APPENDIX A. Conditions Of Approval for Conventional Application for Permit to Drill

Categorical Exclusion 3 (CX3), WY-070-390CX3-14-125, 126, 127, 128, 129, 130, 131, 132, 137, 138, 139 and 140 Section 390, Energy Policy Act of 2005

Project: **Dry Fork Fed 1 Plan of Development (POD)**
Operator: **Peak Powder River Resources, LLC**

Field Office: Buffalo Field Office
Address: 1425 Fort Street, Buffalo, Wyoming 82834
Office Telephone Number: 307-684-1100

The spud date will be reported electronically, (see website location above) to the Authorized Officer 24 HOURS BEFORE SPUDDING, unless otherwise required in site specific conditions of approval.

Spud Notice Site: http://www.wy.blm.gov/minerals/og/og_notices/spud_notice.php

Well List.

#	Well Name	Well No.	Qtr	Sec	Twp	Rng	Surface Hole Lease	Lateral Hole Lease	Bottom Hole Lease
1	DRY FORK FED	2-19H	NENW	19	43N	76W	Federal	Federal/Fee	Fee
2	DRY FORK FED	2-19MH	NENW	19	43N	76W	Federal	Federal/Fee	Fee
3	DRY FORK FED	2-19NH	NENW	19	43N	76W	Federal	Federal/Fee	Fee
4	DRY FORK FED	2-19TH	NENW	19	43N	76W	Federal	Federal/Fee	Fee
5	DRY FORK FED	1-23H	NENW	23	43N	77W	Federal	Federal	Federal
6	DRY FORK FED	1-23MH	NENW	23	43N	77W	Federal	Federal	Federal
7	DRY FORK FED	1-23NH	NENW	23	43N	77W	Federal	Federal	Federal
8	DRY FORK FED	1-23TH	NENW	23	43N	77W	Federal	Federal	Federal
9	DRY FORK FED	2-24H	NWNW	24	43N	77W	Federal	Federal/Fee	Fee
10	DRY FORK FED	2-24MH	NWNW	24	43N	77W	Federal	Federal/Fee	Fee
11	DRY FORK FED	2-24NH	NWNW	24	43N	77W	Federal	Federal/Fee	Fee
12	DRY FORK FED	2-24TH	NWNW	24	43N	77W	Federal	Federal/Fee	Fee

SHL – Surface Hole Lease; LHL – Lateral Hole Lease; BHL – Bottom Hole Lease

Approved Right-of-Way.

ROW Grant	ROW Action	Sec	Twp	Rng	Length	NTE Width
WYW-168470	Existing Improved Road	24	43N	77W	1,739’	70’
	Proposed Improved Road	23	43N	77W	1,097’	70’
					Acres of Disturbance	
					4.56 acres	

PROGRAMMATIC COAs

Programmatic mitigation measures are those measures, identified in the PRB FEIS ROD and determined through analysis, which may be appropriate to apply at the time of APD approval if site specific conditions warrant. These mitigation measures can be applied by BLM, as determined necessary at the

site-specific NEPA APD stage, as COAs and will be in addition to stipulations applied at the time of lease issuance and any standard COA.

Air Quality

1. During construction, emissions of particulate matter from well pad and resource road construction will be minimized by application of water, or other dust suppressants, with at least 50% control efficiency. Roads and well locations constructed on soils susceptible to wind erosion could be appropriately surfaced or otherwise stabilized to reduce the amount of fugitive dust generated by traffic or other activities, and dust inhibitors (surfacing materials, non-saline dust suppressants, and water) could be used as necessary on unpaved collector, local and resource roads that present a fugitive dust problem. The use of chemical dust suppressants on BLM surface will require prior approval form the BLM authorized officer.

Wildlife

1. The Companies will locate facilities so that noise from the facilities at any nearby greater sage-grouse or sharp-tailed grouse display grounds does not exceed 49 decibels (10 dBA above background noise) at the display ground**.**

<u>SITE SPECIFIC COAs</u>

Surface

General

1. A pre-construction field meeting shall be conducted prior to beginning any dirt work approved under these APDs. The operator shall contact the BLM Authorized Officer NRS Jim Verplancke at (307)684-1057 at least 4-days prior to beginning operations so that the meeting can be scheduled. The operator is responsible for having all contractors present (dirt contractors, drilling contractor, pipeline contractor, project oversight personnel, etc.) including the overall field operations superintendent, and for providing all contractors copies of the approved Dry Fork Fed 1 POD, project map and BLM Conditions of Approval pertinent to the work that each will be doing.

2. The Operator will provide for construction oversight of the well pad.

3. The engineered well pad will be completely slope staked (cuts and fills) prior to conducting the preconstruction inspection.

4. Working, clearing and blading width for access road construction will not exceed 70 feet unless a specific design is included in the plan and profile section of the master surface use plan.

5. For safety of travel, to reduce rutting and increase traction, place a minimum average of 4 inches of aggregate on road segments where grades exceed 8%.

