

**Decision on Action and Application for Categorical Exclusion
For Activities Associated with Oil and Gas Development
Section 390, Energy Policy Act of 2005**

Coal Gulch Unit Beta Amendment
Lance Oil & Gas Company Inc.
CX07-3-007 through CX07-3-019
Bureau of Land Management
Buffalo Field Office

Description of the Proposed Action

On September 22, 2006 Lance Oil & Gas Company received approval from the BLM for 9 of 25 APD's for CBNG wells proposed within their Coal Gulch Unit Beta POD. Sixteen APDs were not approved in 2006 due to the potential effects to sage grouse habitat and a raptor nest within the project area. Following an onsite inspection of the project area, the operator did withdraw three APDs and amended the original proposal but declined to incorporate BLM's recommendations to further mitigate the effects to wildlife. BLM proceeded with the project analysis as amended by the operator. The Environmental Assessment WY-070-06-246 analyzed the following four alternatives: A – No Action, B – the operator's proposed action, C – the operator's amended proposed action, and D – the environmentally preferred alternative. Alternative D was selected to 1) minimize fragmentation of sage-grouse habitat by reducing linear disturbance associated with constructed roads within the project area needed to access Coal Gulch Unit Beta well locations as well as the water line to the 31-1-51-78 reservoir and 2) protect a raptor nest within the ¼ mile of the 12-9 BG well location.

Following the September 22, 2006 decision, Lance Oil & Gas Company reconsidered BLM's recommendation and incorporated them into the POD for the 13 APDs listed in the table below.

Table 1 Well List

	CX #	Well Name	Well #	QTR	Sec	TWP	RNG	Lease #
1	CX-07-3-007	CGU Fed.	11-4BG	NWNW	4	50N	78W	WYW146914
2	CX-07-3-008	CGU Fed.	21-4BG	NENW	4	50N	78W	WYW146914
3	CX-07-3-009	CGU Fed.	22-4BG	SENE	4	50N	78W	WYW146914
4	CX-07-3-010	CGU Fed.	11-5BG	NWNW	5	50N	78W	WYW142842
5	CX-07-3-011	CGU Fed.	21-5BG	NENW	5	50N	78W	WYW142842
6	CX-07-3-012	CGU Fed.	32-5BG	SWNE	5	50N	78W	WYW142842
7	CX-07-3-013	CGU Fed.	33-5BG	NWSE	5	50N	78W	WYW142842
8	CX-07-3-014	CGU Fed.	11-6BG	NWNW	6	50N	78W	WYW142842
9	CX-07-3-015	CGU Fed.	32-6BG	SWNE	6	50N	78W	WYW142842
10	CX-07-3-016	CGU Fed.	24-9BG	SESW	9	50N	78W	WYW146914
11	CX-07-3-017	CGU Fed.	13-31BG	NWSW	31	51N	78W	WYW146350
12	CX-07-3-018	CGU Fed.	14-31BG	SWSW	31	51N	78W	WYW146350
13	CX-07-3-019	CGU	44-32BG	SESE	32	51N	78W	WYW146350

Table 2 Impoundment List

	Impoundment Name / Number	BLM Identifier	Qtr/Qtr	Sec.	TWP	RNG	Lease Number
1	31-1-51-78	31-51-78NWNW	NWNW	31	51N	78W	WYW146350

A follow-up onsite inspection was held January 3, 2007 with BLM and Lance Oil and Gas Company Inc. The following changes were made to mitigate effects to wildlife and have been incorporated into the POD.

Table 3 Changes agreed to at the onsite.

