

U.S. Department of the Interior
 Bureau of Land Management
 Glenwood Springs Energy Office
 2425 S. Grand Avenue, Suite 101
 Glenwood Springs, CO 81601

Statutory Categorical Exclusion, CO140-2008-141

Project: Proposal to Directionally Drill Two Federal Wells into Federal Lease COC54737 from the Existing G33NW Pad located on Private Land on Grass Mesa.

Location: Township 6 South, Range 93 West, Section 33, SW¼NE¼, 6th PM

Proposal: EnCana Oil & Gas (USA) Inc. proposes to directionally drill two federal wells from the existing G33NW pad (Table 1). A total of five fee wells would also be drilled from this location. No additional surface disturbance would be planned for the location; existing access road and pipeline serving the pad would be adequate. The existing pad comprises 6.5 acres of surface disturbance.

Table 1. Surface and Bottomhole Locations of Proposed Federal Wells		
<i>Proposed Wells</i>	<i>Surface Locations</i>	<i>Bottomhole Locations</i>
GMU 33-3D1	1760 feet FNL, 1563 feet FEL SW¼NE¼, Section 33, T6S R93W	970 feet FNL, 2020 feet FWL SW¼NW¼, Section 33, T6S R93W
GMU 33-6D	1178 feet FNL, 1571 feet FEL SW¼NE¼, Section 33, T6S R93W	2490 feet FNL, 2360 feet FEL SW¼NW¼, Section 33, T6S R93W

Although the pad was constructed in 2007, no wells currently occupy the site.

Lease Stipulations: Since the G33NW pad is located on private land with underlying fee minerals, no BLM lease stipulations or winter timing restriction would be enforced.

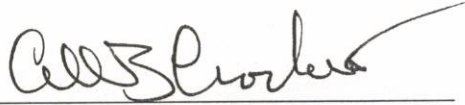
BLM Conditions of Approval: Conditions of Approval (COAs) that would be included on the Applications for Permit to Drill (APDs) are attached.

NEPA Compliance: The following category of Categorical Exclusions pursuant to Section 390 of the Energy Policy Act (Act of 2005) applies to this proposal:

Category 3: “Drilling an oil or gas well within a developed field for which an approved land use plan or any environmental document prepared pursuant to NEPA analyzed drilling as a reasonably foreseeable activity, so long as such plan or document was approved within five (5) years prior to the date of spudding the well.” Although the pad was not specifically identified or included in the Grass Mesa Environmental Assessment, it does, however, lie within the boundary of the GAP area. The Grass Mesa EA was approved on 11/4/04.

Prepared by: Jim Byers, Natural Resource Specialist 10/14/08

Approval: It is my decision to approve the proposed action with the above referenced terms and conditions:



