

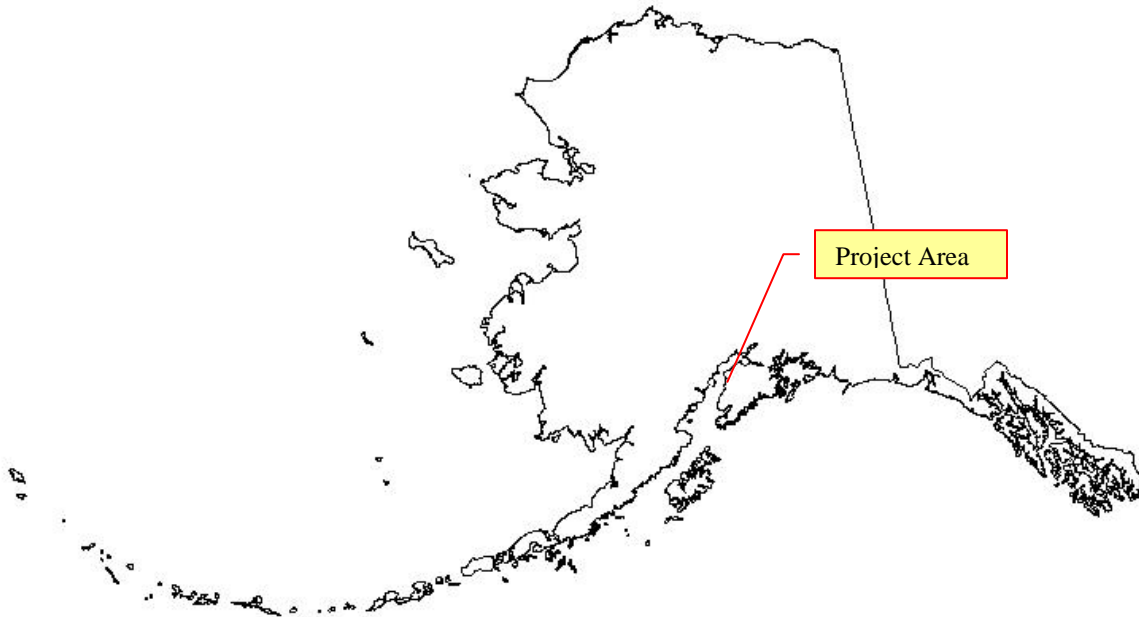


Bureau of Land Management

Anchorage Field Office
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Anchorage, AK 99507
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**Categorical Exclusion
Drilling of a Natural Gas Well – KU 22-6X**

**Applicant: Marathon Oil Company
Case File Number: A-028055
AK-010-08-CX-050**



Location:

Section 31, T. 5 N., R. 11 W., Seward Meridian
Kenai Peninsula Borough, Alaska

Prepared By:

Sindra Wolfsen
Physical Scientist
August 22, 2008

U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Anchorage Field Office
CATEGORICAL EXCLUSION (CX) FORM

CX No.: AK-010-08-CX-050

Lease/Serial/Case File No.: A-028055

Applicant: Marathon Oil Company

Proposed Action: Drilling of a natural gas well: Kenai Gas Field (KU 22-6X)