6. On cut-slope sections of road and other sections of road where topography on one side of the road does not allow the use of lead-out (wing) ditches to relieve road ditch flow, laterals in the form of culverts, water bars, or drainage dips shall be placed according to the following minimum spacing:

Lateral Spacing (feet)				
Soil Type	Road Grade 2-4%	Road Grade 5-8%	Road Grade 9-12%	Road Grade 13-16%
Highly erosive granitic or sandy	240	180	140	100
Intermediate erosive clay or clay/silt/sand	310	260	200	150
Low erosive shale or gravel	400	325	250	200

7. To the extent that is beneficial and feasible, lead-out ditches shall be placed between laterals and uphill of the most uphill lateral in order to reduce flow in the road ditch at the exit of the next downhill lateral, especially on steeper slopes.

8. Where laterals are not needed, the road shall be constructed to ensure that flow does not concentrate and water does not pond next to the road. As is necessary, lead-out ditches shall be constructed to ensure that water is dispersed away from the road according to the minimum spacing given for laterals.

9. Road runoff shall not be directed into pre-existing eroded features (including small steep hillside channels with no discernible floodplain or riparian vegetation), but instead will be put to beneficial use by routing lead-out ditches away from eroded features and onto stable soils. Lead-out ditches and laterals shall be constructed as close as practicable to crossings (e.g. on the crossing approaches or just before the approach) in order to reduce the amount of ditch water and sediment directly entering Drainages.

10. Mowing and clearing at the well site will be limited to the area identified by the well site diagrams.

11. Straw/Excelsior wattles are most effective as erosion control if applied on slopes less than 3H:1V. In the absence of manufacture's specifications included in the operator's MSUP, the minimum spacing requirements will be as follows:

Slope	6-inch waddle	9-inch waddle	12-inch waddle
≤4H:1V	20 feet	40 feet	60 feet
3H:1V	15 feet	30 feet	45 feet
2H:1V	10 feet	20 feet	30 feet
1H:1V	5 feet	10 feet	15 feet

12. Soil compaction will be remediated on all compacted surfaces and prior to the redistribution of topsoil on disturbed surfaces to the depth of compaction by methods that prevent mixing of the soil horizons. BLM's recommended methods are subsoiling, paraplowing, or ripping with a winged shank. Scarification is acceptable on areas identified as very shallow or shallow soils.

13. Subsoil excavated for the cutting containment pit will be place back into the pit once the cutting are sufficiently dry. Subsoil must be replaced in the pit before topsoiling. Under no circumstances would any by-products from drilling or subsoil to be spread on top of topsoil. The pit area should usually be mounded slightly or restored to the original contour to allow for settling and positive surface drainage.

Drilling/Completion Pad

1. Topsoil to be stored for a period greater than 90 days will be seeded with the approved seed mix to prevent wind and water erosion.

2. The well pad cut and fill slopes at the 2V:1H constructed slopes in combination with soils with a high clay content are features that exhibit severe erosion potential that will require disturbed areas to be stabilized (stabilization efforts may include mulching, matting, soil amendments, et. cetera) in a manner which eliminates accelerated erosion and stabilizes the site in accordance with the Wyoming Reclamation Policy. Stabilization efforts shall be finished within 30 days of the initiation of construction activities. This applies to all surface disturbances in the dry Fork Fed 1-23, 2-19 and 2-24 well pad areas.

Production Pad

1. Cutting pits are to be dried within 6 months from the date of the last well completion and prior to any backfilling. Mechanical trenching or squeezing of pit fluids and cuttings is prohibited. Drying by any means other than natural (air) evaporation requires prior approval from the BLM. Pit solids shall be buried at least 3 feet below recontoured grade. Soils that are moisture laden and saturated, partially or completely frozen shall not be used for backfill or cover. The pit area may require mounding to allow for settling. Before backfilling, synthetic liner portions remaining above the "mud line" shall be cut off as close to the top of the mud surface as possible and disposed of at an authorized commercial waste disposal facility. The pit bottom and remaining liner shall not be trenched, cut, punctured or perforated. Installation and operation of any sprinklers, pumps, and related equipment shall ensure that water spray or mist does not drift outside of pit boundaries.

2. Erosion control fabric used for reclamation of steep slopes should be photodegradable or biodegradable. Non-photodegradable/biodegradable erosion control fabric will be removed from the federal leases following establishment of a self-perpetuating native plant community and sustained soil stability.

3. In the absence of manufacture's specifications included in the operator's MSUP, erosion control fabric will be installed as follows:
   a. The fabric will be 'keyed' into the slope by digging a small trench at the top of the slope;
   b. Lay the top end of the material into the trench to line it;
   c. To line it the edge is folded underneath itself and then it is secured using staples;
   d. The trench is then filled in to the previous soil level; and
   e. Fabric should be overlapped no less than 1 foot on edges and stapled on 3 foot spacing and at every seam.

4. Stabilization of steep slopes greater than 4H:1V will include but is not limited to the following components to minimize soil erosion and loss of seed:
   a. Surface roughening/pocking or scarification perpendicular to the slope;
   b. Install slope breakers such as waddles and water bars at the appropriate spacing;
   c. Seed with appropriate seed mix; and
   d. Apply straw mulch or bio/photodegradable erosion control fabric on highly erodible soils.

5. The operator will drill seed on the contour to a depth of 0.5 inch or less, followed by cultipaction to compact the seedbed, preventing soil and seed losses. To maintain quality and purity, the current years tested, certified seed with a minimum germination rate of 80% and a minimum purity of 90% will be used. See the Dry Fork Fed 1 POD MSUP for the approved seed mix.

