

***Combined
Statutory Categorical Exclusion Determination and Decision Document
Hells Gulch Produced Water Pipeline
CO-140-2008-139 SCE (BLM)***

USDA Forest Service
White River National Forest
Supervisor's Office
900 Grand Avenue /P.O Box 948
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And

Department of Interior
Bureau of Land Management
Glenwood Springs Energy Office
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Introduction: This Decision Document describes the applicability and use of an Energy Policy Act of 2005, Statutory Categorical Exclusion (SCE) under Section 390, Public Law. No. 109-58 [119 Stat. 594] to approve the installation of a 4 inch diameter underground water pipeline. The pipeline will allow the removal of produced water throughout the Hells Gulch project area eliminating extensive truck water hauling, especially during the winter big game timing stipulation period attached to the lease. The pipeline will end at the Alkali Creek Compressor Site (BLM ROW COC-71170) located north and adjacent to NFS lands. The water will be stored temporarily in a tank battery and or could be treated and discharged in accordance with State and Federal requirements.

BLM will issue a Federal Land Policy and Management Act (FLPMA) right-of-way (ROW) grant in response to Plains Exploration and Production Company (PXP) Application for Transportation and Utility Systems Facilities on Federal Lands that was submitted to the Glenwood Springs Energy Office on July 7, 2008. The ROW grant will authorize placement of the water pipeline on both BLM public and National Forest System (NFS) lands. The Forest Service has delegated authority to BLM for this authorization pursuant to Public Law 106-291, as amended, and Public Law 106-291, Title IV, Section IV, Section 428.

Location: All affected lands are within Mesa County. See Appendix A for a map of the project area. The pipeline will be located within portions of the following legally described lands: NFS lands: Sec 2, T9S, R92W; Sec 22, 27, 34, 35 T8S-R92W, and BLM public lands: Sec 15, T8S, R92W.

Proposed Action: The BLM and Forest service propose to authorize PXP to install a buried produced water pipeline in the Hells Gulch project area on the lands described above. The

produced water pipeline would extend about 6.0 miles on NFS lands, and 0.5 miles on BLM lands. The pipeline will utilize existing access roads, pad surfaces and pipeline corridors, with no additional new disturbance.

Project Specifics:

A 4-inch poly pipe will be plowed-in using a machine (spider plow) specifically designed to rip pipelines into the subsurface ground at a depth of 6 feet below the surface in the center of the NFSR 816 and the well pad access roads. The pipeline will be installed by Spider Plow Services Company specializing in pipeline installation using the spider plow. Standard trenching may be required in some areas due to rocks or severe topography but little is expected. There are two perennial stream crossings where boring will be required. The boring equipment will operate within the existing right-of-way corridor. The poly pipe will be buried at least 6 feet below the stream beds. Approximately 5 valve boxes will be placed at locations to connect existing and future wells. The valve box will protect a 3-way valve set located below the frost line. All existing culverts (approximately 27) in the existing roads will be removed prior to installing the poly pipe and a temporary steel plate will be placed over the disturbed area to allow vehicles (pickup size) through the construction zone. The culverts will be replaced by new culverts of the same size and grade following the installation of the poly pipe. Following the installation of the poly pipe, the furrow (ripped in pipeline) will be compacted and the road will be repaired as described in the Stipulations in Appendix B.

It is not anticipated that roads on NFS lands will need to be closed; however, vehicle delays of up to one hour can be expected. Vehicle travel will be authorized to access the general forest area along NFSRs 816 and 270, and the operator will place steel plates over culvert areas during construction to allow access. To ensure public health and safety, Closure Order, #2008-09 and its stipulations will be posted during project implementation.

Applicable SCE: The following category of categorical exclusions pursuant to Section 390 of the Energy Policy Act of 2005 applies to this proposal for both agency lands affected:

Category 4: Placement of a pipeline in an approved right-of-way corridor, so long as the corridor was approved within five (5) years prior to the date of the placement of the pipeline.

