

SPECIAL STIPULATIONS

1. All rights under this lease are subordinate to the right of the United States to flood and submerge the lands, permanently or intermittently, in connection with the construction and operation and maintenance of the McMillan and Brantley Dams and Reservoirs, Carlsbad and Brantley Projects, New Mexico .

2. All surface work performed by the lessee on the lands shall be under the general supervision of the Regional Director, Bureau of Reclamation (Bureau) in direct charge of the project, and shall be subject to such conditions and regulations as he may prescribe. Detailed plans and location for all structures, appurtenances thereto, and surface disturbance work on the leased lands shall be submitted to the said Regional Director for approval in advance of commencement of any surface work on the said leased lands. At least 60 days or more lead time is preferred. All oil or gas drilling and producing operations shall be under the supervision of the Regional Oil and Gas Supervisor, U.S. Geological Survey (Survey), in accordance with 30 CFR 221. The authorized representatives of the Bureau and the Survey shall have the right to enter on the leased premises at any time to inspect both the installation and operational activities of the lessee.

3. No wells shall be drilled for oil or gas below the elevation of 3,270.4 feet, except upon written permission of the Regional Director.

4. All storage tanks shall be constructed outside the flood plain above elevation 3,285.3 feet (maximum water surface) and shall be protected by firewalls or dikes of sufficient capacity to protect the reservoir from pollution.

5. Drilling a well for oil or gas is prohibited within 2,640 feet of any dam, dike, or other major structure, unless otherwise approved by the Regional Director.

6. No well shall be drilled within 1/8 mile (660 feet) of a river, channels, permanent stream, tributary, or marsh site unless otherwise approved by the Regional Director. To protect watersheds, slopes in excess of 40 percent (2.5:1) should be avoided where possible. During muddy and/or wet periods, exploration, drilling, or other development activities would be prohibited except for emergencies.

7. All drilling operations shall be conducted in accordance with the applicable State laws relative to municipal water supplies.

8. No surface disturbance shall occur until completion of an environmental analysis of the proposed drilling activity by the Bureau and all coordination matters are completed. This analysis will involve review of 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 applicant proposing a surface disturbance action.

9. Where surface operations and facilities could reasonably be expected to discharge petroleum products into navigable waters and should oil or petroleum products be stored onsite and facilities have an aggregate storage 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 filed with Environmental Protection Agency (EPA).

10. Berms should be constructed around storage batteries, tanks, and separators to contain oil contaminants, condensate, etc., on site thus preventing contamination of adjacent areas.

11. At Lessee's expense, a cultural resource survey of lands that may be disturbed must be completed prior to any surface disturbance. If during operations the lessee or any person working in his behalf discovers any historic or prehistoric ruin, monument or site, or any object of antiquity subject to the Antiquities Act of June 8, 1906 (34 Stat. 225, 16 U.S.C., sec. 431-433), and 43 CFR 3, then work shall be suspended and the discovery promptly reported to the Bureau. When directed by the Bureau's authorized representative, the lessee shall obtain at his expense a qualified archeologist to examine and, if necessary, excavate or gather such ruins or objects.

12. Each existing fence to be crossed by the lessee shall be braced and tied off before cutting so as to prevent slacking of the wire. The opening shall be protected as necessary during construction and well operation to prevent the escape of livestock. Upon completion of construction, the fence shall be repaired to the original standard of the existing fence.

13. Any available topsoil encountered during the construction of the drill site area shall be stockpiled. The drill site area shall be covered with stockpiled soil following the completion of the drilling operations. The operator will be notified of any requirements for reseeding if deemed necessary by the Bureau.

Vegetative materials removed during construction shall be disposed of in such a manner that they do not detract from the esthetics and do not accelerate erosion. Specific plans for the disposal of cleared vegetation will be developed by the Bureau on a case-by-case basis prior to land disturbance. Clearing shall be minimized.

14. Caliche or other fill material for use in the construction of the drill pad and access road shall be obtained from existing authorized pits.

15. No "mud pits" shall be constructed below elevation 3270.4 feet. Pits shall be well constructed in such a manner to prevent leaching of chemicals to the water table and under no circumstances shall they be allowed to leak or be cut to drain. They shall not be located on natural drainages. In some situations, such as drilling in a flood plain, a closed mud system may be required with containerization of drill cuttings. Waste or discharge of any kind shall not be allowed to enter any drainage. Any plastic material used to line pits and/or sumps shall be cut off below ground level, as far down as possible, and disposed of before the pits are covered. All unattended pits containing liquids shall be fenced and the liquid portion shall be allowed to evaporate before the pits are broken.

16. For the protection of livestock and wildlife, all pits containing toxic liquids shall be fenced and covered with a fine mesh netting (i.e., hardware cloth) with openings being of 1/2 inch or less.

17. All waste associated with the drilling operations shall be (buried within a separate trash pit) (removed and deposited in an approved sanitary landfill) within 1 month after removal of the drilling rig. All garbage and debris left on the site shall be buried at least 3 feet deep, and metal containers shall be crushed. The lessee shall comply with all State laws and regulations pertaining to the disposal of human waste.

18. During drilling operations, and after drilling operations if well is a producer, the wellsite shall be maintained and kept clean of all trash and debris which might detract from the surrounding environment.

19. The Bureau must receive notification of work production or abandonment.

20. In the event the oil or gas test results in a dry hole or the well is abandoned, the affected area will be left in an esthetically pleasing condition. Every site to be abandoned must be rehabilitated to prevent erosion. This may consist of shaping, scarifying, seeding, mulching, and fertilizing. Any large rocks left as a result of construction activities shall not be piled or left in rows but shall be left so they do not detract from the scenic view of the area and do not hinder the movement of livestock or big game animals. All rehabilitated surfaces shall be protected from vehicular travel by construction of a dead-end ditch and earthen barricade at the entrance to these areas (usually on the access road). Since conditions of disturbed areas are known at the time of abandonment, additional requirements for rehabilitation may be made at that time.

21. All above-ground structures, not subject to applicable safety requirements, shall be painted to blend with the natural surroundings. The paint used shall be lusterless, nonreflective, flat, or semigloss color that blends with the area.

22. If well is a producer, 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 the Bureau representative. The following is a general guide for the spacing of water bars:

<u>Present Slope</u>	
less than 2 percent	200 feet
2 to 4 percent	100 feet
4 to 5 percent	75 feet
more than 5 percent	50 feet

23. In the event of a spill or leakage, the Lessee assumes all responsibility for cleanup and damages.

24. The derrick shall not be located closer than one and one-half times its height from any electrical power transmission line unless prior approval is obtained from the owner of the power company. Signs shall be posted warning the public to prevent entry to the jobsite. Also, adequate blowout preventors shall be properly maintained.

25. Access road shall be constructed to widths suitable for the safe operation of the vehicles and equipment at speeds proposed. The road shall be constructed with a slight crown and ditches provided to facilitate drainage. 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 safe condition.

26. Lessee shall provide the dirt contractor with a copy of the above stipulations prior to construction of the road, pad, or associated developments.

Address: Regional Director, Southwest Region
Bureau of Reclamation
714 South Tyler
Amarillo, TX 79101

District Oil and Gas Supervisor
U.S. Geological Survey
Drawer 1857
Roswell, NM 88201