



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

California State Office
2800 Cottage Way, Suite W-1834
Sacramento, California 95825
www.ca.blm.gov



April 28, 2006

NOTICE OF COMPETITIVE OIL AND GAS LEASE SALE

SALE LOCATION

**FEDERAL BUILDING
2800 Cottage Way
Sacramento, California 95825**

NOTICE OF COMPETITIVE LEASE SALE OIL AND GAS

In accordance with 43 CFR Part 3120, the California State Office is offering for competitive oil and gas lease sale, 32 parcels containing 19,779.87 acres of Federal lands in the State of California. This notice provides:

- the time and place of the sale;
- how to participate in the bidding process;
- the sale process;
- the conditions of the sale;
- how to file a noncompetitive offer after the sale;
- how to file a presale noncompetitive offer; and
- how to file a protest to our offering the lands in this Notice.

Attached to this notice is a list of the lands being offered by parcel number and legal land description. They are listed in Township and Range order and will be offered in that sequence. Below each parcel, we have listed the notices and stipulations that apply to the parcel. These notices and stipulations will be made part of the lease at the time we issue it. We have also identified the parcel which has a pending presale noncompetitive offer to lease and will not be available for noncompetitive offers to lease if it receives no bid at this sale. For your convenience, we are including copies of the bid form and the lease form.

When and where will the sale take place?

When: The competitive oral sale will begin at 9:00 a.m. on June 14, 2006. The sale room will open at 8:00 am to allow you to register and obtain your bid number.

Where: The sale will be held at the Federal Building, 2800 Cottage Way, Sacramento, CA 95825. Parking is available.

Access: The sale room is accessible to persons with disabilities. If assistance is needed for the hearing or visually impaired, contact **Laurie Moore at (916) 978-4377, by email at lmoore@ca.blm.gov, or at the mailing address in the letterhead of this sale notice by May 24, 2006.**

How do I participate in the bidding process?

To participate in the bidding process, you must register to obtain a bid number. We will begin registering bidders at 8:00 a.m. on the day of the sale. Bidders must register in order to bid on a parcel.

What is the sale process?

Starting at 9:00 a.m. on the day of the sale:

- the auctioneer will offer the parcels in the order they are shown in the attached notice;
- all bids are on a per-acre basis, rounded up to whole acres, for the entire acreage in the parcel;
- the winning bid is the highest oral bid equal to or exceeding the minimum acceptable bid; and
- the decision of the auctioneer is final.

The minimum acceptable bid is \$2 per acre. If a parcel contains fractional acreage, round it up to the next whole acre. For example, a parcel of 100.501 acres requires a minimum bid of \$202 (\$2 x 101 acres). After all the parcels have been offered, you may ask the auctioneer to reoffer any unsold parcel.

What conditions apply to the lease sale?

- **Parcel withdrawal or sale cancellation:** We reserve the right to withdraw any or all parcels before the sale begins. If we withdraw a parcel, we will post a notice in the State Office Information Access Center (Public Room). If we cancel the sale, we will try to notify all interested parties early enough to stop them from traveling to the sale site.

- **Payment due:** You cannot withdraw a bid. Your bid is a legally binding commitment to sign the bid form; accept the lease; and pay all monies due. For each parcel you win, the **money due the day of the sale** is the total of the bonus bid deposit (at least \$2 per acre), the first year's rent (\$1.50 per acre), and the administrative fee (\$130). **Any unpaid balance of the bonus bid must be submitted to the California State Office by 4:30 p.m., June 28, 2006,** which is the tenth working day following the sale. If you do not pay the balance due by this date, you forfeit the right to the lease and all money paid the day of the sale. If you forfeit a parcel, we may offer it at a later sale.
- **Form of payment:** You can pay by personal check, certified check, money order, or credit card (Visa, MasterCard, American Express, and Discover cards only). If you plan to make your payment using a credit card, you should contact your bank prior to the sale and let them know you will be making a substantial charge against your account. Please note, we will not accept credit or debit card payments for an amount equal to or greater than \$100,000. We also will not be accept aggregated smaller amounts to bypass this requirement. If you pay by check, please make checks payable to: **Department of the Interior—BLM.** We cannot accept cash. If a check you have sent to us in the past has been returned for insufficient funds, we may require that you give us a guaranteed payment, such as a certified check. If you pay by credit card and the transaction is refused, we will try to notify you early enough so that you can make other payment arrangements. **However, we cannot grant you any extension of time to pay the money that is due the day of the sale.**
- **Bid form:** For each parcel, the successful bidder is required to submit a properly signed Form 3000-2 (dated Oct 1989 or later) with the required payment on the day of the sale. This form constitutes a legally binding offer to accept a lease and can be signed **ONLY** by the prospective lessee or an authorized representative. You may complete the bid form with the exception of the money part before the sale. You may fill out the money part at the sale. Your completed bid form certifies (1) that you and the prospective lessee are qualified to hold an oil and gas lease under our regulations at 43 CFR 3102.5-2; and (2) that both of you have complied with 18 U.S.C. 1860, a law that prohibits unlawful combinations, intimidation of and collusion among bidders. ***We will not accept any bid form that has information crossed out or is otherwise altered.***
- **Federal oil and gas lease acreage limitations:** Qualified individuals, associations, or corporations may only participate in a competitive lease sale and purchase Federal oil and gas leases from this office if such purchase will not result in exceeding the State limit of 246,080 acres of public domain lands and 246,080 acres of acquired lands (30 U.S.C. 184(d)). For the purpose of chargeable acreage limitations, you are charged with your proportionate interest greater than 10 percent. Lease acreage committed to a unit agreement or development contract that you hold, own or control is excluded from chargeability for acreage limitation purposes.

The acreage limitations and certification requirements apply for competitive oil and gas lease sales, noncompetitive lease offers, transfer of interest by assignment of record title or operating rights, and options to acquire interest in leases regardless of whether an individual, association, or corporation has received, under 43 CFR 3101.2-4, additional time to divest excess acreage acquired through merger or acquisition.

- **Lease terms:** A lease issued as a result of this sale has a primary term of 10 years. It will continue beyond its primary term as long as oil or gas in paying quantities is produced on or for the benefit of the lease. Rental at \$1.50 per acre or fraction of an acre for the first 5 years (\$2 per acre after that) is due on or before the lease anniversary date each year until production begins. Once a lease becomes producing, you must pay a royalty of 12.5 percent of the value or the amount of production removed or sold from the lease. You will find other lease terms on our standard lease form (Form 3100-11, June 1988 or later edition). A copy of the lease form is included in this notice.
- **Stipulations:** Some parcels have requirements and/or restrictions. Stipulations are included in the parcel descriptions. These stipulations become part of the lease and supercede any inconsistent provisions of the lease form.
- **Lease issuance:** After we receive the bid form, all monies due, and, if appropriate, your unit joinder information, the lease can be issued. The lease effective date is the first day of the month following the month in which we sign it. If you want your lease to be effective the first day of the month in which we sign it, you must ask us in writing to do this. We have to receive your request before we sign the lease.
- **Cellular Phone Usage:** You are restricted from using cellular phones in the sale room during the oral auction. You must confine your cellular phone usage to the hallway outside the sale room when the auction is taking place.

