texas Final Land and Resource Management Plan, dated March 28, 1996.

Any changes to this stipulation will be made in accordance with the land use plan and/or the regulatory provisions for such changes. (For guidance on the use of this stipulations, see BLM Manual 1624 and 3101 or FS Manual 1950 and 2820.)

GENERAL STIPULATIONS
LAVACA-NAVADID RIVER AUTHORITY

LAKE TEXANA RESERVOIR
PALMETTO BEND PROJECT, TEXAS

All rights under this oil, gas, and mineral lease granted by the Bureau of Land Management (BLM) for the exploration, development, production and removal of said oil, gas and other minerals from the Lavaca-Navidad River Authority (LNRA) lands associated with and part of the Palmetto Bend Project, Texas (Project Lands) are subordinated to the right of LNRA to flood and submerge the Project Lands, permanently or intermittently, in connection with the construction, operation, and maintenance of the Lake Texana Reservoir, Palmetto Bend Project, Texas (Project lands).

With respect to its oil, gas and mineral interests in the Project Lands the United States of America (USA) has waived its right to use the surface of the Project Lands and has agreed not to use or enter upon any part of the surface of the Project Lands for any purpose whatsoever without the prior written consent of LNRA, which consent shall not be unreasonable withheld. The USA has further agreed not to use the subsurface of the Project Lands in any manner that would interfere with the construction, operation and maintenance of the Palmetto Bend Project.

All surface work performed by the Lessee and/or operator pursuant to an oil, gas, and mineral lease granted by BLM on the Project lands shall be under the general supervision of the LNRA General Manager or his designee, and all be subject to such conditions and regulations as may be prescribed. Detailed plans and location for all structures, appurtenances thereto, and surface disturbance work on Project lands shall be submitted to the LNRA for approval in advance of commencement of any surface work on the said Project lands. At least 60 days or more lead time is preferred. The authorized representatives of the LNRA shall have the right to enter on the leased premises at any time to inspect both the installation and operational activities of the Lessee and/or operator.

A. Pre-drilling Condition:

1. No exploratory drilling, flow line trenching, building, site clearing, or land disturbing activity of any kind will occur until approval, in writing is granted by the appropriate LNRA representatives.
2. Generally, no well casing-head shall be placed below the surface elevation of 47.5 feet, mean sea level (M.S.L.)

3. All well storage tanks and production equipment shall be constructed outside the flood plain above elevation 47.0 feet M.S.L. This elevation restriction does not apply to areas downstream of the dam and outlet works. Berms shall be constructed around storage batteries, tanks, and separators to contain their entire volume should an accidental spill or rupture occur.
4. Drilling a well for oil and gas is prohibited within 5,280 feet of any dam, dike, or other major structure, unless otherwise approved by the LNRA General Manager or his designee. Generally, no drilling or production facilities are allowed within any developed recreation areas.
5. No well shall be drilled within 1/8 mile (660 feet) of a river channel, permanent stream, tributary, or marsh site unless otherwise approved by the LNRA General Manager or his designee. To protect watersheds, slopes in excess of 40 percent (2.5:1) should be avoided where possible.
6. All drilling operations shall be conducted in accordance with applicable Federal Laws and Rules and Regulations promulgated thereunder, State laws, Texas Railroad Commission rules and regulations, especially 30 Texas Administrative Code 3.8: Water Protection, as amended to be effective September 1, 2004, and any other applicable rules and regulation to municipal water supplies.
7. At Lessee's expense no surface disturbance shall occur until completion of an environmental analysis of the proposed drilling activity by LNRA and all coordination matters are completed. This analysis will involve review of state and federally listed threatened and endangered plant and animal species, protection of wetlands, cultural resources, and water quality associated concerns. Certain data needs may be requested from the Lessee proposing a surface disturbance action.
8. Where surface operations and facilities could reasonably be expected to discharge petroleum products into navigable waters and should oil or petroleum products be stored on site and facilities have an aggregate storage capacity of 1,320 gallons or more or single containers with capacity of 660 gallons or more, a "Spill Prevention Control and Counter Measure Plan" shall be prepared and must be maintained and kept available for inspection on site, if manned, or at the nearest field office, if unmanned, in accordance with Code of Federal Regulations CFR 40, Part 112, Environment Protection Agency. In the event of a spill or leakage, the Lessee assumes all responsibility for cleanup and damages.
9. At Lessee's expense, a cultural resource survey of lands that may be disturbed

