



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Buffalo Field Office
1425 Fort Street
Buffalo, Wyoming 82834-2436

3160 (070)
Lela POD
WYW132257, WYW132258

Certified Mail No.: 7003 1010 0001 7209 5538
Return Receipt Requested

Yates Petroleum Corporation
P.O. Box 2560
Gillette, WY 82717-2560

SEP 30 2004

SEP 30 2004

Re: Lela POD

Gentlemen:

Enclosed with this cover letter are seventeen (17) Applications for Permit to Drill (APDs) and the Plan of Development (POD) for the referenced project, which have been approved by the Bureau of Land Management (BLM). This approval is subject to the General Conditions of Approval (COAs), as well as the project-specific Drilling Plan COAs and Surface Use Plan COAs (attached). A copy of the APD, the POD and the COAs must be supplied to your contractors and must be on the site during all authorized operations.

Approval of this project POD and the APDs constitute a final decision by the BLM. In accordance with 43 CFR 3165.3(b), you or any other adversely affected party have the right to request an administrative review before the State Director regarding these decisions, or an informal review of the technical or procedural aspects may be requested of this office before initiating a formal review request. You must request a State Director Review prior to appealing to the Interior Board of Land Appeals (IBLA).

If you, or any other adversely affected party, choose to request a State Director Review, the request must be received in the Wyoming State Office, P.O. Box 1828, Cheyenne, Wyoming 82003, no later than 20 business days after receipt of this letter. The request must include all supporting documentation unless a request is made for an extension for the filing of supporting documentation. For good cause, such extensions may be granted. You will also have the right to appeal the decision issued by the State Director to IBLA.

If you have any questions concerning the drilling or engineering aspects of the COAs or BLM requirements, please contact Steve Klimetz - Petroleum Engineer at (307)684-1198. If you have questions concerning the surface use or environmental aspects of the COAs or BLM requirements, please contact Bill Ostheimer - NRS at (307) 684-1117.

Sincerely,

Dennis R. Stenger
Field Manager

Attachments-
Conditions of Approval
List of Approved Well APDs in POD
APDs (17)

Cc: Landowner(s):

Landowner List

Eaton Brothers – Bar 11 Ranch
Attn: T.J. Ferguson
Arvada, WY 82831

Floyd Land and Livestock, Inc.
Attn: Fred Floyd
2600 W. Echeta Road
Gillette, WY 82716-9182

**CONDITIONS OF APPROVAL FOR THE APPLICATION
FOR PERMIT TO DRILL**

POD Name: Lela
Lease No'(s): WYW132257, WYW132258
Location: T52N R75W Sections 24, 26, 27
Operator Yates Petroleum Corporation

A COPY OF THESE CONDITIONS OF APPROVAL MUST BE FURNISHED TO YOUR FIELD REPRESENTATIVE

Government Contacts

Field Office: Buffalo Field Office
Address: 1425 Fort Street
Buffalo, Wyoming 82834

Office Telephone Number: 307-684-1100

After hours numbers:

Minerals Chief:	Richard Zander	Home Telephone: 307-684-9359
Petroleum Engineer:	Barney Whiteman	Home Telephone: 307-683-3038
Petroleum Engineer:	Steve Klimetz	Home Telephone: 307-684-2247

General Conditions of Approval

1. Approval of this APD does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease that would entitle the applicant to conduct operations thereon. In addition, approval of this APD does not imply that the operator has legal access to the drilling location. When crossing private surface 43 CFR 3814 regulations must be complied with and when crossing public surface off-lease the operator must have an approved rights-of-way.
2. This POD is valid for one year from the date of approval or until the oil and gas lease expires/terminates, whichever occurs first. If this well intends to earn a lease extension, diligent operations (actual drilling) must be in progress over the lease expiration date, advance lease rentals must have been paid, and a letter stating drilling operations were in progress must be submitted to this office no later than five days past the expiration date. If the APD terminates, any surface disturbance created under the application must be reclaimed according to an approved plan.
3. All applicable local, state and/or federal laws, regulations, and/or statutes must be complied with.
4. A complete copy of the approved APD must be at the drill site during the construction of the roads and drill pad, the drilling of the well, and the completion of the well.
5. The spud date will be reported orally to the Authorized Officer 24 HOURS BEFORE SPUDDING, unless otherwise required in site specific conditions of approval.
6. Verbal notification shall be given to the Authorized Officer at least 24 hours before formation tests, BOP tests, running and cementing casing, and drilling over lease expiration dates.
7. A progress report must be filed a minimum of once a month starting with the month the well was spudded continuing until the well is completed. The report must be filed by the 25th of each month on a Sundry Notice (Form 3160-5). The report will include the spud date, casing information such as size, grade, weight, hole size, and setting depth, amount and type of cement used, top of cement, depth of cementing tools, casing test method, intervals tested, perforated, acidized, fractured and results obtained and the dates all work done.

In the event abandonment of the hole is desired, an oral request may be granted by this office but must be timely followed within 5 days with a "Notice of Intention to Abandon" (Form 3160-5). The "Subsequent Report of Abandonment" (Form 3160-5) must be submitted within 30 days after the actual plugging of the well bore, reporting where the plugs were placed, and the current status of the surface restoration. If surface restoration has not been completed at that time, a follow-up report on Form 3160-5 should be filed when all surface restoration work has been completed and the location is considered ready for final inspection. Attach to this sundry notice a landowner acceptance of reclamation if the location is on private surface.

Whether the well is completed as a dry hole or as a producer, two copy of all logs run, core descriptions, core analysis, well-test data, geologic summaries, sample descriptions, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations will be filed with Form 3160-4. A gamma ray log shall be run from T.D. to ground surface.