CGUB Well #'s	Coal Gulch Unit Beta Changes made Jan. 3, 2007	Acres of Disturbance
11-4BG	This well will remain as it is staked. A more suitable location was not found for the well and the operator indicated that it would provide access to a well to be submitted in the future through an area avoiding dense sage brush.	1.27
21-4BG	This well and stock tank were moved east just off the existing access as BLM recommended.	2.32
23-4BG	This well and stock tank were moved to the 22-4 location just off the existing access as BLM recommended.	1.46
11-5BG	The access to this well was re-routed from the CGU Fee 14-32BG due south to the 11-5 location following the toe of slope and avoiding dense sagebrush. The well site remains as staked with a constructed pad required.	3.48
21-5BG	This well will remain as it is staked but the proposed stock tank will be moved to the well site. A more suitable location was not found for the well.	2.70
23-5BG	This well was moved east to the existing access at the 33-5 location as per BLM recommendation. A constructed pad is required. COA to be included that limits access with corridor width to 35 feet as agreed to by the operator during the onsite.	4.59
32-5BG	This well was moved SE to the existing access as per BLM recommendation. 300' of the access at the well site will require upgrade to repair an erosion feature caused by the existing road. A 300' diameter turnaround will be required at this site but a COA "no mowing of the turn around area" will be applied.	2.03
23-6BG	This well remains withdrawn by the operator due to a sage grouse CSU. The operator expressed that CBNG drainage is not an issue since they own the surrounding leases.	0.00
31-6BG	This well was moved west to the 11-6 location just off the existing access as per BLM recommendation. A slot is required and the fence will need to be temporarily removed.	0.50

CGUB Well #'s	Coal Gulch Unit Beta Changes made Jan. 3, 2007	Acres of Disturbance
32-6BG	This well was moved NE just off existing access as per BLM recommendation. A pad will be required which will serve as a pullout for truck traffic. All of the designed access to the original 32-6 location, Road H-1, was constructed and will be reclaimed with the exception of 20 feet adjacent to the Road B-1 which will serve as a pullout for truck traffic.	1.28
12-9BG	This well and utility corridor located in NENE and SENE of section 8 T50R78 were withdrawn by the operator. The well as it is staked is within 1/4 mile and line of sight of a raptor nest. The well can not be moved toward the existing access because there is not enough room for the rig, pits, and equipment. The operator expressed that CBNG drainage at this location is not a concern since they own the surrounding leases.	0.00
14-9BG	This well will be moved to the 24-9 location at the existing access as per BLM recommendation. The access will be upgraded to a template road. A constructed pad is required with erosion prevention measures due to slope. The fence will need to be temporarily removed. Road 14-9 will be removed from the road designs and line diagram.	1.00
21-9BG	The operator moved the well west to a location over fee minerals/surface and will be withdrawn from the federal action. The new location does reduce the length of new access to be built through sagebrush.	0.00
13-31G	This well will remain as it is staked. A more suitable location was not found for the well. The access will be upgraded to a template road.	3.85
14-31G	This well will remain as it is staked. A more suitable location was not found for the well. The access will be upgraded to a template road.	0.70
34-32G	The well was moved east to the 44-32 location as the operator recommended. This is a reclaimed conventional well location just off the existing access. The 2-track road will be signed closed at this well site.	2.82
Res. 31-1, Outfall 004 & pipeline	The water line to the 31-1 reservoir will be re-routed to the impoundment from the State 41-32-5178 well location. Outfall 004 will be relocated to the west side of the impoundment.	2.00

The total surface disturbance for this action consists of approximately 30 acres.

Plan Conformance

The proposed action is in conformance with the terms and the conditions of the Approved Resource Management Plan for the Public Lands Administered by the Bureau of Land Management, Buffalo Field Office (BFO), April 2001 and the PRB FEIS, as required by 43 CFR 1610.5

Plan of Operations

The proposal is designed in conformance with all bureau standards and incorporates appropriate best management practices, required and designed mitigation measures determined to reduce the effects on the environment.

The Coal Gulch Unit Beta POD Environmental Assessment WY-070-06-246 analyzed the operator's Master Surface Use Plan describing all proposed surface-disturbing activities. Modification to the original Master Surface Use Plan has been reviewed and is approved pursuant to Section 17 of the Mineral Leasing Act, as amended.

Compliance with the Energy Policy Act of 2005

The proposed activity has been determined to be statutorily categorically excluded from NEPA documentation in accordance with Section 390 of the National Energy Policy Act of 2005.

The Coal Gulch Unit Beta POD Environmental Assessment WY-070-06-246 approved September 22, 2006 has been reviewed and has been determined to consider potential environmental effects associated with the proposed activity at a site specific level.

Categorical Exclusion 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.