Water

1. The Operator will collect a water sample representative of the water produced from this wells for analysis within 90 days of initial production. Results of the analysis will be submitted to the BLM Authorized Officer as soon as they become available. The constituents analyzed in the water quality analyses will be the same as those required by the WDEQ for WYPDES permit using approved EPA test procedures (40 CFR 136 or 40 CFR 136.5).

2. After well completion, the operator shall submit a Sundry Notice for approval of disposal of all produced water in accordance with Onshore Oil and Gas Order No. 7, Disposal of Produced Water.

Transportation

1. The Operator will provide georeferenced special data depicting as-built locations of all facilities, well, well pad, road, pipelines, power lines and other related facilities to the BLM upon completion of construction and development.

Wildlife

Greater Sage-Grouse

1. No surface disturbing or disruptive activities are permitted during Greater Sage-Grouse breeding and nesting period (March 15 – June 30), This timing limitation will affect activities within NENW Section 23 T43N/R77W associated with the Dry Fork Fed 1-23 wells, well pad, access road and infrastructure; NWSW, NWNW Section 24 T43N/R77W associated with the Dry Fork Fed 2-24 wells, well pad access road and infrastructure; and SESW Section 19 T43N/R76W associated with the Dry Fork Fed 2-19 wells, well pad access road and infrastructure.

2. For any surface disturbing activities proposed in sagebrush lands, the operator will conduct clearance surveys for greater sage-grouse breeding activity during the greater sage-grouse's breeding season (April 1-May 7) before initiating the activities. The surveys must encompass all sagebrush shrublands within 0.5 miles of the proposed activities. All survey results shall be submitted in writing to a BFO BLM biologist no later than July 31 of the current year. This condition applies to the entire project area and will be implemented on an annual basis for the duration of the surface disturbing activities.

3. If a previously unknown lek is identified during surveys (April 1-May 7), a BFO BLM biologist shall be notified.

Raptors

The following conditions will alleviate impacts to raptors:

1. No surface-disturbing activity shall occur within 0.5 mile of all identified raptor nests from February 1 through July 31, annually, prior to a raptor nest occupancy survey for the current breeding season. This timing limitation will affect surface disturbing activities within the NWSW, NWNW Section 24, T43N/R77W; SESW Section 19 T43N/R76W.

2. Surveys to document nest occupancy shall be conducted by a biologist following BLM protocol, between April 15 and June 30. All survey results shall be submitted in writing to a Buffalo BLM biologist and approved prior to surface-disturbing activities. Surveys outside this window may not depict nesting activity. If a survey identifies active raptor nests, a 0.5 mile timing buffer will be implemented. The timing buffer restricts surface-disturbing activities within 0.5 mile of occupied raptor nests from February 1 to July 31.

3. If an undocumented raptor nest is located during project construction or operation, the Buffalo Field Office (307-684-1100) shall be notified within 24 hours.

Migratory Birds

1. Migratory birds shall be effectively excluded from all facilities that pose a mortality risk, including, but not limited to, heater treaters, flare stacks, and secondary containment where escape may be difficult or wildlife toxicants are present.

2. The Operator will be responsible for assuring that any open pits that are hazardous to birds and other wildlife will be rendered not accessible to wildlife, and are in compliance with the Migratory Bird Treaty Act.

3. Removal of habitat supporting BLM sensitive migratory bird species is prohibited during the migratory bird nesting season (May 1 – July 31) unless an avian nesting survey performed by a biologist confirms an absence of nesting birds in the disturbance area. This COA applies to vegetation removal at the Dry Fork Fed 1-23, 2-19 and 2-24 well pads and associated roads and infrastructure.
   a. Results of the nesting survey must be submitted in writing to a Buffalo BLM biologist prior to commencement of activities.
   b. If the survey shows an absence of nesting birds, then surface disturbance can proceed during the nesting season within 10 days of the survey to avoid harming new nesting arrivals. After 10 days has lapsed, a new survey will be required. Exceptions will be evaluated by a BLM biologist allowing for alternate timelines or specific activities to occur.
   c. If the survey shows nesting birds are present and or if the permitted activity would likely cause "take", then the activity will be delayed until the nestlings fledged.
   d. Exceptions will be evaluated by a BLM biologist on a case by case basis.

Mountain Plover

The following conditions will alleviate impacts to mountain plovers:

1. No surface-disturbing activities shall occur within 0.25 mile of potential mountain plover nesting habitat, annually, from March 15 through July 31, prior to a nesting survey. This timing limitation will be in effect unless surveys determine the habitat to be unoccupied. This COA applies to vegetation removal at the Dry Fork Fed 1-23, 2-19 and 2-24 well pads and associated roads and infrastructure.
   a. Mountain plover nesting surveys shall be conducted by a biologist following the most current USFWS Mountain Plover Survey Guidelines. All survey results shall be submitted in writing to a Buffalo BLM biologist and approved prior to surface disturbing activities.
   b. If a plover is observed, no surface-disturbing activities shall occur within 0.25 miles of the prairie dog colony from March 15 through July 31.
   c. No dogs will be permitted at work sites to reduce the potential for harassment of mountain plovers.

