

DJR Operating, LLC. DJR's Gallo Canyon Unit M26-2306 Nos. 303H, 304H, 305H, 307H, 308H, and 309H Gas Wells Project

DOI-BLM-NM-F010-2021-0027-EA

Conditions of Approval (COA)

– Design Features –

DJR will adhere to any conditions required by the BLM FFO. Additional project-specific design features will be included as determined during the BLM on-site meeting. DJR has also committed to the following design features and BMPs to lessen impacts to resources. Where applicable, additional details related to the design features may be found in the APD on file at the BLM FFO.

Air Resources

Areas not required for facilities will be revegetated during interim reclamation.

Dirt roads will be watered during periods of high use (magnesium chloride, organic-based compounds, and/or polymer compounds could also be used on dirt roads upon approval of the BLM).

BMPs provided in The Gold Book will be implemented for proposed and existing roads (BLM and U.S. Forest Service 2007).

Compressor engines of 300 horsepower or less used during well production must be rated by the manufacturer as emitting NO_x at 2 grams per horsepower-hour or less to comply with the NMED, Air Quality Bureau's guidance.

Water Resources

To prevent erosion, certain areas surrounding the proposed site will be recontoured during interim reclamation.

Culverts and silt traps will be installed as appropriate and where determined during the BLM on-site and facility on-site visits.

Wildlife, Migratory Birds, and Special-Status Species

Any wildlife encountered within the proposed project area will be avoided and allowed to move out of the proposed project area. No wildlife will be intentionally harmed or harassed.

Wildlife hazards, such as storage tanks, associated with the proposed project will be fenced or covered, as necessary.

Because the proposed project will disturb more than 4.0 acres of vegetation, migratory breeding bird nesting surveys will be required if construction activities are scheduled to occur during the migratory bird nesting season (May 15–July 31). If an active nest is encountered, it will be avoided (avoidance buffer to be determined by BLM FFO) and left undisturbed until the nest has failed, or nestlings have fledged. If present, an inactive nest could be cleared by a BLM FFO–approved wildlife biologist.

Per BLM FFO Instruction Memorandum No. NM-F00-2010-001, any open water containing fluids that could be harmful to birds and other wildlife must be netted or closed to help prevent entry.

Approval Date: 01/06/2022

DJR will notify the BLM and U.S. Fish and Wildlife Service (USFWS) upon discovery of a dead or injured migratory bird, bald eagle, or golden eagle within or adjacent to the proposed project area. If the BLM becomes aware of such mortality or injury, the BLM will inform DJR. If DJR fails to notify the USFWS of the mortality or injury, the BLM will notify the USFWS. The BLM and the USFWS will then attempt to determine the cause of mortality and identify appropriate mitigation measures to avoid future occurrences.

Should other special-status species be observed within the proposed project area prior to or during the proposed project, construction will cease, and the BLM FFO will be immediately contacted. The BLM FFO will then evaluate the resource. Should a discovery be evaluated as significant (protected under the Endangered Species Act, etc.), it will be protected in place until mitigation could be developed and implemented according to guidelines set by the BLM FFO.

Per BLM FFO Instruction Memorandum No. NM-200-2008-001 (BLM 2008b), an updated pre-construction biological survey could be required for the proposed project if vegetation removal would occur more than 1 year following the previous biological survey.

Soil, Upland Vegetation, and Noxious Weeds and Invasive Species

Reclamation will follow the guidance provided in the *Farmington Field Office Bare Soil Reclamation Procedures* (BLM 2013). These procedures are referenced in DJR's Surface Reclamation Plan.

During the pre-disturbance on-site meeting with BLM, a suitable vegetation community from the *Farmington Field Office Bare Soil Reclamation Procedures* (BLM 2013) will be selected by BLM. Plant species will be chosen from the BLM FFO's seed pick list for the selected community.

