



United States Department of the Interior

BUREAU OF RECLAMATION
Great Plains Region
Oklahoma-Texas Area Office
5316 HWY 290 West, Suite 110
Austin, TX 78735-8931

IN REPLY REFER TO:
OK-AD
2.2.3.19

MAY 23 2018

Ms. Margie Dupre
Land Law Examiner
Bureau of Land Management
New Mexico State Office
P.O. Box 27115
Santa Fe, New Mexico 87502

Subject: Response to Expressions of Interest (EOIs) to Offer a Competitive Oil and Gas Lease of Federal Mineral Interests at the Nueces River Project, Live Oak and McMullen Counties, Texas (Your Letters Dated April 6, August 10, and August 18, 2017)

Dear Ms. Dupre:

The Bureau of Reclamation received the subject EOIs to lease the following tracts:

- NR-4M
- NR-5A
- NR-6-1
- NR-7-1
- NR-10
- NR-23-2
- NR-27
- NR-45
- NR-56
- NR-83
- NR-84-1
- NR-85
- NR-87-2
- NR-98
- NR-118

Reclamation has reviewed our project land files regarding these tracts, and a summary of responses to the EOIs is enclosed, as are the Title Report Requests for Acquired Lands for each tract. Copies of the summary sheet are being sent to each requestor.

If you have any questions, please contact Ms. Ashley Dixson of this office at 405-470-4828.

Sincerely,

Mark A. Trevino
Area Manager

Enclosures – 18

cc: See next page.

cc: Mr. Gregory Wilhelm
Sundance Energy, Inc.
1155 Dairy Ashford, Suite 206
Houston, TX 77079

Ageron Energy, LLC
1250 NE Loop 410, Suite 500
San Antonio, TX 78209

Mr. Bill McCauley, CPL
P.O. Box 30374
Corpus Christi, TX 78463
(w/copy of summary only to each)

Bureau of Reclamation
Oklahoma-Texas Area Office
Interim Stipulations – Federal Minerals
Nueces River Project

1. This is a no surface access or surface occupancy lease.
2. Drilling beneath Choke Canyon Reservoir as defined by the published maximum water surface elevation of 233 feet msl is prohibited unless otherwise approved by the Reclamation Great Plains Regional Director. Such approval will be contingent upon completion of a risk analysis by the Bureau of Reclamation or its designee which demonstrates that the proposed drilling and production will not result in any significant increase in risk to Choke Canyon Dam or Reservoir. This risk analysis shall be funded by the Lessee.
3. All oil and gas drilling and production operations shall be under the supervision of the District Manager, Bureau of Land Management (BLM), in accordance with 43 Code of Federal Regulations 3160.
4. The Secretary of the Interior or designee reserves the right to require cessation of operations if a national emergency arises or if the Bureau of Reclamation needs the leased property for Project purposes incompatible with lease operations. On approval from higher authority, the Area Manager, Bureau of Reclamation, will give notice of the required suspension. The lessee agrees to this condition and waives compensation for its exercise.
5. If the Reclamation Area Manager or his authorized representative discovers an imminent danger to safety or security which allows no time to consult the BLM, that person may order any or all oil and gas drilling and production operations stopped immediately. The BLM District Manager will be notified immediately, will review the order, and will determine the need for further remedial action.
6. Lessee liability for damage to improvements shall include improvements of the Department of the Interior. Lessee shall be liable for pollution and other damages, as a result of their operations, to Government-owned land and property and to the property of the Government's authorized surface users.
7. Before beginning to drill, the lessee must consult with third parties authorized to use real estate in the lease area and must consider programs for which third parties have contractual responsibility.
8. A license to conduct geophysical testing on the leased area must be obtained separately from the Reclamation Area Manager.
9. All rights under this lease are subordinate to the rights of the United States to flood and submerge the lands, permanently or intermittently, in connection with the operation and maintenance of the above-named Project.
10. The United States shall not be responsible for damages to property or injuries to persons which may arise from or be incident to the lessee's oil and gas drilling and production operations, or for damages to the property of the lessee, or for injuries to the person of the lessee's officers, agents, servants, or employees, or others who may be affected by the lessee's oil and gas drilling and

production operations, and the lessee shall hold the United States harmless from any and all such claims.

11. The lessee's oil and gas drilling and production operations shall be of such a nature as not to cause pollution of the soils and the waters of the Project.
12. The United States reserves the right to use the land jointly with the lessee in connection with the construction, operation, and maintenance of the Federal Project and to place improvements thereon or to remove materials therefrom, including sand and gravel and other construction material, as may be necessary in connection with such work, and the lessee shall not interfere in any manner with such work or do any act which may increase the cost of performing such work.
13. All areas within 2,000 feet of any major structure, including but not limited to the dam, spillway, or embankment, are restricted areas. The lessee, his operators, agents, or employees shall not utilize the surface or subsurface of restricted areas for any purpose. Drilling operations in, on, or under the restricted areas, including drilling outside of the restricted areas which would cause a bore hole to be under the restricted area, will not be permitted. The restricted areas are included in the lease for the sole purpose of becoming part of a drilling unit so that the United States will share in the royalty of the unit.
14. All storage tanks and slush pits will be protected by dikes of sufficient capacity to protect the reservoir from pollution to maximum water surface elevation 233.00 feet, for Choke Canyon Reservoir, National Geodetic Vertical Datum.
15. It is the responsibility of the lessee to identify and be aware of areas where entry is prohibited.
16. The operator will immediately stop work and advise the Reclamation Area Manager or his authorized representative if contamination is found in the operating area.