

**U.S. Department of the Interior
Bureau of Land Management
Glenwood Springs Energy Office
2425 South Grand Avenue, Suite 101
Glenwood Springs, CO 81601**

Statutory Categorical Exclusion DOI-BLM-CO-N040-2009-0096

Project: Fifteen new natural gas wells would be drilled and ancillary facilities would be constructed on existing well pad GM 32-27. Eight wells would be directionally drilled into Federal leases COC34553, COC34553A, and COC27743. Seven additional wells would be drilled from the same location and would access fee minerals. Well pad GM 32-27 is located within Wheeler Gulch on private surface approximately 3 miles northeast of Parachute, Garfield County, Colorado.

Location: SWNE, Section 27, Township 6 South, Range 96 West, Sixth Principal Meridian.

Proposal: Williams Production RMT Company (Williams) proposes to directionally drill the following wells from the existing GM 32-27 well pad described above:

Federal Minerals:

COC34553: GM 34-22
COC34553A: GM 322-27, GM 331-27, GM 431-27, GM 522-27, GM 531-27, GM 532-27
COC27743: GM 22-27

Fee Minerals: GM 21-27, GM 31-27, GM 321-17, GM 421-27, GM 521-27, GM 432-27, GM 541-27

To accommodate the additional wells, the pad would have to be rebuilt and the interim reclamation disturbed. The new pad size would result in a disturbed area of approximately 3.2 acres. Approximately eighty feet of 8-inch gas and 4-inch water pipelines will run from the production equipment and tie into existing 12-inch gas and 4-inch water lines in the main Wheeler Gulch road.

The wells will be fracture stimulated from tanks placed on the existing MV 29-27 well pad. A 10-inch temporary water line would run along the existing access road to supply water to the frac tanks. The line would tie into an existing water supply line that ultimately originates in the Grand Valley Evaporation Pond (private) located in the SWSW of Section 36. There would be no additional surface disturbance to the MV 29-27 location. Drill cuttings would be disposed of in a trench excavated on location. If necessary, excess cuttings would be disposed of in a cuttings trench constructed adjacent to the existing GM 24-27 well pad.

Lease Stipulations and Conditions of Approval: All surface activity associated with the above wells would take place on private surface. In addition, none of the surface locations directly overlie a Federal lease. Lease stipulations which involve Federally protected resources apply. Conditions of Approval (COAs) for the proposed action would be attached to individual Applications for Permit to Drill (APDs) for the new wells cited above.

NEPA Compliance: The following categories of Categorical Exclusions pursuant to Section 390 of the Energy Policy Act (Act of 2005) apply to this proposal:

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."

The proposed project area lies within the Roan Plateau planning area, for which a Resource Management Plan Amendment and Environmental Impact Statement (RMPA/EIS) was completed in 2006 and Records of Decision (RODs) issued in 2007. The Roan Plateau RMPA/EIS anticipated oil and gas development of private and Federal fluid minerals throughout the planning area as a reasonably foreseeable activity. The Record of Decision for the Roan Plateau Plan was signed on June 8, 2007.

Prepared by: Bridget Kobe Clayton, Natural Resource Specialist

Approval: It is my decision to approve the proposed action with the terms and conditions referenced above:



Allen B. Crockett, Ph.D., J.D.
Supervisory Natural Resource Specialist

7/21/09

Date

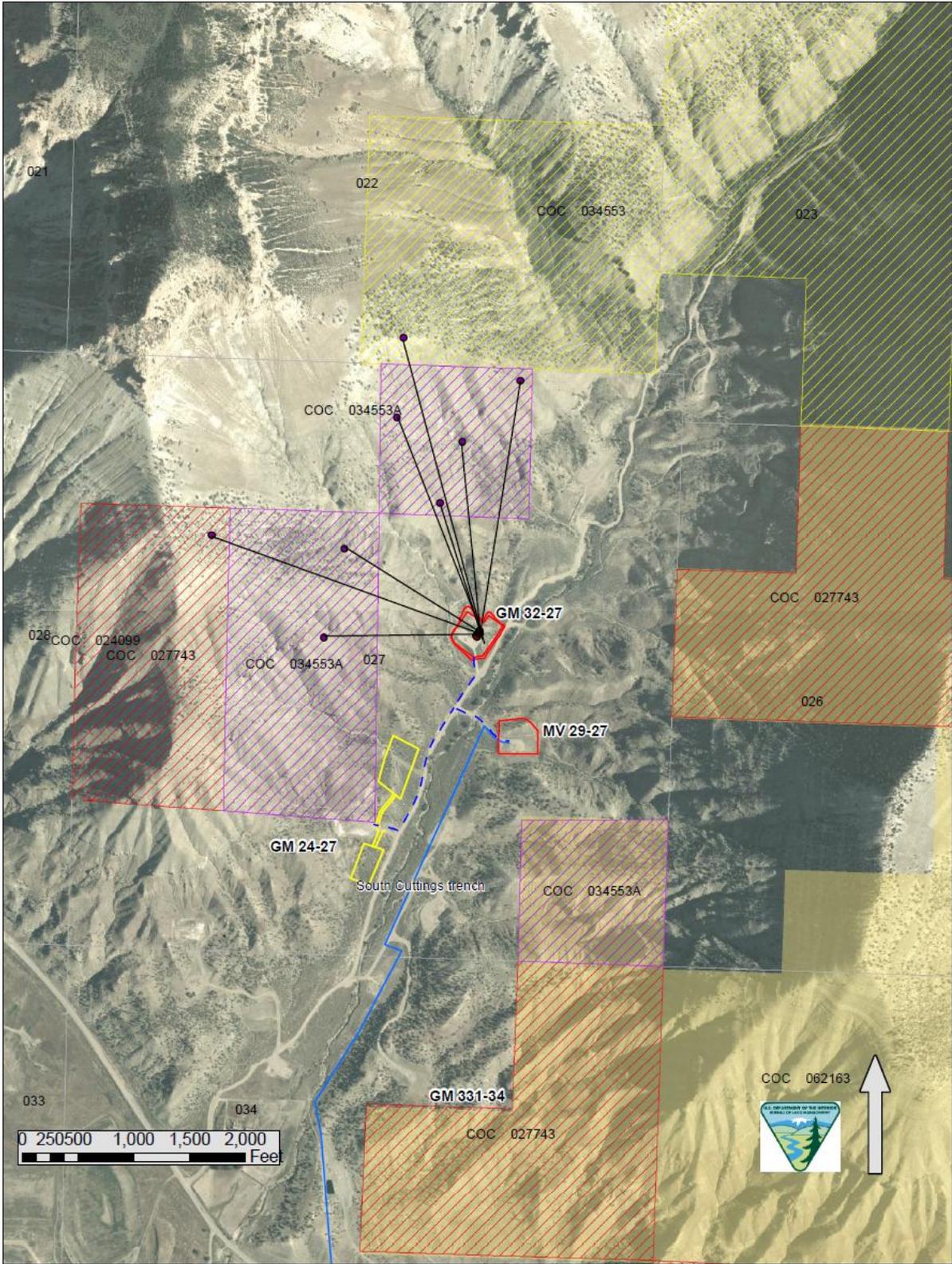


Figure 1.

SUMMARY OF LEASE STIPULATIONS

Table 1. Lease Stipulations and Lease Notices, Federal Lease COC27743 (1981)*

Description of Lands	Stipulations
All land within lease	<p>Surface Use Plans: Prior to entry or disturbance of the surface for drilling, an environmental analysis will be made for the purpose of insuring proper protection of the surface, the natural resources, the environment, existing improvements, and for insuring timely reclamation of the lands.</p> <p>Upon completion of environmental analysis, the lessee shall be notified of any conditions to which the proposed surface disturbing operations will be subject including:</p> <ul style="list-style-type: none"> • Location of drilling or exploratory or developmental operations or the manner in which they are to be conducted. • The types of vehicles that may be used and the areas they may be used; • The manner or location in which improvements such as roads, buildings, pipeline or other improvements are to be constructed. <p>The surface use plan must assure adequate protection of drainages, waterbodies, springs, or fish and wildlife habitat, steep slopes or fragile soil. The lessee agrees that during periods of adverse conditions due to climatic factors such as thawing, heavy rains, or flooding, all activities creating irreparable or extensive damage as determined by the surface management agency, will be suspended or the plan of operation modified and agreed upon.</p>
All lands within lease	<p>Protection of Cultural Resources: <i>Survey requirement.</i> Prior to undertaking any ground-disturbing activities the lessee shall: Hire a qualified professional archeologist (or historian when appropriate), approved by the BLM to conduct a survey of areas to be disturbed for evidence of archeological or historic sites or materials.</p> <p>Provide a report to the BLM with sufficient time to review. The report shall be certified by the archeologist and shall include, at a minimum, the location of the area, methods of survey, report of findings and conclusions/recommendations.</p> <p>The lessee shall follow the mitigation requirements set forth by the BLM concerning protection, preservation, or disposition of any sites of material discovered. In cases where salvage excavation is necessary, the cost of such excavations shall be borne by the lessee.</p>

*see Federal lease COC27743 for complete list of stipulations.