A noxious weed inventory utilizing the New Mexico Noxious Weed List (New Mexico Department of Agriculture 2009) and the U.S. Department of Agriculture's (USDA's) Federal Noxious Weed List (Natural Resources Conservation Service 2017; USDA 2010, 2012) will be conducted during the pre-disturbance on-site meeting.

Identified noxious weeds will be treated prior to new surface disturbance, as determined by the BLM FFO Noxious Weed Specialist (505-564-7600). A Pesticide Use Proposal (PUP) will be submitted to and approved by the BLM FFO Noxious Weed Specialist prior to application of any pesticide.

See the above water resources section for erosion-control features.

Cultural Resources

All cultural resources stipulations will be followed as indicated in the BLM Cultural Resource Records of Review and the Conditions of Approvals. These stipulations may include, but are not limited to, temporary or permanent fencing or other physical barriers, monitoring of earth-disturbing construction, project area reduction and/or specific construction avoidance zones, and employee education.

All employees, contractors, and subcontractors will be informed by the project proponent that cultural sites are to be avoided by all personnel, personal vehicles, and company equipment, and that it is illegal to collect, damage, or disturb cultural resources, and that such activities on federal and tribal lands are punishable by criminal and or administrative penalties under the provisions of Archaeological Resources Protection Act (ARPA) (16 USC 470aa-mm).

In the event of a cultural resource's discovery during construction, construction activities will immediately cease in the immediate vicinity of the discovery, and DJR will immediately notify the archaeological monitor, if present, or the BLM. The BLM will then ensure the site is

evaluated. Should a discovery be evaluated as significant (e.g., National Register of Historic Places, Native American Graves Protection and Repatriation Act of 1990, ARPA), it will be protected in place until mitigating measures can be developed and implemented according to guidelines set by the BLM.

Known sites and sites identified during the pre-construction cultural resources inventory surveys will be avoided.

Paleontological Resources

If any paleontological resources are discovered during activities associated with the proposed project:

DJR will immediately inform the BLM Authorized Officer.

Activities in the vicinity of the discovery will be immediately suspended until written authorization to proceed is issued by the BLM Authorized Officer.

The discovery will be protected from damage or looting.

The Authorized Officer will ensure evaluation of the discovery as soon as possible.

Appropriate measures to mitigate adverse effects to significant paleontological resources will be determined by the Authorized Officer after consulting with the operator.

Visual Resources and Dark Skies

Equipment not subject to safety requirements will be painted a BLM Standard Environmental Color (Covert Green) to minimize contrast with the surrounding landscape.

If applicable, during reclamation, stockpiled rocks, if available, will be placed within the reclaimed area for erosion control and/or to discourage off-highway vehicle traffic (if requested by the BLM FFO). Rocks will be placed in a manner that visually blends with the adjacent, undisturbed landscape.

Lights will be limited to those needed for safety during construction and operations.

Lighting will be downward-facing or shielded where possible.

Livestock Grazing and Rangeland Health Standards

Livestock grazing operators in the vicinity of the proposed project area will be contacted prior to construction.

Safety meetings will be conducted prior to construction to increase awareness of livestock, such as the presence of open range and driving speed to avoid livestock collisions.

To the extent feasible, construction activities will not be conducted when livestock are present within the proposed project area.

If livestock are present during construction, barriers will be placed to ensure that livestock do not come in contact with potential hazards. Barrier examples could include fencing of exposed ditch-type holes, covering of holes when personnel are not present on site, and containing contaminants, fluid leaks, or hazards that could cause injury to livestock.

Public Health and Safety

The hauling of equipment and materials on public roads will comply with New Mexico Department of Transportation regulations. Any accidents involving persons or property will be reported to the

BLM FFO. DJR will notify the public of potential hazards by posting signage, having flaggers, or using lighted signs, as necessary.

Worker safety incidents will be reported to the BLM FFO as required under NTL-3A (U.S. Geological Survey 1979). DJR will adhere to company safety policies and Occupational Safety and Health Administration (OSHA) regulations.

