

April 1, 2004

Notice of Competitive Lease Sale Oil and Gas

The Bureau of Land Management, Eastern States, is pleased to announce that we will offer 13 parcels of Federal land in Kentucky for competitive sale.

This notice describes—

1. the time and place of the auction,
2. how to register for and participate in the bidding process,
3. the conditions of the auction,
4. how to file a pre-sale noncompetitive offer, and
5. how to file a noncompetitive offer after the auction.

When and where will the auction take place?

When: The competitive oral auction will begin at **10:00 a.m. on May 17, 2004**. The sale room will open one hour earlier to allow you to register and get your bidding number.

Where: We will hold the auction at the BLM, Eastern States, 7450 Boston Boulevard, Springfield, Virginia 22153. Parking will be available at the sale site.

Access: The auction room is accessible to persons with disabilities. If you need an auxiliary aid or service to participate in the auction, such as a sign language interpreter or materials in an alternate format, please contact Gina Goodwin at (703) 440-1534 by April 17, 2004.

How do I register as a bidder?

You have to register and get a bidding number to participate in the sale. A Bidder Registration Form is included in this package. We will have copies available at the auction site. We will begin registering bidders at 9:00 a.m. on the day of the sale.

How do I participate in the bidding process?

The auctioneer will offer the parcels on the list attached to this notice in number order. Only registered bidders may make oral bids. All bids are on a per-acre basis for the entire acreage in the parcel. The winning bid will be the highest oral bid equal to or exceeding the minimum acceptable bid. The decision of the auctioneer is final.

The minimum acceptable bid is \$2 per acre or fraction thereof. If the parcel has fractional acreage, round it up to the next whole acre. For example, a parcel of 100.5 acres requires a minimum bid of \$202 (\$2 x 101 acres). After the auctioneer has offered all parcels, you may request that any unsold parcel be re-offered.

What are the terms and conditions of a lease issued as a result of this sale?

6. **Term of the lease:** A lease is issued for a primary term of 10 years. It continues beyond that if it has production in paying quantities. We charge a royalty of 12.5 percent of the value of oil or gas removed or sold from a lease. You will find other lease terms on our standard lease form (Form 3100-11, June 1988 or later editions).

7. **Stipulations:** Some parcels are subject to surface use stipulations. They are requirements or restrictions on how you conduct operations. These stipulations are included in the parcel descriptions on the attached list. They become part of the lease and supercede any inconsistent provisions in the lease form.

What are the terms of the sale?

8. **Withdrawal:** We reserve the right to withdraw any or all parcels from the sale before the auction begins. If we withdraw any parcels, we will post a notice in the Public Room at the Eastern States Office. You may also get the numbers of withdrawn parcels by contacting Gina Goodwin at (703) 440-1534. If we cancel the sale, we will try to notify all interested parties in advance.

9. **Payment:** You cannot withdraw your bid; it is a legally binding commitment to sign the lease bid form; accept the lease; and pay on the day of the auction the bonus bid, the first year's rent, and an administrative fee. The bonus bid is a deposit of at least \$2.00 per acre or fraction thereof. The first year's rent is \$1.50 per acre or fraction thereof. The administrative fee is \$75 per parcel.

You must pay minimum bonus, first year's rental and administrative fee by 4:30 p.m., at the Eastern States accounting office. You may pay the entire amount of your bid on the day of the auction, but if you don't, **you must pay the balance by June 1, 2004**, which is the 10th working day following the auction. If you don't pay in full by this date, you forfeit the right to the lease and all money you have paid us. If you forfeit a parcel, we may offer it for sale at a later auction.

10. **Form of payment:** You can pay by personal check, certified check, money order, or credit card (VISA, MASTERCARD, AMERICAN EXPRESS, or DISCOVER). Make a check payable to: **Department of the Interior–BLM**. We don't accept cash. If a check you have sent us in the past has bounced (been returned for insufficient funds), we will require that you give us a guaranteed payment, such as a certified check.

11. **Bid form:** Successful bidders must submit a signed competitive lease bid form (Form 3000-2, Oct. 1989) with their payment on the day of the auction. This form is a legally binding offer by a prospective lessee to accept a lease and all applicable terms and conditions. We recommend you get the form and complete part of it before the auction, leaving part to be filled out at the auction. Your completed bid form certifies that you are qualified to be a lessee under our regulations at 43 CFR Part 12 and Subpart 3102.5-2. It also certifies that you comply with 18 U.S.C. 1860, a law prohibiting unlawful combinations, intimidation of or collusion among bidders.