must be completed prior to any surface disturbance. If during construction

operation, and/or maintenance of any facility authorized by the BLM Oil, Gas, and Mineral lease, Lessee, or any person working in Lessee's behalf discovers any historic or prehistoric grave, ruin, monument, or any object subject to the National Historic Preservation Act of 1966, as amended. (16 USCA 470a.); the Archeological Resource Protection Acts of 1979, as amended. (16 USCA 470aa); or the Native American Graves Protection Act of 1992, and the Repatriation Act of 1990 (25 USCA 3001), work shall be suspended immediately and the discovery reported to the LNRA General Manager. When directed by LNRA, the Lessee shall obtain, at Lessee's expense, a qualified archeologist to examine and evaluate, and if necessary, excavate the discovery.

10. No "mud pits" shall be constructed on Project Lands. A closed mud system is required with containerization of drill cuttings. Water or discharge of any kind shall not be allowed to enter any drainage. All unattended containers containing liquids shall be fenced.

B. Safety:

1. Adequate blowout preventers shall be properly installed, tested, and maintained during drilling and work-over operations.
2. Non-mobile diesel fuel tanks and other potential pollution sources will be surrounded by an earthen berm of sufficient height to contain their entire volume in the event of an accidental spill, leak, or rupture.
3. Any drilling, completion, or work-over rig derrick shall not be located closer than one and one-half times its height from any electrical power transmission lines unless prior approval is obtained from the owner of the power company.
4. Signs shall be posted warning the public to prevent entry to the job site.

C. Drilling Pad and Reserve Pit, IF APPROVED BY LNRA:

1. An area cleared for the drilling pad site and reserve pit shall be the absolute minimum required for operations.
2. All trees and shrubs removed from the drilling pad and reserved pit site shall be piled near the drilling pad and reserve pit site at places designated by LNRA for use as wildlife shelters.

3. Available topsoil shall be removed from the drill pad and reserve pit site and stored in a topsoil stockpile.

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4. Diesel fuel tanks and other potential pollution sources will be surrounded by an earthen berm of sufficient height to contain their entire volume in the event of an accidental leak or rupture.
5. The area will be kept free of trash and litter at all times, including access roads used solely by the Lessee. Litter blown out of the work area must be picked up. All solid and fluid waste associated with the drilling operations shall be removed and deposited in an approved sanitary landfill or disposal site within 1 month after removal of the drilling rig. The Lessee shall comply with all State laws and regulations pertaining to the disposal of human waste.
6. For the protection of livestock and wildlife, all containers containing toxic liquids shall be fenced and open containers shall be covered with a fine mesh netting (i.e. hardware cloth) with openings being one-half inch or less.
7. After drilling activities are completed the job site shall be reshaped to original and covered with topsoil. This restoration must be accomplished within 90 days of completion of drilling. The job site must then be re-vegetated as required by LNRA.

D. Actions with a Producing Well:

1. The Lessee will use only so much land as is reasonably necessary in the access drilling, completion, production, and operation of any well or wells on the leased premises. A minimum service area will be developed around the well head and production facilities. The remainder of the drilling pad will be covered with topsoil from stockpile and restored to vegetation by tilling, fertilizing, and seeding. Specific seed types will be determined on a case-by-case basis by LNRA. No permanent storage of materials unrelated to drilling or producing wells on the lease will be allowed.
2. The Lessee may be required to utilize electric or submersible pumps, where feasible, rather than fuel-powered pumps (or other machinery). All newly constructed electric lines must be buried to a minimum depth of 3 feet.
3. All transfer lines from well site to tank battery, or the like, must be buried 3 feet below the surface and a minimum depth of 6 feet at stream, creek, or river channel crossings.

4. **When possible, a common point of collection and storage should be utilized to minimize the number of storage tank batteries and associated surface**

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disturbance. Gathering lines should be laid parallel with existing gathering lines to decrease the amount of surface disturbance.