8. The operator is responsible for informing all persons associated with this project that they shall be subject to prosecution for damaging, altering, excavating or removing any archaeological, historical, or vertebrate fossil objects on site. If archaeological, historical, or vertebrate fossil materials are discovered, the operator is to suspend all operations that further disturb such materials and immediately contact the Authorized Officer. Operations are not to resume until written authorization to proceed is issued by the Authorized Officer.

Within five (5) working days, the Authorized Officer will evaluate the discovery and inform the operator of actions that will be necessary to prevent loss of significant cultural or scientific values.

The operator is responsible for the cost of any mitigation required by the Authorized Officer. The Authorized Officer will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the Authorized Officer that the required mitigation has been completed, the operator will be allowed to resume operations.

9. The operator shall be responsible for the prevention and suppression of fires on public lands caused by its employees, contractors or subcontractors. During conditions of extreme fire danger, surface use operations may be limited or suspended in specific areas.
10. All survey monuments found within the area of operations shall be protected. Survey monuments include, but are not limited to: General Land Office and Bureau of Land Management Cadastral Survey Corners, reference corners, witness points, U. S. Coast and Geodetic benchmarks and triangulation stations, military control monuments, and recognizable civil (both public and private) survey monuments. In the event of obliteration or disturbance of any survey monuments, the incident shall be reported in writing to the Authorized Officer.
11. If any time the facilities located on public lands authorized by the terms of the lease are no longer included in the lease (due to a contraction in the unit or other lease or unit boundary change) the BLM will process a change in authorization to the appropriate statute. The authorization will be subject to appropriate rental, or other financial obligation determined by the authorized officer.
12. Gas produced from this well may not be vented or flared beyond an initial authorized test period of 30 days or 50 MMCF following its completion, whichever first occurs, without the prior written approval of the authorized officer. If gas is 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 that portion of the gas vented or flared without approval which is determined to have been avoidably lost.

SITE SPECIFIC CONDITIONS OF APPROVAL

- See attached Surface Use Stipulations.
- See attached Drilling Program Stipulations

**UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Buffalo Field Office
Buffalo, Wyoming**

**SURFACE USE
CONDITIONS OF APPROVAL**

POD Name: Lela

Operator: Yates

List of Wells:

Lease	Operator	Well Name	Well #	Sec	Qtr	TWP	RNG
WYW132258	YATES PETROLEUM CORP	LELA CS	1	26	NENW	52N	75W
WYW132258	YATES PETROLEUM CORP	LELA CS	2	26	SWNW	52N	75W
WYW132258	YATES PETROLEUM CORP	LELA CS	4	26	NESE	52N	75W
WYW132258	YATES PETROLEUM CORP	LELA CS	5	26	NESW	52N	75W
WYW132258	YATES PETROLEUM CORP	LELA CS	6	26	SWSW	52N	75W
WYW132258	YATES PETROLEUM CORP	LELA CS	7	26	SWSE	52N	75W
WYW132258	YATES PETROLEUM CORP	LELA CS	8	27	NENE	52N	75W
WYW132258	YATES PETROLEUM CORP	LELA CS	9	27	NESE	52N	75W
WYW132258	YATES PETROLEUM CORP	LELA CS COM	3	26	SWNE	52N	75W
WYW132257	YATES PETROLEUM CORP	LELA HEIDI CS	2	24	NENW	52N	75W
WYW132257	YATES PETROLEUM CORP	LELA HEIDI CS	3	24	SWNW	52N	75W
WYW132257	YATES PETROLEUM CORP	LELA HEIDI CS	6	24	NESW	52N	75W
WYW132257	YATES PETROLEUM CORP	LELA HEIDI CS	7	24	SWSW	52N	75W
WYW132257	YATES PETROLEUM CORP	LELA HEIDI CS	8	24	SWSE	52N	75W
WYW132257	YATES	LELA	1	24	NENE	52N	75W

	PETROLEUM CORP	HEIDI CS					
WYW132257	YATES PETROLEUM CORP	LELA HEIDI CS	4	24	SWNE	52N	75W
WYW132257	YATES PETROLEUM CORP	LELA HEIDI CS	5	24	NESE	52N	75W

I. Applicable PRB FEIS ROD Programmatic Mitigation Measures

1. Yates will test sediments deposited in impoundments before reclaiming the impoundments. Tests will include the standard suite of cations, ions, and nutrients that will be monitored in surface water testing and any trace metals found in the CBM discharges at concentrations exceeding detectable limits.
2. Where feasible, gas and water pipelines and electrical cables will be installed in disturbance corridors. Disturbance corridors combine two or more utility lines (water, gas, electric) in common trenches, usually within access roadways.
3. Temporarily fence reseeded areas, if not already fenced, for at least two complete growing seasons to insure reclamation success on problematic sites (e.g. close to livestock watering source, erosive soils etc.).
4. During construction, emissions of particulate matter from well pad and resource road construction will be minimized by application of water, or other dust suppressants, with at least 50 percent control efficiency. Roads and well locations constructed on soils susceptible to wind erosion could be appropriately surfaced or otherwise stabilized to reduce the amount of fugitive dust generated by traffic or other activities, and dust inhibitors (surfacing materials, non-saline dust suppressants, and water) could be used as necessary on unpaved collector, local and resource roads that present a fugitive dust problem. The use of chemical dust suppressants on BLM surface will require prior approval from the BLM authorized officer.
5. Yates will segregate soil horizons during excavations of all project facilities and avoid mixing of soil horizons during stockpiling and redistributions of soils.
6. Containment impoundments will be fenced to exclude wildlife and livestock. If they are not fenced, they will be designed and constructed to prevent entrapment and drowning.
7. If WDEQ through their "Compliance Monitoring for Ground Water Protection Beneath Unlined Coalbed Methane Produced Water Impoundments" (June 14, 2004), requires groundwater to be monitored on this project the operator will develop a monitoring plan to be submitted to WDEQ. Copies of the plan will be sent to BLM along with a sundry notice so that BLM can assess all impacts associated with the federal undertaking.
8. Locate discharge points in areas that will minimize erosion and impacts to the

receiving channel, existing improvements, and downstream users.

