

U.S. Department of the Interior
 Bureau of Land Management
 Colorado River Valley Field Office
 2300 River Frontage Road
 Silt, Colorado 81652

Section 390 Categorical Exclusions for Oil and Gas Development, Exclusion No. 1

NEPA LOG NUMBER: DOI-BLM-CO-N040-2011-0009-CX (390)

A. Background

Bureau of Land Management (BLM) Office: Colorado River Valley Field Office, CON040

CASEFILE/PROJECT NUMBER: COC64195

PROPOSED ACTION TITLE/TYPE: Proposal to Drill Two Wells from the Existing ON1 Pad Located in Northwest Orchard Area Authorized by Applications for Permit to Drill (APDs).

LOCATION OF THE PROPOSED ACTION: Township 8 South (T8S), Range 97 West (R97W), Section 1, SE¼NW¼, Sixth Principal Meridian. The proposed ON1 pad expansion would occur on public land approximately 6.5 miles northeast of DeBeque, Colorado (Figure 1).

DESCRIPTION OF THE PROPOSED ACTION: Encana Oil & Gas (USA) Inc. (“Encana”) proposes to drill two Federal oil and gas horizontal wells from the existing ON1 pad located on public land in the Northwest Orchard area (Table 1). These wells would be exploratory, as the horizontal drilling technology in the Piceance Basin is in the early development stages.

Table 1. Surface and Bottomhole Locations of Proposed Federal Wells			
<i>Proposed Wells</i>	<i>Federal Lease</i>	<i>Surface Locations</i>	<i>Bottomhole Locations</i>
Federal 35-16H (ON1)	COC64195	449 feet FSL, 2066 feet FWL SE¼NW¼, Section 1, T8S R97W	140 feet FSL, 918 feet FEL Lot 4 (SE¼SE¼), Section 35, T7S R97W
Federal 36-11H (ON1)	COC64195	427 feet FSL, 2069 feet FWL SE¼NW¼, Section 1, T8S R97W	1261 feet FSL, 1611 feet FWL Lot 2 (SE¼SW¼), Section 36, T7S R97W

The ON1 pad was initially analyzed in the Northwest Orchard Environmental Assessment (# CO140-2007-041-EA) and was constructed in August 2008 with a disturbance footprint of 6.24 acres. The pad presently supports four non-producing oil and gas wells directionally drilled in late 2008; the pad is in a state of interim reclamation (seeded in fall 2009).

The reclaimed ON1 pad would be reconstructed to accommodate the new wells and the pad would be slightly expanded to 7.0 acres (Figures 2 and 3). The 0.75-acre additional disturbance would occur along the western edge of the pad only; no new surface disturbance would be allowed along the southern edge of the pad to minimize conflicts with existing hookless cacti plants. The pad expansion would be

designed to potentially accommodate as many as 14 additional wells, pending the production results of the initial horizontal wells. To better align the vehicle traffic during the well drilling, the access road entrance onto the pad would be altered; the existing access road would be reclaimed and a new road spur (250 feet in length) would be constructed entering the pad on the southwest side. The existing eight-inch diameter gas pipeline would continue to serve the initial phase of the planned well drilling.

The new surface disturbance related to this project amounts to 0.75 acre for the pad and 0.25 acre for the road realignment representing 1.0 acre. The planned working area or unreclaimed portion of the pad after drilling the wells would be 2.5 acres if the well pad were fully developed.

At this time, the two exploratory horizontal wells would be drilled in 2011 to determine if they can produce economic quantities of natural gas from the untested formations. A Condition of Approval (COA) would be included that requires interim reclamation within 12 months following completion of the last well planned to be drilled on the pad as part of a continuous operation, unless otherwise approved by the BLM.

Resource surveys including those for wildlife, special status plants, and cultural resources were completed relative to the 2007 Northwest Orchard EA approval. A new plant survey of the ON1 project area was conducted in October 2010. A new raptor survey of the project area was conducted in spring 2011, with no active nests found.

Four individuals of Colorado hookless cactus (*Sclerocactus glaucus*) were found within 100 meters of the proposed pad disturbance. This species is listed as threatened under the Endangered Species Act. A Biological Assessment was prepared in conjunction with this Statutory Categorical Exclusion, in consultation with the U.S. Fish and Wildlife Service (USFWS) pursuant to Section 7 of the Endangered Species Act. During that process, the BLM concluded, and USFWS concurred, that the appropriate effects determination for the Colorado hookless cactus is “May Affect, Not Likely to Adversely Affect.”

A No Surface Occupancy (NSO) stipulation attached to the Federal oil and gas lease provides protection to threatened or endangered species habitat (Table 2). However, an exception to that stipulation was granted as a result of the Section 7 consultation with the USFWS. The project as currently designed would not directly impact any hookless cactus plants or expand the pad closer to any known individual cacti. Potential indirect effects to the cactus within the project area could include increased dust during construction activities, weed invasion, erosion and sedimentation, and loss of pollinator habitat. However, mitigation measures to reduce these impacts have been incorporated as COAs. An onsite for the project was conducted on November 4, 2010. Federal lease COC64195, issued in 2000, carries the following special stipulations:

Table 2. Federal Lease Stipulations		
<p>COC64195 (2000) <i>ONI Pad</i></p>	<p>All Lands within Lease</p>	<p>NSO: To protect threatened or endangered species habitat. <u>Exception Criteria:</u> surface occupancy may be authorized pending Section 7 consultation with USFWS or CDOW (if State-listed). The authorized officer will consider the type and amount of surface disturbance, plant frequency and density, relative abundance of habitat, species and location, topography, and other related factors.</p> <p>CSU: To protect scenic values of Class II visual resource management, special design requirements, relocation of operations by more than 200 meters, and other measures to retain overall landscape character will be required.</p>

Table 2. Federal Lease Stipulations		
COC64195 (2000) ONI Pad (cont.)	T8S R97W Sec. 1: N2, SE	NSO: No surface use is allowed on steep slopes greater than 50% to maintain site stability and site productivity. This NSO does not apply to pipelines. Exception may be granted if lessee demonstrates that operations can be conducted without causing unacceptable impacts and that less restrictive measures will protect the public interest.
	T8S R97W Sec. 1: N2, S2SW, NWSW	CSU: To protect erosive soils and slopes greater than 30%, special design, construction, and implementation measures will be required to limit the amount of surface disturbance, to reduce erosion potential, to maintain site stability and productivity, and to ensure successful reclamation.
	T8S R97W Sec. 1: S2S2, NESE	TL: Big Game Winter Habitat (12/1 to 4/30). Exception may be granted under mild winter conditions for the last 60 days after consultation with CDOW.

