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BLM ENVIRONMENTAL CONDITIONS OF APPROVAL

Operator Merrion Oil & Gas Corporation Well Name: EMU #6

Legal Location 330' FSL and 330' FEL Sec. 11 T. 19 N. R. 4 W.

Lease Number NMNM 24961

The following stipulations will apply to this well unless a particular Surface Managing Agency (SMA) or private surface owner has supplied to the BLM and the operator a contradictory environmental stipulation. The failure of the operator to comply with these requirements may result in the assessment of liquidated damages or penalties pursuant to 43 CFR 3163.1 or 3163.2. A copy of these conditions of approval shall be present on the location during construction, drilling and reclamation activity.

An agreement between the operator and Fee landowner will take precedence over BLM surface stipulations unless 1) the BLM determines that the operator's actions will affect adjacent Federal or Indian surface (43 CFR Part 3160), or 2) the operator does not maintain the well area and lease premises in a workmanlike manner with due regard for safety, conservation and appearance (43 CFR Part 3162.5-3), or 3) no such agreement exists (43 CFR Part 3160), or 4) in the event of well abandonment, minimal Federal restoration requirements will be required (43 CFR Part 3162.3-4).

The approval of this action does not grant or imply approval of any off-lease or off-unit action. It is the responsibility of the applicant to obtain any such approvals from the appropriate surface management agency, including BLM, and/or any private landowners.

The operator or his contractor will contact the BLM Cuba Field Station, at (505) 289-3748, approximately 24 to 48 hours prior to construction activities and again, upon site completion prior to moving on drilling rig.

I. Site Specific Stipulations

- A. Surface disturbance will be confined to the existing location.
- B. The top 3 inches of soil material will be stripped and stockpiled on the location for future reclamation.
- C. Paint color will be Beige and seed mix #3 (refer to Section III for recommended seed mixtures).
- D. Prior to injection of any produced H₂O, company must have approval from the New Mexico Oil Conservation Division.

THE FOLLOWING STIPULATIONS APPLY TO ALL WELL PADS AND ROADS.

II. Location and Access Road

A. Well area and lease premises will be maintained in a workmanlike manner with due regard to safety, conservation and appearance. All liquid waste, completion fluids and drilling products associated with oil and gas operations will be contained and then buried in place, or removed and deposited in an approved disposal site. Trash cages will be used for all solid waste. Trash will be removed from the location to an approved solid waste disposal site. No solid waste shall be put in the reserve pit before, during or after drilling operations.

Large vegetation such as sagebrush, juniper and pinon will not be incorporated in pit walls. Sagebrush removed during clearing operations will be placed in drainages and "walked down" by a crawler - type tractor. If no drainages are nearby, sagebrush will be buried in the reserve pit when it is filled in. All uprooted vegetation not subsequently buried will be scattered so it does not detract from the natural appearance of the area and does not accelerate erosion.

C. Surface disturbance and vehicular traffic will be limited to the approved location and approved access road. All roads on public lands must be maintained in a good passible condition, and, if necessary, culverts of sufficient size (minimum 18") will be placed where the drainages cross access roads.

D. Mud pits and blow pits will be constructed so as not to leak, break, or allow discharge of liquids. The bottom of the reserve pit shall not be in fill material. Pits are not to be located in natural drainages. **Because of the shallow well depth, if Foster Brown submits a mud additive report, BLM will waive the pit liner requirement. All pits will be lined with an impervious material at least 12 mil thick.** Any plastic material used to line pits must be removed to below-ground level before pits are covered. Pit walls are to be "walked down" by a crawler-type tractor following construction and prior to usage.

E. All unguarded pits containing liquids will be fenced. Drilling pits will be fenced on three sides and once the rig leaves the location, the fourth side will be fenced. (See Part I of this section.) Fencing must be a legal fence in accordance with New Mexico State Law. Liquids in pits will be allowed to evaporate, or be properly disposed of, before pits are filled and recontoured. (This office will be notified 24 hours prior to fluid hauling). Under no circumstances will pits be cut and drained.

F. If, in the conduct of operations, paleontological materials (fossils) are observed, lessee shall immediately contact BLM. Lessee shall cease any operations that would result in the destruction of such objects. The results of further investigation will dictate site specific stipulations for avoidance or salvage of any potentially significant paleontological resources.

G. No gravel or other related minerals from new or existing pits on Federal land will be used in construction of roads, well sites, etc., without prior approval from the Surface Managing Agency.

H. Prior to crossing, using, or paralleling any improvement on public lands, the operator shall contact the owner of the improvement to obtain mitigating measures to prevent damage to the improvements.

I. Fencing/Cattleguards:

All cut fences are to be tied to the braces prior to cutting. The opening will be protected as necessary during construction to prevent the escape of livestock. A temporary closure will be installed on all cut fences within one day of cutting the fence.