What parcels are available for noncompetitive offer to lease?

Unless stated in this Notice, parcels that do not receive a bid at the competitive sale are available for noncompetitive offers to lease beginning the first business day following the day of the sale. If not withdrawn, these parcels are available for a period of two years, following the date of the sale, for noncompetitive offers to lease.

How do I file a noncompetitive day-after-sale offer after the sale?

If you want to file a noncompetitive offer to lease on an unsold parcel, you must submit:

- Three copies of Form 3100-11, *Offer to Lease and Lease for Oil and Gas* properly completed and signed. **(Note: We will accept reproductions of the official form, including computer generated forms, that are legible and have no**

additions, omissions, other changes, or advertising. If you copy this form, you must copy both sides on one page. If you copy the form on 2 pages or use an obsolete lease form, we will reject your offer.) You must describe the lands in your offer as specified in our regulations at 43 CFR 3110.5; and

- Your payment for the total of the \$335 filing fee and the advanced first year's advance rental computed at \$1.50 per acre. Remember to round up any fractional acreage when you calculate the amount of rental.

All offers filed the first business day after the sale are considered filed simultaneously. When a parcel receives more than one filing by 4:30 p.m. on the day after the sale, a drawing is held to determine the winner. A presale offer has priority over any offer filed after the sale. Thereafter, any parcels remaining are available for a period of two-years. Offers receive priority as of the date and time of filing in the California State Office.

How do I file a noncompetitive presale offer?

Under our regulations at 43 CFR 3110.1(a), you may file a noncompetitive presale offer for lands that:

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

Your noncompetitive presale offer to lease must be filed prior to the official posting of this sale Notice. If your presale offer was timely filed, was complete and we do not receive a bid for the parcel that contains the lands in your offer, it has priority over any other noncompetitive offer to lease for that parcel filed after the sale. Your presale offer to lease is your consent to the terms and conditions of the lease, including any additional stipulations. If you want to file a presale offer, follow the guidance listed above for filing a noncompetitive offer after the sale and the regulations at 43 CFR 3110.1(a).

NOTE: The posting of this notice serves to withdraw the lands listed herein from filings under 43 CFR 3110.1(a)(1)(ii).

When is the next competitive oil and gas lease sale scheduled?

We have tentatively scheduled our next competitive sale for **SEPTEMBER 13, 2006**. Expressions of Interests (EOI) cutoff for the September Sale is June 1, 2006. No guarantee can be made as to when a given parcel will be offered for competitive sale. We will try to put EOIs on the earliest possible sale.

How can I find out the results of this sale?

We will post the sale results in our Public Room. You can buy (\$5) a printed copy of the results list by contacting our Public Room at (916) 978-4400. Both this sale Notice and the results list will be available at our public internet site:
<http://www.ca.blm.gov/caso/compsales.html>

May I protest BLM's decision to offer the lands in this Notice for lease?

Yes, under regulation 43 CFR 3120.1-3, you may protest the inclusion of a parcel listed in this sale notice. All protests must meet the following requirements:

- We must receive a protest no later than close of business on the 15th calendar day prior to the date of the sale. If our office is not open on the 15th day prior to the date of the sale, a protest received on the next day our office is open to the public will be considered timely filed. The protest must also include any statement of reasons to support the protest. We will dismiss a late-filed protest or a protest filed without a statement of reasons.
- A protest must state the interest of the protesting party in the matter.
- You may file a protest either by mail in hardcopy form or by telefax. You may not file a protest by electronic mail. A protest filed by fax must be sent to **916 978-4389**. A protest sent to a fax number other than the fax number identified or a protest filed by electronic mail will be dismissed.
- If the party signing the protest is doing so on behalf of an association, partnership or corporation, the signing party must reveal the relationship between them. For example, unless an environmental group authorizes an individual member of its group to act for it, the individual cannot make a protest in the group's name.

If BLM receives a timely protest of a parcel advertised on this Sale Notice, how does it affect bidding on the parcel?

We will announce receipt of any protests at the beginning of the sale. We will also announce a decision to either withdraw the parcel or proceed with offering it at the sale.

If I am the high bidder at the sale for a protested parcel, when will BLM issue my lease?

We will make every effort to decide the protest within 60 days after the sale. We will issue no lease for a protested parcel until the State Director makes a decision on the protest. If the State Director denies the protest, we will issue your lease concurrently with that decision.

If I am the successful bidder of a protested parcel, may I withdraw my bid and receive a refund of my first year's rental and bonus bid?

No. In accordance with BLM regulations (43 CFR 3120.5-3) you may not withdraw your bid.

If BLM upholds the protest, how does that affect my competitive bid?

If we uphold a protest and withdraw the parcel from leasing, we will refund your first year's rental, bonus bid and administrative fee. If the decision upholding the protest results in additional stipulations, we will offer you an opportunity to accept or reject the lease with the additional stipulations prior to lease issuance. If you do not accept the additional stipulations, we will reject your bid and we will refund your first year's rental, bonus bid and administrative fee.

If BLM's decision to uphold the protest results in additional stipulations, may I appeal that decision?

Yes, you may. Note, an appeal from the State Director's decision must meet the requirements of Title 43 CFR §4.411 and Part 1840.

May I appeal BLM's decision to deny my protest?

Yes, you may. Note, an appeal from the State Director's decision must meet the requirements of Title 43 CFR §4.411 and Part 1840.

May I withdraw my bid if the protestor files an appeal?

No. If the protestor appeals our decision to deny the protest, you may not withdraw your bid. We will issue your lease concurrently with the decision to deny the protest. If resolution of the appeal results in lease cancellation, we will authorize refund of the bonus bid, rentals and administrative fee if—

- there is no evidence that the lessee(s) derived any benefit from possession of the lease during the time they held it, and;
- There is no indication of bad faith or other reasons not to refund the rental, bonus bid and administrative fee.

You may review the decision to offer the lands for lease and the supporting National Environmental Policy Act documents in our Public Room. Our Public Room hours are from 8:30 a.m. to 4:30 p.m, Monday through Friday, except National Holidays.

Who should I contact if I have a question?

For more information, contact **Laurie Moore at (916) 978-4377**

/s/ Brenda Kidder (Acting)
Chief, Branch of Adjudication
Division of Energy and Mineral Resources

THE FOLLOWING ACQUIRED LANDS ARE SUBJECT TO FILINGS IN THE MANNER SPECIFIED IN THE APPLICABLE PORTIONS OF THE REGULATIONS IN 43 CFR, SUBPART 3120.