B. Land Use Plan Conformance

Land Use Plan (LUP) Name: The current land use plan is the *Glenwood Springs Resource Management Plan* (RMP), approved in 1984 and revised in 1988 (BLM 1984). Relevant amendments include the *Oil and Gas Plan Amendment to the Glenwood Springs Resource Management Plan* (BLM 1991) and the *Oil & Gas Leasing & Development Record of Decision and Resource Management Plan Amendment* (BLM 1999b).

Date Approved/Amended: *Oil and Gas Plan Amendment to the Glenwood Springs Resource Management Plan* (BLM 1991) – approved 11/27/91 and *Oil & Gas Leasing & Development Record of Decision and Resource Management Plan Amendment* (BLM 1999b) – approved March 24, 1999.

Determination of Conformance: The Proposed Action is in conformance with the applicable LUP because it is specifically provided for in the following LUP decision(s):

The 1991 Oil and Gas Plan Amendment (BLM 1991) included the following at page 3: “697,720 acres of BLM-administered mineral estate within the Glenwood Springs Resource Area are open to oil and gas leasing and development, subject to lease terms and (as applicable) lease stipulations” (BLM 1991, page 3). This decision was carried forward unchanged in the 1999 ROD and RMP amendment at page 15 (BLM 1999b): “In areas being actively developed, the operator must submit a Geographic Area Proposal (GAP) [currently referred to as a Master Development Plan, MDP] that describes a minimum of 2 to 3 years of activity for operator controlled leases within a reasonable geographic area.” Furthermore, Appendices A and B (BLM 1999b) list Lease Stipulations (Appendix A) and Management of Lease Development (Appendix B) features which further support the initial decision language from 1991 Resource Management Plan Amendment.

C. Compliance with NEPA

Consistency with Category: Note: All of the questions listed in Table 2 must be answered with “Yes” in order to use this CX1.

Table 2. Project Screening Questions		
1. Will the proposed action disturb less than 5 acres?	<u>Yes</u>	No
2. Is the current amount of surface disturbance on the entire leasehold, plus the proposed action, less than 150 acres? <i>[Include the maps, tally sheets, or other visual aids used to support the answer to this question and refer to that supporting information in this bracket.]</i>	<u>Yes</u>	No
3. Was the proposed action adequately analyzed in an existing site-specific National Environmental Policy Act (NEPA) document?	<u>Yes</u>	No

NEPA Document Name: Northwest Orchard Environmental Assessment (#CO140-2007-141-EA) approved on September 13, 2007, specifically analyzed the construction of the ON1 pad, its ancillary facilities, and the directional drilling of four wells.

Extraordinary Circumstances Review: Any “Yes” answers in Table 3 preclude use of the CX.

Table 3. Extraordinary Circumstances		
1. May have significant impacts on public health and safety.	Yes	<u>No</u>
2. May have significant impacts on such natural resources and unique geographic characteristics as historic or cultural resources; park, recreation or refuge lands; wilderness areas; wild and scenic rivers; national natural landmarks; sole or principal drinking water aquifers; prime farmlands; wetlands (Executive Order 11990); floodplains (Executive Order 119880; national monument; migratory birds; and other ecologically significant or critical areas.	Yes	<u>No</u>
3. May have highly controversial environmental effects or involve unresolved conflicts concerning alternative uses of available resources (NEPA Section 102 (2)(E)).	Yes	<u>No</u>
4. May have highly uncertain and potentially significant environmental effects or involve unique or unknown environmental risks.	Yes	<u>No</u>
5. May establish a precedent for future action or represent a decision in principle about future actions with potentially significant environmental effects.	Yes	<u>No</u>
6. May have a direct relationship to other actions with individually insignificant but cumulatively significant environmental effects.	Yes	<u>No</u>
7. May have significant impacts on properties listed or eligible for listing, on the National Register of Historic Places as determined by either the bureau or office.	Yes	<u>No</u>
8. May have significant impacts on species listed or proposed to be listed, on the List of Endangered or Threatened Species, or have significant impacts on designated Critical Habitat for these species.	Yes	<u>No</u>
9. May violate a Federal law, or a state, local, or tribal law or requirement imposed for the protection of the environment.	Yes	<u>No</u>
10. May have a disproportionately high and adverse effect on low income or minority populations (Executive Order 12898).	Yes	<u>No</u>
11. May limit access to and ceremonial use of Indian sacred sites on Federal lands by Indian religious practitioners or significantly adversely affect the physical integrity of such sacred sites (Executive Order 13007).	Yes	<u>No</u>
12. May contribute to the introduction, continued existence, or spread of noxious weed or non-native invasive species known to occur in the area or actions that may promote the introduction, growth, or expansion of the range of such species (Federal Noxious Weed Control Act and Executive Order 13112).	Yes	<u>No</u>

This categorical exclusion is appropriate for this situation because there are no extraordinary circumstances potentially having effects that may significantly affect the environment. The proposed

action has been reviewed, and none of the extraordinary circumstances described in 43 CFR 46.215 applies.

Persons and/or Agencies Consulted:

- U.S. Fish and Wildlife Service: Creed Clayton – Section 7 (ESA) consultation on Colorado River Fishes and Hookless Cactus
- Encana Oil & Gas (USA), Inc.: Miracle Pfister, Renata Busch, Scott Parker, Bryan Whiteley, Bob Anderson, David Grisso
- Neighboring Landowner: J. Borgaard

BLM staff from the CRVFO participated in the preparation of this SCX, including review of survey results submitted by the Operator’s consultants, evaluation of impacts likely to occur from implementation of the Proposed Action, and identification of appropriate COAs to be attached and enforced by BLM. These BLM personnel are listed alphabetically in Table 4.