Allen B. Crockett, Ph.D., J.D.
Supervisory Natural Resource Specialist

11-3-08

Date

Figure 1. Existing G33NW Pad Location

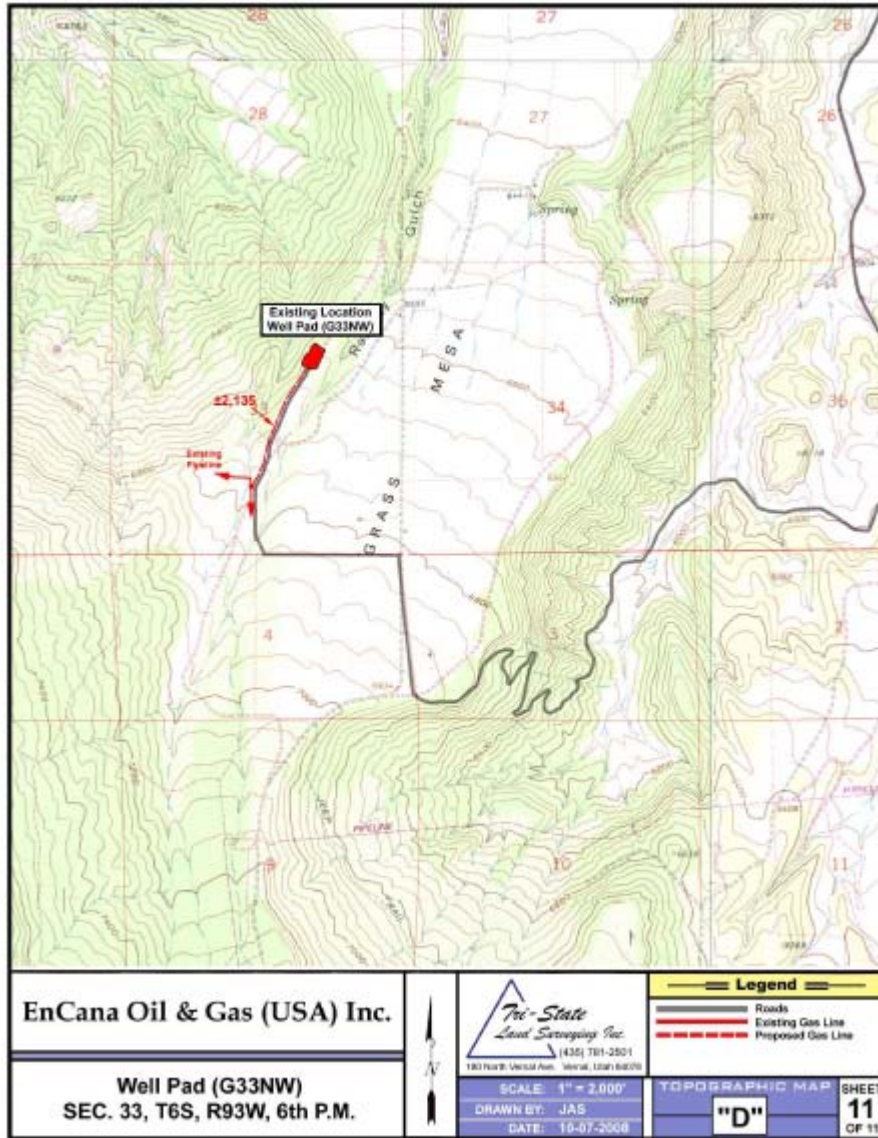
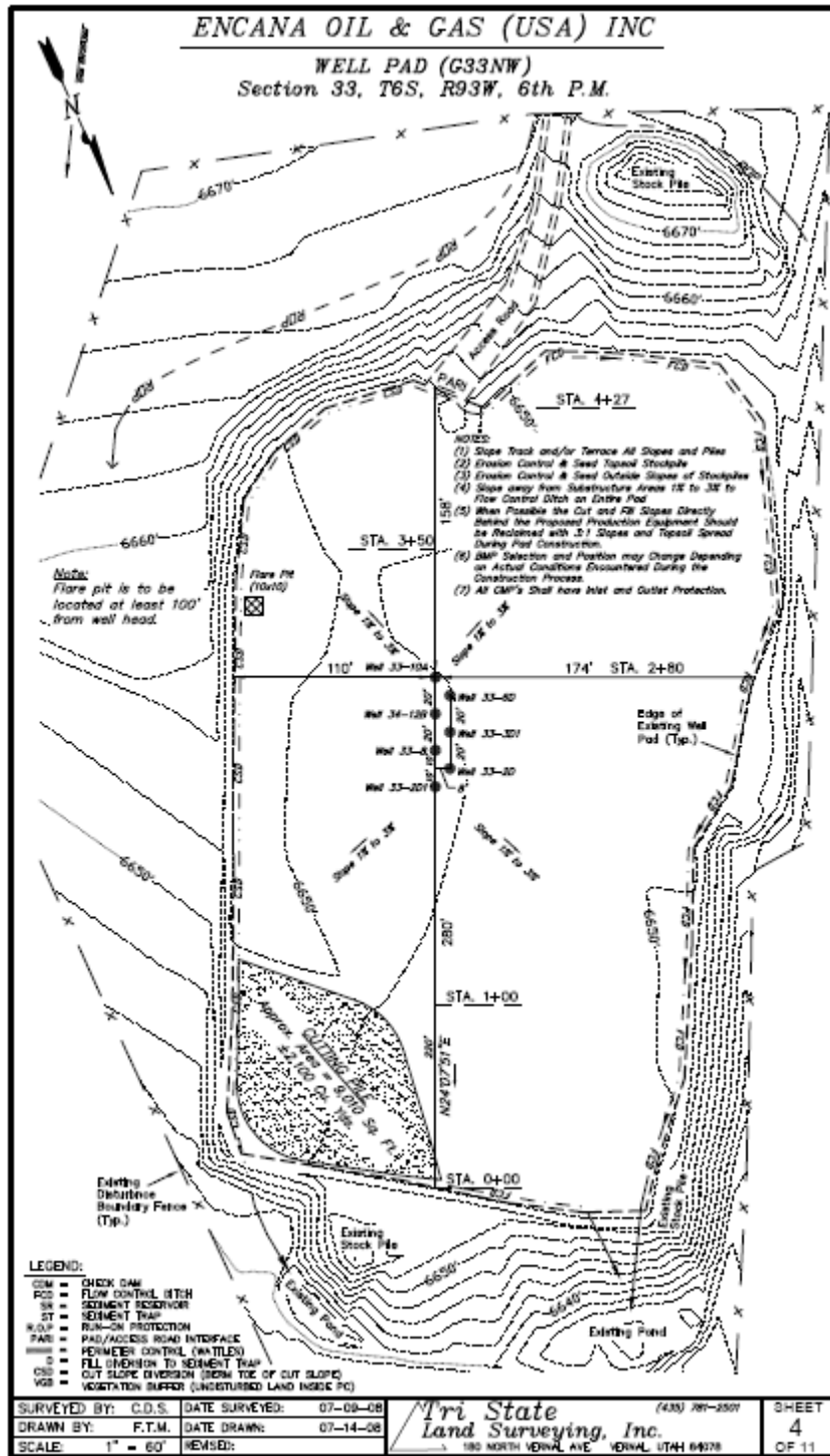


Figure 2. Existing Pad Layout



DOWNHOLE CONDITIONS OF APPROVAL
Applications for Permit to Drill

Company/Operator: Encana Oil and Gas

Surface Location: SWNE, Section 33, Township 6 South, Range 93 West, 6th P.M.

