Form 2800-14
September 1997)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
RIGHT-OF-WAY GRANT/TEMPORARY USE PERMIT

Glenwood Spgs Energy Ofc

Serial Number:
COC68438
COC6843801
COC68438T

1. Right-of-way for the **COC68438 (Bull Mountain Natural Gas Pipeline FEIS, July 2007)** 20-inch natural gas pipeline is hereby granted pursuant to Section 28 of the Mineral Leasing Act of 1920, as amended (30 U.S.C. 185).

   Right-of-way for the **COC68438-01** associated 8-inch produced water pipeline is granted pursuant to Title V of the Federal Land Policy and Management Act of October 21, 1976 (90 Stat. 2776; 43 U.S.C. 1761) (Ref. Delegation of Authority, January 8, 2008, signed by Charles S. Richmond, Forest Supervisor, Grand Mesa-Uncompahgre-Gunnison National Forests.)

   The **COC68438T** Temporary Use Permit construction area is granted pursuant to Section 28 of the Mineral Leasing Act of 1920, as amended (30 U.S.C. 185).

2. Nature of Interest:

   a. By this instrument, the holder:

      SG Interests I, Ltd.
      Attn: Robbie Guinn, VP Lands
      909 Fannin, Suite 2600
      Houston, Texas 77010

   receives a right to construct, operate, maintain, and terminate the 20-inch buried steel Bull Mountain Natural Gas Pipeline and the 8-inch buried steel produced water pipeline with related above-ground appurtenances within a 50-foot permanent right-of-way, located as follows:

6th Principal Meridian, Colorado

Township	Range	Section	Aliquot	County	Mgmt Agency
10 S	90 W	18	NWSW;	Gunnison	USFS
10 S	90 W	18	SWSW;	Gunnison	USFS
10 S	90 W	19	NENW;	Gunnison	USFS
10 S	90 W	19	NWNW;	Gunnison	USFS
10 S	90 W	19	SENW;	Gunnison	USFS
10 S	90 W	19	NESW;	Gunnison	USFS
10 S	90 W	19	SESW;	Gunnison	USFS
10 S	90 W	29	SWSW;	Gunnison	USFS
10 S	90 W	29	SESW;	Gunnison	USFS
10 S	90 W	30	SWNE;	Gunnison	USFS
10 S	90 W	30	NENW;	Gunnison	USFS

Township	Range	Section	Aliquot	County	Mgmt Agency
10 S	90 W	30	SENW;	Gunnison	USFS
10 S	90 W	30	NWSE;	Gunnison	USFS
10 S	90 W	30	SWSE;	Gunnison	USFS
10 S	90 W	30	SESE;	Gunnison	USFS
10 S	90 W	32	NENE;	Gunnison	USFS
10 S	90 W	32	NWNE;	Gunnison	USFS
10 S	90 W	32	SENE;	Gunnison	USFS
10 S	90 W	32	NENW;	Gunnison	USFS
10 S	90 W	33	SWNW;	Gunnison	USFS
10 S	90 W	33	NWSW;	Gunnison	USFS
10 S	90 W	33	SWSW;	Gunnison	USFS
10 S	90 W	33	SESW;	Gunnison	USFS
11 S	90 W	3	Lot 4;	Gunnison	USFS
11 S	90 W	3	Lot 5;	Gunnison	USFS
11 S	90 W	3	Lot 12;	Gunnison	USFS
11 S	90 W	3	NWSW;	Gunnison	USFS
11 S	90 W	3	Lot 14;	Gunnison	USFS
11 S	90 W	3	SESW;	Gunnison	USFS
11 S	90 W	4	Lot 1;	Gunnison	USFS
11 S	90 W	10	NENW;	Gunnison	USFS
11 S	90 W	10	SWNE;	Gunnison	USFS
8 S	91 W	17	SWSE;	Mesa	BLM
8 S	91 W	17	NWSE;	Mesa	BLM
8 S	91 W	17	NESW;	Mesa	BLM
8 S	91 W	17	NWSW;	Mesa	BLM
8 S	91 W	20	NENE;	Mesa	BLM
8 S	91 W	20	NWNE;	Mesa	BLM
8 S	91 W	20	SENE;	Mesa	BLM
8 S	91 W	20	NESE;	Mesa	BLM
8 S	91 W	20	SESE;	Mesa	BLM
8 S	91 W	21	Lot 4;	Mesa	USFS
8 S	91 W	28	SWNE;	Mesa	USFS
8 S	91 W	28	NENW;	Mesa	USFS
8 S	91 W	28	NWNW;	Mesa	USFS
8 S	91 W	28	SENW;	Mesa	USFS
8 S	91 W	28	NWSE;	Mesa	USFS
8 S	91 W	28	SWSE;	Mesa	USFS
8 S	91 W	28	SESE;	Mesa	USFS
8 S	91 W	33	NWNE;	Mesa	USFS
8 S	91 W	33	Lot 5;	Mesa	USFS
8 S	91 W	33	NWSE;	Mesa	USFS
8 S	91 W	33	SWSE;	Mesa	USFS
8 S	91 W	33	SESE;	Mesa	USFS
9 S	91 W	3	Lot 3;	Mesa	USFS