Table 2. Lease Stipulations and Lease Notices, Federal Lease COC34553 (1982)*

Description of Lands	Stipulations
<p>T. 6S, R. 96W., 6th PM Sec. 23: SESW Sec. 27: Lots 2, 6, 11, 15 T. 7S, R. 96 W., 6th PM Sec. 3: Lots 3, 4, SENW</p>	<p>In order to protect important seasonal wildlife, exploration, drilling, and other development activity will be allowed only during the period from May 15 to December 31.</p>
<p>All land within lease</p>	<p>Surface Use Plans: Prior to entry or disturbance of the surface for drilling, an environmental analysis will be made for the purpose of insuring proper protection of the surface, the natural resources, the environment, existing improvements, and for insuring timely reclamation of the lands. Upon completion of environmental analysis, the lessee shall be notified of any conditions to which the proposed surface disturbing operations will be subject including:</p> <ul style="list-style-type: none"> • Location of drilling or exploratory or developmental operations or the manner in which they are to be conducted. • The types of vehicles that may be used and the areas they may be used; • The manner or location in which improvements such as roads, buildings, pipeline or other improvements are to be constructed. <p>The surface use plan must assure adequate protection of drainages, waterbodies, springs, or fish and wildlife habitat, steep slopes or fragile soil. The lessee agrees that during periods of adverse conditions due to climatic factors such as thawing, heavy rains, or flooding, all activities creating irreparable or extensive damage as determined by the surface management agency, will be suspended or the plan of operation modified and agreed upon.</p>
<p>All lands within lease</p>	<p>Protection of Cultural Resources: Survey requirement. Prior to undertaking any ground-disturbing activities the lessee shall: Hire a qualified professional archeologist (or historian when appropriate), approved by the BLM to conduct a survey of areas to be disturbed for evidence of archeological or historic sites or materials. Provide a report to the BLM with sufficient time to review. The report shall be certified by the archeologist and shall include, at a minimum, the location of the area, methods of survey, report of findings and conclusions/recommendations. The lessee shall follow the mitigation requirements set forth by the BLM concerning protection, preservation, or disposition of any sites of material discovered. In cases where salvage excavation is necessary, the cost of such excavations shall be borne by the lessee.</p>

*see Federal lease COC34553 for complete list of stipulations.

SURFACE USE CONDITIONS OF APPROVAL

1. Cuttings from wells drilled on the GM 32-27 location shall be disposed of in a trench constructed on the pad until it reaches capacity. Excess cuttings shall be disposed of in the South cuttings trench identified in Figure 1 above and further described in the plat package included in the Application for Permit to Drill. No cuttings shall be disposed of in the North cuttings trench.
2. Raptor Nesting. Raptor nest surveys in the project vicinity resulted in the location of one or more raptor nest structures within 0.25 mile of a well pad or 0.125 mile of an access road, pipeline, or other surface facility. To protect nesting raptors, it is recommended that a 60-day Timing Limitation (TL) be applied to construction, drilling, or completion activities within the buffer widths specified above, if the activities would be initiated during the nesting period of February 15 to July 15. An exception to this recommendation may be granted for any year in which a subsequent survey determines one of the following: (a) the nest is in a severely dilapidated condition or has been destroyed due to natural causes, (b) the nest is not occupied during the normal nesting period for that species, (c) the nest was occupied but subsequently failed due to natural causes, or (d) the nest was occupied but the nestlings have fledged and dispersed from the nest.
3. 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 U.S. Fish and Wildlife Service (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 USFWS representative in the BLM Energy Office at 970-947-5219 and visit <http://www.fws.gov/mountain-prairie/contaminants/oilpits.htm>.
4. 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).

5. To the degree possible, avoid placing topsoil and subsoil in the drainage immediately southwest of the pad, thus minimizing the need to realign this drainage around the excess material stockpile.

