

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, CO140-2008-119

Project: Proposal to Directionally Drill Four Additional Wells into Federal Leases COC50128 and COC54738 from Existing and Expanded E9W Pad in the Grass Mesa area.

Location: Township 7 South, Range 93 West, Section 9, SW $\frac{1}{4}$ NW $\frac{1}{4}$, 6th PM

Proposal: EnCana Oil & Gas (USA) Inc. proposes to directionally drill four federal wells using the larger, yet more efficient PACE rig requiring an expansion of the existing E9W pad which would increase the overall surface disturbance of the pad by 1.6 acres (Table 1). A previously approved fee well (HMU 9-6) analyzed in Grass Mesa GAP would comprise a total of five wells to be drilled by the PACE rig. The pad expansion would occur primarily on the western edge of the pad; the western half of the excess material piles at north and south ends of the pad would be used to generate the material needed for the pad expansion. The five new wells would be spudded with an approximate 75-foot offset north and west from the original three well bores in order to avoid bottomhole interference issues and accommodate the PACE rig layout (Table 1). The PACE rig laydown is oriented east and west whereas the original pad configuration was designed for a north-south rig laydown.

| Table 1. Surface and Bottomhole Locations of Proposed Federal Wells | | |
|--|---|---|
| <i>Proposed Wells</i> | <i>Surface Locations</i> | <i>Bottomhole Locations</i> |
| HMU 4-13C | 1850 feet FNL, 1053 feet FWL SW $\frac{1}{4}$ NW $\frac{1}{4}$, Section 9, T7S R93W | 30 feet FSL, 660 feet FWL SW $\frac{1}{4}$ SW $\frac{1}{4}$, Section 9, T7S R93W |
| HMU 9-4C | 1859 feet FNL, 1044 feet FWL SW $\frac{1}{4}$ NW $\frac{1}{4}$, Section 9, T7S R93W | 1310 feet FNL, 660 feet FWL SW $\frac{1}{4}$ NW $\frac{1}{4}$, Section 9, T7S R93W |
| HMU 9-5C | 1879 feet FNL, 1041 feet FWL SW $\frac{1}{4}$ NW $\frac{1}{4}$, Section 9, T7S R93W | 2630 feet FNL, 660 feet FWL SW $\frac{1}{4}$ NW $\frac{1}{4}$, Section 9, T7S R93W |
| HMU 9-7 | 1870 feet FNL, 1050 feet FWL SW $\frac{1}{4}$ NW $\frac{1}{4}$, Section 9, T7S R93W | 1980 feet FNL, 2000 feet FEL SW $\frac{1}{4}$ NW $\frac{1}{4}$, Section 9, T7S R93W |

The most recent spud date for the three existing wells on the pad was 6/29/05. The existing wells were addressed and analyzed in the 2004 Grass Mesa Geographic Area Plan (approved on 11/4/04). Resource surveys including migratory birds, sensitive plants, and cultural resources have been completed. Existing buried pipelines would serve the planned production associated with the new wells.

Lease Stipulations: No specific stipulations are listed on the lease. A 5-month big game winter timing limitation (12/1 through 4/30) associated with the use of the Grass Mesa Road has historically been implemented, although EnCana has been granted a temporary exception to this timing limitation through spring 2010.

BLM Conditions of Approval: Conditions of Approval (COAs) and 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 #1: *“Individual surface disturbances of less than five (5) acres so long as the total surface disturbance on the lease is not greater than 150 acres and site-specific analysis in a document prepared pursuant to NEPA has been previously completed.”* The expected surface disturbance of expanding the E9W pad would amount to 1.6 acres, increasing the total surface disturbance of the pad to 8.7 acres. Presently there is less than 25 acres of total surface disturbance attributed to oil and gas development within Federal mineral lease COC50128. Such disturbance is associated with E9W and I9W pads operated by EnCana.

Category 2: *“Drilling an oil and gas location or well pad at a site at which drilling has occurred within five (5) years prior to the date of spudding the well.”* The most recent spud date from the existing HMU9-5 well was 6/29/05.