9. Locate discharge points in stable, low gradient drainage systems and below active head cuts, when possible. If discharge is located above a headcut, mitigation measures will be required by the BLM Authorized Officer on a site specific basis. Some mitigation measures will require engineering design.
10. All discharge points will require energy dissipation measures.
11. Low water crossings will be constructed at original streambed elevation in a manner that will prevent any blockage or restriction of the existing channel. Material removed will be stockpiled for use in reclamation of the crossings.
12. Concerns regarding the quality of the discharged CBNG, produced water on downstream irrigation use may require operators to increase the amount of storage of CBM water during the irrigation months and allow more surface discharge during the non-irrigation months.

II. Site Specific Conditions of Approval

1. The two off-channel pits proposed within the 20-mile sage grouse lek $\frac{1}{4}$ mile CSU will not be permitted. At this time, the habitat loss associated with these pits, in conjunction with their potential to attract predators, constitutes a significant impact.
2. The access road to the numbers 5, 7, and 4 Lela wells in the middle of section 26 shall have the following restrictions:
 - a. The width of disturbance should be kept to a minimum with the maximum allowable width being 25 feet.
 - b. Blading for the pipeline ROW should be done in a manner in which emphasis is placed on taking only the top layer of soil and leaving the plant roots intact.
 - c. The proposed 4 foot pipeline trench should be backfilled and compacted so that it does not become a channel for the water flowing in Rough Draw. The finished trench should be backfilled 6" above existing ground elevation.
 - d. Disturbance within the defined channel should be kept to an absolute minimum.
 - e. Reclamation of the disturbed area should commence immediately after construction, preferably this fall and/or in the spring prior to the area becoming too wet to work in. The entire area should be seeded including the proposed travel corridor. Erosion Control Straw Bales (weed free) should be placed every 500 feet along the disturbance corridor as specified in the Engineer's Notes for the drawings of the above referenced wells.
 - f. The entire proposed travel-way surface (12 foot wide) should be graveled with 2" of loose angular gravel.

eagle pair is seen attending to the nest, the BLM will be notified and BLM, Yates and the landowner will discuss that year's access to 8LELA.

7. All permanent above-ground structures (e.g., production equipment, tanks, etc.) not subject to safety requirements will be painted to blend with the natural color of the landscape. The paint used will be a color which simulates "Standard Environmental Colors." The color selected for the Lela POD is Carlsbad Canyon, 2.5Y 6/2.
8. The operator will drill seed on the contour to a depth of 0.5 inch, followed by cultipaction to compact the seedbed, preventing soil and seed losses. To maintain quality and purity, the current years tested, certified seed with a minimum germination rate of 80% and a minimum purity of 90% will be used. On BLM surface, and in lieu of a different specific mix desired by the surface owner, use the following:

For Loamy sites: (well sites HEIDI 1,3,6. LELA 2)

Species – <i>Cultivar</i>	Full Seeding (lbs/ac Pure Live Seed)	% in Mix	Lbs Pure Live Seed
Thickspike Wheatgrass – <i>Critana</i> or Western Wheatgrass – <i>Rosana</i>	6	40	4.8
Bluebunch Wheatgrass – <i>Secar</i> or <i>P-7</i>	7	10	1.4
Green needlegrass – <i>Lodorm</i>	6	25	3
American vetch or Cicer Milkvetch – <i>Lutana</i>	7	10	1.4
White – <i>Antelope</i> or Purple Prairie Clover – <i>Bismarck</i>	3	5	.3
Lewis – <i>Appar</i> , Blue, or Scarlet flax	4	5	.40
Winterfat – <i>Open Range</i>	8	5	.80
Totals		100%	12.10 lbs/acre

*PLS = pure live seed (this seeding rate has not been doubled).

For Shallow loamy sites: (well sites: HEIDI 2,4,5,7,8. LELA 1,3,4,5,7,8,9)

Species – Cultivar	Full Seeding (lbs/ac Pure Live Seed)	% in Mix	Lbs Pure Live Seed
Thickspike Wheatgrass – <i>Critana</i> or Western Wheatgrass – <i>Rosana</i>	6	30	3.2
Bluebunch wheatgrass – <i>Secar</i> or <i>P-7</i>	7	50	7
American vetch or Cicer Milkvetch – <i>Lutana</i>	7	10	1.4
Winterfat – <i>Open Range</i>	8	5	.80
Lewis – <i>Appar</i> , Blue, or Scarlet flax	4	5	.40
Totals		100%	13.2 lbs/acre

For shallow clayey sites: (LELA6)

Species – Cultivar	Full Seeding (lbs/ac Pure Live Seed)	% in Mix	Lbs Pure Live Seed
Western Wheatgrass – <i>Rosana</i>	6	40	4.8
Green needlegrass – <i>Lodorm</i>	6	40	4.8
American vetch OR Cicer Milkvetch – <i>Lutana</i>	7	15	2.10
Lewis – <i>Appar</i> , Blue, or Scarlet flax	4	5	0.40
Totals		100%	12.10 lbs/acre

- Slopes too steep for machinery may be hand broadcast and raked with twice the specified amount of seed. Complete fall seeding after September 15 and prior to prolonged ground frost. To be effective, complete spring seeding after the frost has left the ground and prior to May 15.