Rationale for Use of CE: The applicable factors for review in determining applicability for use pursuant to Section 390 Category 4 are the following two criteria: 1) placement in an approved right-of-way corridor, and 2) the corridor was approved within five (5) years prior to the date of the placement of the pipeline.

For criterion #1, the produced water pipeline will be placed in an existing corridor for gas pipelines (from existing gas wells) on NFS lands in the Hells Gulch project area and then follow the same corridor 0.5 mile on public lands managed by the BLM.

For criterion #2, the gas pipelines (corridor) and access roads were analyzed in the following NEPA documents approved within the past 5 years:

USFS NEPA Documentation:

Laramie Energy Hell's Gulch Natural Gas Exploration Project Environmental Assessment (EA), July, 2005. The Decision Notice and Finding of No Significant Impact were signed November 6, 2005.

Strachan Exploration Incorporated, Hightower Mountain Natural Gas Well Exploration and Road/Pipeline Development Environmental Assessment (EA), February 2004. The Decision Notice and Finding of No Significant Impact were signed May 4, 2004.

Hells Gulch 23-13 Statutory Categorical Exclusion and Decision Notice signed May 5, 2007 for 8 additional wells on the existing 23-11 well pad approved with the EA and Decision Notice signed on November 6, 2005 (known as Hell's Gulch I Project).

Hells Gulch 26-6 Statutory Categorical Exclusion and Decision Notice signed May 5, 2007 for 8 additional wells on the 26-6 pad.

Hells Gulch 26-7 Statutory Categorical Exclusion and Decision Notice signed September 11, 2007 for 8 additional wells on the 26-11 pad.

Hells Gulch South 2-10 Statutory Categorical and Decision Notice signed 8/28/07 for two additional wells on the 2-10 pad.

Hell's Gulch 28-11 Statutory Categorical Exclusion and Decision Notice signed on 6/23/08 for 4 additional wells on the 28-11 pad.

BLM NEPA Documentation:

Right-of-way Grants(COC-71170) Associated with the Alkalai Compressor Site Environmental Assessment and Decision Record signed on October 19, 2007.

Hidden Creek Environmental Assessment, CO-140-2006-140 for 7 drilling 7 exploratory wells from private surface into Federal Lease COC-66918 underlying NFS Lands (Hells Gulch Project signed September 16, 2006.

Other References: A wildlife Biological Assessment (BA) and Biological Evaluation (BE) were completed for the project which details the effects of the proposal on Threatened and Endangered species, Forest Service sensitive species, and management indicator species. A plant species BA/BE was completed for the project which details the effects of the proposal on federally listed, proposed, or candidate endangered or threatened plant species and Forest Service sensitive plant species. The BA and BE are available for review in the project file. Additionally, project proposal responses were gathered to address soil, water, riparian, cultural, botany, and civil engineering resources. The responses from the specialists addressing these resources are in the project file.

Public Involvement: The Application for Transportation and Utility Systems Facilities on Federal Lands and the proposed Section 390 Energy Policy Act of 2005 Categorical Exclusion is listed in the Glenwood Springs Field Office NEPA Log as # CO140-08-139 SCE . The NEPA

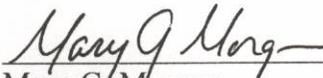
log is available for public review. PXP had notified and obtained a permit from Mesa County for the portion of this project that follows the Silt to Collbran Road within Mesa County.

Decision: In review of the Application for Transportation and Utility Systems Facilities on Federal Lands, FLPMA, and Section 390 requirements of the Energy Policy Act of 2005, and other applicable laws and regulations, we find the following:

1. The proposal will be constructed within a previously authorized and constructed road and pipeline corridor without new surface disturbance.
2. The installation and use of the water pipeline will prevent and greatly reduce the current and future effects of hauling produced water by trucks.
3. Identified mitigation for both NFS and BLM public lands will be attached as stipulations to the Right-of-Way Grant.
4. Approval of this application is consistent with the White River National Forest Land and Resource Management Plan (2002), and the Glenwood Springs Resource Management Plan (BLM 1984).
5. NEPA documentation has been previously prepared, and no further NEPA analysis is required.