A 12 foot gate must be installed between the cattleguard and brace assemblies on whichever side of the cattleguard is most convenient. If the gate is made of wire, it must have at least four horizontal strands of barbed wire with at least four 3 inch diameter vertical wood stays evenly spaced. When the gate is closed, the wires must be taut.

Cattleguards must be at least 8 feet wide. The length is left to the discretion of the operator. The Cattleguard must be set on concrete or pressure treated wood bases. All cattleguards must have wings installed on both ends. (If you install the bases at least 12 inches above the surrounding contour, and provide drainage through the open area under the cattleguard, you will not have to clean them so often).

All cattleguards must have clearly visible identification marks welded into them indicating the ownership, well name and number associated with the cattleguard.

J. Berms or firewalls will be constructed around all storage facilities sufficient in size to contain the storage capacity of the tanks, or combined capacity of tanks if a rupture could drain more than one tank.

K. A proposed use of pesticide, herbicide or other possible hazardous chemical on Bureau of Land Management land shall be cleared for use prior to application.

III. Cultural Resources (Archaeology)

A. EMERGENCY DISCOVERY IN THE ABSENCE OF MONITORING: This stipulation applies in emergency discovery situations where monitoring for cultural resources was not being performed because the presence of cultural resources could not have been anticipated. If, in its operations, the operator discovers any historic or prehistoric ruin, monument, or site, or any object of antiquity subject to the Antiquities Act of 1906, the Archaeological Resource Protection Act of 1979, and 43 CFR Part 3, then work will be suspended and the discovery promptly reported to the BLM Area Manager. BLM will then specify what action is to be taken. BLM will evaluate the discovery, evaluate its significance, and consult with the State Historic Preservation Officer. Minor recordation, stabilization, or data recovery shall be carried out by a qualified, permitted archaeologist. It is BLM's responsibility to ensure that such mitigation is carried out in accordance with 36 CFR Part 800.11. Given timeframes

involved in BLM's budgeting process, operators are strongly encouraged to fund such required mitigation. Further damage to significant cultural resources and operations in its vicinity will not be allowed until any required mitigation is successfully completed.

B. **DISCOVERY OF CULTURAL RESOURCES DURING MONITORING:** This stipulation applies to situations where archaeological monitoring was taking place because local geological conditions favored the presence of subsurface archaeological sites in the project area. If monitoring confirms the presence of subsurface sites, all work will cease in the site area. Monitor will immediately report all finds to the BLM Area Manager. BLM will specify what further steps must be taken to assess the damage to the sites and to mitigate any adverse effects to them. Monitoring in these circumstances is considered to be a form of inventory and operator will be responsible for obtaining at his/her expense a qualified permitted archaeologist to complete a damage assessment report and to carry out any mitigation required by BLM.

C. **DAMAGE TO PREVIOUSLY IDENTIFIED SITE:** This stipulation applies to situations where operations have damaged a previously identified archaeological site that was visible on the surface. If, in its operations, the operator damages, or is found to have damaged, any historic or prehistoric ruin, monument, or site, or any object of antiquity subject to the Antiquities Act of 1906, the Archaeological Resource Protection Act of 1979, and 43 CFR Part 3, the operator will prepare and implement a data recovery plan at his/her expense. The operator will obtain at his/her expense, a qualified, permitted archaeologist to carry out the specified instruction of the BLM.

IV. Reseeding and Abandonment

A. All surface areas disturbed during drilling activities and not in use for production activities, will be reseeded the first July - September period after the reserve pit has been filled in and/or location abandoned.

B. Compacted areas of the well pad will be plowed or ripped to a depth of 12" before reseeding. All seeding will be done between July 1 and September 15. Seeding will be done with a disc-type drill with two boxes for various seed sizes. The drill rows will be eight to ten inches apart. The seed will be planted between one-half inch deep and three-quarter inch deep. The seeder will be followed with a drag, packer or roller to insure uniform coverage of the seed, and adequate compaction. Drilling of the seed will be done on the contour where possible. Where slopes are too steep for contour drilling a "cyclone" hand-seeder or similar broadcast seeder will be used, using twice the recommended seed per acre. Seed will then be covered to a depth described above by whatever means is practical.

C. If, in the opinion of the surface management agency, the seeding is unsuccessful, the lessee/operator may be required to make subsequent seedings.

D. If, upon abandonment of wells, the retention of access roads is not considered necessary for the management and multiple use of the natural resources, it will be ripped a minimum of 12" in depth. All ripped surfaces are to be protected from the vehicular travel by construction of a dead-end ditch and earthen barricade at the entrance to these ripped areas. (Reseeding of the affected areas may be required).

Seed Mix No. 3--BLM

Fourwing Saltbush (dewinged)	2
Shadscale	1/2
*Alkali Sacaton	1/2
Indian Ricegrass	2

* Alkali sacaton should be hand seeded prior to drilling the above mix.