12. **Issuance of a lease:** We (the BLM) will issue your lease within 60 days of the sale date by signing the lease form provided you have paid your fees and rent. The effective date of a lease is the first day of the month following the month in which we sign the lease. We can make it effective the first day of the month in which we sign it, if we receive your written request before we sign the lease.

How do I file a noncompetitive pre-sale offer?

Under our regulations at 43 CFR 3110.1(a), you can file a noncompetitive pre-sale offer for lands that –

13. are available,
14. have not been under lease during the previous one-year period; or
15. have not been included in a competitive lease sale within the previous two-year period.

If no bid is received on them, your pre-sale offer gives you priority over any offer filed after the auction. In the list of parcels attached to this notice, we have used an asterisk to mark any parcel that has a pending pre-sale offer. By filing a pre-sale offer, you are consenting to all terms and conditions of the lease, including any stipulations for listed on the attachment to this notice.

To file a pre-sale offer, you must send us --:

16. a standard lease form (Form 3100-11, June 1988 or later edition), which is properly filled out, as required by the regulations under 43 CFR 3110. (**Note: You must copy both sides of the form on one page. If you copy the form on 2 pages, we will reject your offer. We will also reject offers on obsolete lease forms.**);

17. the first year's advance rent in the amount of \$1.50 per acre or fraction thereof; and

18. a nonrefundable administrative fee in the amount of \$75.

NOTE: You cannot file a pre-sale offer for any lands included in the parcel list attached to this notice.

How do I file a noncompetitive offer after the auction?

You may be able to get a noncompetitive lease for a parcel we offered if –

19. we did not withdraw it from the sale;
20. it did not receive a bid; and
21. it does not have a noncompetitive pre-sale offer pending.

Parcels that meet all these criteria are available on a first-come, first-served basis for two years from the date of the auction. If you want to file a noncompetitive offer for an unsold parcel

immediately after the sale or on the next business day, give us the items listed above under pre-sale offers in a sealed envelope marked "Noncompetitive Offer." We will provide drop boxes at the Eastern States accounting office. We consider all noncompetitive offers that we receive on the day of the sale and the first business day after the sale as filed at the same time (simultaneously). Where an unsold parcel receives more than one simultaneous filing, we will hold a public drawing to determine who will get the lease.

When is the next sale scheduled?

The next sale is tentatively scheduled for **June 18, 2004 in New Orleans, Louisiana.**

Who should I contact if I have a question?

For more information, contact Gina Goodwin at (703) 440-1534.

Ida V. Doup
Chief, Branch of Use Authorization
Division of Resources Planning, Use
and Protection

PLEASE COMPLETE ONE FORM FOR EACH COMPANY AND/OR INDIVIDUAL YOU ARE REPRESENTING AND BRING TO THE SALE LOCATION TO SPEED PROCESSING OF REGISTRATION

REGISTRATION FORM

BIDDER NO. _____
(Leave Blank)

NAME: _____

BUSINESS PHONE: _____

BUSINESS ADDRESS:

CITY: _____

STATE: _____ **ZIP CODE:** _____

**THE LESSEE MUST BE QUALIFIED TO HOLD
A FEDERAL OIL AND GAS LEASE.**

SIGNATURE

DATE

A COPY OF THE LEASE AND ALL BILLING NOTICES WILL BE SENT TO THE NAME AND ADDRESS OF THE LESSEE AS SHOWN ON FORM 3000-2 (BID FORM).

HOTEL INFORMATION

Springfield Hilton
6550 Loisdale Court
Springfield, Virginia
(703) 971-8900

Holiday Inn
6401 Brandon Avenue
Springfield, Virginia
(703) 644-5555

Best Western
6560 Loisdale Court
Springfield, Virginia
(703) 922-9000

Days Inn
6721 Commerce Street
Springfield, Virginia
(703) 922-6100

Ramada Plaza Hotel
4641 Kenmore Avenue
Alexandria, Virginia
(703) 751-4510

Hotel shuttle to National Airport and Metro Subway

From Washington, DC, take I-395 South through the Springfield Interchange to where I-395 becomes I-95. Continue on I-95 to Backlick/Fullerton Road Exit 167. At the light turn right onto Fullerton Road. At the third light, turn left onto Boston Boulevard (COSTCO to the left). Eastern States is approximately .3 miles on the right.