Township	Range	Section	Aliquot	County	Mgmt Agency
9 S	91 W	3	SENW;	Mesa	USFS
9 S	91 W	3	NWNW;	Mesa	USFS
9 S	91 W	3	Lot 6;	Mesa	USFS
9 S	91 W	3	Lot 5;	Mesa	USFS
9 S	91 W	3	Lot 9;	Mesa	USFS
9 S	91 W	3	SESE;	Mesa	USFS
9 S	91 W	10	NENE;	Mesa	USFS
9 S	91 W	11	NWNW;	Mesa	USFS
9 S	91 W	11	Lot 1;	Mesa	USFS
9 S	91 W	11	NWSW;	Mesa	USFS
9 S	91 W	11	Lot 2;	Mesa	USFS
9 S	91 W	11	Lot 4;	Mesa	USFS
9 S	91 W	11	Lot 5;	Mesa	USFS
9 S	91 W	14	Lot 1;	Mesa	USFS
9 S	91 W	14	Lot 6;	Mesa	USFS
9 S	91 W	14	Lot 5;	Mesa	USFS
9 S	91 W	14	NESW;	Mesa	USFS
9 S	91 W	14	NWSW;	Mesa	USFS
9 S	91 W	14	SESW;	Mesa	USFS
9 S	91 W	14	SWSE;	Mesa	USFS
9 S	91 W	23	NWNE;	Mesa	USFS
9 S	91 W	23	SWNE;	Mesa	USFS
9 S	91 W	23	NWSE;	Mesa	USFS
9 S	91 W	23	Lot 7;	Mesa	USFS
9 S	91 W	26	NWNE;	Mesa	USFS
9 S	91 W	26	SWNE;	Mesa	USFS
9 S	91 W	26	NWSE;	Mesa	USFS
9 S	91 W	26	SWSE;	Mesa	USFS
9 S	91 W	26	SESE;	Mesa	USFS
9 S	91 W	35	NENE;	Mesa	USFS
9 S	91 W	35	SENE;	Mesa	USFS
9 S	91 W	35	NESE;	Mesa	USFS
9 S	91 W	35	NWSE;	Mesa	USFS
9 S	91 W	35	SESE;	Mesa	USFS
10 S	91 W	1	NWNW;	Mesa (unsurveyed)	USFS
10 S	91 W	1	SWNW;	Mesa	USFS
10 S	91 W	1	NWSW;	Mesa	USFS
10 S	91 W	1	SWSW;	Mesa	USFS
10 S	91 W	2	NENE;	Mesa (unsurveyed)	USFS
10 S	91 W	2	SENE;	Mesa (unsurveyed)	USFS
10 S	91 W	2	SESE;	Delta	USFS
10 S	91 W	2	SESE;	Mesa	USFS
10 S	91 W	11	NENE;	Delta	USFS
10 S	91 W	11	SENE;	Delta	USFS