PARCEL CA 6-06-1

T. 25 S., R 19 E., MD Mer.,
Sec. 1, lots 1 and 2 of NE.

Kern County 159.200 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-2

T. 25 S., R 19 E., MD Mer.,
Sec. 5, E2 lot 1 of NE, lot 2 of NE, SE;
Sec. 7, S2 lot 2 of SW;
Sec. 9, SE.

Kern County 478.670 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-3

T. 25 S., R 19 E., MD Mer.,
Sec. 15, NE;
Sec. 23, N2.

Kern County 480.000 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-4

T. 25 S., R 19 E., MD Mer.,
Sec. 19, W2, SE;
Sec. 29, W2NW, SENW;
Sec. 31, SW, SESE.

Kern County 797.890 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulations 1, 2 and 3

PARCEL CA 6-06-5

T. 25 S., R 20 E., MD Mer.,
Sec. 19, All;
Sec. 33, All.

Kern County 1,288.800 Acres
Split Estate Lands except:
Sec. 33, W2W2, SESW, NESE, S2SE.
Bakersfield FO
Subject to Special Stipulation 1, 2
Subject to Information Notice 1

PARCEL CA 6-06-6

T. 28 S., R 20 E., MD Mer.,
Sec. 33, Lots 2, 3, 4, 6-10, 14, 15, 16;
Sec. 34, Lots 3-6.

Kern County 585.120 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-7

T. 25 S., R 21 E., MD Mer.,
Sec. 6, lots 6-12.

Kern County 177.720 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-8

T. 30 S., R 21 E., MD Mer.,
Sec. 18, lots 1-5, 9, 12;
Sec. 19, lots 1, 2, 3, 6, 7, 8, 12-20,
S2 lot 99, S2SE;
Sec. 20, lot 7, S2S2.

Kern County 1,033.430 Acres
Split Estate Lands except:
Sec. 18, lots 5 and 9;
Sec. 19, lots 17 and 18.
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-9

T. 29 S., R 22 E.,
Sec. 8: NE;

Kern County 160.000 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-10

T. 30 S., R 22 E., MD Mer.,
Sec. 34: LOTS 5, 6;

Kern County 16.580 Acres
Public Lands
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-11

T. 25 S., R 24 E., MD Mer.,
Sec. 8, N2.

Kern County 320.000 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulation 1, 2
Subject to Information Notice 1

PARCEL CA 6-06-12

T. 25 S., R 24 E., MD Mer.,
Sec. 12, N2N2.

Kern County 160.000 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-13

T. 26 S., R 27 E., MD Mer.,
Sec. 2, N2;
Sec. 4, N2, SW;
Sec. 10, E2NE, SENW, SW, SWSE;
Sec. 12, E2.

Kern County 1,439.600 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulations 1, 2 and 8
Subject to Information Notice 1

PARCEL CA 6-06-14

T. 26 S., R 27 E., MD Mer.,
Sec. 14, W2, SE.

Kern County 480.000 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-15

T. 26 S., R 27 E., MD Mer.,
Sec. 18, NE;
Sec. 20, E2;
Sec. 28, SW;
Sec. 30, SW;
Sec. 32, N2, SW.

Kern County 1,260.940 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulation 1, 2
Subject to Information Notice 1

PARCEL CA 6-06-16

T. 26S., R 27E., MD Mer.,
Sec. 24: NW;

Kern County 160.000 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-17

T. 26S., R 28E., MD Mer.,
Sec. 18: Lot N2 LOT NW;

Kern County 29.660 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-18

T. 28 S., R 28 E., MD Mer.,
Sec. 4, lot 1 of NE, S2SW, N2SE;
Sec. 8, All;
Sec. 10, W2, SE.

Kern County 1,360.000 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulations 1, 2 and 8
Subject to Information Notice 1

PARCEL CA 6-06-19

T. 28 S., R 28 E., MD Mer.,
Sec. 6, lot 2 of SW, SWSE.

Kern County 95.330 Acres
Public Lands
Bakersfield FO
Subject to Special Stipulations 1, 2 and 8

PARCEL CA 6-06-20

T. 4 N., R 17 W., SB Mer.,
Sec. 19, Lot 2.

Ventura County 42.060 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulations 1, 2 and 4

PARCEL CA 6-06-21

T. 11 N., R 23 W., SB Mer.,
Sec. 8, SWNE.

Kern County 40.000 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulations 1, 2, 5
and 6

PARCEL CA 6-06-22

T. 10 N., R 24 W., SB Mer.,
Sec. 10, SENE, E2NW, SWNW, NESW;
Sec. 11, E2SE;
Sec. 12, SESW, SESE.

Kern County 360.00 Acres
Public Lands
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-23

T. 10 N., R 24 W., SB Mer.,
Sec. 19, S2 lot 2;
Sec. 30, lot 2 of NW, S2;
Sec. 31, All.

San Luis Obispo County 1,087.430 Acres
Public Lands except:
Sec. 19, S2 lot 2;
Sec. 30, lot 2 of NW, NESE;
Sec. 31, E2NE.
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-24

T. 10 N., R 24 W., SB Mer.,
Sec. 28, W2NE, SENE, SWNW, S2;
Sec. 29, W2NE, SENE, E2NW, NESW,
SE;
Sec. 32, E2NE, W2NW, SENW, S2;
Sec. 33, E2NE, W2.

Kern County 1,800.000 Acres
Split Estate Lands except:
Sec. 32, W2SW, SESW;
Sec. 33, NWSW.
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-25

T. 11 N., R 24 W., SB Mer.,
Sec. 29, W2NW, SENW, SWSW.

Kern County 160.000 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-26

T. 9 N., R 25 W., SB Mer.,
Sec. 4, SESE;
Sec. 5, W2SW;
Sec. 6, SE;
Sec. 7, All;
Sec. 8, NE, W2NW, SENW, N2SW,
SWSW.
Sec. 9, W2W2, N2SE, SWSE.

Santa Barbara County 1,604.600 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-27

T. 9 N., R 25 W., SB Mer.,
Sec. 10, SWNE, S2NW, N2SW, W2SE;
Sec. 13, N2NE, SWSW ;
Sec. 14, N2NW, SENW, W2SW, S2SE;
Sec. 15, N2NE, E2NW, SWNW, E2SW,
SESE;
Sec. 16, E2NE, SE;
Sec. 22, N2NE, SWNE, E2W2, SESE;
Sec. 23, All;
Sec. 24, W2.