Cultural

All surface disturbing activity in the following areas will be monitored by a BLM cultural resource use permit (CRUP) holder or permitted crew chief. The Bureau has identified these areas as having a high potential for buried cultural deposits (areas containing alluvial deposits and areas of High to Very High Sensitivity Zones per the PUMP III Model (Eckerle 2005)). Some portions of the monitoring areas as described may lie outside alluvial deposits and exact monitoring areas are left to the discretion of the archeological monitor. All monitored areas must be plotted on the map provided with the monitoring report. The submission of two copies of a monitoring report to BFO is required within 30 days of the completion of all monitoring work.

1. All surface disturbing activity associated with the construction of the 2-19 well pad and existing unimproved access road that will be upgraded to a 24' running width in T43N R76W Section 19.

2. All surface disturbing activity associated with the construction of the 2-24 well pad and proposed improved access road located in T43N R77W Section 24.

STANDARD

General

1. If any cultural values [sites, artifacts, human remains (Appendix L FEIS and ROD)] are observed during operation of this lease/permit/right-of-way, they will be left intact and the Buffalo Field Manager notified. The authorized officer will conduct an evaluation of the cultural values to establish appropriate mitigation, salvage or treatment. The operator is responsible for informing all persons in the area who are associated with this project that they will be subject to prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are uncovered during construction, the operator is to immediately stop work that might further disturb such materials, and contact the authorized BLM officer (AO). Within five working days the AO will inform the operator as to:
   - whether the materials appear eligible for the National Register of Historic Places;
   - the mitigation measures the operator will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and,
   - a time-frame for the AO to complete an expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that mitigation is appropriate. The AO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the AO that the required mitigation has been completed, the operator will then be allowed to resume construction measures.

2. If paleontological resources, either large or conspicuous, and/or a significant scientific value are discovered during construction, the find will be reported to the Authorized Officer immediately. Construction will be suspended within 250 feet of said find. An evaluation of the paleontological discovery will be made by a BLM approved professional paleontologist within five (5) working days, weather permitting, to determine the appropriate action(s) to prevent the potential loss of any significant paleontological values. Operations within 250 feet of such a discovery will not be resumed until written authorization to proceed is issued by the Authorized Officer. The applicant will bear the cost of any required paleontological appraisals, surface collection of fossils, or salvage of any large conspicuous fossils of significant scientific interest discovered during the operation.

3. Please contact Jim Verplancke, Natural Resource Specialist, at (307) 684-1100, BLM, Buffalo, if there are any questions concerning the following surface use COAs.

DRILLING AND PRODUCTION OPERATIONS

1. Verbal notification shall be given to the Authorized Officer at least 24 hours before formation tests, BOP tests, running, and cementing casing, and drilling over lease expiration dates.
   Contact: Supervisory Petroleum Engineering Technician Gary Roth at 307-217-0741 or Supervisory Petroleum Engineering Technician Jerry Walker at 307-217-0746.

2. New hard-band drill pipe shall not be rotated inside any casing. Hard-band drill pipe shall be considered new until it has been run at least once.

3. All Blow Out Prevention Equipment tests shall include a 5 minute low pressure test between 250 psi and 500 psi with no drop in pressure with the only exception being the chokes. The chokes are only required to have the high pressure test held for a minimum length of time necessary to verify their functional integrity.

4. All operations must be conducted in accordance with all applicable laws and regulations: with the lease terms, Onshore Oil and Gas Orders, NTLs; and with other orders and instructions of the Authorized Officer, unless a variance has been granted in writing by the Authorized Officer.

5. The Operator shall install an identification sign consistent with the requirements of 43 CFR 3162.6 immediately upon or before the completion of the well pad construction operations.

6. All Blow Out Prevention Equipment rated 5M or greater shall be isolated from the casing and tested to stack working pressure. All Blow Out Prevention Equipment tests shall be performed by a suitable test pump, not the rig-mud pumps and recorded on a chart. The chart shall be submitted to the Buffalo Field Office.

7. Low test on Blow Out Prevention Equipment shall be performed and passed before moving onto the high test for each component.

8. If there are indications of inadequate primary cementing of the surface, intermediate, or Production casing strings; such as but not limited to no returns to surface, cement channeling, fallback or mechanical failure of equipment, the operator will evaluate the adequacy of the cementing operations. This evaluation will consist of running a cement bond log (CBL) or an alternate method approved by the Authorized Officer (AO) no sooner than 12 hours and no later than 24 hours from the time the cement was first pumped.

9. If the evaluation indicates inadequate cementing, the operator shall contact a BLM Buffalo Field Office Petroleum Engineer for approval of remedial cementing work.

10. The adequacy of the remedial cementing operations shall be verified by a cement bond log (CBL) or an alternate method approved by the Authorized Officer (AO). All remedial work shall be completed and verified prior to drilling out the casing shoe or perforating the casing for purposes other than remedial cementing.

11. The cement mix water used must be of adequate quality so as not to degrade the setting properties of the cement. Any water that does not meet municipal quality water standards shall be tested by mixing the water and cement in a lab and comparing the results to the municipal quality water mix results. If the results show that the cement qualities are not the same or greater, than the non-municipal water shall not be used for mixing cement in the well.