The Hell's Gulch pipeline is approved with Stipulations (see Appendix B), under the authority granted in Section 390 of the Energy Policy Act of 2005, (Pub. L. No. 109-58 [119 Stat. 594]). A Right-of-Way Grant will be issued by the Bureau of Land Management under the Federal Land Policy and Management Act of October 21, 1976, 90 Stat. 2757; 43 USC 1761, in lieu of the Forest Supervisor for the White River National Forest, in conformance with this decision document.

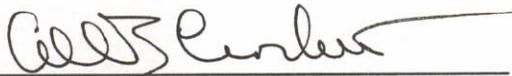
The temporary road closure for FSR 816 and 270, #2008-09 is approved for implementation and will be posted to protect public health and safety.



Mary G. Morgan
Acting Forest Supervisor
White River National Forest

9-15-08

Date



Allen B. Crockett, Ph.D., J.D.
Supervisory Natural Resource Specialist
Glenwood Springs Energy Office

9-12-08

Date

Appendix B--Stipulations to be attached to the Hells Gulch Produced Water Pipeline Right-Of-Way

BLM Standard Stipulations to be applied to both NFS and BLM lands:

1. Administrative Notification. The holder shall notify the BLM representative at least 48 hours prior to initiation of construction.
2. Dust Abatement. The holder shall implement dust abatement measures as needed to prevent fugitive dust from vehicular traffic, equipment operations, or wind events. The authorized officer may direct the operator to change the level and type of treatment (watering or application of various dust agents, surfactants, and road surfacing material) if dust abatement measures are observed to be insufficient to prevent fugitive dust.
3. Road Construction and Maintenance. The access road shall be constructed and maintained to industry and BLM "Gold Book" standards, including crowned and ditched with appropriate erosion controls. The centerline of the right-of-way and the exterior limits shall be clearly flagged prior to any construction activity to prevent disturbance outside of the permitted right-of-way. Appropriate traffic control shall be implemented during the construction phase of this project.
4. Existing Right-of-Way Holders. The holder shall obtain an agreement with any existing rights-of-way holders prior to any disturbance or construction across or adjacent to any existing right-of-way
5. Drainage Crossings and Culverts. Construction activities at perennial, intermittent, and ephemeral drainage crossings (e.g. burying pipelines, installing culverts) shall be timed to avoid high flow conditions and shall consist of either a piped stream diversion or the use of a coffer dam and pump to divert flow around the disturbed area.

Culverts at drainage crossings shall be designed and installed to pass a 25-year or greater storm event. On perennial and intermittent streams, culverts shall be designed to allow for passage of aquatic biota. The minimum culvert diameter in any installation for a drainage crossing or road drainage shall be 18 inches. Contact Noel Ludwig, Glenwood Springs Energy Office Hydrologist, at 970-947-5215 or Noel_Ludwig@blm.gov. Crossings of drainages deemed to be jurisdictional waters of the U.S. pursuant to Section 404 of the Clean Water Act may require additional culvert design capacity. Due to the flashy nature of area drainages and anticipated culvert maintenance, the U.S. Army Corps of Engineers recommends designing drainage crossings for the 100-year event. Contact Sue Nall at 970-243-1199 x16 or susan.nall@usace.army.mil.

6. Saturated Conditions. When saturated soil conditions exist on or along the proposed right-of-way, construction shall be halted until soil material dries out or is frozen sufficiently for construction to proceed without undue damage and erosion to soils.
7. Fire Control. Special fire control stipulations may be in affect depending on when construction takes place. The grant holder shall coordinate with the BLM Authorized Officer and comply with any applicable fire control measures.
8. Garbage Control. All trash shall be confined in a covered container and hauled to an approved landfill. Burning of waste or oil is not approved.