Santa Barbara County 2,480.000 Acres
Split Estate Lands except:
Sec. 22, SESE ;
Sec. 23, NE, S2NW, S2;
Sec. 24, NWNW, W2SW, SESW.
Bakersfield FO
Subject to Special Stipulation 1, 2, and 7

PARCEL CA 6-06-28

T. 9 N., R 25 W., SB Mer.,
Sec. 25, NE.

Santa Barbara County 160.000 acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulation 1, 2

PARCEL CA 6-06-29

T. 10 N., R 25 W., SB Mer.,
Sec. 24, S2SE;
Sec. 25, N2NE, SENE, SESE.

San Luis Obispo County 240.000 Acres
Split Estate Lands except:
Sec. 25, SESE.
Bakersfield FO
Subject to Special Stipulation 2

PARCEL CA 6-06-30

T. 10 N., R 25 W., SB Mer.,
Sec. 27, S2SW;
Sec. 28, W2NE, NW, NESW, N2SE,
SESE;
Sec. 29, E2NE, NWSE;
Sec. 34, NE, N2NW.

San Luis Obispo County and
Santa Barbara County 840.000 Acres
Split Estate Lands
Bakersfield FO
Subject to Special Stipulation 1, 2 and 7

PARCEL CA 6-06-31

T. 11 N., R 25 W., SB Mer.,
Sec. 1: LOTS 1-4, S2N2;

San Luis Obispo County 322.840 Acres
Public Lands
Bakersfield FO
Subject to Special Stipulation 1, 2

AQUIRED LANDS

PARCEL CA 6-06-32

50% Mineral Interest FFMC S-14
T. 9 S., R. 13 E., MD Mer.,
Sec. 13: S2SW;
Sec. 14: S2SE.

Merced County 160.00 Acres
Split Estate Lands
Folsom FO

The following notice will be attached to all issued leases:

**NOTICE TO LESSEE
MLA Section 2(a)(2)(A)**

Provisions of the Mineral Leasing Act (MLA) of 1920, as amended by the Federal Coal Leasing Amendments of 1976, affect an entity's qualifications to obtain an oil and gas lease. Section 2(a)(2)(A) of the MLA, 30 U.S.C. 201(a)(2)(A), requires that any entity that holds and has held a Federal coal lease for 10 years beginning on or after August 4, 1976, and who is not producing coal in commercial quantities from each such lease, cannot qualify for the issuance of any other lease granted under the MLA. Compliance by coal lessees with Section 2(a)(2)(A) is explained in 43 CFR 3472.

In accordance with the terms of this oil and gas lease with respect to compliance by the initial lessee with qualifications concerning Federal coal lease holdings, all assignees and transferees are hereby notified that this oil and gas lease is subject to cancellation if: (1) the initial lessee as assignor or as transferor has falsely certified compliance with Section 2(a)(2)(A), or (2) because of a denial or approval by a State Office on a pending coal action, i.e., arms-length assignment, relinquishment, or logical mining unit, the initial lessee as assignor or as transferor is no longer in compliance with Section 2(a)(2)(A). The assignee or transferee does not qualify as a bona fide purchaser and, thus, has no rights to bona fide purchaser protection in the event of cancellation of this lease due to noncompliance with Section 2(a)(2)(A).

Information regarding assignor or transferor compliance with Section 2(a)(2)(A) is contained in the lease case file as well as in other Bureau of Land Management records available through the State Office issuing this lease.

Information Notice

1. Possible Transfer of Leases to State Lands Commission Notice :

In accordance with the Desert Protection Act of 1994 (the Act), The Bureau of Land Management (BLM) is working with the California State Lands Commission (SLC) to satisfy Section 707 of the Act.

Section 707 states in part:

“Upon request of the California State Lands Commission, the Secretary shall enter into negotiations for an agreement to exchange Federal Lands or interests therein...for California State School Lands or interests therein which are located within the boundaries of one or more of the wilderness areas or park system units. The Secretary shall negotiate in good faith to reach a land exchange agreement consistent with the requirements of section 206 of the Federal Land Policy and Management Act of 1976. The Secretary of Interior is to determine what lands are suitable for disposal for exchange.”

Potential successful lessees are hereby notified and made aware of a possible transfer of the lease and lands therein to the SLC.

Special Stipulations

Stipulation No. 1 - Limited Surface Use - Protected Species: All or a portion of this lease is within the range of one or more plant or animal species (shown at the end of this stipulation) that are either listed as threatened or endangered, or are proposed for such listing by the U.S. Fish and Wildlife Service (USFWS).

The lessee is notified that time frames for processing applications may be delayed beyond established standards to allow for species surveys, and consultation or conferencing with the USFWS. Notice is also given that surface-disturbing activities may be moved or modified, and that some activities may be prohibited during seasonal time periods. Surface disturbing activities will be prohibited on the lease only where:

- a. The proposed action is likely to jeopardize the continued existence of listed or proposed species, or
- b. The proposed action is inconsistent with the recovery needs of a listed species as identified in an approved USFWS Recovery Plan.

Prior to the authorization of any surface disturbing activities, a preliminary environmental review will be conducted to identify the potential presence of habitat for these species. Authorizations may be delayed until completion of the necessary surveys during the appropriate time period for these species. The lessee should be aware that the timing of the surveys is critical, in that some species can only be surveyed during a brief period each year.

The BLM may need to initiate consultation or conference with the USFWS if the site inspection concludes that a listed or proposed species may be affected by the proposed activity. The lessee should be aware that the USFWS has up to 135 days to render their biological opinion, and that there are provisions for an additional 60-day extension. Offsite habitat protection or enhancement for wildlife or vegetation (compensation) may be required by the USFWS when habitat is disturbed. The consultation may also result in some restrictions to the lessee's plan of development, including movement or modification of activities, and seasonal restrictions. Surface disturbing activities will be prohibited on the lease if the consultation or conference concludes that either of the conditions identified in a or b above exists.

**Federally Listed or Proposed Species
for the
June 2006 Lease Sale**

Species may be added or deleted from the list as new information becomes available.

Federally Listed Plants

<u>Common Name</u>	<u>Scientific Name</u>	<u>Status</u>
California Jewelflower	<i>Caulanthus californicus</i>	endangered
San Joaquin woolly-threads	<i>Lembertia congdonii</i>	endangered
Kern Mallow	<i>Eremalche kernensis</i>	endangered
Bakersfield Cactus	<i>Opuntia treleasei</i>	endangered
Tulare pseudobahia	<i>Psuedobahia peirsonii</i>	threatened

Federally Listed Animals

Bald Eagle	<i>Haliaeetus leucocephalus</i>	threatened
Blunt nosed leopard lizard	<i>Gambelia silus</i>	endangered
Buena Vista Lake shrew	<i>Sorex ornatus relictus</i>	endangered
California condor	<i>Gymnogypus californianus</i>	endangered
Giant kangaroo rat	<i>Dipodomys ingens</i>	endangered
Kern primrose sphinx moth	<i>Euproserpinus euterpe</i>	threatened
Least Bell's vireo	<i>Vireo bellii pusillus</i>	endangered
San Joaquin kit fox	<i>Vulpes macrotis mutica</i>	endangered
Tipton kangaroo rat	<i>Dipodomys nitratoides nitratoides</i>	endangered
Unarmored threespine stickleback	<i>Gasterosteus aculeatus williamsoni</i>	endangered

Stipulation No. 2 - Limited Surface Use - Sensitive Species:

All or a portion of this lease is within the range of one or more plant or animal species (see attached list) that are either Federal candidates for listing as threatened or endangered (Federal Candidate), are listed by the State of California as threatened or endangered (State Listed), or are designated by the Bureau of Land Management (BLM) as Sensitive (Bureau Sensitive).