12. All oil and gas operations shall be conducted in a manner to prevent the pollution of all freshwater resources. All fresh waters and waters of present or probable future value for domestic, municipal, commercial, stock or agricultural purposes will be confined to their respective strata and shall be adequately protected. Special precautions will be taken to guard against any loss of artesian water from the strata in which it occurs and the contamination of fresh water by objectionable water, oil, condensate, gas or other deleterious substance to such fresh water.

13. Any changes to the approved drilling plan and/or these conditions of approval shall be approved by the BLM-Buffalo Field Office Petroleum Engineer prior to being implemented.
After hour's #: Petroleum Engineer: Matthew Warren; Cell Telephone: 307-620-0103.

Construction

1. Construction and drilling activity will not be conducted using frozen or saturated soil material during periods when watershed damage or excessive rutting is likely to occur.

2. Remove all available topsoil (depths vary from 4 inches on ridges to 12+ inches in bottoms) from constructed well locations including areas of cut and fill, and stockpile at the site. Topsoil will also be salvaged for use in reclamation on all other areas of surface disturbance (roads, pipelines, etc.). Clearly segregate topsoil from excess spoil material. Any topsoil stockpiled for one year or longer will be signed and stabilized with annual ryegrass or other suitable cover crop.

3. The operator will not push soil material and overburden over side slopes or into drainages. All soil material disturbed will be placed in an area where it can be retrieved without creating additional undue surface disturbance and where it does not impede watershed and drainage flows.

4. Construct the backslope no steeper than ½:1, and construct the foreslope no steeper than 2:1, unless otherwise directed by the BLM Authorized Officer.

5. Maintain a minimum 20-foot undisturbed vegetative border between toe-of-fill of pad and/or pit areas and the edge of adjacent drainages, unless otherwise directed by the BLM Authorized Officer.

6. All overhead electrical power lines on federal surface will be constructed to the Avian Power Line Interaction Committee (2005, 2006) standards to minimize electrocution potential to birds of prey.

7. The reserve pit will be oriented to prevent collection of surface runoff. After the drilling rig is removed, the operator may need to construct a trench on the uphill side of the reserve pit to divert surface drainage around it. If constructed, the trench will be left intact until the pit is closed.

8. The reserve pit will be lined with an impermeable liner if permeable subsurface material is encountered. An impermeable liner is any liner having a permeability less than 10-7 cm/sec. The liner will be installed so that it will not leak and will be chemically compatible with all substances that may be put in the pit. Liners made of any man-made synthetic material will be of sufficient strength and thickness to withstand normal installation and pit use. In gravelly or rocky soils, a suitable bedding material such as sand will be used prior to installing the liner.

9. The reserve pit will be constructed so that at least half of its total volume is in solid cut material (below natural ground level).

10. Culverts will be placed on channel bottoms on firm, uniform beds, which have been shaped to accept them, and aligned parallel to the channel to minimize erosion. Backfill will be thoroughly compacted.

11. The minimum diameter for culverts will be 18 inches. However, all culverts will be appropriately sized in accordance with standards in BLM Manual 9113.

12. Construction and other project-related traffic will be restricted to approved routes. Cross-country vehicle travel will not be allowed.

13. Maximum design speed on all operator constructed and maintained roads will not exceed 25 miles per hour.

14. Pipeline construction shall not block nor change the natural course of any drainage. Pipelines shall cross perpendicular to drainages. Pipelines shall not be run parallel in drainage bottoms. Suspended pipelines shall provide adequate clearance for maximum runoff.

15. Pipeline trenches shall be compacted during backfilling. Pipeline trenches shall be routinely inspected and maintained to ensure proper settling, stabilization and reclamation.

16. During construction, emissions of particulate matter from well pad and road construction would be minimized by application of water or other non-saline dust suppressants with at least 50 percent control efficiency. Dust inhibitors (surfacing materials, non-saline dust suppressants, and water) will be used as necessary on unpaved roads that present a fugitive dust problem. The use of chemical dust suppressants on public surface will require prior approval from the BLM Authorized Officer.

17. Operators are required to obtain a National Pollution Discharge Elimination System (NPDES) Storm Water Permit from the Wyoming DEQ for any projects that disturb five or more acres (changing to one acre in March 2005). This general construction storm water permit must be obtained from WDEQ prior to any surface disturbing activities and can be obtained by following directions on the WDEQ website at http://deq.state.wy.us. Further information can be obtained by contacting Barb Sahl at (307) 777-7570.

18. The operator shall submit a Sundry Notice (Form 3160-5) to BLM for approval prior to construction of any new surface disturbing activities that are not specifically addressed in the approved APD or POD Surface Use Plan.

Operations/Maintenance

1. Confine all equipment and vehicles to the access road(s), pad(s), and area(s) specified in the approved APD or POD.

2. All waste, other than human waste and drilling fluids, will be contained in a portable trash cage. This waste will be transported to a State approved waste disposal site immediately upon completion of drilling operations. No trash or empty barrels will be placed in the reserve pit or buried on location. All state and local laws and regulations pertaining to disposal of human and solid waste will be complied with.

3. Rat and mouse holes shall be filled and compacted from the bottom to the top immediately upon release of the drilling rig from the location.

