

## **EXHIBIT C:** **INFORMATION TO LESSEES**

1. The Northwest Planning Area Record of Decision (ROD) established Required Operating Procedures (ROP's) for lands covered by the ROD. These are pre-application requirements, procedures, management practices, or design features that BLM has adopted as operational requirements. These requirements will be addressed through the permitting process. An oil and gas lease does not in itself authorize any on-the-ground activity. Seismic operations, drilling, ice road construction, pipeline construction, etc. require additional land use authorizations. Any applicant requesting such authorization will have to address the required operating procedures either before submitting the application (e.g., subsistence consultation, brant surveys) or as part of the application proposal (e.g., proposal states garbage will not be buried, or pipelines and roads will be separated by 500 ft or more). Requirements that are met prior to submission of the application, as well as procedures, practices, and design features that are an integral part of a proposal, do not need to be stipulated in a permit or lease. Because ROP's are operational requirements, not lease stipulations, their applicability goes beyond the oil and gas leasing to any permitted activity where the requirement is relevant.

The Authorized Officer (AO) may add more restrictive stipulations as determined necessary by further NEPA analysis and as developed through consultation with other Federal, State, and NSB regulatory and resource agencies. Laws or regulations may require other Federal, State, and NSB permits (e.g., Clean Water Act [CWA] Section 404) for an oil and gas project to proceed. Specific State permits are required when the State has authority, under Federal or State law or regulation, to enforce the provision in question. Specific permits issued by Federal agencies other than BLM could include permit conditions that are more stringent than those identified in the ROD.

Appendix B of the ROD provides a thorough discussion of ROP's, so we have provided the language contained therein as Exhibit C-1 of this Detailed Statement of Sale.

2. The Department has noted that it is possible that a parcel offered for lease may contain hazardous substances or oil-related contaminants which are the result of activities in NPR-A which occurred prior to the current lease offering of this property. Accordingly, the Department is working with the Departments of Justice, Defense, and the Environmental Protection Agency to consider the development of a model agreement to address such pre-existing contamination. If such an agreement is developed, it would be designed to address the issue of potential liability stemming from contamination which predates the lessee's tenure of occupancy, while encouraging a lessee to conduct its activities in a responsible manner. Any such agreement would require the approval of the Departments of the Interior, Justice, Defense, and the Environmental Protection Agency. Assuming that such a model agreement is developed and receives the approval of the concerned agencies, we would consider entering into an agreement with any lessee in NPR-A consistent with the terms of that model. The development of such a model agreement is not intended to preclude or discourage lessees from entering into agreements with the Bureau of Land Management to plug pre-existing wells or to otherwise assist in

addressing pre-existing environmental conditions on leased parcels. We continue to encourage such efforts as responsible corporate citizenship.

3. On April 11, 2002, the Final Rulemaking was published in the Federal Register establishing the NPR-A regulations providing for unitization, lease suspensions, and subsurface storage agreements.

#### 4. Conservation of Surface Values for Northeast NPR-A Planning Area Lands

The lessee, his agents, contractors, subcontractors and operators (hereafter referred to as "Lessee") will operate within the resource management policy of the Bureau of Land Management (BLM). This policy is outlined in the National Petroleum Reserves Production Act of 1976 (NPRPA) (90 Stat. 303), as amended, and the Federal Land Policy and Management Act (40 U.S.C. 1701 et seq.) which states that " . . . public lands will be managed in a manner that will protect the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resources, and archeological values . . . that will provide food and habitat for fish and wildlife and domestic animals; and that will provide for outdoor recreation and human occupancy and use . . . " The Lessee will be required to protect these identified resource values and to operate in a manner which minimizes environmental impacts to physical, biological, cultural and aesthetic resources. Areas requiring special protection are identified by the Northeast National Petroleum Reserve-Alaska Final Integrated Activity Plan / Environmental Impact Statement and the related Record of Decision. In this regard, the NPRPA also provides "Any exploration within the Utukok River, the Teshekpuk Lake areas, and other areas designated by the Secretary of the Interior containing any significant subsistence, recreational, fish and wildlife, or historical or scenic value, shall be conducted in a manner which will assure the maximum protection of such surface values to the extent consistent with the requirements of this Act for the exploration of the reserve. (42 U.S.C. 6504(b)). These requirements apply to both exploration and production under this lease sale (42 U.S.C. 6508). Operational procedures designed to protect resource values will be cooperatively developed during Surface Use Plan preparation, and additional protective measures may be required beyond the standard and special stipulations identified in the above-referenced documents.