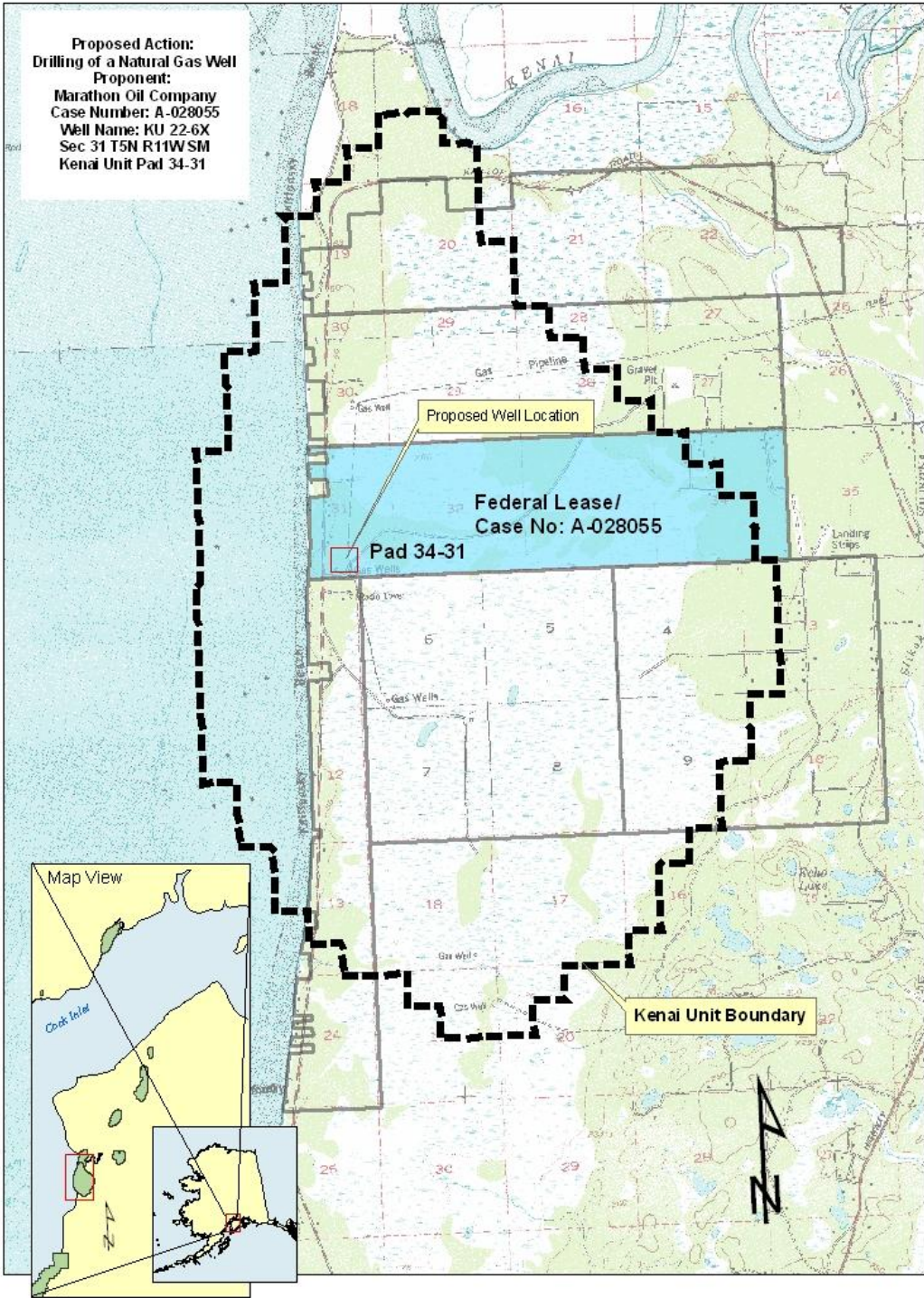
Location of Proposed Action: Pad Kenai Unit 34-31, Section 31, T. 5N., R. 11W., Seward Meridian, Kenai Peninsula Borough, Alaska.

Description of Proposed Action:

Marathon Oil Company wishes to drill a natural gas well, KU 22-6X, in the Kenai Gas Field. The well will be drilled on Pad 34-31 within the Kenai Gas Field, lease/case number A-028055. The proposed surface location is anticipated to be 823' from the south line (FSL) and 1833' from the east line (FEL) in Section 31, T. 5 N., R. 11 W., Seward Meridian. The proposed total vertical depth (TVD) of the well is 5,050', with a measured depth (MD) of 6051'. Existing roads will be used to access Pad 34-31. No new construction is planned on the pad. There will, however, be a flowline installed from the KU 22-6X wellhead to an existing line heater and separator. The flowline will remain within the boundaries of the well pad 34-31.

A water supply well exists on Pad 34-31 for the mixing of muds and operations in general. Cuttings will be dewatered on location. The cuttings and excess mud will be hauled to Pad 41-18 of the Kenai Gas Field for disposal into Well KU 24-7, a Class II disposal well (AOGCC Disposal Injection Order No. 9, Permit #81-176). All household and approved industrial garbage will be hauled to the Kenai Peninsula Borough, Soldotna Landfill. Clear fluids will be injected into approved disposal well Kenai Gas Field #2 (AOGCC Disposal Injection Order No. 4) or into a disposal well on Pad 34-31 of the Kenai Gas Field and injected into well WD #1, an approved disposal well (AOGCC Permit #7-194). Any unused chemicals will be returned to the vendors that provided them. Efforts will be made to minimize the use of all chemicals.

A minimal camp will be established on the pad to house various supervisory and service company personnel. Approximately five (5) trailer house type structures will be utilized for this purpose. Bottled water will be used for human consumption. Potable water will be obtained from the existing water well on the pad. A qualified 3rd party will collect and transport sanitary wastes to their Alaska Department of Environmental Conservation (ADEC) approved disposal facility. No additional structures will be necessary. KU 22-6X will be drilled on an existing pad; reclamation of the pad will occur after abandonment of KU 22-6X and other existing wells on the pad and will be restored to the satisfaction of the private surface owner(s) and the U.S. Bureau of Land Management.