The environmental assessment for **Coal Gulch Unit Beta (EA# WY-070-06-246)** was approved on September 22, 2006 and identifies the drilling of the 13 additional CBNG wells listed in Table 1 as reasonably foreseeable. Construction of the 31-1-57-78 reservoir is also reasonably foreseeable to facilitate the containment of CBNG produced water from the 13 additional wells as associated with the operator's Water Management Plan for the Coal Gulch Unit Beta POD.

Persons and Agencies Consulted

The project area had been previously inventoried for cultural resources and SHPO consultation completed. Therefore, no additional consultation pursuant to the NHPA was required.

A wildlife biologist has reviewed the Coal Gulch Unit Beta biological assessment and has determined that no additional Section 7 consultation is necessary.

Decision and Rationale on Action

I have decided to implement **the drilling of 13 additional CBNG wells and construction of associated access roads, utility corridors and 31-1-51-78 on-channel impoundment within the Coal Gulch Unit Beta POD** with the following Conditions of Approval (COAs):

1. The operator is committed to all pertinent plans, mitigation, and Conditions of Approval contained in the Environmental Assessment WY-070-06-246.
2. All changes made at the January 3, 2007 onsite will be followed. They have all been incorporated into the operator's plan of development. See Table 3.
3. The following conditions will minimize the impacts to raptors:

- a. No surface disturbing activity shall occur within ½ mile of all identified raptor nests from February 1 through July 31, annually, prior to a raptor nest occupancy survey for the current breeding season. This timing limitation will affect the following:

<i>Township/Range</i>	<i>Sec.</i>	<i>Affected Wells and Infrastructure</i>
50/78	4	Wells: None Impoundments: None ALL project related activities within the SWSW of this section.
50/78	8	Wells: None Impoundments: None ALL project related activities within the E½ of the NE ¼ of this section.
50/78	9	Wells: 23-9-5078 and 24-9-5078 ALL project related activities within this ENTIRE section.
51/78	31	Wells: None Impoundments: Res 31-1 The proposed outfall and water pipeline within this section.

- 1) Surveys to document nest occupancy shall be conducted by a biologist following BLM protocol, between April 15 and June 30. All survey results shall be submitted in writing to a Buffalo BLM biologist and approved prior to surface disturbing activities. Surveys outside this window may not depict nesting activity. If a survey identifies active raptor nests, a ½ mile timing buffer will be implemented. The timing buffer restricts surface disturbing activities within ½ mile of occupied raptor nests from February 1 to July 31.
- b. Nest productivity checks shall be completed for the first five years following project completion. The productivity checks shall be conducted no earlier than June 1 or later than June 30 and any evidence of nesting success or production shall be recorded. Survey results will be submitted to a Buffalo BLM biologist in writing no later than July 31 of each survey year. This applies to the following nest(s):

BLM ID#	SPECIES	UTM	LEGAL LOCATION	SUBSTRATE	CONDITION
2648	Golden eagle	397113E 4912610N	SESW Sec. 30 T51N, R78W	Cliff	Good
2237	Unknown	400083E 4908730N	NENW Sec. 9, T50N, R78W	Cottonwood, dead	Fair
2236	Golden eagle	399909E 4908456N	SWNW Sec. 9, T50N, R78W	Cottonwood, live	Good
2652	Long-eared owl	396382E 4912678N	SESE Sec. 25, T51N, R79W	Juniper	Good
None	Red-tailed hawk	398852E 4908310N	NWSE Sec. 8, T50N, R78W	Cottonwood, live	Good
None	Burrowing owl	399656E 4911401N	NWSW Sec. 33, T51N, R78W	Ground burrow	Good
None	Long-eared owl	396903E 4912314N	NENW Sec. 31, T51N, R78W	Juniper, live	Good

- c. If an undocumented raptor nest is located during project construction or operation, the Buffalo Field Office (307-684-1100) shall be notified within 24 hours.
- d. Well metering, maintenance and other site visits within 0.5 miles of raptor nests shall be minimized as much as possible during the breeding season (February 1 – July 31), and restricted to between 0900 and 1500 hours.