ES-001-05/04 KYES 52139 ACQ

Kentucky, Grayson County, COE (Nolin Lake Reservoir)
Tracts 903, 904, 905, 906-1, 906-2, 1000, 1001, 1002, 1003-1, 1007, 1014, 1300, 1301, 1302, 1400-1, 1400-2, 1401, 1405, 1407-1, 1407-2 and 1503.
1,198.19 Acres
\$1,798.50 Rental
Subject to BLM No Surface Occupancy Stipulation and COE Stipulations

ES-002-05/04 KYES 52140 ACQ

Kentucky, Edmonson & Grayson Counties, COE (Nolin Lake Reservoir)
Tracts 800-1, 801, 802, 804-1, 805, 806, 807 and 808.
147.40 Acres
\$222.00 Rental
Subject to BLM No Surface Occupancy Stipulation and COE Stipulations

ES-003-05/04 KYES 52141 ACQ

Kentucky, Grayson County, COE (Nolin Lake Reservoir)
Tracts 1003-2, 1004 and 1005.
342.12 Acres
\$514.50 Rental
Subject to BLM No Surface Occupancy Stipulation and COE Stipulations

ES-004-05/04 KYES 52142 ACQ

Kentucky, Edmonson & Grayson Counties, COE (Nolin Lake Reservoir)
Tracts 1603-2, 1700, 1701, 1702, 1703, 1703-1, 1704, 1705, 1706, 1707, 1708, 1709, 1710 and 1711.
714.30 Acres
\$1,072.50 Rental
Subject to BLM No Surface Occupancy Stipulation and COE Stipulations

ES-005-05/04 KYES 52143 ACQ

Kentucky, Grayson County, COE (Nolin Lake Reservoir)
Tracts 2701 and 2705.
91.39 Acres
\$136.50 Rental
Subject to BLM No Surface Occupancy Stipulation and COE Stipulations

ES-006-05/04 KYES 52144 ACQ

Kentucky, Grayson County, COE (Nolin Lake Reservoir)
Tracts 2605, 2606, 2608, 2612, 2614 and 2615.
60.86 Acres
\$91.50 Rental
Subject to BLM No Surface Occupancy Stipulation and COE Stipulations

ES-007-05/04 KYES 52145 ACQ

Kentucky, Grayson County, COE (Nolin Lake Reservoir)
Tracts 2200-2, 2200-3, 2201, 2203, 2205, 2206, 2207, 2209, 2210, 2211, 2212,
2213 and 2214.
336.70 Acres
\$505.50 Rental
Subject to BLM No Surface Occupancy Stipulation and COE Stipulations

ES-008-05/04 KYES 52146 ACQ

Kentucky, Edmonson County, COE (Nolin Lake Reservoir)
Tracts 700, 701, 702, 704, 705, 706, 707, 708, 709 and 710.
531.96 Acres
\$798.00 Rental
Subject to BLM No Surface Occupancy Stipulation and COE Stipulations

ES-009-00/04 KYES 52147 ACQ

Kentucky, Grayson County, COE (Nolin Lake Reservoir)
Tracts 1203, 1204, 1205, 1600-1, 1602, 1603-1, 1604, 1605, 1606, 1607, 1608-1, 1608-2, 1608-3
and 1608-4.
971.21 Acres
\$1,458.00 Rental
Subject to BLM No Surface Occupancy Stipulation and COE Stipulations

ES-010-05/04 KYES 52148 ACQ

Kentucky, Edmonson & Grayson Counties, COE (Nolin Lake Reservoir)
Tracts 1100, 1101-1, 1101-2, 1102, 1103, 1104, 1200, 1201, 1202-1, 12022, 1202-3 and 1600-2.
704.64 Acres
\$1,057.50 Rental
Subject to BLM No Surface Occupancy Stipulation and COE Stipulations

ES-011-05/04 KYES 52149 ACQ

Kentucky, Grayson County, COE (Nolin Lake Reservoir)
Tracts 2300, 2301, 2302, 2303, 2304, 2305-1, 2305-2, 2306, 2307, 2308, 2309, 2400, 2401,
2404, 2405-1, 2405-2, 2406, 2407, 2501, 2503, 2503-C, 2504, 2505, 2510, 2514, 2515, 2516 and
2600.
874.01 Acres
\$1,312.50 Rental
Subject to BLM No Surface Occupancy Stipulation and COE Stipulations