4. The operator will be responsible for prevention and control of noxious weeds and weeds of concern on all areas of surface disturbance associated with this project (well locations, roads, water management facilities, etc.) Use of pesticides shall comply with the applicable Federal and State laws. Pesticides shall be used only in accordance with their registered uses and within limitations imposed by the Secretary of Interior. Prior to the use of pesticides on public land, the holder shall obtain from the BLM authorized officer written approval of a plan showing the type and quantity of material to be used, pest(s) to be controlled, method of application, location of storage and disposal of containers, and any other information deemed necessary by the authorized officer to such use.

5. All permanent above-ground structures (e.g., Production equipment, tanks, etc.) not subject to safety requirements will be painted to blend with the natural color of the landscape. The paint used will be a color which simulates “Standard Environmental Colors.” The color selected for this POD is Covert Green.

6. Sewage shall be placed in a self-contained, chemically treated porta-potty on location.

7. The operator and their contractors shall ensure that all use, Production, storage, transport, and disposal of hazardous and extremely hazardous materials associated with the drilling, completion and Production of this well will be in accordance with all applicable existing or hereafter promulgated federal, state and local government rules, regulations and guidelines. All project-related activities involving hazardous materials will be conducted in a manner to minimize potential environmental

impacts. In accordance with OSHA requirements, a file will be maintained onsite containing current Material Safety Data Sheets (MSDS) for all chemicals, compounds and/or substances which are used in the course of construction, drilling, completion and Production operations.

8. Produced fluids shall be put in test tanks on location during completion work. Produced water will be put in the reserve pit during completion work per Onshore Oil and Gas Order #7.

9. The only fluids/waste materials which are authorized to go into the reserve pit are RCRA exempt exploration and Production wastes. These include:
   - drilling muds & cuttings
   - rigwash
   - excess cement and certain completion & stimulation fluids defined by EPA as exempt

   It does not include drilling rig waste, such as:
   - spent hydraulic fluids
   - used engine oil
   - used oil filter
   - empty cement, drilling mud, or other product sacks
   - empty paint, pipe dope, chemical or other product containers
   - excess chemicals or chemical rinsate

   Any evidence of non-exempt wastes being put into the reserve pit may result in the BLM Authorized Officer requiring specific testing and closure requirements.

10. Operators are advised that prior to installation of any oil and gas well Production equipment which has the potential to emit air contaminants, the owner or operator of the equipment must notify the Wyoming Department of Environmental Quality, Air Quality Division (phone 307-777-7391) to determine permit requirements. Examples of pertinent well Production equipment include fuel-fired equipment (e.g., diesel generators), separators, storage tanks, engines and dehydrators.

Dry Hole/Reclamation

1. All disturbed lands associated with this project, including the pipelines, access roads, water management facilities, etc., will be expediently reclaimed and reseeded in accordance with the surface use plan and any pertinent site-specific COAs.

2. Disturbed lands will be recontoured back to conform to existing undisturbed topography. No depressions will be left that trap water or form ponds.

3. The fluids and mud must be dry in the reserve pit before recontouring pit area. The operator will be responsible for recontouring of any subsidence areas that develop from closing a pit before it is completely dry. The plastic pit liner (if any) will be cut off below grade and properly disposed of at a state authorized landfill before beginning to re-contour the site.

4. Before the location has been reshaped and prior to redistributing the topsoil, the operator will rip or scarify the drilling platform and access road on the contour, to a depth of at least 12 inches. The rippers are to be no farther than 24 inches apart.

5. Distribute the topsoil evenly over the entire location and other disturbed areas. Prepare the seedbed by disking following the contour.

6. Waterbars are to be constructed at least one (1) foot deep, on the contour with approximately two (2) feet of drop per 100 feet of waterbar to ensure drainage, and extended into established vegetation. All waterbars are to be constructed with the berm on the downhill side to prevent the soft material from

silting in the trench. The initial waterbar should be constructed at the top of the backslope. Subsequent waterbars should follow the following general spacing guidelines:

Slope (percent)	Spacing Interval (feet)
less than 2	200
2 – 4	100
4 – 5	75
greater than 5	50 or less

7. The operator will drill seed on the contour to a depth of 0.5 inch, followed by cultipaction to compact the seedbed, preventing soil and seed losses. To maintain quality and purity, the current years tested, certified seed with a minimum germination rate of 80% and a minimum purity of 90% will be used. See the Culp Draw Deep POD SUPO for the approved seed mix.

8. BLM will not release the performance bond until the area has been successfully revegetated (evaluation will be made after the second complete growing season) and has met all other reclamation goals of the surface owner and surface management agency.

9. The operator must submit a Notice of Intent to Abandon and a Subsequent Report of Abandonment for abandonment approval.

10. For performance bond release approval, a Final Abandonment Notice (with a surface owner release letter on split-estate) must be submitted prior to a final abandonment evaluation by BLM.

11. Soil fertility testing and the addition of soil amendments may be required to stabilize some disturbed lands.

12. Any mulch utilized for reclamation needs to be certified weed free.

Producing Well

1. Landscape those areas not required for production to the surrounding topography as soon as possible. The fluids and mud must be dry in the reserve pit before recontouring pit area. The operator will be responsible for recontouring and reseeding of any subsidence areas that develop from closing a pit before it is completely dry.