The lessee is notified that time frames for processing applications may be delayed beyond established standards to allow for species surveys and coordination with the USFWS and California Department of Fish and Game. Notice is also given that surface disturbing activities may be relocated beyond the standard 200 meters but not more than 1/4 mile and that surface disturbing activities may be prohibited during seasonal time periods.

Prior to the authorization of any surface disturbing activities, a preliminary environmental review will be conducted to identify the potential presence of habitat for these species. Authorizations may be delayed until completion of the necessary surveys during the appropriate time period for these species. The lessee should be aware that the timing of the surveys is critical, in that some species can only be surveyed during a brief period each year. The BLM may need to coordinate with the USFWS or the California Department of Fish and Game if the site inspection concludes that a Federal Candidate, State Listed or Bureau Sensitive species may be affected by the proposed activity. Coordination may delay application processing beyond established time frames.

To prevent or reduce disturbance to Federal Candidate, State Listed, or Bureau Sensitive species, surface operations may be moved up to 1/4 mile and surface disturbing activities may be prohibited during seasonal time periods.

**Federal Candidate, State Listed and BLM Sensitive Species
in the
Bakersfield Field Office**

Species may be added or deleted from the list as new information becomes available.

Federal Candidate Animal Species

Mountain Yellow-legged frog (Sierran DPS)	<i>Rana muscosa</i>
Western yellow-billed cuckoo	<i>Coccyzus americanus occidentalis</i>
Fisher (west coast DPS)	<i>Martes pennanti</i>

State Listed Only Animal Species

(Species that are both federally listed and state listed are not repeated on this list)

Techachapi slender salamander	<i>Batrachoseps stebbinsi</i>
Kern Canyon slender salamander	<i>Batrachoseps simatus</i>
Southern rubber boa	<i>Charina bottae umbratica</i>
Swainson's hawk	<i>Buteo swainsoni</i>
American peregrine falcon	<i>Falco peregrinus anatum</i>
Greater sandhill crane	<i>Grus Canadensis tabida</i>
Western yellow-billed cuckoo	<i>Coccyzus americanus occidentalis</i>
Willow flycatcher	<i>Empidonax traillii</i>
Belding's savannah sparrow	<i>Passerculus sandwichensis beldingi</i>
San Joaquin antelope squirrel	<i>Ammospermophilus nelsoni</i>

California BLM Sensitive Animal Species – Bakersfield Field Office

Mammals

Pacific fisher	<i>Martes pennanti pacifica</i>
Short-nosed kangaroo rat	<i>Dipodomys nitratooides brevinasus</i>
Tulare grasshopper mouse	<i>Onychomys torridus tularensis</i>
San Joaquin pocket mouse	<i>Perognathus inornatus inornatus</i>
Yellow-eared pocket mouse	<i>Perognathus xanthonotus</i>
Spotted bat	<i>Euderma maculatum</i>
Western mastiff-bat	<i>Eumops perotis californicus</i>
Townsend's western big-eared bat	<i>Plecotus townsendii</i>
Pallid bat	<i>Antrozous pallidus</i>
Fringed Myotis	<i>Myotis thysanodes</i>
Small-footed Myotis	<i>Myotis ciliolabrum</i>
Long-eared Myotis	<i>Myotis evotis</i>
Yuma Myotis	<i>Myotis yumanensis</i>

Birds

Northern goshawk

Accipiter gentilis

Mountain plover

Charadrius montanus

Burrowing owl

Athene cunicularia

California spotted owl

Strix occidentalis occidentalis

Tricolored blackbird

Agelaius tricolor

Le Conte's thrasher (San Joaquin Population)

*Toxostoma lecontei lecontei***Reptiles**

California horned lizard

Phrynosoma coronatum frontale

Northern sagebrush lizard

Sceloporus graciosus graciosus

Two-striped garter snake

Thamnophis hammondi

Southwestern pond turtle

*Clemmys marmorata pallida***Amphibians**

Tehachapi slender salamander

Batrachoseps stebbinsi

Yellow-blotched salamander

Ensatina eschscholtzi croceator

Foothill yellow-legged frog

Rana boylei

Western spadefoot toad

*Scaphiopus hammondi***Invertebrates**

San Joaquin dune beetle

Coelus gracilis

**Federal Candidate, State Listed and BLM Sensitive Plant Species
in the
Bakersfield Field Office**

Family	genus	species	ssp var	sub taxon name	Common Name
Alismataceae	Sagittaria	sanfordii			Sanford's arrowhead
Apiaceae	Cymopterus	deserticola			desert cymopterus
Apiaceae	Eryngium	aristulatum	var.	hooveri	Hoover's button-celery
Apiaceae	Eryngium	spinosepalum			spiny-sepaled button-celery
Apiaceae	Sanicula	maritima			Adobe Sanicle
Asteraceae	Baccharis	plummerae	ssp.	glabrata	San Simeon baccharis
Asteraceae	Centromadia	parryi	ssp.	congdonii	Congdon's tarplant
Asteraceae	Centromadia	parryi	ssp.	australis	southern tarplant
Asteraceae	Cirsium	crassicaule			slough thistle
Asteraceae	Cirsium	fontinale	var.	obispoense	Chorro creek bog thistle
Asteraceae	Cirsium	loncholepis			La Graciosa thistle
Asteraceae	Cirsium	occidentale	var.	compactum	compact cobwebby thistle
Asteraceae	Cirsium	rothophilum			surf thistle
Asteraceae	Deinandra	arida			Red Rock tarplant
Asteraceae	Deinandra	halliana			Hall's tarplant
Asteraceae	Deinandra	increscens	ssp.	villosa	Gaviota tarplant
Asteraceae	Deinandra	minthornii			Santa Susana tarplant
Asteraceae	Ericameria	gilmanii			Gilman's goldenbush
Asteraceae	Erigeron	aequifolius			Hall's daisy
Asteraceae	Erigeron	blochmaniae			Blochman's leafy daisy
Asteraceae	Erigeron	inornatus	var.	keilii	Keil's daisy
Asteraceae	Erigeron	multiceps			Kern River daisy
Asteraceae	Eriophyllum	lanatum	var.	hallii	Fort Tejon woolly sunflower
Asteraceae	Grindelia	hirsutula	var.	maritima	San Francisco gumplant
Asteraceae	Heterotheca	shevockii			Shevock's golden-aster
Asteraceae	Lasthenia	conjugens			Contra Costa goldfields
Asteraceae	Lasthenia	glabrata	ssp.	coulteri	coulter's goldfields
Asteraceae	Layia	carnosa			beach layia
Asteraceae	Layia	heterotricha			pale-yellow layia
Asteraceae	Layia	jonesii			Jones' layia
Asteraceae	Layia	leucopappa			Comanche Point layia
Asteraceae	Layia	munzii			Munz' tidy tips
Asteraceae	Madia	radiata			Showy madia
Asteraceae	Malacothrix	saxatilis	var.	arachnoidea	Carmel Valley malacothrix
Asteraceae	Pentachaeta	lyonii			Lyon's pentachaeta
Asteraceae	Pseudobahia	peirsonii			Tulare pseudobahia