ES-012-05/04 KYES 52150 ACQ

Kentucky, Edmonson County, COE (Nolin Lake Reservoir)
Tracts 800-2, 803, 804-2, 1012 and 1013.
264.17 Acres
\$397.50 Rental
Subject to BLM No Surface Occupancy Stipulation and COE Stipulations

ES-013-05/04 KYES 52151 ACQ

Kentucky, Grayson County, COE (Nolin Lake Reservoir)

Tracts 2506, 2507, 2508, 2509-1, 2509-1-C, 2509-2, 2601, 2602, 2603, 2604, 2613, 2617, 2618, 2620, 2621, 2700-2, 2700-3, 2700-3-C, 2703, 2704-1, 2704-2, 2801, 2802, 2803, 2804, 2804-2, 2805, 2806-1, 2806-2, 2807, 2810 and 2811.

459.27 Acres

\$690.00 Rental

Subject to BLM No Surface Occupancy Stipulation and COE Stipulations

BLM No Surface Occupancy Lease Restrictions

The Surface Management Agency has stipulated “No Surface Occupancy Lease” Restrictions.

“No Surface Occupancy Lease” has no surface impacts to other resource values, land uses or users of the surface.

The oil and or gas minerals will be developed in accordance with the State well spacing approval, and the surface disturbance will be located on adjacent private surface property.

This lease does not obviate the need to obtain other Federal, State or local authorization required by law for any wells drilled or for any related surface disturbance that is proposed on lands pooled with those lands described above.

CORPS OF ENGINEERS STIPULATIONS

1. The Secretary of the Army or his designee reserves the right to require cessation of operations in a national emergency or if the Army needs the premises for a use incompatible with lease operations. On approval by higher authority, the District Commander will notify the lessee in writing or if time permits, request the BLM to notify the lessee. The lessee and the United States has no obligation to compensate the lessee for damages or contractual losses resulting from exercise of this stipulation. The lessee shall include this stipulation in contracts with third parties to supply oil and gas. This stipulation shall not affect the lessee's right to seek suspension of the lease term from BLM.
2. If the District Commander or the District Commander's authorized representative finds an imminent danger to safety, security, or significant environmental values for which there is no time to consult the BLM, that person may order an immediate stop of such activities. The State Director of BLM will be notified immediately to determine the need for further remedial action
3. The lessee or its operator will immediately stop work if contamination is found in the operating area and request that the District Commander or the District Commander's authorized representative provide assistance in dealing with the contamination. The District Commander or his representative will provide such assistance on a reimbursable basis on Federal lands, but not on private lands.
4. Lessee liability for damage to improvements shall include improvements of the Department of Defense.
5. Prior to commencement of drilling operations, the lessee must consult with any third parties authorized to use real estate within the leased area, and to take into consideration the programs for which the third party grantee has contractual responsibility. Oil and gas activities will not be allowed to interfere with any third party activities that support project purposes or benefit the Government.
6. It is understood by all parties that these stipulations may be waived or modified only upon the written concurrence of the District Commander (hereinafter referred to as the Commander) and the written approval of BLM's authorized representative.
7. The lessee understands and agrees that any activity of the lessee within the leased area will require prior approval of BLM, and that BLM's approval shall include the concurrence of the Commander or his/her authorized representative on necessary operational requirements. Such requirements may include, but are not limited to, the prohibitions, conditions, or specifications on use for those lands that are essentially open to lease activities subject to project operational constraints:

- a. use and protection of installation water supply (e.g., water quality testing). Appropriate measures must be taken to avoid contamination, including periodic water testing at the expense of the lessee;
- b. protection of the environment (e.g., hazardous waste areas, endangered species, erosion control, pollution prevention) and protection of objects of historic and scientific significance;
- c. reclamation measures; or
- d. compliance with these requirements will be at no cost to the United States.

8. The lessee may not occupy the surface of any Government Tracts.

9. The lessee will make every reasonable effort to locate any pipelines in existing utility and road corridors. The lessee will furnish as-built drawings of completed pipelines at a scale and detail specified by the Commander. Access routes will not be allowed to cross Government land. Requests for easements for pipelines across Government land will be considered as long as they are located within existing utility corridors or can be located in such a manner that they do not interfere with project operations. Any such easement will include a condition that requires the lessee to relocate the facilities at no cost to the Government in the event it is deemed necessary to support project purposes.