4. No surface disturbing activity shall occur within 0.25 miles of all identified prairie dog towns from April 15 – August 31, annually, prior to a burrowing owl nest occupancy survey for the current breeding season. A 0.25 mile buffer will be applied if a burrowing owl nest is identified. This condition will be implemented on an annual basis for the duration of surface disturbing activities within the following prairie dog town(s):

Location	Size in acres	Status
Central Sec. 30, T51N, R78W	1.64	Active
NESE Sec. 30 & NWSW Sec. 29 T51N, R78W	3.9	Active
SSE Sec. 30 & NNE Sec. 31 T51N, R78W	43.3	Active
SSE Sec. 29, NENE Sec. 32, & NWSW Sec. 33 T51N, R78W	108.3	Active
NE Sec. 5 T50N, R78W	17.8	Active

This timing limitation will affect the following:

Township/Range	Sec.	Affected Wells and Infrastructure
51/78	32	Wells: 41-32-5178BG and 43-32-5178BG ALL proposed road / pipeline corridors within the NE ¼ of this section.

5. The following conditions will minimize the impacts to sage-grouse:
- No surface disturbing activities are permitted within 2 miles of a sage grouse lek between March 1 and June 15, prior to completion of a greater sage grouse lek survey. This condition will be implemented on an annual basis for the duration of surface disturbing activities. This timing limitation will affect **ALL project related activities within the ENTIRE project area.**
 - If an active lek is identified during the survey, the 2 mile timing restriction (March 1- June 15) will be applied and surface disturbing activities will not be permitted until after the nesting season. If surveys indicate that the identified lek is inactive during the current breeding season, surface disturbing activities may be permitted within the 2 mile buffer until the following breeding season (March 1). The required sage grouse survey will be conducted by a biologist following the most current WGFD protocol. All survey results shall be submitted in writing to a Buffalo BLM biologist and approved prior to surface disturbing activities.
 - Creation of raptor hunting perches will be avoided within 0.5-mile of documented sage grouse lek sites. Perch inhibitors will be installed to deter avian predators from preying on sage grouse.
 - Well metering, maintenance and other site visits within 0.5 miles of documented sage grouse lek sites shall be minimized as much as possible during the breeding season (March 1– June 15), and restricted to between 0900 and 1500 hours.
6. The following conditions will minimize impacts to sharp-tail-grouse:
- A survey is required for sharp-tailed grouse between April 1 and May 7, annually, within the project area for the life of the project and results shall be submitted to a BLM biologist.
 - If an active lek is identified during the survey, the 0.64 mile timing restriction (March 1-June 15) will be applied and surface disturbing activities will not be permitted until after the nesting season. The required sharp-tailed grouse survey

will be conducted by a biologist following WGFD protocol. All survey results shall be submitted in writing to a Buffalo BLM biologist and approved prior to surface disturbing activities.

- 2.) If surveys indicate that the identified lek is inactive during the current breeding season, surface disturbing activities may be permitted within the 0.5 mile buffer until the following breeding season (April 1).
- b. Creation of raptor hunting perches will be avoided within 0.64 miles of documented sharp-tailed grouse lek sites. Perch inhibitors will be installed to deter avian predators from preying on grouse.
7. The following conditions will minimize the impacts to mountain plovers:
 - a. A mountain plover nesting survey is required, annually, in suitable habitat prior to commencement of surface disturbing activities in the following areas:

Location	Size in acres	Status
SSE Sec. 29, NENE Sec. 32, & NWSW Sec. 33 T51N, R78W	108.3	Active
NE Sec. 5 T50N, R78W	17.8	Active

No surface disturbing activities are permitted in the suitable habitat area listed above as well as a ¼ mile buffer surrounding these prairie dog towns, from March 15-July 31, unless a mountain plover nesting survey has been conducted during the current breeding season. This timing limitation applies to the following:

Township/Range	Section	Affected Wells and Infrastructure
51/78	32	Wells: 41-32-5178BG and 43-32-5178BG ALL proposed road / pipeline corridors within the NE ¼ of this section.