5. **All aboveground structures, not subject to applicable safety requirements, shall be painted to blend with the natural surroundings. The paint used shall be lusterless, lead-free, non-reflective, flat or semi-gloss color that blends with the area.**

E. Roads:

1. **Where ever possible, existing roads and trails should be used as access to the drilling site. New road construction will be kept to a minimum, and new construction will not begin until the location is approved by LNRA.**
2. **Each existing fence to be crossed by the Lessee shall be braced and tied off before cutting so as to prevent wire tension problems. The opening shall be protected as necessary during construction and well operation to prevent the escape of livestock.**
3. **Cleared trees and shrubs will be removed and/or piled as brush piles for wildlife shelter as designated by LNRA. Available topsoil will be removed from the road and right-of-way and stored in a topsoil stockpile.**
4. **New access roads will normally be a maximum of 30 feet wide including drainage ditches and culverts. Road surface shall be graveled to a thickness identified as suitable for existing ground. Access roads shall be constructed to widths suitable for the safe operation of the vehicles and equipment at speeds proposed. The road shall be posted with curve signs and maximum speed limits. Speeds shall be limited on curves and posted to speeds that will permit a vehicle to be stopped within one-half the minimum sight distance. The road shall be maintained in a safe condition.**
5. **At the option of LNRA, on new access roads the Lessee shall construct cattle guards, or install gates with locks which will be maintained by the Lessee during the drilling operations and all such time thereafter as production continues. Fencing of roads may be required.**

6. Roads shall be maintained in suitable condition for vehicle passage during the duration of drilling activities with special consideration given to erosion control during wet and muddy periods.

7. Existing roads used by the Lessee shall be returned to original or equivalent condition after drilling equipment has been removed.
8. All roads shall be adequately drained to control runoff and soil erosion. Drainage facilities may include ditches, water bars, culverts, and/or any other measures deemed necessary by LNRA representatives. The following is a general guide for spacing of water bars:

<u>Present Slope</u>	
Less than 2 percent200 feet
2 to 4 percent100 feet
4 to 5 percent75 feet
more than 5 percent50 feet

9. Lessee shall maintain roads in suitable condition for vehicle passage. The public will be permitted to use roads where existing roads were originally open to such use. New road construction, if needed is exempt from public use.

F. Actions with a Non-producing Well:

1. Upon abandonment of any well, the Lessee will plug such well so as to effectively shut off fluid flow from the hydrocarbon bearing stratum. All well plugging shall be accomplished in accordance with current Texas Railroad Commission rules and regulations or their successor agency.
2. All disturbed areas will be re-contoured, covered with topsoil, and re-vegetated returning the area as closely to the original condition as possible. All trash will be removed from the lease premises.
3. In the event of an abandonment of the lease for any reason, any surface areas that were disturbed will be re-vegetated by the Lessee, with native and/or adapted grasses, forbs, and shrubs, unless LNRA indicates, in writing, that the area or roads are to remain in an unrestored condition. Re-vegetation is to be accomplished by seeding and fertilizing the area within 1 year of completion at seeding rates appropriate for the local area as directed by LNRA.

- 4. Gates and cattle guards shall be removed if requested by LNRA. Any openings in fences will be restored to original condition.**

G. General:

- 1. The lessee shall limit access to well, production, and storage facilities on the Project lands to authorized personnel only and hereby grants LNRA access to the drilling site and production facilities for inspection purposes. Lessee agrees to maintain or cause to be maintained security guards at the gate or gates being used by Lessee for the purpose of ingress or egress, if so directed LNRA in writing.**
- 2. The Lessee agrees to cease all operations and make all necessary corrections to the satisfaction of the representative of LNRA before resuming any operations, should any violations of the terms of these stipulations occur.**
- 3. The Lessee shall not permit any nuisance to occur or be maintained on the leased premises and shall not use said premises for any purposes other than those authorized in the lease. Before abandoning any well, the Lessee shall securely plug the same so as to effectually shut off water from the oil-bearing stratum.**
- 4. The Lessee shall carry on the development and/or operation of the leased premises in a workmanlike manner and shall not commit or suffer to be committed waste upon the Project Lands in his occupancy and use. During drilling operations, the Lessee or operator shall only use so much of the Project Lands as is necessary; shall safeguard the water bodies from any pollution; and shall not permit oil, saltwater, drilling mud, or other deleterious substances to escape onto the Project Lands or into water, but the same shall be retained in proper tanks, receptacles, or in pits prepared for such purposes; and after the termination of operations, any such fluids shall be disposed of in accordance with State laws, rules and regulations and the Project Lands will be properly restored to its original condition. Only so much land thereof shall be used in the production of the leased premises as is reasonably necessary to operate any well or wells thereon.**
- 5. Lessee shall provide all employees, subcontractors, and assigns, especially the operator and dirt contractor, and any person or business providing services in the drilling, production or plugging activities with a copy of these stipulations prior to construction of the roads, pad, or associated lease developments.**
- 6. No firearms and illegal drugs shall be allowed on the Project Lands.**
- 7. All vehicles on the Project Lands shall be subject to search by LNRA.**