10. Before beginning any approved operations in the leased area, the lessee must consult with third parties authorized by the Army to use real estate in the leased area and must document in any proposals for development the manner in which consideration is being given to programs for which such third parties have contractual rights and /or responsibilities. The lessee may consult the records of the Commander to determine the real estate interests granted to third parties on the leased lands. On the request of the BLM District Manager, the Commander may seek to resolve disputes between the lessee or its operator and such third parties if they cannot reach agreements. Resolutions will be coordinated with the contracting officers or representatives of all parties arising from the lessee's activities, including but not limited to, damage to roads and wildlife habitat capabilities.

11. Lessees agree to reimburse the United States of America for all costs incurred by the United States Army Corps of Engineers for the administration of this leasehold agreement and for any and all assistance provided to the lessees.

In addition, the lessee shall bear all costs of the following:

- a. Increased Government costs for project installation operations resulting from the lessee's activity affecting the leased premises. Such costs will include, but are not limited to, the lessee's share of road and bridge maintenance costs, pipeline rights-of-way, lengths of roads and bridges, and so forth will be considered. The lessee shall make payments in advance.

b. All costs incurred by the Department of the Army to administer the lease which exceed the funds appropriated by the Congress of the United States of America.

c. All project operating costs (i.e., emergency activities, contamination response, remediation of contaminated water supply, etc.) caused by lessee's activities

d. Costs to repair damages or restore project/installation land and facilities that were caused by the lessee's activities. If an urgency exists, as determined by the Commander or his/her representative, the lessee shall be required to repair such damages or degradation in a timely manner as specified by the Commander without confirmation from BLM. The Commander shall subsequently confirm oral orders to the lessee or its operator in writing. If the lessee or operator cannot or will not comply, the Commander may act, and the lessee shall be responsible for reimbursement to the Army for all its costs and other expenses, including, but not limited to, administrative costs and any penalties that may be deemed appropriate.

12. The lessee or its operator shall not pollute the air, ground, or water (including groundwater) or create a public nuisance.

a. Before beginning operations, the lessee shall retain a local representative who will act in the behalf of the lessee on these matters and who shall notify the Commander immediately of spills, or any other unexpected threats or hazards to the environment caused by the lessee's operations.

b. The lessee shall hold the United States harmless for any claim, including equitable claims, court or legal expenses incurred by the United States, and fines or penalties imposed upon the United States which are related to unlawful pollution arising from the lessee's operations.

13. The United States reserves the option to purchase a percentage of the natural gas or oil produced or refined at the price defined below under a utility service contract to be negotiated prior to the exercise of this right in accordance with present or future DOD or Army regulations. The lessee or its operator shall include this paragraph in any contract for sale of natural gas or oil to other parties.

a. The lessee or its operator shall have four (4) months from the date one, the other or both receives notice from the Commander or his/her authorized representative exercising this option during which to negotiate the specific terms of sale and the date on which to begin delivery from their production of oil and/or natural gas. Except in a national emergency declared by the President of the United States, the Commander or his/her authorized representative shall exercise this option no more often than once in each twelve (12) month period of the lease.

b. The price to the United States shall be the lowest price paid by the wholesale buyer in the area; otherwise standard appraisal methods will be used. In the case of oil production, if the lessee or its operator contracts for the sale of any oil production or enters into a processing agreement whereby the lessee or its operator receives finished

products in lieu of crude oil, the lessee or its operator shall include the United States in any such contract under the same terms as the lessee or its operator may negotiate for its own account. In all cases, the lessee or its operator shall bear all costs, on a nonreimbursable basis, associated with constructing and maintaining such facilities (including meters) during the producing life of the well, including the salvage of such facilities when production is ended.

c. Natural gas shall be dried or processed as necessary and shall be delivered by the lessee in a condition ready for use in a natural gas system. The lessee or its operator shall arrange for such delivery, including, but limited to, the construction of a complete automatic gas supply system from the well to the existing installation gas system according to the Commander's approved plan. A complete pipeline includes all necessary piping, valves, meters, regulators, fittings, compressors, and odorizers. The lessee or its operator shall be responsible for, and bear all costs in the exercise of this option including the costs of refining, processing, and delivering the natural gas to the Army installation, or equivalent delivery of natural gas produced elsewhere, as prescribed by the Commander or his/her authorized representative.

d. If exercise of this option involves more than one lessee or operator, they shall agree to cooperate among themselves as to the scheduling of production, constructing pipelines from wells or other gathering points to supply the Army distribution system, sharing their expenses, and other appropriate support measures to assure a timely and continuous fuel supply to the United States.

e. the lessee or its operator shall routinely inspect and calibrate equipment involved in the exercise of this option with authorized installation representatives. The Commander may require the lessee or its operator at least annually to engage an independent party acceptable to the Commander to test meters for accuracy and to furnish written findings to the Commander.