Vehicles will be restricted to proposed and existing disturbance areas.

The proposed site will have an informational sign, delineating operator, legal description, etc.

DJR traffic is expected to adhere to all posted speed limits and signs. Drivers will be appropriately licensed and inspected.

Lay-Flat Pipeline BMP's

- Time construction activities at perennial, intermittent, and ephemeral drainage crossings (e.g., buried pipelines, culverts) to avoid high-flow conditions. When construction disturbs a flowing stream, utilize either a piped stream diversion or a cofferdam and pump to divert flow around the disturbed area.
- Design and construct surface pipelines at drainage crossings at an adequate height above possible flood levels. Bore/bury pipeline crossings below the surface deep enough to remain undisturbed by scour and fill processes typically associated with peak flows. Complete a hydraulic analysis during the pipeline design phase to avoid repeated maintenance of such a crossing and eliminate costly repairs and potential environmental degradation associated with pipeline breaks at stream crossings. Utilize horizontal directional boring techniques below perennial water bodies and/or wetland complexes when environmental circumstances allow.
- X-ray pipeline welds within 100 feet of a perennial stream to prevent leakage into the stream. Where pipelines cross streams that support Federal or State-listed threatened or endangered species or BLM-listed sensitive species, utilize additional safeguards (such as double-walled pipe, and remotely actuated block or check valves) on both sides of the stream.
- Avoid water courses when locating pipelines and flowlines; utilize road corridors wherever possible to minimize surface disturbance and provide better leak detection and access for installation and repair activities.
- Reclamation, including seeding, of temporarily disturbed areas along roads and pipelines, and of topsoil piles and berms, shall be completed within 30 days following completion of construction. Any such area on which construction is completed prior to December 1 shall be seeded during the remainder of the early winter season instead of during the following spring unless BLM approves otherwise based on weather. If road or pipeline construction occurs discontinuously (e.g., new segments installed as new pads are built) or continuously but with a total duration greater than 30 days, reclamation, including seeding, shall be phased such that no portion of the temporarily disturbed area remains in an un-reclaimed condition for longer than 30 days. BLM may authorize deviation from this requirement based on the season and the amount of work remaining on the entirety of the road or pipeline when the 30-day period has expired.
- To the extent practical, existing vegetation shall be preserved when clearing and grading for pads, roads, and pipelines. Cleared trees and rocks may be salvaged for redistribution over reshaped cut and-fill slopes or along linear features.

Weeds

Farmington Field Office Standard Noxious/Invasive Weeds Design Features and Best Management Practices

Noxious/Invasive Weeds: DJR will inventory the proposed site for the presence of noxious and invasive weeds. Noxious weeds are those listed on the New Mexico Noxious Weed List and USDA's Federal Noxious Weed List. The New Mexico Noxious Weed List or USDA's Noxious Weed List can be updated at any time and should be regularly checked for any changes. Invasive species may or may not be listed as a noxious weed but have been identified to likely cause economic or environmental harm or harm to human health. The following noxious weeds have been identified as occurring on land within the boundaries of the FFO. There are numerous invasive species such as Russian thistle (*Salsola* spp.) and field bindweed (*Convolvulus arvensis*).

Russian knapweed (<i>Centaurea repens</i>)	Musk thistle (<i>Carduus nutans</i>)
Bull thistle (<i>Cirsium vulgare</i>)	Canada thistle (<i>Cirsium arvense</i>)
Scotch thistle (<i>Onopordum acanthium</i>)	Hoary cress (<i>Cardaria draba</i>)
Perennial pepperweed (<i>Lepidium latifolium</i>)	Halogeton (<i>Halogeton glomeratus</i>)
Spotted knapweed (<i>Centaurea maculosa</i>)	Dalmatian toadflax (<i>Linaria genistifolia</i>)
Yellow toadflax (<i>Linaria vulgaris</i>)	Camelthorn (<i>Alhagi pseudalhagi</i>)
African rue (<i>Peganum harmala</i>)	Saltcedar (<i>Tamarix</i> spp.)
Diffuse knapweed (<i>Centaurea diffusa</i>)	Leafy spurge (<i>Euphorbia esula</i>)