Prior to entry upon the National Petroleum Reserve in Alaska (NPR-A) for purposes of conducting geophysical operations, the Lessee shall obtain a permit authorizing specific geophysical exploration activities from the BLM Northern Field Office. Such permit shall provide for conditions, restrictions, and prohibitions as the Authorized Officer deems necessary or appropriate to mitigate reasonably foreseeable and significant adverse effects upon the surface resources, including bonding for geophysical activities not covered by a lease bond, NPR-A-wide bond or Nationwide bond with NPR-A and geophysical exploration riders.

Lessee's activities are subject to all federally approved coastal zone plans and ordinances. A Lessee requesting a federal permit on the lease (e.g., an Application for Permit to Drill) must acquire a state consistency determination.

The Lessee shall comply with all federal laws and regulations, including rules and regulations of

the Secretary of Health and Human Services and the Environmental Protection Agency and State and local laws and codes governing the emission; or discharge of pollutants from activities which are embraced in the lease permit. Surface disturbing activities may be prohibited during muddy and/or wet soil periods. This limitation does not apply to operations and maintenance of producing wells using authorized roads. During periods of adverse conditions due to climatic factors, all activities creating irreparable impacts may be suspended. The lessee is advised that during the conduct of all activities related to leases issued as a result of this lease sale, it will be subject to the 43 CFR 3130 and the 43 CFR 3160 regulations and to the provisions of the Onshore Oil and Gas Order No. 1. BLM will add such site specific stipulations derived from the Environmental Assessment / Environmental Impact Statement and the adjoining field examination, as necessary, to insure conservation of resource values. These will be in addition to stipulations attached to and made a part of each oil and gas lease.

#### 5. Early Filing of APD Recommended

The Lessee, authorized officer and Northern Field Office representatives should hold a conference at least one year prior to each specific drill site occupation to discuss pertinent stipulations, applicable regulations, other permits, and any research survey and/or analysis and report formats required of the Lessee to complete the APD or to be considered in the formulation of a drilling plan. Common practice dictates that Environmental Assessments / Environmental Impact Statements and staking must coincide with the snow-free season.

It is recommended that APDs be filed by early to mid-summer and at least six months prior to proposed commencement of drilling operations. This will aid BLM in completing necessary surface and environmental field inspections which can be completed only during the summer months. It will also provide the time required to gather site specific subsistence information and allow for analysis and coordination with other Federal, State and local entities. Early filing of an APD will provide a greater likelihood of a timely decision.

#### 6. Other Permits

The Lessee is responsible for obtaining all required Federal, State, local or private permits and authorizations prior to commencing any operations.

#### 7. Gravel Extraction

The oil and gas lease does not entitle the Lessee to NPR-A gravel resources. Use of federal gravel resources must be in compliance with BLM regulations, which require, among other things, that a mineral material sale contract be obtained from the appropriate office (Northern Field Office) for the purpose of gravel extraction and use. Use of sand and gravel from Congressionally approved Native Allotments must be arranged with the allottee and the Bureau of Indian Affairs. The Lessee is advised that gravel is basically a scarce commodity within the Reserve, so conservation of gravel is of utmost concern.

8. Equal Employment Opportunity

The Lessee is advised that, during the period of operations within NPR-A, the Lessee will ensure equal employment opportunity consistent with the authority contained in Section 10 of the Oil and Gas Lease Form.