<u>Well Name</u>	<u>Well No.</u>	<u>Bottomhole Location</u>	<u>Lease</u>
GMU	33-3D1	SWNW Sec. 33, T. 6 S., R. 93 W.	COC54737
GMU	33-6D	SWNW Sec. 33, T. 6 S., R. 93 W.	COC54737

1. In accordance with 43 CFR 3162.4(b), the operator shall submit a complete set of electrical/mechanical logs in .LAS format with standard Form 3160-4, Well Completion or Recompletion Report and LOG. Please contact Karen Conrath at 970-947-5235 or karen_conrath@blm.gov for clarification.
2. Twenty-four hours *prior* to (a) spudding, (b) conducting BOPE tests, (c) running casing strings, and (d) within twenty-four hours *after* spudding, the GSEO shall be notified. One of the following GSEO's inspectors shall be notified by phone: Steve Ficklin at 970-947-5212, Julie King shall at 970-947-5239, and Todd Sieber at 970-947-5220.
3. A GSEO petroleum engineer shall be contacted for a verbal approval prior to commencing remedial work, plugging operations on newly drilled boreholes, changes within the drilling plan, changes or variances to the BOPE, deviating from conditions of approval, and conducting other operations not specified within the APD. Please contact Dane Geyer at 970-947-5229 (office) or 970-589-6887 (cell) for verbal approvals. As a secondary contact, Bob Hartman may be contacted at 970-244-3041 (office) or 970-250-7002 (cell).
4. If a well control issue arises (e.g. kick, blowout, or water flow) Dane Geyer shall be notified within 24 hours from the time of the event.
5. The BOPE shall be tested and conform to Onshore Order #2 for a **5M** system.
6. An electrical/mechanical mud monitoring equipment shall be functional prior to drilling out the next shoe. As a minimum, this shall include a pit volume totalizer, stroke counter, and flow sensor.
7. Gas detecting equipment shall be installed in the mud return system, prior to drilling out the next shoe, and hydrocarbon gas shall be monitored for pore pressure changes.
8. A gas buster shall be functional and all flare lines effectively anchored in place, prior to drilling out the next shoe. The discharge of the flare lines shall be a minimum of 100 feet from the well head and targeted at bends. The panic line shall be a separate line (not open inside the buffer tank) and effectively anchored. All lines shall be downwind of the prevailing wind direction and directed into a flare pit, which cannot be the reserve pit. Where noncombustible gas is likely or expected to be vented, the system shall be provided supplemental fuel for ignition and maintain a continuous flare.
9. Submit the (a) mud/drilling log (e.g. Pason disc), (b) driller's event log/operations summary report, (c) production test volumes, (d) directional survey, and (e) Formation Integrity Test results with the well completion report. Please contact Dane Geyer for clarification.
10. Encana shall test domestic water wells within 0.25 mile of a Federal oil and gas well before spudding; within 30 days after the well penetrates 500 feet, or 100 feet past the depth of the water well(s), whichever is shallower; and within 30 days after fracturing. Samples shall be analyzed by a qualified third-party laboratory for hydrocarbons and compounds used in drilling or completion.

**SURFACE USE CONDITIONS OF APPROVAL
C0140-2008-141 SCE**

1. The paint color to be used on all surface facilities including the metal containment rings surrounding the tank battery, pipeline risers and gate installations is Shale Green (5Y 4/2).
2. Appropriate storm water control measures shall be installed along outside edges of fill piles and inside edge of cut slope to control erosion and soil loss, as described in the BLM Gold Book and on the pad's layout schematic.
3. To avoid extending visual and hydrocarbon odor impacts from pits and soil loss from wind erosion related to excess material piles, operator is encouraged to drill, complete and conduct interim reclamation on all planned wells as portrayed on GAP Map in one drilling season. If operator chooses to drill wells on pad beyond one drilling season, then all pits will be closed and interim pad reclamation will be completed prior to December 1 of each year.
4. BLM Glenwood Springs Energy Office (GSEO) Reclamation Policy, including the Letter outlining Revisions to GSEO Revegetation Requirements (dated May 1, 2008) shall be referenced and implemented for reclamation procedures related to interim and final reclamation measures related to this pad.
5. Standard Conditions of Approval outlined in Appendix C of the Grass Mesa GAP will apply and remain in full force and effect. Furthermore, as addressed on page 1 of Grass Mesa GAP EA, surface disturbance for new road construction and/or pipeline installations will not exceed 38 feet unless approved by Authorized Officer.