9. Wetlands and Riparian Zones. The operator shall restore temporarily disturbed wetlands or riparian areas. The operator shall consult with the BLM Glenwood Springs Energy Office to determine appropriate mitigation, including verification of native plant species to be used in restoration. Contact Noel Ludwig, Glenwood Springs Energy Office Hydrologist, at 970-947-5215 or Noel_Ludwig@blm.gov.
10. Weed Control. The holder shall regularly monitor and promptly control noxious weeds or other undesirable plant species as set forth in the Glenwood Springs Energy Office *Noxious and Invasive Weed Management Plan for Oil and Gas Holders*, dated March 2007. A Pesticide Use Proposal (PUP) must be approved by the BLM prior to the use of herbicides. Annual weed monitoring reports shall be submitted by **December 31**. Contact Beth Brenneman, Glenwood Springs Energy Office Ecologist, at 970-947-5232 or beth_brenneman@blm.gov.
11. Range Improvements. Range improvements (fences, gates, reservoirs, pipelines, etc.) shall be avoided if possible. If range improvements are damaged the holder shall be responsible for repairing or replacing the damaged facilities.
12. Big Game Winter Range Timing Limitation. To minimize impacts to wintering big game, no construction, drilling or completion activities shall occur during a Timing Limitation (TL) period from **December 1 to April 30** annually. Contact Rick Hanson, Glenwood Springs Energy Office Wildlife Biologist, at 970-947-5230 or rahanson@fs.fed.us
13. Migratory Birds. It shall be the responsibility of the operator to comply with the Migratory Bird Treaty Act (MBTA) with respect to “take” of migratory bird species. Under the MBTA, “take” means to pursue, hunt, shoot, wound, kill, trap, capture, or collect, or to attempt to engage in any such conduct. The operator shall prevent use by migratory birds of any pit containing fluids associated with oil or gas operations—including but not limited to reserve pits, produced water pits, frac-water pits, cuttings trenches (if covered by water/fluid), and evaporation pits. Fluids in these pits may pose a risk to migratory birds (e.g., waterfowl, shorebirds, wading birds, songbirds, and raptors) as a result of ingestion, absorption through the skin, or interference with buoyancy and temperature regulation. Several established methods to prevent bird access are known to be effective, such as netting or bird-balls. However, the USFWS has determined that the use of flagging is ineffective in deterring birds from using ponds or pits and provides no assurance of compliance with the MBTA. Regardless of the method used, it should be employed as soon as practicable after the pit has begun receiving liquids. At a minimum, the method shall be in place within 24 hours following the placement of fluids into a pit. Because of high toxicity to birds, oil slicks and oil sheens should immediately be skimmed off the surface of any pit that is not netted. The most effective way to eliminate risk to migratory birds is prompt drainage, closure, and reclamation of pits, which is strongly encouraged. All mortality or injury to species protected by the MBTA shall be reported immediately to the BLM project lead and to the U.S. Fish and Wildlife Service. For further assistance, contact Creed Clayton, USFWS Biologist assigned to the Glenwood Springs Energy Office, at 970-947-5219 or creed_clayton@fws.gov, and visit <http://www.fws.gov/mountain-prairie/contaminants/oilpits.htm>.
14. Ips Beetle. To avoid mortality of pinyon pines due to infestations of the *Ips* beetle, any pinyon trees damaged during road, pad, or pipeline construction shall be chipped after being severed from the stump or grubbed from the ground, buried in the toe of fill slopes (if

feasible), or cut and removed from the site within 24 hours to a location approved by the Colorado State Forest Service.

15. Paleontological Resources. All persons associated with operations under this authorization shall be informed that any objects or sites of paleontological or scientific value, such as vertebrate or scientifically important invertebrate fossils, shall not be damaged, destroyed, removed, moved, or disturbed. If in connection with operations under this authorization any of the above resources are encountered the operator shall immediately suspend all activities in the immediate vicinity of the discovery that might further disturb such materials and notify the BLM authorized officer of the findings. The discovery must be protected until notified to proceed by the BLM authorized officer.

Where feasible, the operator shall suspend ground-disturbing activities at the discovery site and immediately notify the BLM authorized officer of any finds. The BLM authorized officer will, as soon as feasible, have a BLM-permitted paleontologist check out the find and record and collect it if warranted. If ground-disturbing activities cannot be immediately suspended, the operator shall work around or set the discovery aside in a safe place to be accessed by the BLM-permitted paleontologist.