- a. Any identified weeds will be treated prior to new surface disturbance if determined by the FFO Noxious Weed Specialist. If a Weed Management Plan is not on file, a Weed Management Plan will be created. A PUP will be submitted to and approved by the FFO Noxious Weed Specialist prior to application of pesticide. The FFO Noxious Weeds Specialist (505-564-7600) can provide assistance in the development of the PUP.
- b. Vehicles and equipment should be inspected and cleaned prior to coming onto the site. This is especially important on vehicles from out of state or if coming from a weed-infested site.
- c. Fill dirt or gravel may be needed for excavation, road construction/repair, or as a surfacing material. If fill dirt or gravel will be required, the source shall be noxious weed free and approved by the FFO Noxious Weed Specialist.
- d. The site shall be monitored for the life of the project for the presence of noxious weeds (includes maintenance and construction activities). If weeds are found, the FFO Specialist shall be notified at (505) 564-7600 and provided with a Weed Management Plan and, if necessary, a PUP. The FFO Specialist can provide assistance developing the Weed Management Plan and/or the PUP.
- e. Only pesticides authorized for use on BLM land will be used and applied by a licensed pesticide applicator. The use of pesticides will comply with federal and state laws and used only in accordance with their registered use and limitations. DJR's

weed-control contractor will contact the BLM FFO prior to using these chemicals.

- f. Additional noxious and invasive weed treatment methods are outlined in DJR's Surface Use Plan of Operations (SUPO), that is included as part of the APD package.

Noxious/invasive weed treatments must be reported to the FFO Noxious Weed Specialist. A Pesticide Use Report (PUR) is required to report any mechanical, chemical, biological, or cultural treatments used to eradicate and/or control noxious or invasive species. Reporting will be required quarterly and annually or per request from the FFO Noxious Weed Specialist.

Bare ground vegetation trim-out:



DJR OPERATING, LLC

BARE GROUND VEGETATION TRIM-OUT DESIGN

ATTACHED TO

SURFACE PLAN OF OPERATIONS

Facility/ Structure	Required Trim-Out Buffer Distance	Pesticide Use for Vegetation Control	Pesticide Use Plan On file with BLM
Well Head	10'	Yes	Yes
Tanks/Containment	10'	Yes	Yes
Gas Lift Compressors	10'	Yes	Yes
Metering Equipment	10'	Yes	Yes
SCC (Smokeless Combustion Chamber	10'	Yes	Yes

Pesticide use for trim-out will require a PUP submitted for approval by the FFO Noxious Weed Specialist. A PUP is required *prior* to any treatment. Only pesticides authorized for use on BLM land will be used and applied by a licensed pesticide applicator. Pesticides will comply with federal and state laws and used only in accordance with their registered use and limitations. DJR's weed-control contractor will contact the BLM FFO prior to using these chemicals and provide a PUR post treatment.

A PUR is required to report any mechanical, chemical, biological, or cultural treatments used to eradicate or control vegetation on-site. Reporting will be required quarterly and annually or if requested by the FFO Noxious Weed Specialist.



United States Department of the Interior



BUREAU OF LAND MANAGEMENT
Farmington District Office
6251 College Blvd, Suite A
Farmington, New Mexico 87402

In Reply Refer To:
3162.3-1(NMF0110)

* DJR OPERATING LLC

#307H GALLO CANYON UNIT

Lease: NMNM118128 Unit: NMNM131017A

SH: SW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 26, T.23 N., R.6 W.

Sandoval County, New Mexico

BH: NW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 22, T.23 N., R.6 W.