- 8. Upon execution of these stipulations, the Lessee shall pay the LNRA reasonable compensation for use of the surface of Project Lands. The amount of compensation shall be agreed upon prior to the execution of any BLM oil, gas and mineral lease on Project Lands, but shall not be less than \$20,000.00.**
- 9. Upon execution of any BLM oil, gas, and mineral lease on Project Lands. Lessee shall grant to LNRA a one (1)% overriding royalty interest in all wells capable of producing oil, gas, or other minerals by executing the attached Conveyance of Overriding Royalty Interest form.**
- 10. Lessee agrees to comply with these Oil, Gas and Mineral Leases General Stipulations applicable to the Project Lands.**

EXHIBIT "A"

**Nominated Oil and Gas Leasing Tracts
Bureau of Reclamation Minerals
Palmetto Bend Reservoir/Lake Texana, Jackson County, Texas**

IC-57	IC-101	IC-182
IC-68	IC-102-1	IC-183
IC-69	IC-102-2	IC-184
IC-70	IC-102-2	IC-185
IC-71	IC-104	IC-191
IC-72-1	IC-107-1	IC-196-1
IC-72-3	IC-107-2	IC-196-2
IC-72-4	IC-108	IC-196-3
IC-73	IC-109(kgs pt)	IC-196-4
IC-74	IC-110	IC-205
IC-75	IC-111	IC-207
IC-76	IC-112-1	IC-215
IC-77-1	IC-112-2	IC-216
IC-77-2	IC-114	IC-221
IC-77-3	IC-115(kgs pt)	IC-229
IC-77-4	IC-136	IC-230
IC-78	IC-157	IC-231
IC-79-1	IC-174	IC-233
IC-79-2	IC-176	IC-237
IC-79-3	IC-181	IC-238
IC-79-4		

IC-80

CONVEYANCE OF OVERRIDING ROYALTY INTEREST

This conveyance of Overriding Royalty Interest (the "Conveyance") is made and entered into as of the ____ day of _____, 200__ by

_____,
A _____ corporation ("Grantor" and Lavaca Navidad River Authority ("Grantee").

RECITALS:

- A. Grantor is the holder of an oil and gas lease dated _____ from _____ to Grantor, recorded in Volume ____ at Page _____ (the "Lease") covering the oil and gas and other minerals in and under land described in Exhibit A attached hereto (the "Subject Land").
- B. Grantee is the owner of the surface of the Subject Land.
- C. In consideration of Grantee's agreement to allow Grantor to use the surface of the Subject Land to develop Grantor's mineral estate in the Subject Land, Grantor has agreed to convey to Grantee a ____% overriding royalty interest in any and all production of oil, gas and other minerals from the Subject Land.

NOW, THEREFORE, for and in consideration of Ten and No/100 Dollars and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Grantor, Grantor does hereby GRANT, BARGAIN, SELL and CONVEY unto Grantee, an overriding royalty interest (the "Overriding Royalty Interest") equal to _____% of any and all oil, gas and other minerals that may be produced from Subject Land, free and clear of any expenses (whether drilling, production, treating, transportation or other type of expense) relating to such Overriding Royalty Interest or the production of oil, gas and other minerals from the Subject Land. Grantor specifically acknowledges that Grantee's Overriding Royalty Interest is _____% of 8/8th of production from the Subject Land and such share is not reduced by any royalty paid the Grantor's lessor under the Subject Lease or to any other person.