9. The BLM identified a historic dam built in 1906 by the B.N. & Q. Railroad located approximately 500 feet outside of the Lela survey boundary. The dam is currently being recorded and evaluated for a different undertaking. A proposed reservoir in T. 52 N., R. 75 W., Section 25 (S½/NW/SW) associated with the Lela POD will not be authorized for construction until the historic dam is evaluated and affects can be determined. The reservoir location could affect an access road that might have been used during the construction of the historic dam.
10. Weed seed free erosion matting, hydoseeding, or other technology that will prevent erosion will be used in the following locations:
 - a. on the utilities (water, gas and/or electric) between:
 - i. 2 HIED and 4HEID.
 - ii. 4HIED and 5HEID
 - iii. 3LELA and Rough Creek
 - b. any slope greater than eight percent along road access to 1LELA and 8LELA
 - c. along corridor to 4LELA and 7LELA and in Rough Creek
11. Right-of-Way grants must be obtained from the BLM prior to using rights of way.
12. POD related noise shall not exceed 49 decibels at identified sage grouse lek sites.
13. Hard sided tanks should be equipped with wildlife escape ramps (for designs see Idaho BLM technical bulletin 89-4, available on the internet).
14. All permanent above-ground structures (e.g., production equipment, tanks, etc.) not subject to safety requirements will be painted to blend with the natural color of the landscape. The paint used will be a color which simulates "Standard Environmental Colors." The color selected for the Lela POD is Carlsbad Canyon, 2.5Y 6/2.
15. Culvert locations will be staked prior to construction. The culvert invert grade and finished road grade will be clearly indicated on the stakes. Culverts will be installed on natural ground, or on a designed flow line of a ditch. The minimum cover over culverts will be 12" or one-half the diameter whichever is greater. Drainage laterals in the form of culverts or waterbars shall be placed according to the following spacing:

i. <u>Grade</u>	<u>Drainage Spacing</u>
ii. 2-4%	310 ft
iii. 5-8%	260 ft
iv. 9-12%	200 ft
16. The operator is responsible for having a licensed professional engineer certify that the actual construction roads meet the designed criteria.
17. Provide 4" of aggregate where grades exceed 8%.
18. In order to address the potential impacts from infiltration on shallow ground water, the Wyoming DEQ has developed a guidance document, "Compliance

Monitoring for Ground Water Protection Beneath Unlined Coalbed Methane Produced Water Impoundments” (June 14, 2004) which can be accessed on their website. This guidance document became effective August 1, 2004. For NPDES permits received by DEQ after the August 1st effective date, the BLM will require that operators comply with the requirements outlined in the DEQ compliance monitoring guidance document (June 14, 2004). Prior to discharge of federally-produced water into newly constructed or upgraded impoundments an approved NPDES permit must be submitted to the BLM Authorized Officer.

19. Native seed mixes will be used to re-establish short grass prairie vegetation during reclamation.
20. Moist soils near wetlands, streams, lakes, or springs in the project area will be promptly re-vegetated if construction activities impact the vegetation in these areas. Re-vegetation will be designed to avoid the establishment of noxious weeds.
21. No surface disturbing activity shall occur within ½ mile of all identified raptor nests from February 1 through July 31, annually, prior to a raptor nest occupancy survey for the current breeding season. Additionally, any other surface disturbance within the ½ mile buffer will be prohibited, including but not limited to roads, meter point/power drops, cattle guards, pipelines, etc. If surveys identify additional active raptor nests, a ½ mile timing buffer will be implemented. The timing buffer restricts surface disturbing activities within ½ mile of occupied raptor nests from February 1 to July 31. Nest occupancy checks shall be completed for all raptor nests within the Lela POD that are determined to be active during the 2004 raptor survey. The occupancy checks shall be completed for the first five years following project completion. The occupancy checks shall be conducted no earlier than June 1 or later than June 30 and any evidence of nesting success/production shall be recorded. Survey results will be submitted to a Buffalo BLM biologist in writing no later than July 31 of each survey year.
22. No surface disturbing activities are permitted within 2 miles of active sage grouse leks, between March 1 and June 15, prior to completion of a greater sage grouse lek survey. This condition will be implemented on an annual basis for the duration of surface disturbing activities. If an active lek is identified during the survey, the 2 mile timing restriction (March 1-June 15) will be applied and surface disturbing activities will not be permitted until after the nesting season. If surveys indicate that the identified lek is inactive during the current breeding season, surface disturbing activities will be permitted within the 2 mile buffer until the following breeding season (March 1). The required sage grouse survey will be conducted following BLM and WGF protocol. All survey results shall be submitted in writing to the BLM Buffalo Field Office prior to surface disturbing activities
23. Please contact Bill Ostheimer Natural Resource Specialist, @ (307) 684-1117, Bureau of Land Management, Buffalo, if there are any questions concerning these surface use COAs.

