



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

New Mexico State Office
1474 Rodeo Road
P.O. Box 27115
Santa Fe, New Mexico 87502-0115
www.nm.blm.gov



In Reply Refer To:
3120 (NM92100-lbo)

March 13, 2008

AMENDMENT #1 **COMPETITIVE SALE NOTICE**

Notice of Competitive Oil and Gas Lease Sale dated February 28, 2008, for the April 16, 2008, Sale is amended as follows:

1. Page 1: Parcel 200804-002 is DELETED in its entirety.
2. Page 75, 78, Stipulations ORA-COA; ORA-LS-1 make reference to parcel NM 2008-04-085 is amended to reference parcel NM-200804-084.

If you have any questions, please contact Lourdes B. Ortiz at (505) 438-7586.

/s/ Lourdes B. Ortiz

Lourdes B. Ortiz
Land Law Examiner
Fluids Adjudication Team

Wildlife Resource Special Conditions of Approval (WRSCOAs)

The BLM and the FWS have cooperatively developed the following WRSCOAs. These WRSCOAs are the conservation measures (CMs) in BLM's (in-house) biological evaluations. These WRSCOAs can be incorporated into any approved permit issued by BLM for the project. They are designed to minimize impacts (cumulative and otherwise) to ground water, surface water, wetlands, riparian zones, migratory birds, threatened an/or endangered species and other significant biological resources. The goal of this closed system effort is to prevent fluids from the drilling process (produced or waste) from coming into contact with the parent soil or any other earthen layer and thus prevent their entry into the ground water.

Wildlife Resource Special Conditions of Approval (WRSCOAs)

The operator (&/or their assigns) will:

Bore under any encountered wetlands for the purpose of pipeline installation. Trenching will not be used to install any pipeline through a wetland or to cross any creek.

Bury any transmission lines* (electrical, telephone, etc.) needed during the drilling or production of this well. No above ground utility poles or wires are allowed in association with this permit to drill. Elevated electrical or telephone lines (and the poles such utilities are suspended from) pose a collision and/or electrocution hazard for migratory birds.

Temporary pipelines or other conduits needed to supply the drilling location with fresh water are not affected by this requirement and may remain on the surface and do not need to be buried.

Dike & berm the tank battery that will receive fluids from this well. The dike/berm will be impervious and designed according to requirements of 40CFR 112. The EPA has a booklet (July 1992) available titled "Information on SPCC Plans – 40 CFR 112". Page 20 of this booklet describes, in detail, how tank battery dikes (berms) are to be constructed.

Establish vegetation on all areas of the location to be reclaimed. This phase of the reclamation process should be accomplished by using seed or sod. Current policy recommends that these areas be restored with native vegetation in regards to both species and structure (grass, shrubs or trees). In those areas where trees or shrubs are planted, grass should be planted in conjunction to provide stabilization until trees are mature. This recommended reclamation is contingent upon the wishes of the surface owner and/or the surface management agency.

Wildlife Resource Special Conditions of Approval (WRSCOAs)

Effectively install erosion control measures prior to beginning any construction activities. These erosion control measures will be installed (and maintained) outside of the entire area to be leveled and cleared (around all construction sites; pad, access road and pipeline) so as to effectively minimize the movement of materials from the BLM permit site to adjacent lands or drainages. These measures will be effectively maintained until the well is producing or has been declared a dry hole and plugged. These erosion control measures are for the duration of the construction, drilling and completion phases of this project and not for the life of the well.

Install an impervious liner under the drilling rig structure. Usually this will be the drilling rig substructure, operating equipment (diesel engines) and storage tanks (diesel fuel, lubricants, antifreeze, etc.); not the entire pad. This liner should extend into sumps and the cellar and into and along the ditches to prevent any fluids associated with the drilling process from coming into contact with earthen material. This liner will be washed off into

lined ditches, lined sumps or into the lined cellar and then pumped to the lined sumps prior to being removed from the location. Metal catch pans may be used on isolated engines and/or storage tanks where the impervious liner may not be practical. The catch pans, if used, will need to be kept pumped and/or drained (not allowed to overflow). The contents of the metal catch pans may go to the lined sumps, lined cellar or pumped into tanks/trucks for disposal purposes.

Line all ditches associated with the drilling process. These lined ditches will effectively catch and direct the flow of fluids involved in rig operations. The liner used will be an impervious material. These lined ditches will effectively drain into the lined sumps/lined cellar and will be effectively maintained to prevent the migration of drilling fluids (produced or waste) into soils or ground water.

Line all sumps with impervious material (steel or concrete preferable) on all sides, and bottom. These sumps will, at all times, be below the level of the ditches so that the fluids in the ditches can flow into the sump without coming into contact with native soil or other earthen layer. These sumps must be emptied before overflowing. These sumps will be covered so as to prevent accidental entry by migratory birds.

Make the rat hole and mouse hole impervious by installing cylinders (conductors, culverts or tin-horns) with concrete bottoms. The cylinders shall be installed in such a manner so as to prevent fluids from the pad surface from running into the cylinders, or entering between the cylinders and the earthen wall of the rat and/or mouse hole. The top of the cylinder should be above the pad surface. One option is to pour cement around the outside of the cylinders between the cylinders and the earthen hole. The cement could also be shaped/formed at an incline or raised (like a collar) above the ground level.

Line the drilling cellar (concrete, metal, etc) so as to make it as impervious as possible to prevent liquids discharged from the drill hole, or drained from the pad surface, from percolating into the soil. If needed, a pump will be installed to transfer fluids in the cellar to one of the lined sumps. The cellar will not be allowed to overflow.