Table 4. BLM Interdisciplinary Team Authors and Reviewers		
<i>Name</i>	<i>Title</i>	<i>Areas of Participation</i>
Beth Brenneman	Ecologist	Invasive Non-native Species, Special-status Species (Plants), Vegetation
John Brogan	Archaeologist	Cultural Resources, Native American Religious Concerns
Jim Byers	Natural Resource Specialist	Project Lead, Access & Transportation, Range Management, Socio-Economics
Allen Crockett, Ph.D.	Supervisory Natural Resource Specialist	NEPA Review
William Howell	Petroleum Engineer	Downhole COAs
Shauna Kocman, Ph.D.	Hydrologist	Air Quality, Noise, Soils, Surface Water, Waters of the U.S.
Julie McGrew	Natural Resource Specialist	Visual Resources
Sylvia Ringer	Wildlife Biologist	Migratory Birds, Special-status Species (Animals), Wildlife, Aquatic and Terrestrial
Todd Sieber	Geologist	Geology and Minerals, Groundwater, Paleontology

The proposed action was presented to the Colorado River Valley Field Office interdisciplinary team on August 30, 2010. The SCX was posted on the CRVFO NEPA website in fall 2010, for solicitation of public comment.

MITIGATION: Conditions of approval to be attached to individual APDs for Federal oil and gas wells to be located on the ON1 pad and completed in Federal lease COC64195 are attached.

Name of Preparer:  Date: 5/23/11

A. Signature

The Proposed Action is statutorily categorically excluded from further NEPA documentation in accordance with Section 390(b)(1) of the Energy Policy Act of 2005, which provides for exclusion of individual surface disturbances of less than 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.

Authorizing Official: Allen B. Crockett Date: 5/23/11

B. Decision and Rationale for Action

I have decided to approve the ON1 Pad Expansion and Drilling of Two Wells with the stipulations and conditions of approval identified in Attachment A of this form. The stipulations and COAs are required by this decision, and variance from these stipulations and COAs during project implementation may require further NEPA review.

I have reviewed Section C, Land Use Plan Conformance and Compliance with NEPA, and have determined that the proposed activity is in conformance with the applicable land use plan(s) and referenced NEPA documents. I have also evaluated the proposal to ensure the appropriate exclusion category as described in Section 390 of the Energy Policy Act of 2005 has been correctly applied. I have determined, that no further environmental analysis is required.

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

5/23/11
Date

C. Administrative Review or Appeal Opportunities

Applications for Permit to Drill and Sundry Notices

Under BLM regulations addressed in 43 CFR 3165, a decision to approve the Application for Permit to Drill is subject to appeal and administrative review. An administrative review must be conducted in accordance with 43 CFR 3165.3, and must take place prior to pursuing an appeal to the Interior Board of Land Appeals.

Any adversely affected party may request an administrative review, before the State Director, either with or without oral presentation. Such a request must include information required under 43 CFR 3165.3(b) (State Director Review (SDR)), including all supporting documentation. Such a request must be filed in writing with the BLM Colorado State Office, 2850 Youngfield Street, Lakewood, Colorado 80215 within 20 business days of the date the decision is received, or considered to have been received. Upon request and showing of good cause, an extension for submitting supporting/additional data may be granted by the State Director.

Any party who is adversely affected by the State Director's decision may appeal that decision to the Interior Board of Land Appeals in accordance with 43 CFR 3165.4.