DOWNHOLE CONDITIONS OF APPROVAL
Applications for Permit to Drill

Company/Operator: Williams Production RMT

Surface Location: SWNE, Section 27, Township 6 South, Range 96 West, 6th P.M.

<u>Well Name</u>	<u>Well No.</u>	<u>Bottomhole Location</u>	<u>Lease</u>
GM	34-22	SWSE Sec. 22, T. 6S, R. 96W.	COC-34553
GM	532-27	NWNE Sec. 27, T. 6S, R. 96W.	COC-34553
GM	531-27	NWNE Sec. 27, T. 6S, R. 96W.	COC-34553
GM	522-27	SENE Sec. 27, T. 6S, R. 96W.	COC-34553
GM	431-27	NWNE Sec. 27, T. 6S, R. 96W.	COC-34553
GM	331-27	NWNE Sec. 27, T. 6S, R. 96W.	COC-34553
GM	322-27	SENE Sec. 27, T. 6S, R. 96W.	COC-34553
GM	22-27	SWNW Sec. 27, T. 6S, R. 96W.	COC-27743

1. Twenty-four hours *prior* to (a) spudding, (b) conducting BOPE tests, (c) running casing strings, and (d) within twenty-four hours *after* spudding, the GSEO shall be notified. One of the following GSEO's inspectors shall be notified by phone: Steve Ficklin at 970-947-5213, Julie King shall at 970-947-5239, and Todd Sieber at 970-947-5220.
2. A GSEO petroleum engineer shall be contacted for a verbal approval prior to commencing remedial work, plugging operations on newly drilled boreholes, changes within the drilling plan, changes or variances to the BOPE, deviating from conditions of approval, and conducting other operations not specified within the APD. Please contact Dane Geyer at 970-947-5229 (office) or 970-589-6887 (cell) for verbal approvals. As a secondary contact, Bob Hartman may be contacted at 970-244-3041 (office) or 970-250-7002 (cell).
3. If a well control issue arises (e.g. kick, blowout, or water flow), casing failure occurs, or an increase in bradenhead pressure occurs during fracturing operations, Dane Geyer shall be notified within 24 hours from the time of the event.
4. The BOPE shall be tested and conform to Onshore Order #2 for a 3M system.
5. A casinghead rated to 3,000 psi or greater shall be utilized.
6. An electrical/mechanical mud monitoring equipment shall be functional prior to drilling out the next shoe. As a minimum, this shall include a pit volume totalizer, stroke counter, and flow sensor.
7. Gas detecting equipment shall be installed in the mud return system, prior to drilling out the next shoe, and hydrocarbon gas shall be monitored for pore pressure changes.
8. A gas buster shall be functional and all flare lines effectively anchored in place, prior to drilling out the next shoe. The discharge of the flare lines shall be a minimum of 100' from the well head and targeted at bends. The panic line shall be a separate line (not open inside the buffer tank) and effectively anchored. All lines shall be downwind of the prevailing wind direction and directed into a flare pit, which cannot be the reserve pit. The flare system shall use an automatic ignition. Where noncombustible gas is likely or expected to be vented, the system shall be provided supplemental fuel for ignition and maintain a continuous flare.

9. Prior to commencing fracturing operations, the production casing shall be tested to the maximum anticipated surface fracture pressure and held for 15 minutes. If leak-off is found, Dane Geyer shall be notified within 24 hours of the failed test, but prior to proceeding with fracturing operations. The test shall be charted and set to a time increment as to take up no less than a quarter of the chart per test. The chart shall be submitted with the well completion report.
10. On the first well drilled on this pad, a triple combo shall be run from TD to the surface casing shoe. This log shall be in accordance with 43 CFR 3162.4(b), which states that the operator shall 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 clarification.
11. As a minimum, cement shall be brought to 200' above the Mesaverde. Prior to commencing fracturing operations, a CBL shall be run (from TD to 200' above the TOC) and an electronic copy submitted to the GSEO. If the TOC is lower than required or the cement sheath of poor quality, then, within 48 hours from running the CBL and prior to commencing fracturing operations, a GSEO petroleum engineer shall be notified for further instruction.
12. Submit the (a) mud/drilling log (e.g. Pason disc), (b) driller's event log/operations summary report, (c) production test volumes, (d) directional survey, and (e) Formation Integrity Test results with the well completion report. Please contact Dane Geyer for clarification.