- 1.) Mountain plover nesting surveys shall be conducted by a biologist following the most current U.S. Fish and Wildlife Service Mountain Plover Survey Guidelines (the survey period is May 1-June 15). All survey results must be submitted in writing to the BFO and approved prior to initiation of surface disturbing activities.
- 2.) If a mountain plover is identified, then a seasonal disturbance-free buffer of ¼ mile shall be maintained between March 15 and July 31. If no mountain plovers are identified, then surface disturbing activities may be permitted within suitable habitat until the following breeding season (March 15).
- b. No dogs will be permitted at work sites to reduce the potential for harassment of mountain plovers.
- c. A disturbance-free buffer zone of 0.25 mile will be established around all mountain plover nesting locations between March 15 and July 31.
- d. Work schedules and shift changes will be set to avoid the periods from 30 minutes before to 30 minutes after sunrise and sunset during June and July, when mountain plovers and other wildlife are most active.
- e. Reclamation of areas of previously suitable mountain plover habitat will include the seeding of vegetation to produce suitable habitat for mountain plover.
8. The operator will maintain drilling operations within a 150 foot by 150 foot work area for those locations where a constructed pad is not approved as designed including the following well locations: 11-4BG, 21-4BG, 22-4BG, 21-5BG, 32-5BG, 11-6BG, 13-31BG, 14-31BG and 44-32BG.
9. Segregated top soil will be redistributed once the instillation of gas, water and electrical utilities is complete at the well head for the following well locations: 11-4BG, 21-4BG, 22-4BG, 21-5BG, 32-5BG, 11-6BG, 13-31BG, 14-31BG and 44-32BG.

10. Reserve pits containing frozen fluids will not be closed. See section K. "Operations/Maintenance", COA #10 of the Conditions of Approval document for further clarification.
11. Top soil will be segregated for all excavation including the entire disturbance area for constructed pads and excavated areas for rig slots, reserve pits, constructed roads, spot upgrades, reservoir upgrades, outfalls and utility trenches. Segregation will not be required for trenches installed with wheel trenchers.
12. Construction of 2-track access/utility corridor within the POD will minimize impact to sagebrush by minimizing road width, mowing and wheel trenching as noted in the Master Surface Use Plan (pages 3 & 4), except where engineered segments or upgrades are noted in the Line Diagram Plan and project maps. This includes access to the following wells: 11-4BG, 21-4BG, 22-4BG, 21-5BG, 32-5BG, 33-5BG, 13-31 and 44-32BG (Roads A, C, D, E, F, 11-4 and 14-31).
13. Total disturbance will be contained within a 35 foot width for 2-track access with utility corridor associated with "Road D" beginning at the start of "Road E" to the following wells: 32-5BG and 33-5BG. Stabilization of an existing erosion feature immediately upslope from the 32-5BG location will allow for disturbance to exceed the 35 feet as indicated in the "Road D" design.
14. The operator will follow the guidance provided in the Wyoming Policy on Reclamation (IM WY-90-231) specifically the following:
 - Reclamation Standards:
 1. The reclaimed area shall be stable and exhibit none of the following characteristics:
 - a. Large rills or gullies.
 - b. Perceptible soil movement or head cutting in drainages.
 - c. Slope instability on, or adjacent to, the reclaimed area in question.
 2. The soil surface must be stable and have adequate surface roughness to reduce runoff and capture rainfall and snow melt. Additional short-term measures, such as the application of mulch, shall be used to reduce surface soil movement.
 3. Vegetation canopy cover (on unforested sites), production and species diversity (including shrubs) shall approximate the surrounding undisturbed area. The vegetation shall stabilize the site and support the planned post disturbance land use, provide for natural plant community succession and development, and be capable of renewing itself. This shall be demonstrated by:
 - a. Successful onsite establishment of species included in the planting mixture or other desirable species.
 - b. Evidence of vegetation reproduction, either spreading by rhizomatous species or seed production.
 4. The reclaimed landscape shall have characteristics that approximate the visual quality of the adjacent area with regard to location, scale, shape, color and orientation of major landscape features and meet the needs of the planned post disturbance land use.
15. Those proposed disturbance areas mentioned below have fragile soils and erosive conditions that shall be stabilized in a manner which eliminates erosion until a self-perpetuating non-weed native plant community has stabilized the site. Stabilization efforts shall be finished within 30 days of the completion of construction activities.
 - Well site(s): 24-9BG and 14-31BG
 - Road / Pipeline segments associated with well(s): 24-9BG
16. Provide 4" of aggregate where grades exceed 8%.