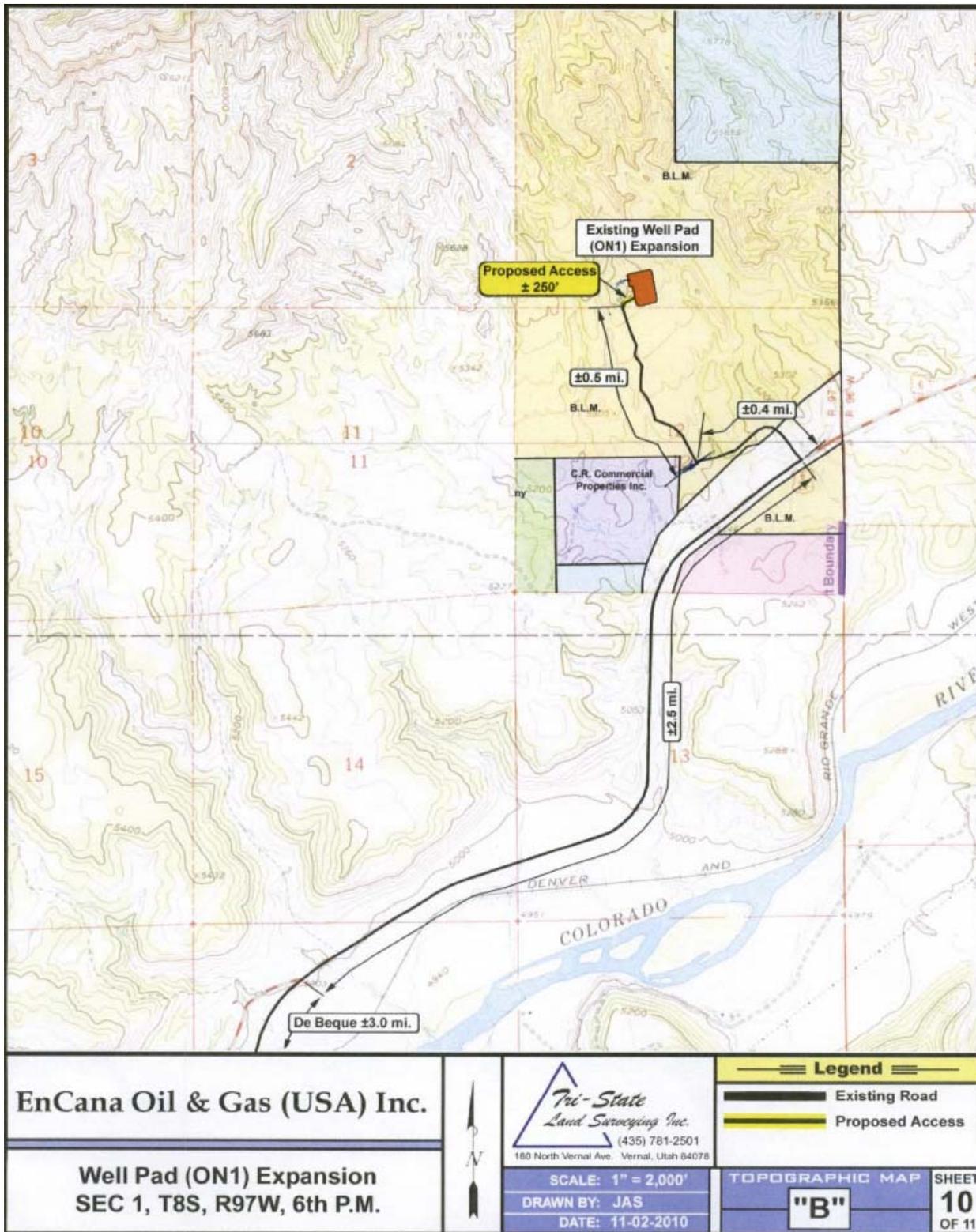


Figure 1. Project Location Map

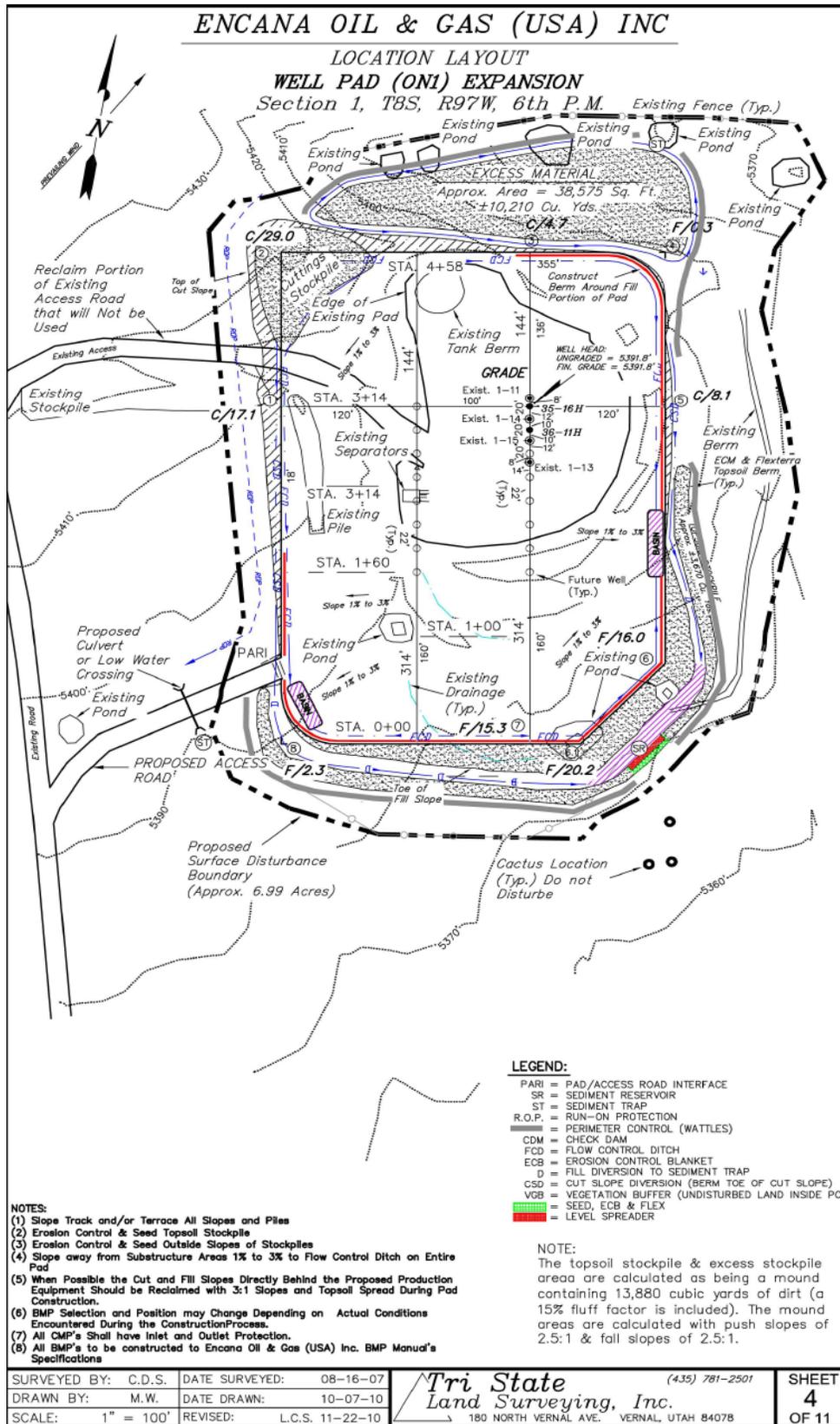


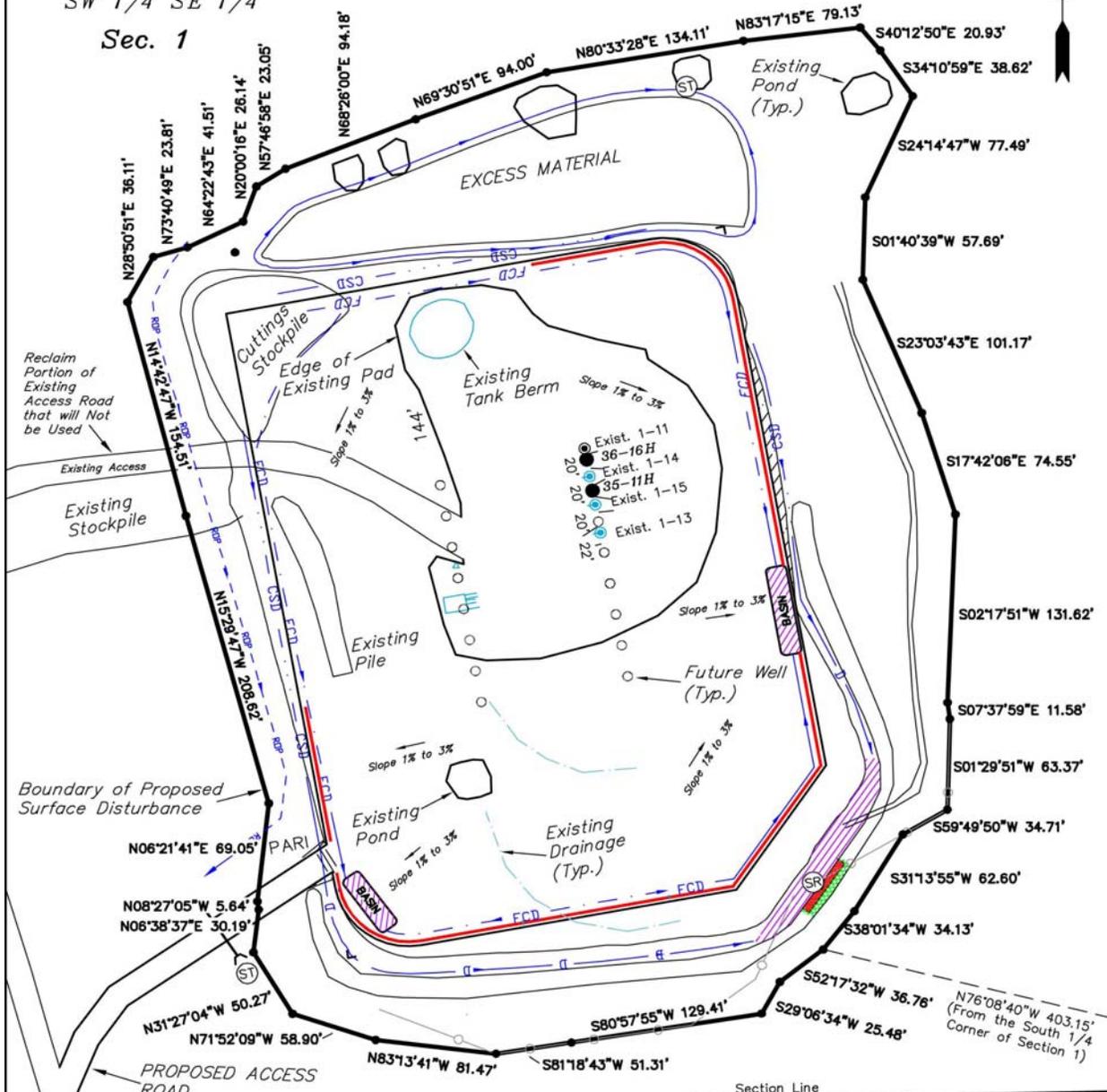
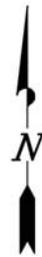
Figure 2. Construction Layout Plat

ENCANA OIL & GAS (USA) INC

SURFACE DISTURBANCE AREA WELL PAD (ON1) EXPANSION Section 1, T8S, R97W, 6th P.M.

B.L.M. (U.S.A.)
SW 1/4 SE 1/4

Sec. 1



BASIS OF BEARINGS NOTE:

Basis of Bearings is the South Line of the SE 1/4 of Section 1, T8S, R97W, 6th P.M. which is taken from Global Positioning Satellite observations to bear N89°42'50"W a measured distance of 2571.60'.

Area of Proposed Surface Disturbance is 6.99 Acres

SURVEYED BY: C.D.S.	DATE SURVEYED: 11-08-10
DRAWN BY: L.C.S.	DATE DRAWN: 11-22-10
SCALE: 1" = 100'	REVISED:

Tri State (435) 781-2501
Land Surveying, Inc.
180 NORTH VERNAL AVE. VERNAL, UTAH 84078