Family	genus	species	ssp var	sub taxon name	Common Name
Asteraceae	Stylocline	citroleum			Oil neststraw
Asteraceae	Stylocline	masonii			Mason neststraw
Boraginaceae	Plagiobothrys	uncinatus			Hooked popcorn-flower
Brassicaceae	Caulanthus	amplexicaulis	var.	barbarae	Santa Barbara Jewelflower
Brassicaceae	Caulanthus	californicus			California jewelflower
Brassicaceae	Caulanthus	coulteri	var.	lemmonii	Lemmon's jewelflower
Brassicaceae	Dithyrea	maritima			Beach spectaclepod
Brassicaceae	Lepidium	jaredii	ssp.	album	Panchoe pepper-grass
Brassicaceae	Lepidium	jaredii	ssp.	jaredii	Jared's peppergrass
Brassicaceae	Lepidium	virginicum	var.	robinsonii	Robinson's pepper-grass
Brassicaceae	Rorippa	gambelii			Gambel's water cress
Brassicaceae	Streptanthus	cordatus	var.	piutensis	Piute Mtns. Jewel flower
Brassicaceae	Twisselmannia	californica			Kings gold
Cactaceae	Opuntia	basilaris	var.	treleasei	Bakersfield cactus
Campanulaceae	Nemacladus	twisselmannii			Twisselmann's nemacladus
Caryophyllaceae	Arenaria	paludicola			marsh sandwort
Chenopodiaceae	Aphanisma	blitoides			Aphanisma
Chenopodiaceae	Atriplex	cordulata			heartscale
Chenopodiaceae	Atriplex	coulteri			Coulter's saltbrush
Chenopodiaceae	Atriplex	depressa			brittlescale
Chenopodiaceae	Atriplex	erecticaulis			Earlimart orache
Chenopodiaceae	Atriplex	joaquiniana			San Joaquin spearscale
Chenopodiaceae	Atriplex	minuscule			lesser saltscale
Chenopodiaceae	Atriplex	pacifica			South Coast saltscale
Chenopodiaceae	Atriplex	serenana	var.	davidsonii	Davidson's saltscale
Chenopodiaceae	Atriplex	subtilis			subtle orache
Chenopodiaceae	Atriplex	tularensis			Bakersfield smallscale
Chenopodiaceae	Atriplex	vallicola			Lost Hills saltbush
Chenopodiaceae	Suaeda	californica			California seablite
Convolvulaceae	Calystegia	subacaulis	ssp.	episcopalis	Cambria morning-glory
Crassulaceae	Dudleya	abramsii	ssp.	bettinae	San Luis Obispo serpentine dudleya
Crassulaceae	Dudleya	abramsii	ssp.	murina	San Luis Obispo dudleya
Crassulaceae	Dudleya	blochmaniae	ssp.	blochmaniae	Blochman's dudleya
Crassulaceae	Dudleya	cymosa	ssp.	marcescens	marcescent dudleya
Crassulaceae	Dudleya	cymosa	ssp.	costifolia	Pierpoint Springs dudleya
Crassulaceae	Dudleya	parva			Conejo dudleya
Crassulaceae	Dudleya	verityi			Verity's dudleya
Cupressaceae	Cupressus	arizonica	ssp.	nevadensis	Arizona Cypress

Family	genus	species	ssp var	sub taxon name	Common Name
Cyperaceae	Carex	obispoensis			San Luis Obispo Sedge
Ericaceae	Arctostaphylos	luciana			Santa Lucia manzanita
Ericaceae	Arctostaphylos	osoensis			Oso manzanita
Ericaceae	Arctostaphylos	pechoensis			Pecho manzanita
Ericaceae	Arctostaphylos	pilosula			Santa Margarita manzanita
Ericaceae	Arctostaphylos	purissima			La Purisima manzanita
Ericaceae	Arctostaphylos	refugioensis			Refugio manzanita
Ericaceae	Arctostaphylos	rudis			Sand mesa manzanita
Ericaceae	Arctostaphylos	tomentosa	ssp.	daciticola	dacite manzanita
Ericaceae	Arctostaphylos	tomentosa	ssp.	eastwoodiana	Eastwood's manzanita
Ericaceae	Arctostaphylos	wellsii			Wells' manzanita
Euphorbiaceae	Chamaesyce	hooveri			Hoover's spurge
Fabaceae	Astragalus	brauntonii			Braunton's milk-vetch
Fabaceae	Astragalus	ertterae			Walker Pass milkvetch
Fabaceae	Astragalus	pycnostachyus	var.	lanosissimus	Ventura marsh milk vetch
Fabaceae	Astragalus	shevockii			Shevock's milk-vetch
Fabaceae	Lupinus	citrinus	var.	citrinus	Orange lupine
Fabaceae	Lupinus	ludovicianus			San Luis Obispo County Lupine
Fabaceae	Lupinus	nipomensis			Nipomo mesa lupine
Fabaceae	Lupinus	padre-crowleyi			Father Crowley's lupine
Fabaceae	Trifolium	macilentum	var.	dedeckerae	DeDecker's clover
Fagaceae	Quercus	dumosa			Nuttall's scrub oak
Grossulariaceae	Ribes	tulareense			Sequoia gooseberry
Hydrophyllaceae	Eriodictyon	altissimum			Indian Knob mountainbalm
Hydrophyllaceae	Eriodictyon	capitatum			Lompoc yerba santa
Hydrophyllaceae	Phacelia	nashiana			Charlotte's phacelia
Hydrophyllaceae	Phacelia	novenmillensis			Nine-mile canyon phacelia
Iridaceae	Iris	munzii			Munz's iris
Lamiaceae	Monardella	crispa			Crisp monardella