17. The culvert locations will be staked prior to construction. The culvert invert grade and finished road grade will be clearly indicated on the stakes. Culverts will be installed on natural ground, or on a designed flow line of a ditch. The minimum cover over culverts will be 12” or one-half the diameter whichever is greater. Drainage laterals in the form of culverts or waterbars shall be placed according to the following spacing:

Grade	Drainage Spacing
2-4%	310 ft
5-8%	260 ft
9-12%	200 ft
12-16%	150 ft

18. The operator is responsible for having the licensed professional engineer(s) certify that the actual construction of the road meets the design criteria and is constructed to Bureau standards.
19. All stock water tanks will be installed with a rock apron of 4 inch aggregate surrounding the tank and extending a minimum of 8 feet out from the tank.
20. All permanent above-ground structures (e.g., production equipment, tanks, etc.) not subject to safety requirements will be painted to blend with the natural color of the landscape. The paint used will be a color which simulates “Standard Environmental Colors.” The color selected for the Coal Gulch Unit Beta POD is Carlsbad Canyon, 2.5Y 6/2.
21. The operator will drill seed on the contour to a depth of 0.5 inch, followed by cultipaction to compact the seedbed, preventing soil and seed losses. To maintain quality and purity, the current years tested, certified seed with a minimum germination rate of 80% and a minimum purity of 90% will be used. The operator will follow the seed mix specified under site specific COA #21 for the Coal Gulch Unit Beat POD. On BLM surface within T50N/R78W, section 6, the following may be used in lieu of the seed mix approved for Coal Gulch Unit Beta:

Seed Mix – Section 6-T50N/R78W ONLY – Coal Gulch Unit Beta

<u>Sandy Soil</u>	<u>pils lbs/ac</u>
Western Wheatgrass	2
Prairie sandreed	4
Indian Ricegrass	4
Slender Wheatgrass	2
*White Prairie Clover	1
*Yellow Prairie coneflower	.25
**Western Yarrow	.015
*Falcata Alfalfa	.5
	13.765

<u>Clayey/Loamy Soils</u>	<u>pils lbs/ac</u>
Western Wheatgrass	3
Green Needle	2
Slender	4
Thickspike Wheatgrass	4
*Purple Prairie Clover	1
*Maple Grove Native Flax	.15
*Yellow Prairie coneflower	.25
*Winter Fat	.1

**Western Yarrow	.015
*Falcata Alfalfa	.5
	<hr/>
	15.015

*forbs/shrub species to be sacked separately from grass mix

**Western Yarrow to be sacked separately for ease of handling

The above COAs and/or terms and conditions provide justification for this decision and may not be segregated from project implementation without further NEPA review. In addition, I have reviewed the plan conformance statement and have determined that the proposed activity is in conformance with the applicable land use plan(s). Further, I have reviewed the proposal to ensure the appropriate exclusion category as described in Section 390 of the Energy Policy Act of 2005 has been correctly applied. It is my determination that no further environmental analysis is required.

The above described action must be completed by September 22, 2011

Implementation Date:

This project will be implemented on or after the below date.

Chris E. Hanson
Field Manager

Date

Administrative Review or Appeal Opportunities

This decision is subject to administrative review in accordance with 43 CFR 3165. Any request for administrative review of this decision must include information required under 43 CFR 3165.3(b) (State Director Review), including all supporting documentation. Such a request must be filed in writing with the State Director, Bureau of Land Management, P.O. Box 1828, Cheyenne, Wyoming 82003, no later than 20 business days after this Decision Record is received or considered to have been received.

Any party who is adversely affected by the State Director's decision may appeal that decision to the Interior Board of Land Appeals, as provided in 43 CFR 3165.4.

Contact Person

For additional information concerning this decision, contact

Jim Verplancke, Natural Resource Specialist
Buffalo Field Office
1425 Fort Street, Buffalo, WY 82834
(307)684-1057