SHEET 8 OF 11

Figure 3. Disturbance Area for the ON1 Pad Expansion

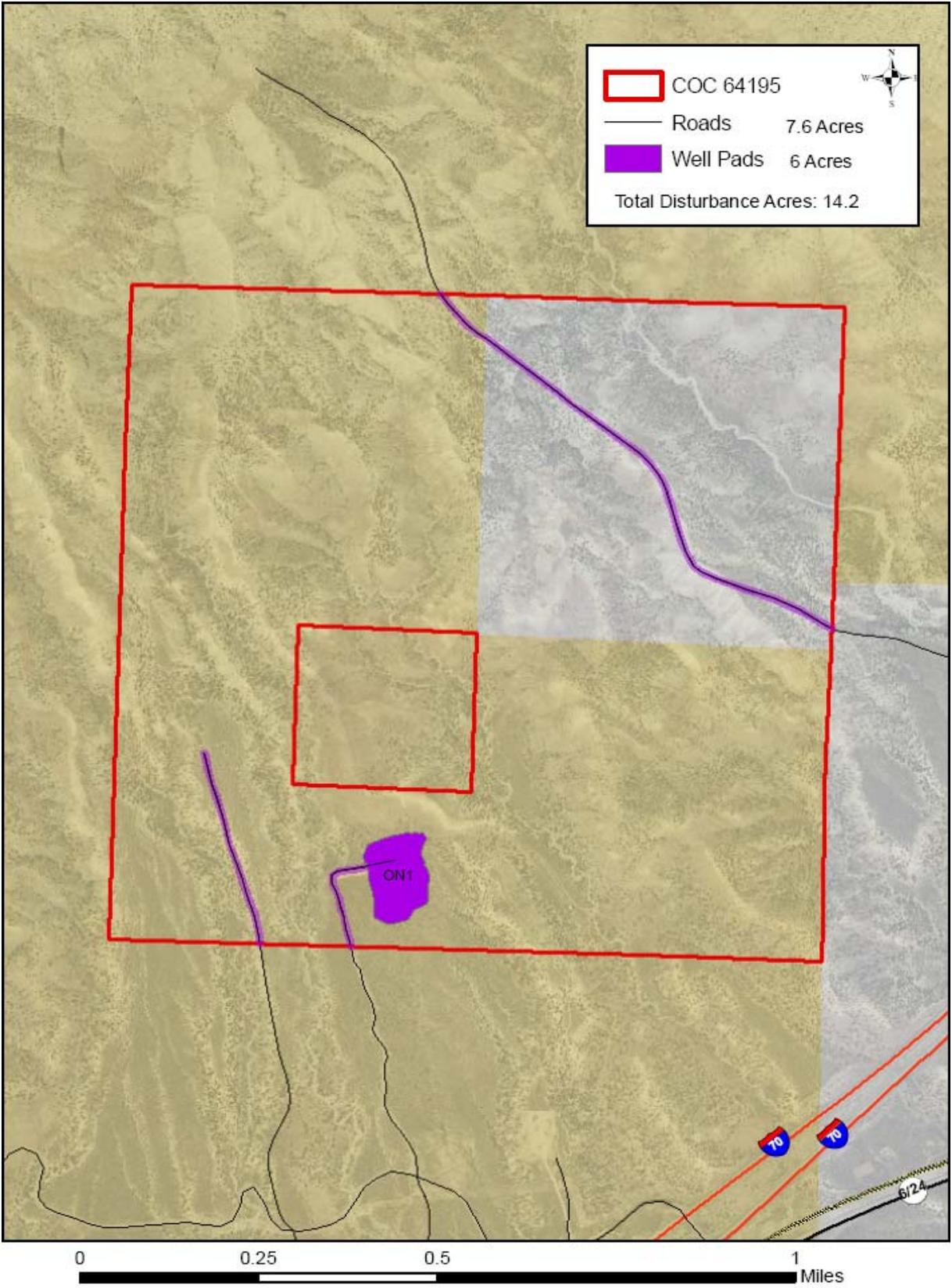


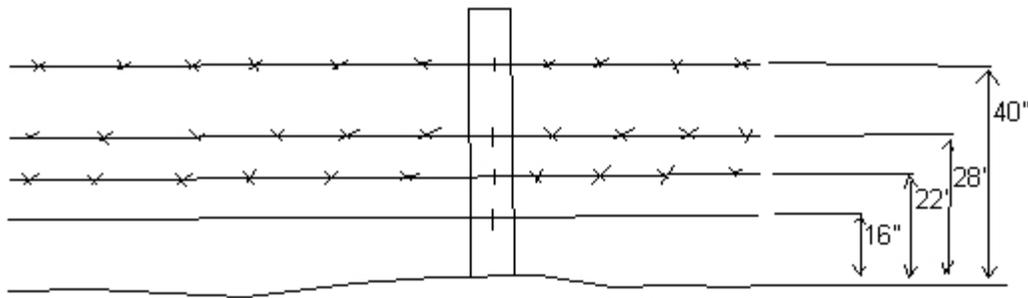
Figure 4. COC64195 Lease Surface Disturbances

Surface Use Conditions of Approval DOI-BLM-CO-N040-2011-0009-CX (390)

1. Administrative Notification. The operator shall notify the BLM representative at least 48 hours prior to initiation of construction. If requested by the BLM representative, the operator shall schedule a pre-construction meeting, including key operator and contractor personnel, to ensure that any unresolved issues are fully addressed prior to initiation of surface-disturbing activities or placement of production facilities.
2. Pad Construction Limits. Sheet 4 of 11 in the pad survey package shall be revised to **exclude any new surface disturbance along the south edge of the pad beyond the existing pad perimeter fence.** The pad expansion shall be allowed to occur as planned on Sheet 4 along the western edge of the pad.

The existing pad perimeter fence shall be moved and erected **prior** to pad construction startup along the expanded western pad edge using the wildlife-friendly fence specifications as follows:

Four wires, upper three wires barbed, lower wire smooth; wire spacing from ground up is 16 inches, 6 inches, 6 inches, and 12 inches; maximum fence height is 40 inches (see figure below).



BLM Wire Spacing and Wire Type Standards for Cattle Exclusion in Deer and Elk Habitat

3. Facility Paint Color. The paint color to be used on all surface facilities including pipeline risers and metal containment rings surrounding the launchers or receivers shall be the color of existing facilities – Shale Green.
4. Road Construction and Maintenance. Roads shall be crowned, ditched, surfaced, drained with culverts and/or water dips, and constructed to BLM Gold Book standards. Initial gravel application shall be a minimum of 6 inches. The operator shall provide timely year-round road maintenance and cleanup on the access roads. A regular schedule for maintenance shall include, but not be limited to, blading, ditch and culvert cleaning, road surface replacement, and dust abatement. When rutting within the traveled way becomes greater than 6 inches, blading and/or gravelling shall be conducted as approved by the BLM.

As shown on Sheet 4, the existing access road shall be reclaimed using portions of the excess material generated from the pad expansion work. The outside edges of the well-vegetated cuts and fills along the existing access road shall remain undisturbed during the road closure work per direction of the Authorized Officer.

5. Dust Abatement. The operator shall implement dust abatement measures as needed to prevent fugitive dust from vehicular traffic, equipment operations, or wind events. The BLM 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.
6. 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. Construction that disturbs any flowing stream shall utilize either a piped stream diversion or a cofferdam 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 24 inches. 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 (USACE) recommends designing drainage crossings for the 100-year event. Contact the USACE Colorado West Regulatory Branch at 970-243-1199 ext. 17 (Travis Morse).

Pipelines installed beneath stream crossings shall be buried at a minimum depth of 4 feet below the channel substrate to avoid exposure by channel scour and degradation. Following burial, the channel grade and substrate composition shall be returned to pre-construction conditions.

7. 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 through April 30**. To further reduce impacts to wintering big game, remote sensing should be used for production monitoring, and unavoidable monitoring or maintenance activities should be conducted between 9 a.m. and 3 p.m., to the extent practicable. These additional recommendations apply to the period from December 1 to April 30.
8. Bald and Golden Eagles. It shall be the responsibility of the operator to comply with the Bald and Golden Eagle Protection Act (Eagle Act) with respect to “take” of either eagle species. Under the Eagle Act, “take” includes to pursue, shoot, shoot at, poison, wound, kill, capture, trap, collect, molest and disturb. “Disturb” means to agitate or bother a bald or golden eagle to a degree that causes, or is likely to cause, based on the best scientific information available, (1) injury to an eagle; (2) a decrease in its productivity by substantially interfering with normal breeding, feeding, or sheltering behavior; or (3) nest abandonment by substantially interfering with normal breeding, feeding, or sheltering behavior. Avoidance of eagle nest sites, particularly during the nesting season, is the primary and preferred method to avoid a take. Any oil or gas construction, drilling, or completion activities planned within 0.5 mile of a bald or golden eagle nest, or other associated activities greater than 0.5 miles from a nest that may disturb eagles, should be coordinated with the BLM project leader, the BLM Interagency Energy Team wildlife biologist (970-876-9062), and the USFWS representative to the Interagency Energy Team (970-876-9051).
9. Raptor Nesting. To ensure compliance with the Migratory Bird Treaty Act (MBTA) with respect to nesting raptors, the operator should schedule construction or drilling activities to begin outside the raptor nesting season (February 1 to August 15) if practicable. If initiation of construction, drilling, or completion activities during this period cannot be avoided, the operator is responsible for complying with the MBTA, which prohibits the “take” of birds or active nests (those containing eggs or young), including nest failure caused by noise and human activity.