Sandoval County, New Mexico

***Above Data Required on Well Sign**

GENERAL REQUIREMENTS FOR OIL AND GAS OPERATIONS ON FEDERAL AND INDIAN LEASES

The following special requirements apply and are effective when **checked**:

- A. Note all surface/drilling conditions of approval attached.
- B. The required wait on cement (WOC) time will be a minimum of 500 psi compressive strength at 60 degrees. Blowout preventor (BOP) nipple-up operations may then be initiated
- C. Test the surface casing to a minimum of _____ psi for 30 minutes.
- D. Test all casing strings below the surface casing to .22 psi/ft. of casing string length or 1500 psi, whichever is greater, but not to exceed 70% of the minimum internal yield burst) for a minimum of 30 minutes.
- E. Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the Bureau of Land Management, Farmington District Office, Branch of Reservoir Management, 6251 College Blvd. Suite A, Farmington, New Mexico 87402. The effective date of the agreement must be **prior** to any sales.
- F. The use of co-flex hose is authorized contingent upon the following:
1. From the BOP to the choke manifold: the co-flex hose must be hobbled on both ends and saddle to prevent whip.
 2. From the choke manifold to the discharge tank: the co-flex hoses must be as straight as practical, hobbled on both ends and anchored to prevent whip.
 3. The co-flex hose pressure rating must be at least commensurate with approved BOPE.

INTERIOR REGION 7 • UPPER COLORADO BASIN

COLORADO, NEW MEXICO, UTAH, WYOMING

I. GENERAL

- A. Full compliance with all applicable laws, regulations, and Onshore Orders, with the approved Permit to drill, and with the approved Surface Use and Operations Plan is required. Lessees and/or operators are fully accountable for the actions of their contractors and subcontractors. Failure to comply with these requirements and the filing of required reports will result in strict enforcement pursuant to 43 CFR 3163.1 or 3163.2.
- B. Each well shall have a well sign in legible condition from spud date to final abandonment. The sign should show the operator's name, lease serial number, or unit name, well number, location of the well, and whether lease is Tribal or Allotted, (See 43 CFR 3162.6(b)).
- C. A complete copy of the approved Application for Permit to Drill, along with any conditions of approval, shall be available to authorized personnel at the drill site whenever active drilling operations are under way.
- D. For Wildcat wells only, a drilling operations progress report is to be submitted, to the BLM-Field Office, weekly from the spud date until the well is completed and the Well Completion Report (Form 3160-4) is filed. The report should be on 8-1/2 x 11 inch paper, and each page should identify the well by; operator's name, well number, location and lease number.
- E. As soon as practical, notice is required of all blowouts, fires and accidents involving life-threatening injuries or loss of life. (See NTL-3A).
- F. Prior approval by the BLM-Authorized Office (Drilling and Production Section) is required for variance from the approved drilling program and before commencing plugging operations, plug back work casing repair work, corrective cementing operations, or suspending drilling operations indefinitely. Emergency approval may be obtained orally, but such approval is contingent upon filing of a notice of intent (on a Sundry Notice, Form 3160-5) within three business days (original and three copies of Federal leases and an original and four copies on Indian leases). **Any changes to the approved plan or any questions regarding drilling operations should be directed to BLM during regular business hours at 505-564-7600. Emergency program changes after hours should be directed to at Virgil Lucero at 505-793-1836.**
- G. **The Inspection and Enforcement Section (I&E), phone number (505-564-7750) is to be notified at least 24 hours in advance of BOP test, spudding, cementing, or plugging operations so that a BLM representative may witness the operations.**
- H. Unless drilling operations are commenced within two years, approval of the Application for Permit to Drill will expire. A written request for a two years extension may be granted if submitted prior to expiration.
- I. From the time drilling operations are initiated and until drilling operations are completed, a member of the drilling crew or the tool pusher shall maintain rig surveillance at all time, unless the well is secured with blowout preventers or cement plugs.
- J. If for any reason, drilling operations are suspended for more than 90 days, a written notice must be provided to this office outlining your plans for this well.