16. Cultural Education/Discovery. All persons in the area who are associated with this project shall be informed that if anyone is found disturbing historic, archaeological, or scientific resources, including collecting artifacts, the person or persons will be subject to prosecution.

Pursuant to 43 CFR 10.4(g), the BLM authorized officer shall be notified by telephone, with written confirmation, immediately upon the discovery of human remains, funerary items, sacred objects, or objects of cultural patrimony. Further, pursuant to 43 CFR 10.4 (c) and (d), activities shall stop in the vicinity of the discovery, and the discovery shall be protected for 30 days or until notified by the BLM authorized officer to proceed.

If, in connection with operations under this contract, the operator, its contractors, their subcontractors, or the employees of any of them discovers, encounters, or becomes aware of any objects or sites of cultural value or scientific interest such as historic ruins or prehistoric ruins, graves or grave markers, fossils, or artifacts, the operator shall immediately suspend all operations in the vicinity of the cultural resource and shall notify the BLM authorized officer of the findings (16 USC 470h-3, 36 CFR 800.112). Operations may resume at the discovery site upon receipt of written instructions and authorization by the BLM authorized officer. Approval to proceed will be based upon evaluation of the resource. Evaluation shall be by a qualified professional selected by the BLM authorized officer from a Federal agency insofar as practicable. When not practicable, the operator shall bear the cost of the services of a non-Federal professional.

Within five working days, the BLM authorized officer will inform the operator as to:

- whether the materials appear eligible for the National Register of Historic Places
- what mitigation measures the holder will likely have to undertake before the site can be used (assuming that *in-situ* preservation is not necessary)
- the timeframe for the BLM authorized officer to complete an expedited review under 36 CFR 800.11, or any agreements in lieu thereof, to confirm through the SHPO State Historic Preservation Officer that the findings of the BLM authorized officer are correct and that mitigation is appropriate

The operator may relocate activities to avoid the expense of mitigation and delays associated with this process, as long as the new area has been appropriately cleared of resources and the exposed materials are recorded and stabilized. Otherwise, the operator shall be responsible for mitigation costs. The BLM authorized officer will provide technical and procedural guidelines for relocation and/or to conduct mitigation. Upon verification from the BLM authorized officer that the required mitigation has been completed, the operator will be allowed to resume construction.

Antiquities, historic ruins, prehistoric ruins, and other cultural or paleontological objects of scientific interest that are outside the authorization boundaries but potentially affected, either directly or indirectly, by the proposed action shall also be included in this evaluation or mitigation. Impacts that occur to such resources as a result of the authorized activities shall be mitigated at the operator's cost, including the cost of consultation with Native American groups.

Any person who, without a permit, injures, destroys, excavates, appropriates or removes any historic or prehistoric ruin, artifact, object of antiquity, Native American remains, Native American cultural item, or archaeological resources on public lands is subject to arrest and penalty of law (16 USC 433, 16 USC 470, 18 USC 641, 18 USC 1170, and 18 USC 1361).

17. Visual Resources. To the extent practicable, existing vegetation shall be preserved when clearing and grading for pads, roads, and pipelines. The authorized officer may direct that cleared trees and rocks be salvaged and redistributed over reshaped cut-and-fill slopes or along linear features.

Stipulations Specific to NFS lands:

1. Road Construction and Maintenance. Appropriate traffic control shall be implemented during the construction phase of this project. All road construction, reconstruction, improvement, maintenance and reclamation requirements on all Forest Service shall be performed in accordance with the project road design criteria and road construction plans as approved by the FS authorized officer. During new construction weather delays and shut downs shall be planned for. To prevent unnecessary resource damage, all work, including excavation, blading, topsoil stripping, backfilling and reclamation, activities shall be allowed only when soils are sufficiently dry and not frozen as determined by the USFS authorized officer. A general guideline is not excessively wet below 3 inches or frozen below 6 inches. To prevent road and resource damage, all road construction, reconstruction, maintenance and surfacing placement shall be completed prior to the movement of heavy equipment, such as drilling and completion equipment, unless approved otherwise by the USFS authorized officer. Road use and over-legal permits are required for all project vehicles traveling on Forest Service roads outside the project area. The road use and over-legal permitting requirements are outlined in an information packet sent to oil and gas operators in April 2008. Additional copies of this information packet are available upon request.