PART I - PLAN CONFORMANCE REVIEW

Township 7 North, Range 10 West, Seward Meridian, Alaska is within the boundaries of the Ring of Fire Record of Decision and Approved [Resource] Management Plan (March, 2008), p.12 Sec. J. Minerals – Fluid Leasables, J-1: Goal, states to:

“Maintain or enhance opportunity for mineral exploration and development while maintaining other resource values. Pubic lands and the Federal mineral estate will be made available for orderly and efficient exploration, development and production unless withdrawal or other administrative action is justified in the national interest. In addition to oil and gas, geothermal resources would be available for leasing in areas open to oil and gas leasing. Areas closed to oil and gas leasing are also closed to geothermal leasing.”

PART II - NEPA REVIEW

A. Categorical Exclusion Review.

The Energy Policy Act of 2005 provides that:

“NEPA REVIEW – Action by the Secretary of the Interior in managing the public lands, or the Secretary of Agriculture in managing National Forest System Lands, with respect to any of the activities described in subsection (b) shall be subject to a rebuttable presumption that the use of a categorical exclusion under the National Environmental Policy Act of 1969 (NEPA) would apply if the activity is conducted pursuant to the Mineral Leasing Act for the purpose of exploration or development of oil or gas.”

[42 U.S.C. §15942(a)]

The Act of 2005 specifically provides that categorically exclusion # 2, where: “*Drilling an oil and gas well at a location or well pad site at which drilling has occurred within five years prior to the date of spudding the well,*” the Federal action is presumed to be categorically excluded from further NEPA analysis, 42 U.S.C. §15942(b)(2).

Energy Policy Act of 2005, Section 390 Categorical Exclusion #2 justification: the well upon which the proposed KU 22-6X’s Sec. 390 CX #2 is based is well KU 14-32; workover performed on 11/26/2007 where operators used rig number CT2 for their tubing replacement. The KU 14-32 well was drilled on the same existing Kenai Unit Pad where the well KU 22-6X is proposed to be drilled.

B. Departmental List of Extraordinary Circumstances Review.

BLM National Environmental Policy Act Handbook H-1790-1 (2008) states that:

Section 390 of the Energy Policy Act of 2005 established five statutory CXs that apply only to oil and gas exploration and development pursuant to the Mineral Leasing Act. The CXs do not apply to geothermal actions...**Energy Policy Act CXs do not require review for extraordinary circumstances.**

I certify that this proposed action is appropriately applied as the Energy Policy Act's Section 390 Categorical Exclusion # 2; is oil and gas exploration and development related; and thus neither requires review for extraordinary circumstances, nor further NEPA analysis.

Preparer(s): _____
/s/ Sindra Wolfsen

Date: August 25, 2008

PART III – DECISION

The proposed action is in compliance with the National Environmental Policy Act of 1969 with a management framework plan or a resource management plan or a record of decision, 43 C.F.R. § 1610.8(a)(3) (2006). I have reviewed the proposal to ensure the appropriate categorical exclusion, as described in Section 390 of the Energy Policy Act of 2005, has been correctly applied. Further, there is a rebuttable presumption that the use of a categorical exclusion under the National Environmental Policy Act of 1969 (NEPA) would apply if the activity is conducted pursuant to the Mineral Leasing Act for the purpose of exploration or development of oil or gas, 42 U.S.C. §15942(a).

It is therefore my decision to implement the action, as described, with the following mitigation measure:

The operator will:

- Prevent and control nonnative invasive plant/ noxious weed infestations;
- Leave areas of operation clean of all debris and take all feasible precautions to avoid attracting wildlife to food and garbage;
- Prepare and implement a Hazardous Materials Emergency Contingency Plan before transportation, storage, or use of fuel or hazardous substances by or before January 1, 2009;
- Maintain Material Safety Data Sheet information on all hazardous substances used by the operator;
- Prepare and/or provide a comprehensive spill prevention and response contingency plan, per 40 CFR 112, by or before January 1, 2009;
- Prepare and/or provide a reclamation plan for the pad on which the proposed action will occur by or before January 1, 2009; and
- Mark all fuel containers, including barrels and propane tanks with the responsible party's name, product type and year filled (and purchased).

Authorized Official: Beth Maclean Date: September 19, 2008
Acting Field Manager