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.”* An analysis of the E9W well initially identified 5 bottomholes in the Grass Mesa GAP approved on 11/4/04. With the drilling of the four Federal wells included in this document, the total well count on the pad would increase to eight bottomholes.

Prepared by: Jim Byers, Natural Resource Specialist 7/24/08

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

8-18-08

Date

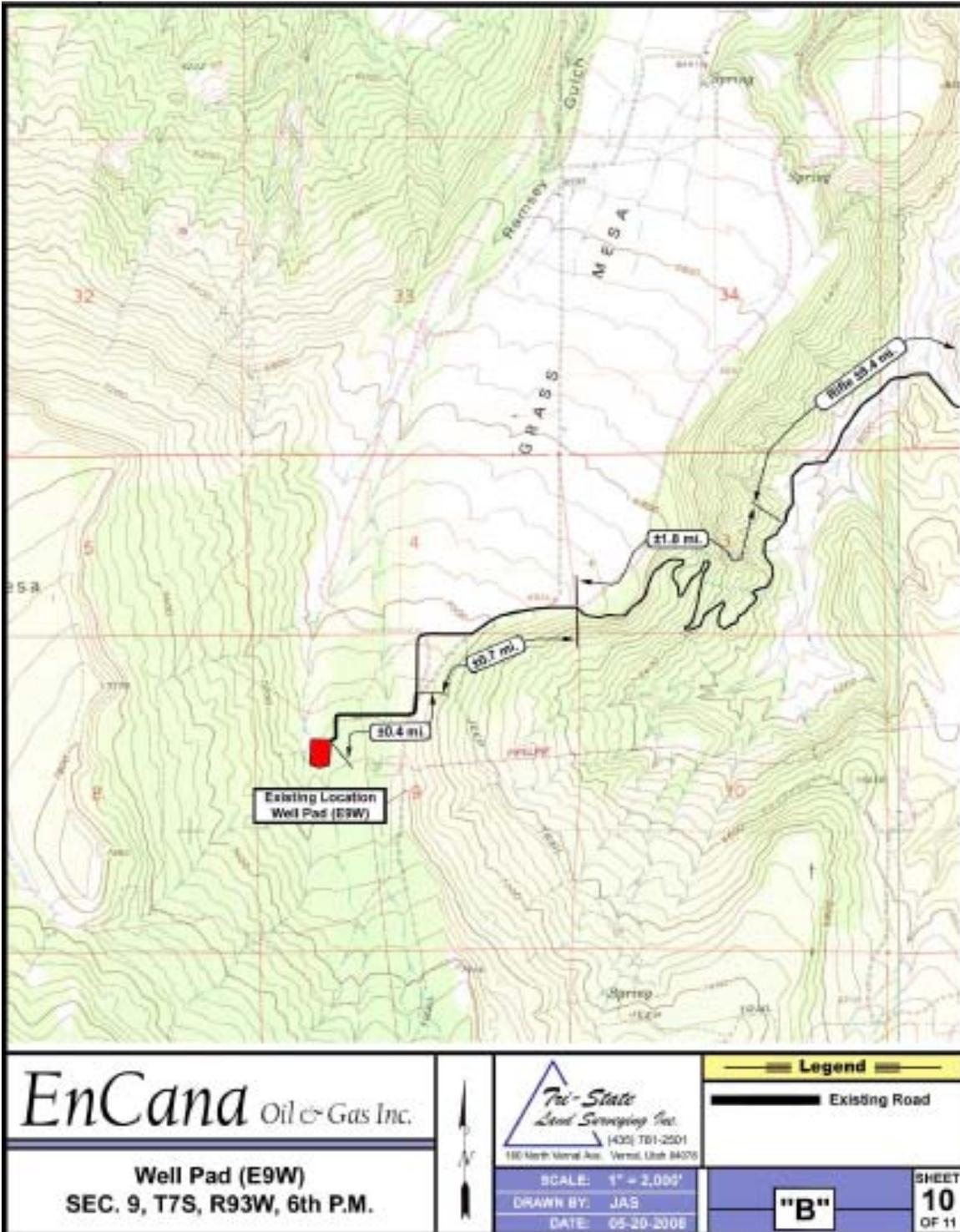


Figure 1. Existing E9W Pad Location

DOWNHOLE CONDITIONS OF APPROVAL
Applications for Permit to Drill

Company/Operator: EnCana Oil & Gas (USA), Inc.