2. Supplemental Testing, Construction Observation and Backfill Criteria.

The holder shall provide backfill material testing by an independent qualified engineer and at frequencies necessary to confirm compliance with USFS standards and specifications and backfill material criteria as supplemented by the design criteria identified in this project's plans, specifications and criteria. The specific frequency shall be at varying depths and locations as determined by the project engineer, as work progresses. However, the frequency shall be no less than at 3 depth locations, ie, 4', 2', and surface and shall be obtained at no less than at ½ mile intervals.

Backfill testing is mandatory during the first day of construction and at any point during construction where re-starts may occur due to weather or unforeseen delays. The holder shall provide construction observations by an independent qualified engineer or a party under such engineer's supervision to confirm the contractor's means and methods are providing for the installation and backfill in accordance with the design criteria identified in this project's plans, specifications and criteria. The extent and frequency of the construction observations shall be determined by the engineer. The frequency shall be no less than necessary to determine the contractor is proceeding continuously with all work in a satisfactory manner and also shall include the minimum of one full day at construction start-up, 3 ½ days during progress, and a full day for final inspection. In addition to the above, in the event that on-site excavation material and backfill is found to be unsuitable, such material shall be replaced by backfill to be provided by the contractor and approved by the engineer and USFS prior to placement. Prior to the onset of construction a site map and materials list with culvert dimensions and lengths will be prepared. Required culverts will be stockpiled and available for installation. In addition, a qualified quality control inspector shall assure that culverts are installed in accordance with Forest Service specifications. The backfill density and frequency criteria shall be followed for backfill in and around culverts with the interval for such testing to occur at every 5th culvert as determined randomly by the engineer. All culverts removed during a shift shall be replaced prior to close of the day. Under no circumstances shall a removed culvert location be left open overnight. Steel bridging may be used during the day to allow for passage of traffic.

3. Drainage Crossings and Culverts. Culverts at drainage crossings shall be designed and installed to pass a 100-year or greater storm event. On perennial and intermittent streams, culverts shall be designed to allow for passage of aquatic biota. The minimum culvert diameter in any installation for a drainage crossing or road drainage shall be 24 inches. Culverts will be lengthened as necessary to accommodate road widening. Locations of removed culverts will not be left open overnight or during storm events.

4. Road Closure In the event that a road closure is needed, PXP must maintain public access to the area in accordance with schedule below:

FSR 816 and 270 will remain open to public access without delay during the following times:

Monday through Thursday

6 to 7 a.m., Noon to 1 p.m., and 7 to 8 p.m.;

Friday

6 to 7 a.m., Noon to 1 p.m.

Friday through Monday

Friday 3:30 p.m. through Monday 7 a.m.

5. Fire Restrictions: The Right-of-way Holder will comply with any fire restrictions in effect at the time of proposed operations. The Forest Service reserves the right to suspend operations during periods of high fire potential. The Forest Service will provide the Holder as much advance notice of anticipated closure orders as possible.

6. Fire Prevention: Each vehicle and or piece of motorized equipment used on the construction site will have a fire extinguisher, at least 5lbs. ABC with an Underwriters Laboratory rating of 3A-40BC, or greater

7. Spark Arresters: All gasoline, diesel and steam-powered equipment must be equipped with effective spark arresters or mufflers. Spark arresters must meet Forest Service Specifications discussed in the General Purpose and Locomotive (GP/L) Spark Arrester Guide, Volume 1, April 1988; and Multi-position Small Engine (MSE) Spark Arrester Guide, April 1989. In addition, all electrical equipment must be properly insulated to prevent sparks.

8. Miscellaneous:

- a. Project employees shall be prohibited from carrying firearms or bringing dogs to the project area.
- b. The right-of-way holder and heir contractor(s) shall have copies of the right-of-way grant and stipulations on hand (job site) at all times.