Family	genus	species	ssp var	sub taxon name	Common Name
Lamiaceae	Monardella	frutescens			San Luis Obispo monardella
Lamiaceae	Monardella	linoides	ssp.	oblonga	flax-like monardella
Liliaceae	Allium	hickmanii			Hickman's onion
Liliaceae	Allium	howellii	var.	clokeyi	Mt. Pinos onion
Liliaceae	Allium	shevockii			Spanish Needle onion
Liliaceae	Bloomeria	humilis			dwarf goldenstar
Liliaceae	Brodiaea	insignis			Kaweah brodiaea
Liliaceae	Calochortus	clavatus	ssp.	recurvifolius	Arroyo De La Cruz Mariposa Lily
Liliaceae	Calochortus	obispoensis			San Luis mariposa lily
Liliaceae	Calochortus	palmeri	var.	palmeri	Palmer's mariposa lily
Liliaceae	Calochortus	plummerae			Plummer's mariposa lily
Liliaceae	Calochortus	simulans			San Luis Obispo mariposa lily
Liliaceae	Calochortus	striatus			alkali mariposa lily
Liliaceae	Calochortus	weedii	var.	vestus	late-flowered mariposa lily
Liliaceae	Calochortus	westonii			Shirley Meadows star-tulip
Liliaceae	Chlorogalum	pomeridianum	var.	minus	Dwarf soaproot
Liliaceae	Chlorogalum	pomeridianum	var.	reductum	Camatta Canyon amole
Liliaceae	Fritillaria	brandegeei			Greenhorn fritillary
Liliaceae	Fritillaria	ojaiensis			Ojai fritillary
Liliaceae	Fritillaria	striata			striped adobe-lily
Liliaceae	Fritillaria	viridea			San Benito fritillary
Malvaceae	Malacothamnus	davidsonii			Davidson's bush mallow
Malvaceae	Malacothamnus	palmeri	var.	involucratus	Carmel Valley bushmallow
Malvaceae	Sidalcea	hickmanii	ssp.	anomala	Cuesta Pass Checkerbloom
Malvaceae	Sidalcea	hickmanii	ssp.	parishii	Parish's checkerbloom
Malvaceae	Sidalcea	keckii			Keck's checkerbloom
Onagraceae	Camissonia	hardhamiae			Hardham's evening primrose
Onagraceae	Camissonia	integrifolia			Kern River evening primrose
Onagraceae	Clarkia	australis			Small southern clarkia
Onagraceae	Clarkia	speciosa	ssp.	immaculata	Pismo clarkia
Onagraceae	Clarkia	springvillensis			Springville clarkia
Onagraceae	Clarkia	tembloriensis	ssp.	calientensis	Caliente clarkia
Onagraceae	Clarkia	xantiana	ssp.	parviflora	Kern Canyon clarkia
Papaveraceae	Eschscholzia	lemmonii	ssp.	kernensis	Tejon Poppy

Family	genus	species	ssp var	sub taxon name	Common Name
Papaveraceae	Eschscholzia	rhombipetala			diamond-petaled California poppy
Philadelphaceae	Carpenteria	californica			Tree anemone
Pinaceae	Pinus	radiata			Monteret pine
Poaceae	Agrostis	hooveri			Hoover's bent grass
Poaceae	Orcuttia	inaequalis			San Joaquin Valley orcutt grass
Poaceae	Tuctoria	greenei			Greene's tuctoria
Polemoniaceae	Eriastrum	Hooveri			Hoover's eriastrum
Polemoniaceae	Eriastrum	luteum			Yellow-Flowered eriastrum
Polemoniaceae	Leptosiphon	serrulatus			Madera linanthus
Polemoniaceae	Navarretia	nigelliformis	ssp.	radians	shining navarretia
Polemoniaceae	Navarretia	peninsularis			Baja navarretia
Polemoniaceae	Navarretia	setiloba			Piute Mtns. Navaretia
Polygonaceae	Aristocapsa	insignis			Indian Valley spineflower
Polygonaceae	Chorizanthe	breweri			Brewer's spineflower
Polygonaceae	Chorizanthe	pungens	var.	pungens	Monterey spineflower
Polygonaceae	Chorizanthe	rectispina			Straight-awned spineflower
Polygonaceae	Eriogonum	breedlovei	var.	breedlovei	Breedlove's buckwheat
Polygonaceae	Eriogonum	crocatum			Conejo buckwheat
Polygonaceae	Eriogonum	kennedyi	var.	pinicola	Cache Peak buckwheat
Polygonaceae	Eriogonum	nudum	var.	murinum	Mouse Buckwheat
Polygonaceae	Eriogonum	temblorense			Temblor Buckwheat
Portulacaceae	Lewisia	disepala			Yosemite lewisia
Pottiaceae	Tortula	californica			California tortula moss
Ranunculaceae	Delphinium	inopinum			Unexpected larkspur
Ranunculaceae	Delphinium	parryi	ssp.	blochmaniae	Dune larkspur
Ranunculaceae	Delphinium	purpusii			Kern County larkspur
Ranunculaceae	Delphinium	recurvatum			Valley Larkspur
Ranunculaceae	Delphinium	umbraculorum			Umbrella larkspur
Rhamnaceae	Ceanothus	hearstiorum			Hearst's ceanothus
Rhamnaceae	Ceanothus	maritimus			Maritime ceanothus
Rosaceae	Horkelia	cuneata	ssp.	sericea	Kellogg's horkelia
Rosaceae	Horkelia	tularensis			Kern Plateau horkelia
Rubiaceae	Galium	angustifolium	ssp.	onycense	Onyx peak bedstraw
Rubiaceae	Galium	hardhamiae			Hardham's bedstraw
Scrophulariaceae	Castilleja	campestris	var.	succulenta	succulent owl's-clover
Scrophulariaceae	Castilleja	densiflora	ssp.	obispoensis	Obispo indian paintbrush
Scrophulariaceae	Cordylanthus	maritimus	ssp.	maritimus	salt marsh bird's-beak
Scrophulariaceae	Cordylanthus	mollis	ssp.	hispidus	hispid bird's beak
Scrophulariaceae	Cordylanthus	rigidus	ssp.	littoralis	Seaside Bird's-beak

Family	genus	species	ssp var	sub taxon name	Common Name
Scrophulariaceae	Gratiola	heterosepala			Bogg's lake hedge-hyssop
Scrophulariaceae	Mimulus	gracilipes			slender-stalked monkeyflower
Scrophulariaceae	Mimulus	norrisii			Kaweah monkeyflower
Scrophulariaceae	Mimulus	pictus			Calico monkeyflower
Scrophulariaceae	Mimulus	shevockii			Kelso Creek monkeyflower
Scrophulariaceae	Pedicularis	dudleyi			Dudley's lousewort
Scrophulariaceae	Scrophularia	atrata			Black Flowered figwort

Special Stipulation No. 3 – Parcel CA 12-05-04. Drainage Stipulation for Unleased Federal Minerals Subject to Drainage:

All or part of the lands contained in this parcel may be subject to drainage by well #1-8 located adjacent to this parcel in Sec. 20, T. 25 S., R.19 E., MD Mer., Kern County, California.

The lessee shall, within 6 months of lease issuance, submit for approval by the authorized officer:

1. Plans for protecting the lease from drainage. The plan must include either (a) an Application for Permit to Drill (APD) for the necessary protective wells or (b) a proposal for inclusion in an agreement for the affected portion of the lease. Any agreement should provide for an appropriate share of the production from the offending wells to be allocated to the lease; or
2. Engineering, geologic, and economic data to demonstrate to the authorized officer's satisfaction that no drainage has or is occurring and/or that a protective well would have little or no chance of encountering oil or gas in quantities sufficient to yield a reasonable rate of return in excess of the costs of drilling, completing, and operating the well.