Exercise caution and care when removing any of the impervious liners (geo-membrane, concrete, steel, etc.). The liquids and solids which have collected on/in the impervious liners will not be allowed to come into contact with the pad surface, parent soil or any other earthen layers during the cleanup of the site. The liners will be properly cleaned prior to removal or removed in such a manner so as not to allow liquids/solids to escape. Preferably the liner will be washed off into lined ditches, lined sumps or into the lined cellar and then pumped to the lined sumps prior to being removed.

Please Note: In addition to the above conservation measures (wildlife resource special conditions of approval) the operator will also need to comply with BLM's "General Requirements" which are attached to the operator's approved APD.

**PROPOSED LEASE STIPLATIONS
FOR PARCEL
NM 200804-084**

Stipulations utilized within the ORA include both mandatory and optional stipulations. A mandatory stipulation is one which addresses protection of the resource which the BLM is required by law, regulation or policy to protect, and which the BLM feels STC would not offer sufficient protection.

The following special conditions of approval summarize all conditions of approval and mitigation measures developed to satisfy BLM's Surface Use Plan requirements and are herein made a part of the lease:

1. Lessee/Operator will post a \$200,000.00 individual lease bond. This bond will be renegotiated following the clean up and restoration of the lease.
2. Lessee must submit a statement that they agree to also serve as the operator of the lease.
3. Lessee/Operator will move all production facilities out of the 100-year floodplain of the Red River. An off lease measurement and storage agreement must be in place prior to commencement of production.
4. All wells will either be plugged and abandoned or returned to production. Some wells may be used as injection wells with proper permitting. In no case will any wellbore be left unplugged unless there is a specific authorization for its future use.
5. All well heads and pumping units will be engineered for flood conditions, including anchoring and blocking.
6. Lessee/Operator will build diversionary barriers upstream of all unplugged wells, all barriers installed will be constructed of heavy gauge piping and engineered to withstand pressures exerted in 100 year flood flows, and be capable of diverting flood debris around wellhead.
7. A Spill Prevention, Countermeasures and Containment Plan for each well and production facility must be completed and certified by a registered professional engineer as outlined in 40 CFR 300.
8. Lessee/Operator must obtain Class II Injection well permits for all injection wells on lease through the Environmental Protection Agency.
9. Lessee/Operator will receive clearance from the State Historical Preservation Officer and the State Archaeological officer, and provide a copy of these clearances to BLM.
10. Lessee/Operator will contact the U.S. Army Corps of Engineers to determine if this lease requires a Section 404 permit.
11. Lessee/Operator will, before any new surface disturbance; provide the BLM Copies of letters for the well projects to proceed from the State Historic Preservation Officer and the Oklahoma State Archeologist. If buried Archaeological materials such as chipped stone tools, flint debris, pottery, bone, Burned rock, historic ceramics, glass, metal items, building foundations, or other structures are exposed: the Lessee/Operator should stop work at that location immediately and contact the Bureau of Land Management and the State Historic Preservation Office at (4050 794-9624, 521-6249 and 325-7211).

12. Lessee/Operator shall submit a certified surveyor's plat showing that the elevation at floor elevation of the tank battery is at least 1011' Above Sea Level (ASL).
13. Lessee/Operator will paint all tanks, pump jacks and any other production equipment (other than flowlines and pipelines) associated with the operation of this lease an earth tone color to be specified by the BLM. Such painting must be completed within 12 months (365 days) after the date of the approval action (APD or Sundry).
14. Lessee/Operator will not be allowed to use heavy equipment or conduct other operations including human activity either in the active river channel or adjacent sparsely vegetated sandy areas during the months of May, June, July and August of each year without the written approval of the Authorized Officer of the BLM.
15. Lessee/Operator will encase all above ground pipelines in a conduit or culvert (as appropriate) that are within 100 feet of a wetland (semi-permanently or seasonally flooded) or within 10 feet of a lease road. All such flow lines (pipelines) must be so encased within 6 months (180 days) after the effective date of the approval action (APD or Sundry).
16. Lessee/Operator will immediately take measures to prevent the entrapment of any migratory birds or other wildlife in tanks or other areas where spills of crude oil or other pollutants occurred. In this regard, Lessee/Operator will submit to the Authorized Officer of the BLM and Emergency Netting and Oil Containment Plan within 90 days after the approval of the APD or Sundry Notice. Polypropylene type netting is the most effective means of preventing accidental kills of migratory birds during spill containment and prior to commencement of any clean up efforts. NOTE: The required plan above will include a listing of addresses and telephone numbers where the operator plans to obtain netting and other oil clean up/containment equipment on an emergency basis. Quantities, type of materials and response time should be addressed in the emergency response plan. Additional requirements as contained in Notice to Lessee-96-01 titled "Modification of Oil and Gas Facilities to Minimize Bird and Bat Mortality."
17. Lessee/Operator will be allowed use of surface power lines with precautions for protection of raptors and other species.
18. Lessee/Operator will not remove any trees with a diameter at breast height (DBH) greater than 6 inches without the written approval for the Authorized Officer of the BLM.
19. Lessee/Operator will maintain as a minimum, a 100 yard buffer zone around all occupied nesting areas of the interior least tern.
20. Lessee/Operator will, once the groundwater dynamics are defined (using the data from a piezometer study), install a groundwater monitoring system to adequately monitor the groundwater system on the lease.