Township	Range	Section	Aliquot	County	Mgmt Agency
10 S	91 W	12	SWNW;	Delta	USFS
10 S	91 W	12	NWSW;	Delta	USFS
10 S	91 W	12	SWSW;	Delta	USFS
10 S	91 W	12	SESW;	Delta	USFS
10 S	91 W	13	NWNE;	Gunnison	USFS
10 S	91 W	13	NWNE;	Delta	USFS
10 S	91 W	13	SWNE;	Gunnison	USFS
10 S	91 W	13	SENE;	Gunnison	USFS
10 S	91 W	13	SENE;	Delta	USFS
10 S	91 W	13	NENW;	Delta	USFS
10 S	91 W	13	NESE;	Gunnison	USFS

NOTE: T 10 S R 91 W – Unsurveyed Township and Range;

Acreages of disturbance: (50-foot permanent right-of-way): BLM – 7.57 acres (Mesa County);WRNF – 51.23 acres (Mesa County); GMUG – 10.28 acres (Delta County); GMUG – 41.17 acres (Gunnison County)

b. The 20-inch diameter buried steel natural gas pipeline permanent right-of-way area (**COC68438**) with related above-ground appurtenances granted herein is 18.19 miles in length and 50 feet in width, and contains **110.25** acres, more or less.

The 8-inch buried steel produced water pipeline (**COC6843801**) right-of-way granted herein is 18.19 miles in length and 25 feet in width, and contains **55.12** acres, more or less. (*The produced water pipeline shall be constructed entirely within the same permanent right-of-way as the 20-inch natural gas pipeline and within the same time frame.)*

The Temporary Use Permit (**COC68438T**) granted herein is 18.19 miles in length and 50 feet in width and contains **110.25** acres, more or less. The term of the TUP shall be 5 years from the date of the original right-of-way grant, and shall expire **December 31, 2012**.

c. This instrument shall terminate 30 years from the date of the original right-of-way grant (**December 31, 2037**), unless, prior thereto, it is relinquished, abandoned, terminated, or modified pursuant to the terms and conditions of this instrument or of any applicable Federal law or regulation.

d. This instrument may be renewed. If renewed, the right-of-way or permit shall be subject to the regulations existing at the time of renewal and any other terms and conditions that the authorized officer deems necessary to protect the public interest.

e. Not withstanding the expiration of this instrument or any renewal thereof, early relinquishment, abandonment, or termination, the provisions of this instrument, to the

extent applicable, shall continue in effect and shall be binding on the holder, its successors, or assigns, until they have fully satisfied the obligations and/or liabilities accruing herein before or on account of the expiration, or prior termination, of the grant.

3. Rental:

For and in consideration of the rights granted, the holder agrees to pay the Bureau of Land Management fair market value rental as determined by the authorized officer unless specifically exempted from such payment by regulation. Provided, however, that the rental may be adjusted by the authorized officer, whenever necessary, to reflect changes in the fair market rental value as determined by the application of sound business management principles, and so far as practicable and feasible, in accordance with comparable commercial practices.

4. Terms and Conditions:

a. This grant or permit is issued subject to the holder's compliance with all applicable regulations contained in Title 43 Code of Federal Regulations part 2880.

b. Upon grant termination, the holder shall submit to the authorized officer, a plan of abandonment describing in detail how the improvements shall be abandoned or removed from the Federal lands described in this right-of-way grant. The plan of abandonment shall be approved by the authorized officer prior to implementation.

