

SECTION 2 DRILLING STIPULATION

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

OPERATOR'S NAME BASIN OPERATING COMPANY WELL NO. & NAME #2 HUDSON FEDERAL "31"
 LOCATION 990' F N L & 790' F W L SEC. 31, T. 18S., R. 33E.
 LEASE NO. LC-069276 COUNTY LEA STATE NEW MEXICO

The special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CFR 3165.3 and 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

- ☒ Lesser Prairie Chicken (Stips attached)
☐ San Simon Swale (Stips attached)

- ☐ Floodplain (Stips attached)
☐ Other

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

- ☐ The BLM will monitor construction of this drill site. Notify the ☐ Carlsbad Resource Area Office at (505) 887-6544 ☐ Hobbs Office at (505) 393-3612, at least 3 working days prior to commencing construction.

- ☐ Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche.

- ☐ All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately inches in depth. Approximately cubic yards of topsoil material will be stockpiled for reclamation.

- ☐ Other

III. WELL COMPLETION REQUIREMENTS

- ☐ A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

- ☒ Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at a depth of 1/2 inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre.

- ☐ A. Seed Mixture 1 (Loamy Site)
 Lehmanns Lovegrass (*Eragrostis lehmanniana*) 1.0
 Side Oats Grass (*Bouteloua curtipendula*) 5.0
 Sand Dropseed (*Sporobolus cryptandrus*) 1.0

- ☐ C. Seed Mixture 3 (Shallow Sites)
 Sideoats Grass (*Bouteloua curtipendula*) 1.0
 Lehmanns Lovegrass (*Eragrostis lehmanniana*) 1.0
 or Boar Lovegrass (*E. chloromelas*)

- ☐ B. Seed Mixture 2 (Sandy Sites)
 Sand Dropseed (*Sporobolus cryptandrus*) 1.0
 Sand Lovegrass (*Eragrostis trichodes*) 1.0
 Plains Bristlegrass (*Setaria macrostachya*) 2.0

- ☒ D. Seed Mixture 4 ("Gyp" Sites)
 Alkali Sacaton (*Sporobolus airoides*) 1.0
 Four-Wing Saltbush (*Atriplex canescens*) 5.0

Seeding should be done either late in the fall (September 15 - November 15, before freeze up) or early as possible the following spring to take advantage of available ground moisture.

- ☐ Other