2. Reduce the backslope to 2:1 and the foreslope to 3:1, unless otherwise directed by the BLM Authorized Officer. Reduce slopes by pulling fill material up from foreslope into the toe of cut slopes.

3. Production facilities (including dikes) must be placed on the cut portion of the location and a minimum of 15 feet from the toe of the back cut unless otherwise approved by the BLM Authorized Officer.

4. A dike will be constructed completely around the production facilities (i.e. Production tanks, water tanks, and heater-treater). The dikes for the production facilities must be constructed of impermeable soil, hold 110% of the capacity of the largest tank plus 1-foot of freeboard, and be independent of the back cut.

5. Any chemicals used in treating the wells (e.g., corrosion inhibitor, emulsion breaker, etc.) will be in a secure, fenced-in area with appropriate secondary containment structure (dikes, catchment pan, etc.).

6. The load out line coming from the oil/condensate tank(s) will have a suitable containment structure to capture and recycle any oil spillage that might occur.

7. Individual production facilities (tanks, treaters, etc.) will be adequately fenced off (if entire facility not already fenced off).

8. Any spilled or leaked oil, produced water or treatment chemicals must be reported in accordance with NTL-3A and immediately cleaned up in accordance with BLM requirements. This includes clean-up and proper disposition of soils contaminated as a result of such spills/leaks.

9. Distribute stockpiled topsoil evenly over those areas not required for Production and reseed as recommended.

10. Upgrade and maintain access roads and drainage control (e.g., culverts, drainage dips, ditching, crowning, surfacing, etc.) as necessary and as directed by the BLM Authorized Officer to prevent soil erosion and accommodate safe, environmentally-sound access.

11. Prior to construction of Production facilities not specifically addressed in the APD/POD, the operator shall submit a Sundry Notice to the BLM Authorized Officer for approval.

12. If not already required prior to constructing and drilling the well location, the operator shall immediately upgrade the entire access road to BLM standards (including topsoiling, crowning, ditching, drainage culverts, surfacing, etc.) to ensure safe, environmentally-sound, year-round access.

13. Waterbars shall be installed on all reclaimed pipeline corridors.

APPENDIX B. Conditions of Approval for Conventional Application for Permit to Drill

Categorical Exclusion 3 (CX3), WY-070-390CX3-15-125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135,136, 137, 138, 139 and 140Section 390, Energy Policy Act of 2005

Project: **Dry Fork Fed 1 Plan of Development (POD)**
Operator: **Peak Powder River Resources, LLC**

Field Office: Buffalo Field Office
Address: 1425 Fort Street, Buffalo, Wyoming 82834
Office Telephone Number: 307-684-1100

The spud date will be reported electronically, (see website location above) to the Authorized Officer 24 HOURS BEFORE SPUDDING, unless otherwise required in site specific conditions of approval.

Spud Notice Site: http://www.wy.blm.gov/minerals/og/og_notices/spud_notice.php

Well List:

#	Well Name	Well No.	Qtr	Sec	Twp	Rng	Surface Hole Lease	Lateral Hole Lease	Bottom Hole Lease
1	DRY FORK FED	2-23H	NENE	23	43N	77W	Fee	Fee/Federal	Federal
2	DRY FORK FED	2-23MH	NENE	23	43N	77W	Fee	Fee/Federal	Federal
3	DRY FORK FED	2-23NH	NENE	23	43N	77W	Fee	Fee/Federal	Federal
4	DRY FORK FED	2-23TH	NENE	23	43N	77W	Fee	Fee/Federal	Federal

SHL – Surface Hole Lease; LHL – Lateral Hole Lease; BHL – Bottom Hole Lease

Site Specific:

1. The operator must provide the BLM a true and complete copy of a document in which the owner of the surface or that owner's representative authorizes the operator to drill a federal well from nonfederal lands, and in which the surface owner or representative guarantees the Department of the Interior (Department), including BLM, access to the non-federal lands to perform all necessary surveys and inspections. (clarified in Instruction Memorandum No. 2009-078, p-2, para 6; et al.).

2. The operator will collect a water sample representative of the water produced from this (these) wells for analysis within 90 days of initial production. Results of the analysis will be submitted to the BLM Authorized Officer as soon as they become available. The constituents analyzed in the water quality analyses will be the same as those required by the WDEQ for WYPDES permit using approved EPA test procedures (40 CFR 136 or 40 CFR 136.5).

3. After well completion, the operator shall submit a Sundry Notice for approval of disposal of all produced water in accordance with Onshore Oil and Gas Order No. 7, Disposal of Produced Water.

Migratory Birds

1. Migratory birds shall be effectively excluded from all facilities that pose a mortality risk, including, but not limited to, heater treaters, flare stacks, secondary containment, and standing water or chemicals where escape may be difficult or wildlife toxicants are present.