* *Upon grant termination by the authorized officer, all improvements shall be removed from the public lands within 180 days, or otherwise disposed of as provided in paragraph (4)(d) or as directed by the authorized officer.*

c. Each grant issued for a term of 20 years or more shall, at a minimum, be reviewed by the authorized officer at the end of the 20th year and at regular intervals thereafter not to exceed 10 years. Provided, however, that a right-of-way or permit granted herein may be reviewed at any time deemed necessary by the authorized officer.

d. The stipulations, plans, maps, or designs set forth in the Attachments A (Maps/Plats) and B (Stipulations) attached hereto, are incorporated into and made a part of this grant instrument as fully and effectively as if they were set forth herein in their entirety.

e. Failure of the holder to comply with applicable law or any provision of this right-of-way grant or permit shall constitute grounds for suspension or termination thereof.

f. The holder shall perform all operations in a workmanlike manner so as to ensure protection of the environment and the health and safety of the public.

g. The holder shall provide a surety, cash or book entry deposit bond in the amount of **$750,000.00** to be maintained until restoration of disturbed areas and other requirements

relative to the restoration phase of the project have been accepted by the authorized officer. Upon completion of these reclamation related requirements, and after consultation between the BLM and the USFS, the authorized officer may terminate the bond.

IN WITNESS WHEREOF, the undersigned agrees to the terms and conditions of this right-of-way grant or permit.

SG Interests I, Ltd.

By: Gordy Oil Company
General Partner

By: _____
Russell D. Gordy

President
Title

Feb. 12, 2008
Date

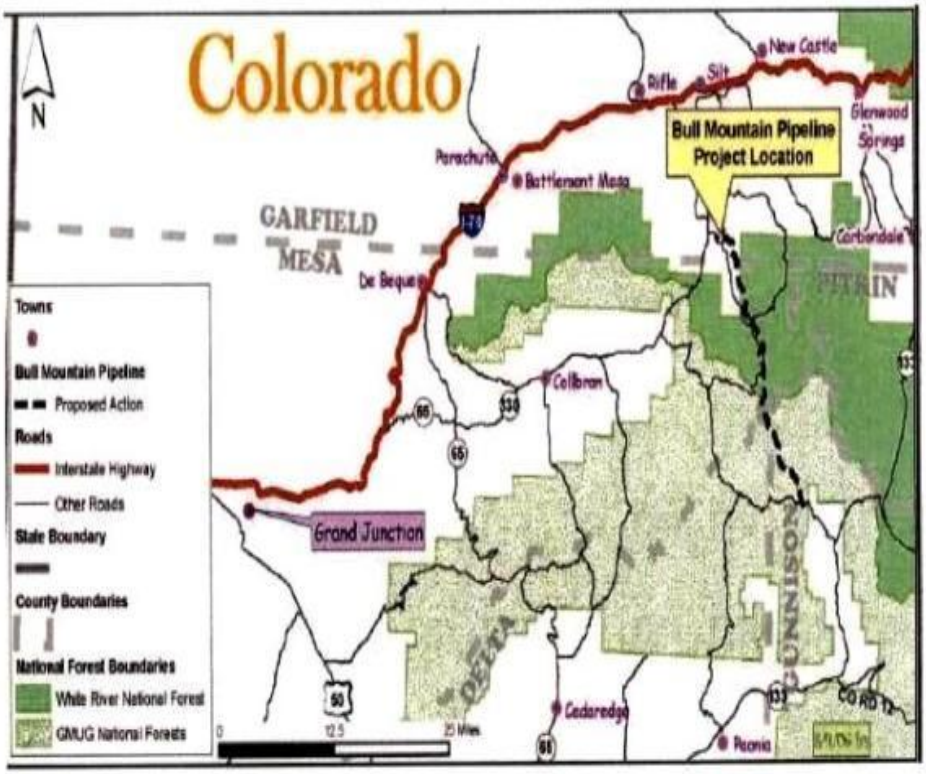
_____
Signature of BLM Authorized Officer