TO HAVE AND TO HOLD, the above described Overriding Royalty Interest, together with all and singular the rights and appurtenances relating thereto and in anywise belonging, unto Grantee and Grantee's successor and assigns forever; and Grantor and Grantor's successors and assigns do hereby WARRANT and FOREVER DEFEND the Overriding Royalty Interest unto Grantee and Grantee's successors and assigns against every person whomsoever claims the same or any part thereof.

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.

CONTROLLED SURFACE USE
FLOODPLAIN PROTECTION STIPULATION

All or portions of the lands under this lease lie in and/or adjacent to a major watercourse and are subject to periodic flooding. Surface occupancy of these areas will not be allowed without specific approval, in writing, of the Bureau of Land Management.

For the following described land(s):

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

CONTROLLED SURFACE USE
WETLAND/RIPARIAN STIPULATION

All or portions of the lands under this lease contain wetland and/or riparian areas. Surface occupancy of these areas will not be allowed without the specific approval, in writing, of the Bureau of Land Management. Impacts or disturbance to wetlands and riparian habitats which occur on this lease must be avoided, or mitigated. The mitigation shall be developed during the application for permit to drill process.

For the following described land(s)

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

SEASON OF USE STIPULATION

Surface occupancy of this lease will not be allowed from February 15 to May 15, as well as all applicable hunting seasons without the specific approval, in writing, from the authorized officer of the Bureau of Land Management. This stipulation does not apply to operation and maintenance of production facilities.

On the land(s) described below:

For the Purpose of: Wildlife seasonal use requirements or recreation use conflicts with drilling activities.

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

**Bureau of Land Management
Oklahoma Field Office**

**ORA-3 SS
November 1991**

NO SURFACE OCCUPANCY STIPULATION

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

Note: The lands may be drilled directionally from an off-site location where occupancy is allowed.

For the purpose of: Protection of a resource or use not compatible with oil and gas development.

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

LEASE NOTICE
FLOODPLAIN MANAGEMENT

All or portions of the lands under this lease lie in and/or adjacent to a major watercourse and may be subject to periodic flooding. In accordance with E.O. 11988 – Floodplain Management 5/24/1977, as amended, and the Clean Water Act of 1972, as amended, impacts or disturbances to this area must be avoided or mitigated. Surface occupancy of these areas and surface disturbance within up to 200 meters of the outer edge of the floodplain may not be allowed in order to protect the integrity and functionality of the floodplain and associated watercourse. Controlled surface use requiring special mitigation measures may be required and will be developed during the application for permit to drill. These would be required as part of the environmental analysis, approval for drilling or any other operation on this lease. These measures could include modifications or relocation of proposed well locations; burial of linear facilities such as pipelines; modifications in surface activities; minimizing surface disturbance by co-locating roads, utilities and pipelines in common rights-of-ways; interim reclamation of all surface disturbance initiated immediately after construction; reduction of long term noise producing activities; suitable off-site mitigation or other reasonable measures to mitigate impacts to floodplains. These measures may be imposed in accordance with Section 6 of the lease terms, Onshore Oil and Gas Order No. 1, 43 CFR 3162.5-1 and 43 CFR 3101.1-2.

For the purpose of:

To protect the unique biological and hydrological features associated with rivers, streams, riparian/wetland areas, and areas within the 100-year floodplain demarcation.

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.

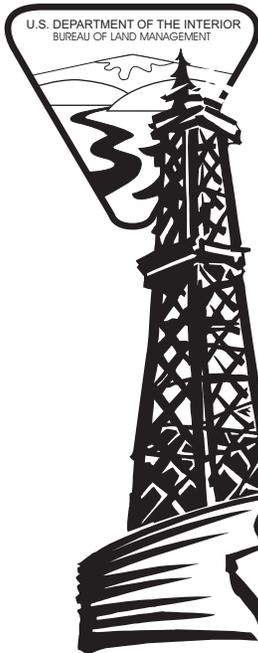
CULTURAL RESOURCES AND TRIBAL CONSULTATION STIPULATION

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

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