III. Standard Conditions of Approval

A. General

1. If any cultural values [sites, artifacts, human remains (Appendix L FEIS)] are observed during operation of this lease/permit/right-of-way, they will be left intact and the Buffalo Field Manager notified. The authorized officer will conduct an evaluation of the cultural values to establish appropriate mitigation, salvage or treatment. The operator is responsible for informing all persons in the area who are associated with this project that they will be subject to prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are uncovered during construction, the operator is to immediately stop work that might further disturb such materials, and contact the authorized BLM officer (AO). Within five working days the AO will inform the operator as to:
 - whether the materials appear eligible for the National Register of Historic Places;
 - the mitigation measures the operator will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and,
 - a time-frame for the AO to complete an expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that mitigation is appropriate. The AO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the AO that the required mitigation has been completed, the operator will then be allowed to resume construction measures.
2. If paleontological resources, either large or conspicuous, and/or a significant scientific value are discovered during construction, the find will be reported to the Authorized Officer immediately. Construction will be suspended within 250 feet of said find. An evaluation of the paleontological discovery will be made by a BLM approved professional paleontologist within five (5) working days, weather permitting, to determine the appropriate action(s) to prevent the potential loss of any significant paleontological values. Operations within 250 feet of such a discovery will not be resumed until written authorization to proceed is issued by the Authorized Officer. The applicant will bear the cost of any required paleontological appraisals, surface collection of fossils, or salvage of any large conspicuous fossils of significant scientific interest discovered during the operation.
3. The operator shall restrict travel on unimproved two-track roads during periods of inclement weather or spring thaw when the possibility exists for excessive surface resource damage (e.g., rutting in excess of 4-inches, travel outside two-track roadway, etc.).

4. The first well drilled in this project will be sampled for analyzed for water quality within sixty days of initial production and a copy of the water analysis will be submitted to the BLM Authorizing Officer.
5. The Companies will provide georeferenced spatial data depicting as-built locations of all facilities, wells, roads, pipelines, power lines, reservoirs, discharge points, and other related facilities to the BLM upon completion of POD construction and development.
6. If any dead or injured threatened, endangered, proposed, or candidate species is located during construction or operation, the U.S. Fish and Wildlife Service's Wyoming Field Office (307-772-2374), their law enforcement office (307-261-6365), and the BLM Buffalo Field Office (307-684-1100) shall be notified within 24 hours. If any dead or injured sensitive species is located during construction or operation, the BLM Buffalo Field Office (307-684-1100) shall be notified within 24 hours.
7. Wildlife species are dynamic and new individuals may have moved into the Lela POD area after the initial wildlife surveys were completed. The Record of Decision for the PRB FEIS includes a programmatic mitigation measure that states, "The companies will conduct clearance surveys for threatened and endangered or other special-concern species at the optimum time." The measure requires companies to coordinate with the BLM before November 1 annually to review the potential for disturbance and to agree on inventory parameters. Should this project not be completed by January 15, and surface disturbance is planned for that year, a Yates company representative will coordinate with the BLM to discuss required surveys.

B. Construction

1. A pre-construction field meeting shall be conducted prior to beginning any dirt work approved under this POD. The operator shall contact the BLM Authorized Officer Bill Ostheimer, Natural Resource Specialist, @ (307) 684-1117, at least 4-days prior to beginning operations so that the meeting can be scheduled. The operator is responsible for having all contractors present (dirt contractors, drilling contractor, pipeline contractor, project oversight personnel, etc.) including the overall field operations superintendent, and for providing all contractors copies of the approved POD, project map and BLM Conditions of Approval pertinent to the work that each will be doing.
2. The operator will limit vegetation removal and the degree of surface disturbance wherever possible. Where surface disturbance cannot be avoided, all practicable measures will be utilized to minimize erosion and stabilize disturbed soils.
3. Construction and drilling activity will not be conducted using frozen or saturated soil material during periods when watershed damage or excessive rutting is likely to occur.
4. Remove all available topsoil (depths vary from 4 inches on ridges to 12+ inches in bottoms) from constructed well locations including areas of cut and fill, and

stockpile at the site. Topsoil will also be salvaged for use in reclamation on all other areas of surface disturbance (roads, pipelines, etc.). Clearly segregate topsoil from excess spoil material. Any topsoil stockpiled for one year or longer will be signed and stabilized with annual ryegrass or other suitable cover crop.

5. The operator will not push soil material and overburden over side slopes or into drainages. All soil material disturbed will be placed in an area where it can be retrieved without creating additional undue surface disturbance and where it does not impede watershed and drainage flows.
6. Construct the backslope no steeper than 1½:1, and construct the foreslope no steeper than 2:1, unless otherwise directed by the BLM Authorized Officer.
7. Maintain a minimum 20-foot undisturbed vegetative border between toe-of-fill of pad and/or pit areas and the edge of adjacent drainages, unless otherwise directed by the BLM Authorized Officer.
8. With the overall objective of minimizing surface disturbance and retaining land stability and productivity, the operator shall utilize equipment that is appropriate to the scope and scale of work being done for roads and well pads (utilize equipment no larger than needed for the job).
9. To minimize electrocution potential to raptors, all overhead electrical power lines will be constructed to Avian Power Line Interaction Committee (1996) standards and additional standards identified in the PRB FEIS Biological Opinion (Volume 3, Appendix K, page 43).
 - 9a. The overhead power line extending to the power drop near 2 HEID shall be out of view from the 20-Mile lek site, and lines built to avoid grouse/line collisions by inclusion of orange balls, triangles, etc placed along the line,.
10. The operator shall utilize wheel trenchers or ditchers to construct all pipeline trenches, except where extreme topography or other environmental factors preclude their use.
11. Reserve pits will be adequately fenced during and after drilling operations until pit is reclaimed so as to effectively keep out wildlife and livestock. Adequate fencing, in lieu of more stringent requirements by the surface owner, is defined as follows:
 - Construction materials will consist of steel or wood posts. Three or four strand wire (smooth or barbed) fence or hog panel (16-foot length by 50-inch height) or plastic snow fence must be used with connectors such as fence staples, quick-connect clips, hog rings, hose clamps, twisted wire, etc. Electric fences will not be allowed.
 - Construction standards: Posts shall be firmly set in ground. If wire is used, it must be taut and evenly spaced, from ground level to top wire, to effectively keep out animals. Hog panels must be tied securely into posts and one another using fence staples, clamps, etc. Plastic snow fencing must be taut and sturdy. Fence must be at least 2-feet from edge of pit. 3 sides fenced before beginning

drilling, the fourth side fenced immediately upon completion of drilling and prior to rig release. Fence must be left up and maintained in adequate condition until pit is closed.