Associate Field Manager
Title

2/21/08
Effective Date of Grant

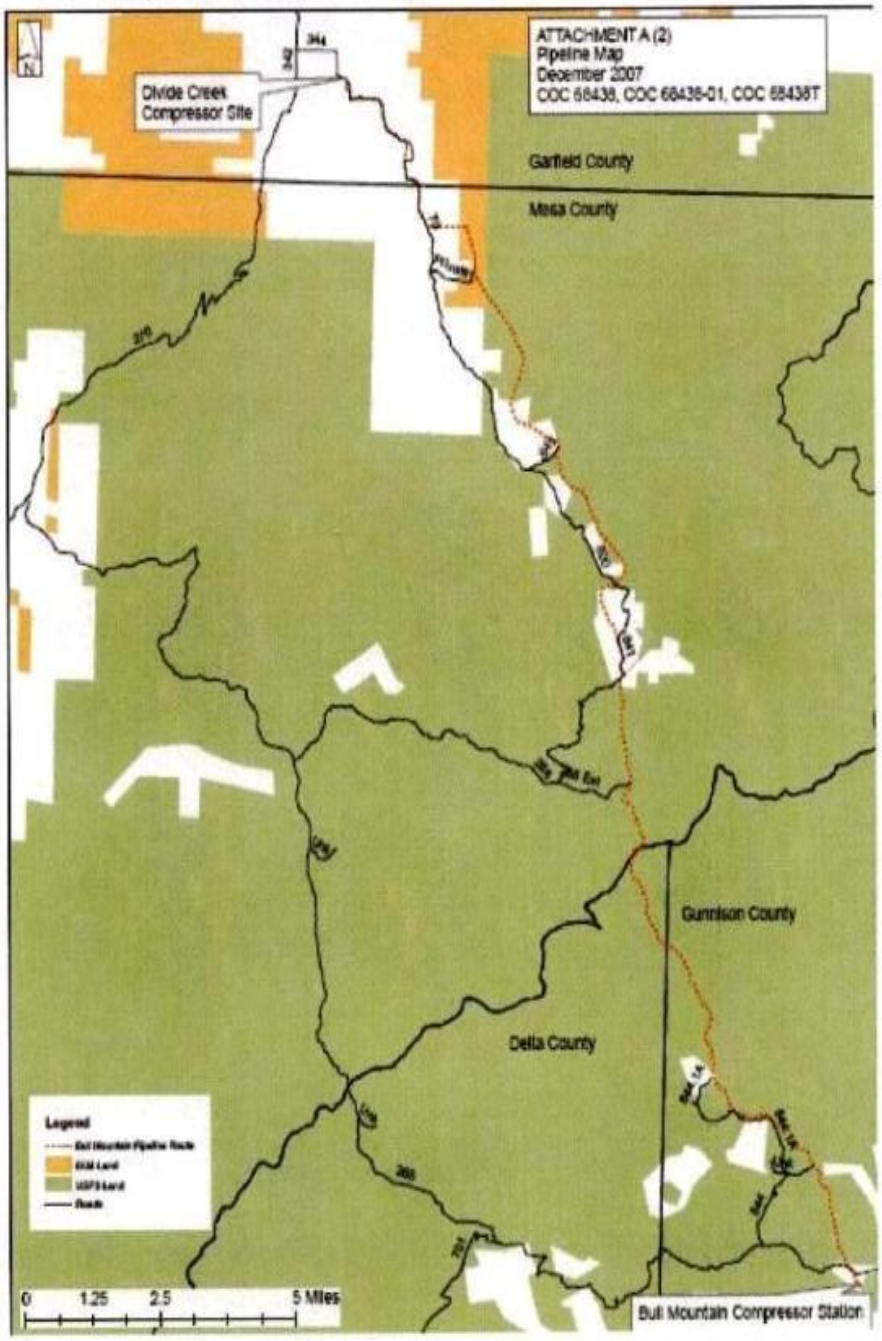
ATTACHMENT A(1)
Vicinity Map
January 2008