Surface Location: SWNW Section 9, Township 7 South, Range 93 West, 6th P.M.

| <u>Well Name</u> | <u>Well No.</u> | <u>Bottomhole Location</u> | <u>Lease</u> |
|------------------|-----------------|-----------------------------|--------------|
| HMU | 9-4C (E9W) | SWNW Sec. 9, T. 7S, R. 93W. | COC50128 |
| HMU | 9-5C (E9W) | SWNW Sec. 9, T. 7S, R. 93W. | COC50128 |
| HMU | 9-7 (E9W) | SWNW Sec. 9, T. 7S, R. 93W. | COC50128 |
| HMU | 4-13C (E9W) | SWNW Sec. 9, T. 7S, R. 93W. | COC54738 |

Conditions of Approval identified in the EnCana Oil & Gas (USA) Inc. Grass Mesa GAP Master APD will apply.

Please contact Steve Ficklin (970-947-5213), Julie King (970-947-5239), or Todd Sieber (970-947-5220) of the Glenwood Springs Energy office at least 24 hours:

- 1) pre- and post-spud
- 2) prior to running the surface and production casing
- 3) conducting the BOP test

In accordance with 43-CFR 3162.4(b) 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 further clarification.

EnCana shall test domestic water wells within a 0.25-mile radius within 30 days after the well penetrates 500 feet, or penetrates 100 feet past the water well(s) depth (whichever depth is more shallow). In addition, Encana shall test the water wells(s) within 30 days upon the completion of hydraulic fracturing treatments. These tests are to ensure the domestic water well(s) are free of potential contamination from the drilling and completion operations. Water samples should be tested for like fluids utilized in the drilling and completion operations.

EnCana shall run open hole logs in the surface hole section in at least one well per pad. This COA is included for the determination of shallow gas.

SURFACE USE CONDITIONS OF APPROVAL C0140-2008-119 SCE

1. Prework construction meeting will be conducted with representatives from BLM, the operator, and the excavation contractor within 48 hours prior to planned construction startup.
2. 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). To reduce visual impacts of storage tanks on the site, low-profile (250 barrel) tanks will be used for produced water and condensate storage. To allow for maximum reclaimable area during earthwork phase of interim reclamation, the existing storage tanks on pad shall be relocated to the northeast area of pad near road entrance prior to the new wells being put into production. Existing storage tanks can remain in their present location during drilling and completion work on the new wells. Final location and size of production pack and storage tanks shall be determined by BLM and EnCana representatives after pad has been expanded.
3. To help reduce hydrocarbon odors affecting nearby residence(s), no frac pit construction or use will be allowed. Only standard reserve pits of a size to support the number of planned wells will be allowed within 0.5 mile of a residence (B16W, E9W, G22NW H27NW H34NW, K4D, K22NW, K33NW).
4. 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.
5. If any new disturbance is to occur on the north side of the pad, prior to start of pad construction for expansion work, the BLM sensitive plant (*Penstemon harringtonii*) population directly north of the pad will be fenced off with black mesh construction fencing following consultation with the GSEO Ecologist.
6. To help mitigate noise impacts from drilling to nearby residence(s), operator will use noise-reducing drill rig that is powered by electricity generated from diesel engine(s). A shallow hydraulic drill rig will also be allowed to drill the surface casing holes in advance of the primary drill rig referenced above. Excess material along North-side of pad between PT10 & PT12 will be aligned to provide visual and noise screening for nearby residence. Sound barriers will be installed along north, south and east sides of pad to provide additional noise relief to nearby residences.
7. 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.
8. 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.
9. 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.