10. 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. Regardless of the method used, it 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 to the BLM Interagency Energy Team at 970-876-9051 (Creed Clayton) and visit <http://www.fws.gov/mountain-prairie/contaminants/oilpits.htm>.
11. Birds of Conservation Concern. Pursuant to BLM Instruction Memorandum 2008-050, all surface-disturbing activities are prohibited from **May 1 to July 1** to reduce impacts to Birds of Conservation Concern (BCC). An exception to this COA will be granted if nesting surveys conducted no more than one week prior to surface-disturbing activities indicate that no BCC species are nesting within 30 meters (100 feet) of the area to be disturbed. Nesting shall be deemed to be occurring if a territorial (singing) male is present within the distance specified above. Nesting surveys shall include an aural survey for diagnostic vocalizations in conjunction with a visual survey for adults and nests. Surveys shall be conducted by a qualified breeding bird surveyor between sunrise and 10:00 AM under favorable conditions for detecting and identifying a BCC species. This provision does not apply to ongoing construction, drilling, or completion activities that are initiated prior to May 1 and continue into the 60-day period at the same location.
12. Range Management. Range improvements (fences, gates, reservoirs, pipelines, etc) shall be avoided during development of natural gas resources to the maximum extent possible. If range improvements are damaged during exploration and development, the operator will be responsible for repairing or replacing the damaged range improvements. If a new or improved access road bisects an existing livestock fence, steel frame gate(s) or a cattleguard with associated bypass gate shall be installed across the roadway to control grazing livestock.
13. Fossil 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.

14. 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).

15. Visual Resources. Production facilities shall be placed to avoid or minimize visibility from travel corridors, residential areas, and other sensitive observation points—unless directed otherwise by the BLM due to other resource concerns—and shall be placed to maximize reshaping of cut-and-fill slopes and interim reclamation of the pad.

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

Existing vegetation south of the proposed access road shall be preserved to provide screening. The access road shall be lowered, with the spoils being piled along the south side to create a small, natural-looking berm that shall meet the existing grade at a natural angle. Adequate drainage structures shall be implemented to prevent erosion and sediment production.

The operator shall implement a regularly scheduled magnesium chloride application or other dust abatement measures as approved by the BLM authorized officer so the graveled road surface takes on and maintains a dark appearance when the road is viewed from Interstate 70. The level and type of treatment (watering or application of various dust agents, surfactants, and road surfacing material) may be changed in intensity and must be approved by the BLM authorized officer. Magnesium chloride or other chemical suppressant shall not be applied within 100 feet of any drainage or 100 meters of any known Colorado hookless cactus occurrence.

During construction, BLM and Encana representatives shall jointly review construction measures to determine effectiveness in meeting visual resource mitigation measures, and if subtle changes in construction techniques are warranted.

16. Windrowing of Topsoil. Topsoil shall be windrowed around the pad perimeter to create a berm that limits and redirects stormwater runoff and extends the viability of the topsoil per BLM Topsoil Best Management Practices (BLM 2009 PowerPoint presentation available upon request from Glenwood Springs Field Office). Topsoil shall also be windrowed, segregated, and stored along pipelines and roads for later spreading across the disturbed corridor during final reclamation. Topsoil berms shall be promptly seeded to maintain soil microbial activity, reduce erosion, and minimize weed establishment.
17. Soils. Cuts and fills shall be minimized when working on erosive soils and slopes in excess of 30 percent. Cut-and-fill slopes shall be stabilized through revegetation practices with an approved seed mix shortly following construction activities to minimize the potential for slope failures and excessive erosion. Fill slopes adjacent to drainages shall be protected with well-anchored silt fences, straw wattles, or other acceptable BMPs designed to minimize the potential for sediment transport. On slopes greater than 50 percent, BLM personnel may request a professional geotechnical analysis prior to construction.
18. Noise, Light, and Traffic Calming. To mitigate noise impacts to the nearby residence, Encana shall instruct its employees and contractors that use of engine braking by trucks serving the Encana oil and gas development is not allowed on BLM roads. Lights from drilling, completion, and production operations on the ON1 pad shall be directed away from the nearby residence. To avoid conflicts with trespassing onto nearby private land occur, Encana shall implement signing and traffic control measures during the drilling and completion operations serving the ON1 pad required. Such measures shall be approved by the BLM prior to any construction or drilling startup on the ON1 pad.

19. Reporting on Fresh Water Use. As stated in the USFWS consultation response memo for the ON1 pad expansion, dated March 21, 2011, all water depletions from the Upper Colorado River Basin involved with fluid mineral extraction from public lands shall be reported annually to the USFWS Ecological Services Office in Grand Junction. Since the wells scheduled for the ON1 pad expansions will be drilled horizontally, and since this type of well drilling is relatively new, the amount of fresh water used in the drilling of these two wells (Federal 35-16H and Federal 36-11H) shall be reported to this office within 15 days after the wells are placed into production (first day of gas sales).

While it is understood that Encana uses treated/recycled waters for their well completions, the focus of the reporting for these two horizontal wells shall be the amount of FRESH WATER (in barrels) used in well drilling, cementing, and hydraulic fracturing.

The fresh-water volume report shall be submitted to the BLM Interagency Energy Team hydrologist via email (skocman@blm.gov) within 15 days after the wells are placed into production (first day of gas sales).