COC68438, COC68438-01 **SG Interests I Ltd.**



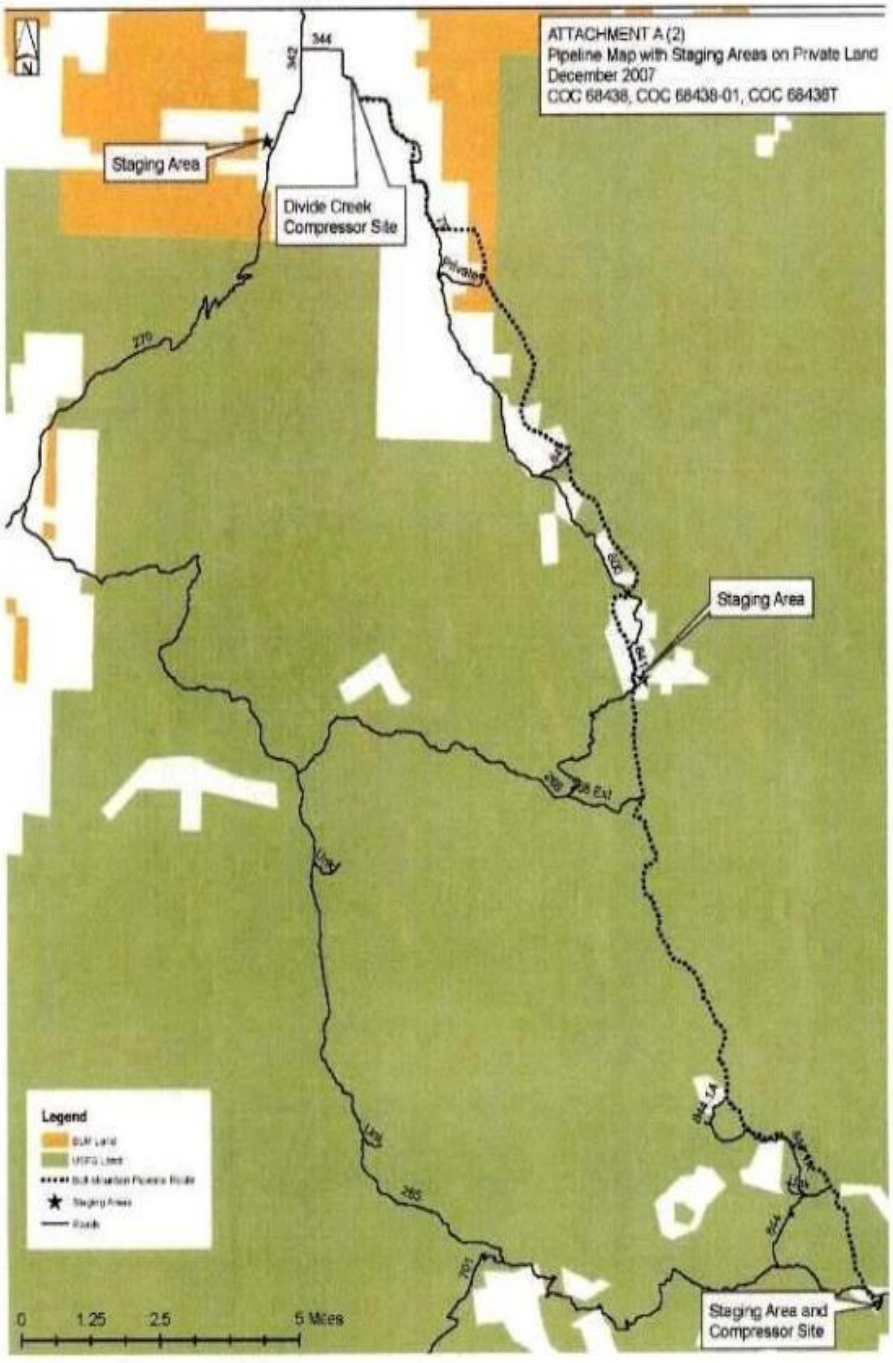
ATTACHMENT A(2)
Pipeline Map
January 2008