If no plan, agreement, or data is submitted and drainage is determined to be occurring, compensatory royalty will be assessed. Compensatory royalty will be assessed effective the first day following expiration of the 6-month period and shall continue until a protective well has been drilled and placed in continued production status or until the offending wells cease production, whichever occurs first.

Authorized Officer: Patricia Gradek, Assistant Field Manager, Minerals
Bakersfield Field Office
3801 Pegasus Drive
Bakersfield, CA 93308
(661) 391-6000

Special Stipulation No. 4 – Parcel CA 12-05-16 Previous Lease CACA 45708:

This parcel embraces lands in relinquished lease CACA 45708. There is an existing well (USL Rogers #1) located in Sec. 19, T. 4 N., R. 17 W., SB Mer., Ventura County, California. There are also production facilities consisting of two 500 bbl oil tanks, one gas separator, and one concrete-lined disposal pit.

The new lessee/operator will be allowed a period of 90 days effective the date of lease issuance to evaluate the property and to attempt to bring the well back on production. If the new operator is successful reestablishing economic production from the lease, he will assume the responsibility to eventually plug and abandon the well, and remove the production facilities

when the property is no longer economic to produce (per 43 CFR 3162.3-4). After the initial 90-day period, the lessee/operator will also be required to obtain and file an appropriate bond with the BLM. The use of the existing well and production facilities is granted to the new operator in conjunction with the lease.

If the new operator is unsuccessful in reestablishing economic production within 90 days, or if reworking or redrilling operations are not commenced and thereafter conducted with reasonable diligence, or if he does not want the well, he agrees to relinquish the newly issued lease to the BLM.

It is the responsibility of the new operators/lessees to obtain any required permits and/or bonds from/for the BLM prior to beginning any surface disturbing activities.

Special Stipulation No. 5 – Parcel CA 12-05-19 - Wellington-Maricopa Lease

This lease contains five existing wells, more or less. Not all of the wells have pumping equipment on them. All of the existing gathering lines are still in place. This lease contains the production processing and sales equipment for the former Federal lease. The use of these facilities is transferred with the issuance of this lease. No warranty is expressed or implied as to the serviceability of the wells or ancillary facilities. The production facilities will be brought into compliance with all BLM regulations, onshore orders and policies, by the new lessee, prior to commencing production.

The successful bidder on this parcel will have 180 days (trial period) to evaluate the property and meet with the Bakersfield Field Office to present the results of this study and the field data acquired. This trial period will require no bonding. Production tests may not begin prior to the 90th day of the new lease term unless the trial period will be shortened by an equal amount. This 90-day production period also complies with the California Division of Oil, Gas & Geothermal Resources “test drive” program. At the end of this 180-day period, the decision must be made whether to keep the lease and produce it or to relinquish it. At the end of the trial period the lessee will either relinquish the lease or post a bond in an amount to be determined by the Bakersfield Field Office. Failure to present the results of the field study and field data by the end of the trial period, will likely force an increase in the required bond amount.

During the trial period, the lessee may not salvage or remove any of the existing leasehold equipment without prior approval of the Bakersfield Field Office.

Special Stipulation No. 6 – Parcel CA 12-05-19. Drainage Stipulation for Unleased Federal Minerals Subject to Drainage:

All or part of the lands contained in this parcel may be subject to drainage by well #4 located adjacent to this parcel in the NWSE, Sec. 8, T. 11 N., R.23 W., SB Mer., Kern County, California.

The lease shall, within 6 months of lease issuance, submit for approval by the authorized officer:

1. Plans for protecting the lease from drainage. The plan must include either (a) an Application for Permit to Drill (APD) for the necessary protective well/s or (b) a proposal for inclusion in an agreement for the affected portion of the lease. Any agreement should provide for an appropriate share of the production from the offending well/s to be allocated to the lease; or
2. Engineering, geologic, and economic data to demonstrate to the authorized officer's satisfaction that no drainage has or is occurring and/or that a protective well would have little or no chance of encountering oil or gas in quantities sufficient to yield a reasonable rate of return in excess of the costs of drilling, completing, and operating the well.

If no plan, agreement, or data is submitted and drainage is determined to be occurring, compensatory royalty will be assessed. Compensatory royalty will be assessed effective the first day following expiration of the 6-month period and shall continue until a protective well has been drilled and placed in continued production status or until the offending well/s ceases production, whichever occurs first.

Authorized Officer: Patricia Gradek, Assistant Field Manager, Minerals
Bakersfield Field Office
3801 Pegasus Drive
Bakersfield, CA 93308
(661) 391-6000

Special Stipulation No. 7 – Parcel CA 25, 28 and 36.

Portions of this parcel are located within the 100-year floodplain of the Cuyama River and/or Santa Barbara Canyon Creek. Siting of oil/gas wells, pipelines, facilities, and other equipment will be prohibited in the portions of these parcels that are within the 100-year floodplains. Please contact the Authorized Officer at the address below for a detailed map of the areas.

Authorized Officer: Patricia Gradek, Assistant Field Manager, Minerals
Bakersfield Field Office
3801 Pegasus Drive
Bakersfield, CA 93308
(661) 391-6000

Special Stipulation No. 8

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

**Form 3730-1
(July 1984)**

POWERSITE STIPULATION

The lessee or permittee hereby agrees:

(a) If any of the land covered by this lease or permit was, on the date the lease or permit application or offer was filed, within a powersite classification, powersite reserve, waterpower designation, or project on which an application for a license or preliminary permit is pending before the Federal Energy Regulatory Commission or on which an effective license or preliminary permit had been issued by the Federal Energy Regulatory Commission under the Federal Power Act, or on which an authorized power project (other than one owned or operated by the Federal Government) had been constructed, the United States, its permittees or licensees shall have the prior right to use such land for purposes of power development so applied for, licensed, permitted, or authorized and no compensation shall accrue to the mineral lessee or permittee for loss of prospective profits or for damages to improvements or workings, or for any additional expense caused the mineral lessee as a result of the taking of said land for power development purposes. It is agreed, however, that where the mineral lessee or permittee can make adjustments of his improvements to avoid undue interference with power development,

he will be permitted to do so at his own expense. Furthermore occupancy and use of the land by mineral lessee or permittee shall be subject to such reasonable conditions with respect to the use of the land as may be prescribed by the Federal Energy Regulatory Commission for the protection of any improvements and workings constructed thereon for power development.

(b) If any of the land covered by this lease or permit is on the date of the lease or permit within a powersite classification, powersite reserve, or waterpower designation which is not governed by the preceding paragraph, the lease or permit is subject to the express condition that operations under it shall be so conducted as not to interfere with the administration and use of the land for powersite purposes to a greater extent than may be determined by the Secretary of the Interior to be necessary for the most beneficial use of the land. In any case, it is agreed that where the mineral lessee or permittee can make adjustments to avoid undue interference with power development, he will be permitted to do so at his own expense.