Cultural
All surface disturbing activity in the following areas will be monitored by a BLM cultural resource use permit (CRUP) holder or permitted crew chief. The Bureau has identified these areas as having a high potential for buried cultural deposits (areas containing alluvial deposits and areas of High to Very High Sensitivity Zones per the PUMP III Model (Eckerle 2005)). Some portions of the monitoring areas as described may lie outside alluvial deposits and exact monitoring areas are left to the discretion of the archeological monitor. All monitored areas must be plotted on the map provided with the monitoring report. The submission of two copies of a monitoring report to BFO is required within 30 days of the completion of all monitoring work.

STANDARD

General

1. If any cultural values [sites, artifacts, human remains (Appendix L FEIS and ROD)] are observed during operation of this lease/permit/right-of-way, they will be left intact and the Buffalo Field Manager notified. The authorized officer will conduct an evaluation of the cultural values to establish appropriate mitigation, salvage or treatment. The operator is responsible for informing all persons in the area who are associated with this project that they will be subject to prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are uncovered during construction, the operator is to immediately stop work that might further disturb such materials, and contact the authorized BLM officer (AO). Within five working days the AO will inform the operator as to:
   - whether the materials appear eligible for the National Register of Historic Places;
   - the mitigation measures the operator will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and,
   - a time-frame for the AO to complete an expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that mitigation is appropriate. The AO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the AO that the required mitigation has been completed, the operator will then be allowed to resume construction measures.

2. If paleontological resources, either large or conspicuous, and/or a significant scientific value are discovered during construction, the find will be reported to the Authorized Officer immediately. Construction will be suspended within 250 feet of said find. An evaluation of the paleontological discovery will be made by a BLM approved professional paleontologist within five (5) working days, weather permitting, to determine the appropriate action(s) to prevent the potential loss of any significant paleontological values. Operations within 250 feet of such a discovery will not be resumed until written authorization to proceed is issued by the Authorized Officer. The applicant will bear the cost of any required paleontological appraisals, surface collection of fossils, or salvage of any large conspicuous fossils of significant scientific interest discovered during the operation.

3. Please contact Jim Verplancke, Natural Resource Specialist, at (307) 684-1100, Bureau of Land Management, Buffalo, if there are any questions concerning the following surface use COAs.

Drilling and Production Operations

1. **Verbal notification shall be given to the Authorized Officer at least 24 hours before formation tests, BOP tests, running, and cementing casing, and drilling over lease expiration dates.**

2. New hard-band drill pipe shall not be rotated inside any casing. Hard-band drill pipe shall be considered new until it has been run at least once.

3. All Blow Out Prevention Equipment tests shall include a 5 minute low pressure test between 250 psi

and 500 psi with no drop in pressure with the only exception being the chokes. The chokes are only required to have the high pressure test held for a minimum length of time necessary to verify their functional integrity.

4. All operations must be conducted in accordance with all applicable laws and regulations: with the lease terms, Onshore Oil and Gas Orders, NTL's; and with other orders and instructions of the Authorized Officer, unless a variance has been granted in writing by the Authorized Officer.

5. The Operator shall install an identification sign consistent with the requirements of 43 CFR 3162.6 immediately upon or before the completion of the well pad construction operations.

6. All Blow Out Prevention Equipment rated 5M or greater shall be isolated from the casing and tested to stack working pressure. All Blow Out Prevention Equipment tests shall be performed by a suitable test pump, not the rig-mud pumps and recorded on a chart. The chart shall be submitted to the Buffalo Field Office.

7. Low test on Blow Out Prevention Equipment shall be performed and passed before moving onto the high test for each component.

8. If there are indications of inadequate primary cementing of the surface, intermediate, or production casing strings; such as but not limited to no returns to surface, cement channeling, fallback or mechanical failure of equipment, the operator will evaluate the adequacy of the cementing operations. This evaluation will consist of running a cement bond log (CBL) or an alternate method approved by the Authorized Officer (AO) no sooner than 12 hours and no later than 24 hours from the time the cement was first pumped.

9. If the evaluation indicates inadequate cementing, the operator shall contact a BLM Buffalo Field Office Petroleum Engineer for approval of remedial cementing work.

10. The adequacy of the remedial cementing operations shall be verified by a cement bond log (CBL) or an alternate method approved by the Authorized Officer (AO). All remedial work shall be completed and verified prior to drilling out the casing shoe or perforating the casing for purposes other than remedial cementing.

11. The cement mix water used must be of adequate quality so as not to degrade the setting properties of the cement. Any water that does not meet municipal quality water standards shall be tested by mixing the water and cement in a lab and comparing the results to the municipal quality water mix results. If the results show that the cement qualities are not the same or greater, than the non-municipal water shall not be used for mixing cement in the well.

12. All oil and gas operations shall be conducted in a manner to prevent the pollution of all freshwater resources. All fresh waters and waters of present or probable future value for domestic, municipal, commercial, stock or agricultural purposes will be confined to their respective strata and shall be adequately protected. Special precautions will be taken to guard against any loss of artesian water from the strata in which it occurs and the contamination of fresh water by objectionable water, oil, condensate, gas or other deleterious substance to such fresh water.

13. Any changes to the approved drilling plan and/or these conditions of approval shall be approved by the BLM-Buffalo Field Office Petroleum Engineer prior to being implemented.
After hour's numbers: Petroleum Engineer Matthew Warren, Cell Telephone: 307-620-0103 or Petroleum Engineer William Robbie, Cell Telephone: 307-620-3203.