COC68438, COC68438-01, COC68438T **SG Interests I Ltd.**



ATTACHMENT A(3)
Pipeline Map with Staging Areas
January 2008

COC68438, COC68438-01, COC68438T **SG Interests I Ltd.**



ATTACHMENT B
SG Interests I, Ltd.
COC68438, COC68438-01, COC68438T
Bull Mountain Natural Gas Pipeline EIS
January 2008

STIPULATIONS

FOR DETAILED STIPULATIONS, REFER TO THE BULL MOUNTAIN NATURAL GAS PIPELINE FINAL ENVIRONMENTAL IMPACT STATEMENT, JULY 2007. A complete list of monitoring activities to take place during and after project activities can be found at *FEIS Table 6, 2.1.2 Project Design Criteria and Monitoring Activities.*

1. All Stipulations for the Proposed Action, as outlined in the Bull Mountain Natural Gas Pipeline FEIS, July 2007, shall apply and remain in full force and effect throughout the term of this project.

2. Notice to Proceed. The holder of the ROW(s) shall not initiate any construction or other surface disturbing activities in the right-of-way corridor without the written prior authorization of the authorized officer. Such authorization shall be a written **"Notice to Proceed"** issued by the authorized officer. Prior to issuing a notice to proceed, the authorized officer must receive certification that agreements have been reached with affected private land owners. Affected private landowners are those individuals or parties that hold lands over which the right-of-way corridor will traverse or that control access to the corridor.

3. Inventoried Roadless Areas. For those segments of the pipeline to be constructed within Inventoried Roadless Areas (IRA's), the width of the construction zone shall be kept to the minimum needed to technically provide for pipeline construction and associated service areas, and to comply with applicable health and safety standards.

4. Pipeline Construction Activities: **Shall occur between May 1 and October 1 of any year** in order to restrict construction activities during big-game hunting seasons and reduce resource impacts during winter conditions.

   Note: Timing restriction does not apply to hydrotesting the pipeline, hydromulching and reseeding activities, and other maintenance/reclamation activities that may be required in the fall before winter sets in.

5. Project design criteria, mitigation, and monitoring are all provided in detail in the Bull Mountain Pipeline Plan of Development (POD). The POD shall contain measures that are consistent with Forest and Resource Management Plan direction, Forest Service/BLM Regional direction, federal and state law, and Executive Orders. The final POD shall also contain all of these measures as noted in Table 6, Project Design Criteria, developed to reduce or eliminate impacts on resource areas.

6. Prior to any construction commencing, a "Road Maintenance and Improvement Plan" for all roads shall be submitted for USFS/BLM approval. The plan shall detail the amount and type of maintenance to be performed on existing routes, the amount and type of improvements/reconstruction to be performed on existing routes and detail construction plans for temporary routes. (See TR-1, Project Design Criteria, for further details.)

7. Wildlife. Grant holder shall **avoid construction activities in elk production areas between May 15 and June 20**. Approximately 1.5 miles on the WRNF shall include this seasonal restriction. Elk production areas to which this criterion shall apply shall be identified by the Colorado Division of Wildlife.

8. The pipeline right-of-way, construction zones, temporary work areas, temporary roads, and all other disturbed areas or constructed routes shall be planned in a manner that will, to the greatest extent possible, avoid perennial streams, riparian areas, and areas having unstable soils. Where avoidance is not feasible, the project design criteria in the FEIS shall be applied to the greatest extent possible to mitigate the impacts associated with the construction, operation, and maintenance of the pipeline to the resource values in these areas.