12. The reserve pit will be oriented to prevent collection of surface runoff. After the drilling rig is removed, the operator may need to construct a trench on the uphill side of the reserve pit to divert surface drainage around it. If constructed, the trench will be left intact until the pit is closed.
13. The reserve pit will be lined with an impermeable liner if permeable subsurface material is encountered. An impermeable liner is any liner having a permeability less than 10^{-7} cm/sec. The liner will be installed so that it will not leak and will be chemically compatible with all substances that may be put in the pit. Liners made of any man-made synthetic material will be of sufficient strength and thickness to withstand normal installation and pit use. In gravelly or rocky soils, a suitable bedding material such as sand will be used prior to installing the liner.
14. The reserve pit will be constructed so that at least half of its total volume is in solid cut material (below natural ground level).
15. Culverts will be placed on channel bottoms on firm, uniform beds, which have been shaped to accept them, and aligned parallel to the channel to minimize erosion. Backfill will be thoroughly compacted.
16. The minimum diameter for culverts will be 18 inches. However, all culverts will be appropriately sized in accordance with standards in BLM Manual 9113.
17. Construction and other project-related traffic will be restricted to approved routes. Cross-country vehicle travel will not be allowed.
 - 17a. In order to prevent unauthorized vehicle travel within the 20-mile sage grouse lek $\frac{1}{4}$ mile CSU, where the pipeline crossing the open grassland intersects with the road, it will be barricaded with steel or cement posts no taller than 24 inches above ground.
18. Pipeline construction shall not block nor change the natural course of any drainage. Pipelines shall cross perpendicular to drainages. Pipelines shall not be run parallel in drainage bottoms. Suspended pipelines shall provide adequate clearance for maximum runoff.
19. Pipeline trenches shall be compacted during backfilling. Pipeline trenches shall be routinely inspected and maintained to ensure proper settling, stabilization and reclamation.
20. During construction, emissions of particulate matter from well pad and road construction would be minimized by application of water or other non-saline dust suppressants with at least 50 percent control efficiency. Dust inhibitors (surfacing materials, non-saline dust suppressants, and water) will be used as necessary on unpaved roads that present a fugitive dust problem. The use of chemical dust suppressants on public surface will require prior approval from the BLM Authorized Officer.

21. Operators are required to obtain a National Pollution Discharge Elimination System (NPDES) Storm Water Permit from the Wyoming DEQ for any projects that disturb five or more acres (changing to one acre in March 2005). This general construction storm water permit must be obtained from WDEQ prior to any surface disturbing activities and can be obtained by following directions on the WDEQ website at <http://deq.state.wy.us>. Further information can be obtained by contacting Barb Sahl at (307) 777-7570.
22. The operator shall submit a Sundry Notice (Form 3160-5) to BLM for approval prior to construction of any new surface disturbing activities that are not specifically addressed in the approved APD or POD Surface Use Plan.
23. Weed educational material will be reviewed with operators during pre-construction on-site meetings with operators, subcontractors, and landowners and will also be attached to approved APDs and PODs.
24. Companies will contact the counties to pursue development of maintenance agreements to ensure county roads are adequately maintained for the projected increase in use.

C. Operations/Maintenance

1. The operator shall complete coal bed natural gas wells (case, cement and under ream) as soon as possible, but no later than 30 days after drilling operations, unless an extension is given by the BLM Authorized Officer.
2. If in the process of air drilling the wells there is a need to utilize mud, all circulating fluids will be contained either in an approved pit or in an aboveground containment tank. The pit or containment tank will be large enough to safely contain the capacity of all expected fluids without danger of overflow. Fluid and cuttings will not be squeezed out of the pit, and the pit will be reclaimed in an expedient manner.
3. Confine all equipment and vehicles to the access road(s), pad(s), and area(s) specified in the approved APD or POD.
4. All waste, other than human waste and drilling fluids, will be contained in a portable trash cage. This waste will be transported to a State approved waste disposal site immediately upon completion of drilling operations. No trash or empty barrels will be placed in the reserve pit or buried on location. All state and local laws and regulations pertaining to disposal of human and solid waste will be complied with.
5. Rat and mouse holes shall be filled and compacted from the bottom to the top immediately upon release of the drilling rig from the location.
6. The operator will be responsible for prevention and control of noxious weeds and weeds of concern on all areas of surface disturbance associated with this project (well locations, roads, water management facilities, etc.) Use of pesticides shall comply with the applicable Federal and State laws. Pesticides shall be used only in accordance with their registered uses and within limitations imposed by the

Secretary of Interior. Prior to the use of pesticides on public land, the holder shall obtain from the BLM authorized officer written approval of a plan showing the type and quantity of material to be used, pest(s) to be controlled, method of application, location of storage and disposal of containers, and any other information deemed necessary by the authorized officer to such use.

