



January 14, 2016

Via Federal Express and E-Mail

Mr. Lonny Bagley  
Bureau of Land Management  
Deputy State Director for Minerals and Energy  
Colorado State Office  
2580 Youngfield Street  
Lakewood, CO 80215-7093

✓ Mr. Karl Mendonca  
Bureau of Land Management  
Colorado River Valley Field Office  
Field Manager  
2300 River Frontage Road  
Silt, Colorado 81652

Re: Request for Extension of Existing Suspension of Operations and Production for Federal Oil & Gas Lease Nos. COC-66706; COC-66707; COC-66708; COC-66709; COC-66710; COC-66711; and COC-66712; Garfield, Mesa, and Pitkin Counties, Colorado

Dear Mr. Mendonca and Mr. Bagley:

In accordance with Section 39 of the Mineral Leasing Act and the Bureau of Land Management's ("BLM") implementing regulations at 43 C.F.R. §§ 3103.4-4 and 3165.1, Ursa Piceance LLC ("Ursa") requests an extension of BLM's current suspension of operations and production on the above-described federal oil and gas leases ("Leases"). The current extension is effective through March 31, 2016. Ursa requests an extension of the existing suspension beginning April 1, 2016. Ursa requests that the lease suspension extension continue through the following: (i) issuance of the Record of Decision for the Final Environmental Impact Statement for Previously Issued Oil and Gas Leases in the White River National Forest ("Leasing FEIS"), (ii) that period of time necessary to complete the National Environmental Policy Act ("NEPA") analysis for the Wolf Springs Unit obligation well if the Wolf Springs Unit is approved and for individual lease applications for permits to drill ("APDs") if the Wolf Springs Unit is not approved, and (iii) a

reasonable additional period of time beyond (i) and (ii) necessary for Ursa to commence lease operations.<sup>1</sup>

Ursa's request for an extension of the current suspension of operations and production is in the interest of conservation of natural resources and is compelled by the same rationale relied upon by BLM in the agency's prior decisions granting Ursa a suspension of operations and production for the Leases.

I. Course of Proceedings

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B. Ursa's Diligent Development Efforts<sup>2</sup>

Beginning in 2009, Ursa conducted a series of on-site visits with BLM and the Forest Service to identify environmentally and geologically preferable well locations for its exploratory drilling program. Ursa subsequently proposed the Lava Boulder Creek ("LBC") Exploratory Development Program which includes up to four exploratory wells and a water injection well on a single well pad in Lease No. COC-66708. The Forest Service published a Notice of Proposed Action for the LBC Exploratory Development Program in April 2011. Since 2009, the Forest Service and others have been preparing an environmental assessment for the LBC. The environmental assessment is virtually complete.

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unit although, as discussed in more detail below, BLM has stated it will not act on the proposed Wolf Springs Unit or the APD for the unit obligation well.<sup>3</sup>

C. BLM's April 9, 2013 and March 31, 2014 Suspension Decisions

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BLM acknowledged the comments of interested parties that a lessee must support an application for suspension by showing diligent efforts to develop. BLM determined that Ursa satisfied the diligent development requirement. "As of this date ... Ursa has submitted a complete APD for the unit obligation well, the decision on which will be delayed until completion of additional environmental analysis associated with the leasing decisions." April 9, 2013 Decision at 5. "Due to the unusual delay in acting on the unit application, [and] the BLM's identification and communication of the need for additional NEPA analysis addressing the leasing decisions, ... the BLM finds that Ursa's submission of the unit request and proposed obligation well APD sufficient to demonstrate adequate diligence in developing the Leases." *Id.* at 5.

Based on the need for additional NEPA analysis, the agency's "abnormal delays," and the "totality of the circumstances," BLM found "that the requested suspensions are in the interest of conservation of natural resources" and "approve[d] Ursa's suspensions pursuant to Section 39 of the MLA, 30 USC 209; 43 C.F.R. 3103.4 and 3165.1; and BLM Manual 3160-10." Pitkin County, City of Glenwood Springs, Town of Carbondale, and Wilderness Workshop ("Appellants")

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The time period requested for the suspension is fully warranted in these circumstances which, in BLM’s words, are “unusual” and “abnormal.” *First*, BLM recognizes that “suspensions are typically warranted when agency-created delays in completing necessary environmental analysis prohibit beneficial use.” *E.g.*, April 9, 2013 Decision at 3. The “[BLM]-created delays” here have caused the need for additional time to prepare both the Leasing FEIS and NEPA analyses for individual wells, thus supporting the requested suspension extension. *Second*, Ursa was effectively denied that portion of the primary term of its Leases during which BLM had already decided it would not approve any unit or lease activities based on the *Pitkin County* decision, yet did not inform Ursa that its attempts to develop and unitize the Leases were in vain.<sup>5</sup> *Third*, to the extent BLM substantially modifies the terms of Ursa’s leases as proposed in the Leasing DEIS, Ursa will require a significant period of time to undertake new analyses of development activities.<sup>6</sup> Absent the additional suspension time requested, BLM would be effectively granting a new lease with different terms, but only allowing Ursa a few months to develop the lease.