9. The pipeline right-of-way, construction zones, temporary work areas, temporary roads, and all other disturbed areas or construction routes, shall be decommissioned and/or restored as soon as possible upon the cessation of their use for pipeline construction purposes. Furthermore, to facilitate rapid regeneration of vegetation in these areas:

   a. Trenches shall be compacted during backfilling.

   b. Trenching shall occur in a manner that does not alter the natural surface and groundwater flow regime.

   c. Topsoil shall be saved and redistributed to a uniform depth after recontouring to provide for the establishment of desirable vegetation.

   d. Disturbed areas shall be contoured to blend with the natural topography, and then waterbarred and reseeded with certified weed-free seed mix.

   e. Diverse, effective, and permanent vegetative cover of the same season variety native to the area, capable of regeneration and plan succession, must be established.

10. The grant holder shall provide for a plan to monitor all restoration activities in a manner to ensure that revegetation efforts are successful and that vegetation on disturbed areas is fully established. A reclamation/weed management report from the holder of the ROW grant shall be provided annually to the BLM, the Forest Service, and the State of Colorado Division of Wildlife, until restoration conditions are deemed to be successful by the Authorized Officer, pursuant to prior concurrence from the Forest Service and the State of Colorado Division of Wildlife.

11. Project Design Criterion identified in the FEIS as "GEN-7" shall include the following: A significant infestation of noxious weeds along any segment of the right-of-way requiring prompt treatment may be considered to be an emergency condition, under which consideration may be given to authorize the use of motorized vehicles along the right-of-way if doing so provides for the most effective and expedient means of treating and controlling such an infestation. An emergency condition shall be determined and declared by the Authorized Officer, and when so declared, advanced approval by the Authorized Officer shall be required, prescribing the means, timing, and frequency of motorized access for noxious weed treatment purposes.

12. Measures shall be implemented to control the use of the right-of-way and prevent unauthorized travel along the right-of-way by off-road vehicles. These measures shall be determined in the field and may include the following:

    a. Installing gates or other man-made physical barriers.

b. Creating natural barriers by planting trees at points of intersection between the ROW and access roads.

c. Creating natural barriers made of large debris and/or rocks.

d. Stockpiling trees cut for ROW clearing and laying them in the ROW.

e. Placing boulders of a sufficient size and buried according to agency direction.

The ROW grant holder shall coordinate with the BLM/USFS and landowners to determine measures to be implemented to control off-road vehicle use of the ROW. Efforts to control unauthorized off-road vehicle use shall continue, in cooperation with the surface owner(s), throughout the life of permitted ROW.

13. The ROW grant holder shall be responsible to replace, repair, and reinforce any motorized access barriers if they are breached throughout the life of the permitted ROW.

14. Construction crews shall be required to take bear awareness training, as provided by the State of Colorado Division of Wildlife.

15. A semi-annual meeting shall be held among representatives of the ROW grant holder, the Forest Service, the BLM, and the State of Colorado Division of Wildlife to assess the status of all reclamation efforts. Such meetings shall continue until all reclamation and revegetation efforts have been accepted as being successful, as determined by the Authorized Officer, pursuant to prior concurrence from the Forest Service and the State of Colorado Division of Wildlife.

REQUIREMENTS SPECIFICALLY CONCERNING THE WHITE RIVER AND THE GRAND MESA-UNCOMPAHGRE-GUNNISON NATIONAL FORESTS:

1. All design criteria as specified in the document (FEIS Chapter 2) and as they apply to the Proposed Action shall be followed.

2. Road Use Permits shall be obtained prior to any construction or road upgrade activities on the GMUG.

3. The 100-foot-wide construction right-of-way shall not be exceeded with the exception that designated turnarounds may be approved by the Authorized Officer.

4. If minor route variation occurs, and is approved by the Authorized Officer, additional surveys for threatened, endangered, or sensitive species, nesting raptors, or cultural resources may be required of the Proponent.

5. Prior to reclamation on the GMUG National Forest, a seed mix shall be approved by either the Forest Range Specialist or Forest Botanist. Prior to reclamation on the White River National Forest or the BLM Glenwood Springs Field Office, a seed mix shall be approved the Glenwood Springs Energy Office Ecologist.