7. Sewage shall be placed in a self-contained, chemically treated porta-potty on location.
8. The operator and their contractors shall ensure that all use, production, storage, transport and disposal of hazardous and extremely hazardous materials associated with the drilling, completion and production of these wells will be in accordance with all applicable existing or hereafter promulgated federal, state and local government rules, regulations and guidelines. All project-related activities involving hazardous materials will be conducted in a manner to minimize potential environmental impacts. In accordance with OSHA requirements, a file will be maintained onsite containing current Material Safety Data Sheets (MSDS) for all chemicals, compounds and/or substances which are used in the course of construction, drilling, completion and production operations.
9. Produced fluids shall be put in test tanks on location during completion work. Produced water will be put in the reserve pit during completion work per Onshore Order #7.
10. The only fluids/waste materials which are authorized to go into the reserve pit are RCRA exempt exploration and production wastes. These include:
 - drilling muds & cuttings
 - rigwash
 - excess cement and certain completion & stimulation fluids defined by EPA as exempt

It does not include drilling rig waste, such as:

- spent hydraulic fluids
- used engine oil
- used oil filter
- empty cement, drilling mud, or other product sacks
- empty paint, pipe dope, chemical or other product containers
- excess chemicals or chemical rinsate

Any evidence of non-exempt wastes being put into the reserve pit may result in the BLM Authorized Officer requiring specific testing and closure requirements.

11. Reserve pits will be closed as soon as possible, but no later than 90 days from time of drilling/well completion, unless the BLM Authorized Officer gives an extension. Squeezing of pit fluids and cuttings is prohibited. Pits must be dry of fluids or they must be removed via vac-truck or other environmentally acceptable method prior to backfilling, re-contouring and replacement of topsoil. Mud and cuttings left in pit must be buried at least 3-feet below re-contoured grade. The

operator will be responsible for re-contouring any subsidence areas that develop from closing a pit before it is sufficiently dry.

12. Operators are advised that prior to installation of any oil and gas well production equipment which has the potential to emit air contaminants, the owner or operator of the equipment must notify the Wyoming Department of Environmental Quality, Air Quality Division (phone 307-777-7391) to determine permit requirements. Examples of pertinent well production equipment include fuel-fired equipment (e.g., diesel generators), separators, storage tanks, engines and dehydrators.
13. If this well is drilled during the fire season (June-October), the operator shall institute all necessary precautions to ensure that fire hazard is minimized, including but not limited to mowing vegetation on the access route(s) and well location(s), keeping fire fighting equipment readily available when drilling, etc.

D. Dry Hole/Reclamation

1. All disturbed lands associated with this project, including the pipelines, access roads, water management facilities, etc will be expediently reclaimed and reseeded in accordance with the surface use plan and any pertinent site-specific COAs.
2. Disturbed lands will be re-contoured back to conform with existing undisturbed topography. No depressions will be left that trap water or form ponds.
3. The fluids and mud must be dry in the reserve pit before re-contouring pit area. The operator will be responsible for re-contouring of any subsidence areas that develop from closing a pit before it is completely dry. The plastic pit liner (if any) will be cut off below grade and properly disposed of at a state authorized landfill before beginning to re-contour the site.
4. Before the location has been reshaped and prior to redistributing the topsoil, the operator will rip or scarify the drilling platform and access road on the contour, to a depth of at least 12 inches. The rippers are to be no farther than 24 inches apart.
5. Distribute the topsoil evenly over the entire location and other disturbed areas. Prepare the seedbed by disking to a depth of 4-to-6 inches following the contour.
6. Phased reclamation plans will be submitted to BLM for approval prior to individual POD facility abandonment via a Notice of Intent (NOI) Sundry Notice. Individual facilities, such as well locations, pipelines, discharge points, impoundments, etc. need to be addressed in these plans as they are no longer needed. Individual items that will need to be addressed in reclamation plans include:
 - Pit closure (Close ASAP after suitably dry, but no later than 90 days from time of drilling unless an extension is given by BLM Authorized Officer.)

BLM may require closure prior to 90 days in some cases due to land use or environmental concerns.

- Configuration of reshaped topography, drainage systems, and other surface manipulations
 - Waste disposal
 - Revegetation methods, including specific seed mix (pounds pure live seed/acre) and soil treatments (seedbed preparation, fertilization, mulching, etc.). On private surface, the landowner should be consulted for the specific seed mix.
 - Other practices that will be used to reclaim and stabilize all disturbed areas, such as water bars, erosion fabric, hydro-mulching, etc.
 - An estimate of the timetables for beginning and completing various reclamation operations relative to weather and local land uses.
 - Methods and measures that will be used to control noxious weeds, addressing both ingress and egress to the individual well or POD.
 - Decommissioning/removal of all surface facilities
 - Closure and reclamation of areas utilized or impacted by produced CBM water, including discharge points, reservoirs, off-channel pits, land application areas, livestock/wildlife watering facilities, surface discharge stream channels, etc
7. BLM will not release the performance bond until all disturbed areas associated with the APD/POD have been successfully revegetated (evaluation will be made after the second complete growing season) and has met all other reclamation goals of the surface owner and surface management agency.
 8. A Notice of Intent to Abandon and a Subsequent Report of Abandonment must be submitted for abandonment approval.
 9. For performance bond release approval, a Final Abandonment Notice (with a surface owner release letter on split-estate) must be submitted prior to a final abandonment evaluation by BLM.
 10. Soil fertility testing and the addition of soil amendments may be required to stabilize some disturbed lands.
 11. Any mulch utilized for reclamation needs to be certified weed free.
 12. Waterbars are to be constructed at least one (1) foot deep, on the contour with approximately two (2) feet of drop per 100 feet of waterbar to ensure drainage, and extended into established vegetation. All waterbars are to be constructed with the berm on the downhill side to prevent the soft material from silting in the trench. The initial waterbar should be constructed at the top of the backslope. Subsequent waterbars should follow the following general spacing guidelines:

Slope (percent)	Spacing Interval (feet)
≤ 2	200
2 – 4	100
4 – 5	75
≥ 5	50

E. Producing Well

1. Landscape those areas not required for production to the surrounding topography as soon as possible. The fluids and mud must be dry in the reserve pit before re-contouring pit area. The operator will be responsible for re-contouring and reseeded of any subsidence areas that develop from closing a pit before it is completely dry.
2. Reduce the backslope to 2:1 and the foreslope to 3:1, unless otherwise directed by the BLM Authorized Officer. Reduce slopes by pulling fill material up from foreslope into the toe of cut slopes.
3. Production facilities (including dikes) must be placed on the cut portion of the location and a minimum of 15 feet from the toe of the back cut unless otherwise approved by the BLM Authorized Officer.
4. Any spilled or leaked oil, produced water or treatment chemicals must be reported in accordance with NTL-3A and immediately cleaned up in accordance with BLM requirements. This includes clean-up and proper disposition of soils contaminated as a result of such spills/leaks.
5. Distribute stockpiled topsoil evenly over those areas not required for production and reseed as recommended.
6. Upgrade and maintain access roads and drainage control (e.g., culverts, drainage dips, ditching, crowning, surfacing, etc.) as necessary and as directed by the BLM Authorized Officer to prevent soil erosion and accommodate safe, environmentally-sound access.
7. Prior to construction of production facilities not specifically addressed in the APD/POD, the operator shall submit a Sundry Notice to the BLM Authorized Officer for approval.
8. If not already required prior to constructing and drilling the well location, the operator shall immediately upgrade the entire access road to BLM standards (including topsoiling, crowning, ditching, drainage culverts, surfacing, etc.) to ensure safe, environmentally-sound, year-round access. This requirement does not supercede or apply where specific road requirements are addressed in the APD/POD surface use plan (e.g., two track road, spot upgrade, etc.)
9. Waterbars shall be installed on all reclaimed pipeline corridors per the guidelines in III D # 12.

Conditions of Approval for Coal Bed Methane Drilling and Production Operations

Buffalo Field Office

July 21, 2004

Well Control Equipment

The well control equipment approved in this project lists the minimum requirements.

Operators must run the blooie line a minimum of 30 feet from the well bore and securely anchor the line. The blooie line must be constructed from non-flammable material. The 30 foot length of line is a minimum and operators must make consideration for increasing this length for topography and/or wind direction. **All** cuttings and circulating medium will be directed and contained in a reserve or blooie pit.

The authorized officer may modify these requirements at any time if it is determined that increased pressure control is deemed necessary.

Casing Design

The minimum requirement for **casing centralizers** is as follows: all casing strings will have centralizers on the bottom three joints of the casing, i.e., a minimum of one centralizer per joint starting with the shoe joint. In addition, an operator will centralize the production casing string, usually 7", with API approved centralizers using the following specifications:

1. 9.75" hole - one centralizer per 100'
8.75" hole - one centralizer per 60'
2. One centralizer 25' above surface casing shoe

Surface casing length will follow current requirements set forth by the WOGCC. Increased surface casing may be required so that the surface casing shoe may be set into a competent formation.

Cementing of Casing

If there are indications of inadequate primary cementing of the surface, intermediate, or production casing strings, such as lost returns, cement channeling, or mechanical failure of equipment, the operator will evaluate the adequacy of the cementing operations. This evaluation will consist of pressure testing the casing shoe, running a cement bond log, cement evaluation tool log or a combination thereof. If the evaluation indicates inadequate cementing, the operator will be required to contact this office for approval of remedial cementing work. The operator will verify the adequacy of the remedial cementing operations as described above. We will require all remedial work to be completed before drilling out the casing shoe, or placing the well on production.

The cement will meet API standards and the mix water used must be the same water used to develop the cement program and be of adequate quality so as not to degrade the setting properties. Operators should avoid waters containing high carbonates or bicarbonates (greater than 2,000 ppm).

Production Equipment

All gas measurement equipment that deviates from Onshore Order #5 must be approved before installation and use. This includes any type of electronic flow computers or any primary device other than a standard orifice plate meter. Requests for a variance from Onshore Order #5 must list the specific type of equipment and how this equipment will meet or exceed the requirements of the order. Please include the requested location, specific wells, lease numbers, and locations.

Operators must install and operate all gas compression production equipment in a manner as not to allow the surface casing/tubing pressure to fall below atmospheric pressure. If it is the intent to operate your wells at less than atmospheric pressure you must obtain prior approval. An appropriate pressure gauge is required to be installed on each casing annulus to monitor this pressure.

Well and POD Building Identification

From the time a well pad is constructed or a well is spudded (if no well pad needed), until abandonment, all well locations must be properly identified with a legible sign. The sign will include the well name and number, operator name, lease number, and the surveyed location. At each POD building site where federal wells are being metered, the operator is required to maintain a legible sign displayed in a conspicuous place. This sign is required to be in place at the time metering goes online. The sign must include: *POD name, Operator, Federal well names and numbers, Federal lease numbers being metered at the POD building, and surveyed location of the building.*

Protection of Fresh Water Resources

You will conduct all oil and gas operations in a manner so as to prevent the pollution of all freshwater resources. All fresh waters and waters of present or probable future value for domestic, municipal, commercial, stock, or agricultural purposes will be confined to their respective strata and will be adequately protected. Special precautions will be taken to guard against any loss of artesian water from the strata in which it occurs, and the contamination of fresh water by objectionable water, oil, condensate, gas, or other deleterious substance to such fresh water.

Locations with Multiple Wells

When drilling locations with multiple wells, the minimum distance between the wells shall be 50 linear feet. Additionally, the order in which the wells are drilled will be in accordance to their depth (from the deepest to the shallowest).