The requested suspension of time is in the interest of conservation and thus is appropriate under the terms of the Mineral Leasing Act and its implementing regulations. 30 U.S.C. § 209; 43 C.F.R. § 3103.4-4; 43 C.F.R. 3165.1; BLM Manual, 3160-10.2.21.A.1, 3160-10.2.21.B.1. (Rel. 3-150, 3/13/1987). The requested suspension of operations and production would toll the running of the term of the Leases and effectively add the period of suspension to the primary term of the lease. 30 U.S.C. § 209; 43 C.F.R. § 3103.4-4(b). In accordance with Section 39 of the Mineral Leasing Act (30 U.S.C. § 209) and 43 C.F.R. § 3103.4-4(d), Ursa also requests a suspension of

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## II. Request For Extension Of The Current Suspension Of Operations And Production

Ursa requests BLM to grant an extension of the current suspension of operations and production on the Leases through the following: (i) issuance of the Record of Decision for the Leasing FEIS, (ii) that period of time necessary to complete the NEPA analysis for the Wolf Springs unit obligation well if the Wolf Springs Unit is approved and for individual lease APDs if the Wolf Springs Unit is not approved, and (iii) a reasonable additional period of time beyond (i) and (ii) necessary for Ursa to commence lease operations.

The time period requested for the suspension is fully warranted in these circumstances which, in BLM’s words, are “unusual” and “abnormal.” *First*, BLM recognizes that “suspensions are typically warranted when agency-created delays in completing necessary environmental analysis prohibit beneficial use.” *E.g.*, April 9, 2013 Decision at 3. The “[BLM]-created delays” here have caused the need for additional time to prepare both the Leasing FEIS and NEPA analyses for individual wells, thus supporting the requested suspension extension. *Second*, Ursa was effectively denied that portion of the primary term of its Leases during which BLM had already decided it would not approve any unit or lease activities based on the *Pitkin County* decision, yet did not inform Ursa that its attempts to develop and unitize the Leases were in vain.<sup>5</sup> *Third*, to the extent BLM substantially modifies the terms of Ursa’s leases as proposed in the Leasing DEIS, Ursa will require a significant period of time to undertake new analyses of development activities.<sup>6</sup> Absent the additional suspension time requested, BLM would be effectively granting a new lease with different terms, but only allowing Ursa a few months to develop the lease.

The requested suspension of time is in the interest of conservation and thus is appropriate under the terms of the Mineral Leasing Act and its implementing regulations. 30 U.S.C. § 209; 43 C.F.R. § 3103.4-4; 43 C.F.R. 3165.1; BLM Manual, 3160-10.2.21.A.1, 3160-10.2.21.B.1. (Rel. 3-150, 3/13/1987). The requested suspension of operations and production would toll the running of the term of the Leases and effectively add the period of suspension to the primary term of the lease. 30 U.S.C. § 209; 43 C.F.R. § 3103.4-4(b). In accordance with Section 39 of the Mineral Leasing Act (30 U.S.C. § 209) and 43 C.F.R. § 3103.4-4(d), Ursa also requests a suspension of

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<sup>5</sup> If BLM had informed Ursa that no lease development or unitization would be allowed to proceed based on *Pitkin County* at the time BLM made that decision, then Ursa could have sought a suspension at a much earlier date.

<sup>6</sup> Ursa does not concede that BLM may modify the Leases as proposed in the Leasing DEIS.

Mr. Karl Mendonca  
Colorado River Valley Field Manager  
January 14, 2016  
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annual rental and minimum royalty payments during the period of suspension of operations and production on the Leases.

Please contact the undersigned at 720-508-8369 if you have any questions or comments regarding this matter, or if you need additional information to consider this request to extend the suspension of operations and production on the Leases.

Very truly yours,

Ursa Piceance LLC



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Don Simpson  
Vice President-Business Development

Cc: Ms. Ruth Welch, Colorado BLM State Director (via e-mail)  
Mr. Matt McKeown, Regional Solicitor, Department of the Interior (via e-mail)  
Ms. Rebecca Watson, Wellborn Sullivan Meck & Tooley (via e-mail)  
Mr. Michael Freeman, Earthjustice (via e-mail)  
Ms. Lori Potter, Pitkin County (via e-mail)