14. Notwithstanding any other stipulation, the United States and its officers, agents, servants, and employees shall not be responsible for damages to property, injuries to persons, or any other cause of action which may arise from or be incident to this lease or the lessee's use and occupation of the leased premises. Such actions include, without limitation, damage to the lessee's property, injury to the lessee's person, or other cause of action of the lessee, or such damage, injury, or other cause of action of the lessee's officers, agents, servants, employees, invitees of any of these, or anyone else otherwise on or off said premises incident to the lease. In addition, these actions include any actions arising from flooding of the leased premises. The lessee shall hold harmless and indemnify the released parties for released actions which may arise from or be incident to this lease or the lessee's use or occupation of the leased premises.

15. The lessor's rights described in the printed lease form include the rights of the Department of the Army.

16. That the lands included in this lease are reserved by the Department of the Army for flood control, hydropower, water supply, recreation, fish and wildlife, and related purposes in connection with the operation and maintenance of the Nolin Lake Project and all operations hereunder shall be subject to the general supervision of the District Commander, U.S. Army Engineer District, Louisville, P.O. Box 59, Louisville, Kentucky 40201-0059, and to such rules and regulations as may be prescribed by him from time to time.
17. That all rights under this lease are subordinate to the rights of the United States to flood and submerge the lands, permanently or intermittently, in connection with the operation and maintenance of the Nolin Lake Project.
18. That there shall be no unreasonable interference with navigation by the exercise of the rights hereby granted to the lessee. Platform drilling over water areas is prohibited.
19. That the United States reserves the right to use the land jointly with the lessee in connection with the construction, operation and maintenance of the Government project; to place improvements thereon, and to remove materials therefrom, including sand, gravel, and other construction materials, as may be necessary in connection of such work, and the lessee shall not interfere in any manner with such work or do any act which may increase the cost of performing such work. If the cost of work performed by the Government at and in connection with the project, including work performed on lands outside the property included in the lease, is made more expensive by reason of improvements or construction on the leased property by the lessee, the lessee shall pay to the United States money in an amount, as prescribed by the Commander, to compensate for the additional expense involved.
20. All areas within 2,000 feet of any major structure, including, but not limited to, the dam, or embankment, are restricted areas. The lessee, (including operators, agents, or employees) shall not utilize the surface of restricted areas, including drilling outside of the restricted areas which would cause a bore hole to be under the restricted areas. The restricted areas are included in the lease for the sole purpose of becoming a part of a drilling unit so that the United States will share in the royalty of the unit.
21. That the rights and privileges conveyed hereunder are subordinate to such surface leases, licenses, permits, easements, etc., as have been or may hereafter be conveyed by the Secretary of Army for utilization of project land and water areas, and no operations will be conducted hereunder until prior written consents of surface lessees, licensees, permittees, easement holders, etc., have been obtained.
22. That the right is hereby reserved to the United States to administer, in accordance with the terms thereof, existing leases, licenses, permits, easements, etc., of the surface rights (land and water) and to continue to grant such rights for agricultural, public, commercial or private recreational purposes, the management of fish and wildlife resources, and the construction and maintenance of communication, electric distribution or transmission lines, water supply, sewage disposal roads, and similar facilities on the leased premises, and the lessee hereunder shall have no claim for compensation or damages of any nature on account thereof.

23. If oil and gas activity results in the deposition of fill material, e.g., levees, berms, or drilling mud in a wetland, then a 404 permit must be obtained by the lessee, from the Commander prior to beginning work.

24. All Federal, State, or local laws, statutes, and regulations pertaining to the drilling and recovery of oil and gas and the protection of property, including surface water and ground water, shall be complied with, including noninterference with navigation and nonpollution of lands and waters.

25. The lessee shall furnish drilling status reports to the project manager on a weekly basis.