II. REPORTING REQUIREMENTS

- A. For reporting purposes, all well Sundry notices, well completion and other well actions shall be referenced by the appropriate lease, communitization agreement and/or unit agreement numbers.
- B. The following reports shall be filed with the BLM-Authorized Officer within 30 days after the work is completed.
1. Original and three copies on Federal and an Original and five copies on Indian leases of Sundry Notice (Form 3150-5), giving complete information concerning.
 - a. Setting of each string of casing. Show size and depth of hole, grade and weight of casing, depth set, depth of any and all cementing tools that are used, amount (in cubic feet) and types of cement used, whether cement circulated to surface and all cement tops in the casing annulus, casing test method and results, and the date work was done. Show spud date on first report submitted.
 - b. Intervals tested, perforated (include; size, number and location of perforations), acidized, or fractured; and results obtained. Provide date work was done on well completion report and completion sundry notice.
 - c. Subsequent Report of Abandonment, show the manner in which the well was plugged, including depths where casing was cut and pulled, intervals (by depths) where cement plugs were replaced, and dates of the operations.
 2. Well Completion Report (Form 3160-4) will be submitted with 30 days after well has been completed.
 - a. Initial Bottom Hole Pressure (BHP) for the producing formations. Show the BHP on the completion report. The pressure may be: 1) measured with a bottom hole bomb, or; 2) calculated based on shut in surface pressures (minimum seven day buildup) and fluid level shot.
 3. Submit a cement evaluation log, if cement is not circulated to surface.

III. DRILLER'S LOG

The following shall be entered in the daily driller's log: 1) Blowout preventer pressures tests, including test pressures and results. 2) Blowout preventer tests for proper functioning, 3) Blowout prevention drills conducted, 4) Casing run, including size, grade, weight, and depth set, 5) How pipe was cemented, including amount of cement, type, whether cement circulated to surface, location of cementing tools, etc., 6) Waiting on cement time for each casing string, 7) Casing pressure tests after cementing, including test pressure and results and 8) Estimated amounts of oil and gas recovered and/or produced during drill stem test.

IV. GAS FLARING

Gas produced from this well may not be vented or flared beyond an initial, authorized test period of *** Days** or 50 MMCF following its (completion)(recompletion), whichever first occurs, without the prior, written approval of the authorized officer. Should gas be vented or flared without approval beyond the test period authorized above, you may be directed to shut-in the well until the gas can be captured or approval to continue venting or flaring as uneconomic is granted. You shall be required to compensate the lessor for the portion of the gas vented or flared without approval which is determined to have been avoidably lost.

***30 days**, unless a longer test period is specifically approved by the authorized officer. The 30-day period will commence upon the first gas to surface.

V. SAFETY

- A. All rig heating stoves are to be of the explosion-proof type.
- B. Rig safety lines are to be installed.
- C. Hard hats and other Personal Protective Equipment (PPE) must be utilized.

VI. CHANGE OF PLANS OR ABANDONMENT

- A. Any changes of plans required in order to mitigate unanticipated conditions encountered during drilling operations, will require approval as set forth in Section 1.F.
- B. If the well is dry, it is to be plugged in accordance with 43 CFR 3162.3-4, approval of the proposed plugging program is required as set forth in Section 1.F. The report should show the total depth reached, the reason for plugging, and the proposed intervals, by depths, where cement plugs are to be placed, type of plugging mud, etc. A Subsequent Report of Abandonment is required as set forth in Section II.B.1c.
- C. Unless a well has been properly cased and cemented, or properly plugged, the drilling rig must not be moved from the drill site without prior approval from the BLM-Authorized Officer.

VII. PHONE NUMBERS

- A. **For BOPE tests, cementing, and plugging operations the phone number is 505-564-7750 and must be called 24 hours in advance in order that a BLM representative may witness the operations.**
- B. Emergency program changes after hours contact:

Virgil Lucero (505) 793-1836
Joe Killins (505) 564-7736