20. Interim Reclamation Related to Drilling Phases. Within 1 year of completion of all exploratory wells proposed on a pad or within one year of completion of all development wells on a pad (whichever the situation may be), the operator would stabilize the disturbed area by recontouring, mulching, providing run-off and erosion control, replacing topsoil as directed, and seeding with BLM-prescribed native seed mixes (or landowner requested seed mix on Fee surface), and conducting weed control, as necessary. In cases where the exploratory drilling and development drilling on a single pad occur more than 1 year apart, slopes shall be recontoured to the extent necessary to accommodate seeding, and seed mixes required by BLM or requested by the private landowner shall be applied to stabilize the soil between visits per direction of the BLM.
- a) 21. USFWS Consultation Conditions of Approval. The following mitigation measures are intended to help prevent indirect impacts to the cactus as well as unanticipated direct impacts. Mitigation measures that will be attached as COAs to the ON1 SCE include:
 - b) Encana shall reconstruct the existing pad perimeter fence to the west prior to pad expansion. Encana shall not conduct oil and gas activities outside of this fence to prevent inadvertent impacts to the hookless cactus.
 - c) Monitoring of *Sclerocactus*. A BLM CRVFO Ecologist will conduct annual surveys of the four *Sclerocactus* located adjacent to the ON1 pad. A brief monitoring report shall be submitted to the USFWS. The report shall include a description of the status of each cacti and whether the following indirect impacts are affecting the *Sclerocactus*: dust, noxious and invasive weeds, and erosion and sedimentation. Photos of each *Sclerocactus* individual will be taken.
 - d) Encana shall implement dust abatement measures as needed or directed by the BLM authorized officer. Dust control is needed to prevent heavy plumes of dust from road use that create safety problems and disperses heavy amounts of particulate matter on adjacent vegetation. **No magnesium chloride shall be applied within 100 meters of Colorado hookless cactus.**
 - e) Weed control and reclamation efforts to reestablish native plant species shall conform to CRVFO standards. The following reclamation and weed standards shall be followed:
 - f) (5) Reclamation. The goals, objectives, timelines, measures, and monitoring methods for final reclamation of oil and gas disturbances are described in Appendix I (Surface Reclamation) of the

1998 Draft Supplemental EIS (DSEIS). Specific measures to follow during interim and temporary (pre-interim) reclamation are described below.

- a. Reclamation Plans. In areas that have low reclamation potential or are especially challenging to restore, reclamation plans will be required prior to APD approval. The plan shall contain the following components: detailed reclamation plans, which include contours and indicate irregular rather than smooth contours as appropriate for visual and ecological benefit; timeline for drilling completion, interim reclamation earthwork, and seeding; soil test results and/or a soil profile description; amendments to be used; soil treatment techniques such as roughening, pocking, and terracing; erosion control techniques such as hydromulch, blankets/matting, and wattles; and visual mitigations if in a sensitive VRM area.
- b. Deadline for Interim Reclamation Earthwork and Seeding. Interim reclamation to reduce a well pad to the maximum size needed for production, including earthwork and seeding of the interim reclaimed areas, shall be completed within 6 months following completion of the last well planned on that pad as part of a continuous operation. If a period of greater than one year is expected to occur between drilling episodes, BLM may require implementation of all or part of the interim reclamation program.

Reclamation, including seeding, of temporarily disturbed areas along roads and pipelines, and of topsoil piles and berms, shall be completed within 30 days following completion of construction. Any such area on which construction is completed prior to December 1 shall be seeded during the remainder of the early winter season instead of during the following spring, unless BLM approves otherwise based on weather. If road or pipeline construction occurs discontinuously (e.g., new segments installed as new pads are built) or continuously but with a total duration greater than 30 days, reclamation, including seeding, shall be phased such that no portion of the temporarily disturbed area remains in an unreclaimed condition for longer than 30 days. BLM may authorize deviation from this requirement based on the season and the amount of work remaining on the entirety of the road or pipeline when the 30-day period has expired.

If requested by the project lead NRS for a specific pad or group of pads, the operator shall contact the NRS by telephone or email approximately 72 hours before reclamation and reseeding begin. This will allow the NRS to schedule a pre-reclamation field visit if needed to ensure that all parties are in agreement and provide time for adjustments to the plan before work is initiated.

The deadlines for seeding described above are subject to extension upon approval of the BLM based on season, timing limitations, or other constraints on a case-by-case basis. If the BLM approves an extension for seeding, the operator may be required to stabilize the reclaimed surfaces using hydromulch, erosion matting, or other method until seeding is implemented.

- c. Topsoil Stripping, Storage, and Replacement. All topsoil shall be stripped following removal of vegetation during construction of well pads, pipelines, roads, or other surface facilities. In areas of thin soil, a minimum of the upper 6 inches of surficial material shall be stripped. The BLM may specify a stripping depth during the onsite visit or based on subsequent information regarding soil thickness and suitability. The stripped topsoil shall be stored separately from subsoil or other excavated material and replaced prior to final seedbed preparation. The BLM best management practice (BMP) for the Windrowing of Topsoil shall be implemented for well pad construction whenever topography allows.
- d. Seedbed Preparation. For cut-and-fill slopes, initial seedbed preparation shall consist of backfilling and recontouring to achieve the configuration specified in the reclamation plan. For

compacted areas, initial seedbed preparation shall include ripping to a minimum depth of 18 inches, with a maximum furrow spacing of 2 feet. Where practicable, ripping shall be conducted in two passes at perpendicular directions. Following final contouring, the backfilled or ripped surfaces shall be covered evenly with topsoil.

Final seedbed preparation shall consist of scarifying (raking or harrowing) the spread topsoil prior to seeding. If more than one season has elapsed between final seedbed preparation and seeding, and if the area is to be broadcast-seeded or hydroseeded, this step shall be repeated no more than 1 day prior to seeding to break up any crust that has formed.

Seedbed preparation is not required for topsoil storage piles or other areas of temporary seeding.

Requests for use of soil amendments, including basic product information, shall be submitted to the BLM for approval.

- e. Seed Mixes. A seed mix consistent with BLM standards in terms of species and seeding rate for the specific habitat type shall be used on all BLM lands affected by the project (see Attachments 1 and 2 of the letter provided to operators dated May 1, 2008). Note that temporary seeding no longer allows the use of sterile hybrid non-native species.

For private surfaces, the menu-based seed mixes are recommended, but the surface landowner has ultimate authority over the seed mix to be used in reclamation. The seed shall contain no noxious, prohibited, or restricted weed seeds and shall contain no more than 0.5 percent by weight of other weed seeds. Seed may contain up to 2.0 percent of "other crop" seed by weight, including the seed of other agronomic crops and native plants; however, a lower percentage of other crop seed is recommended. Seed tags or other official documentation shall be submitted to BLM at least 14 days before the date of proposed seeding for acceptance. Seed that does not meet the above criteria shall not be applied to public lands.

- f. Seeding Procedures. Seeding shall be conducted no more than 24 hours following completion of final seedbed preparation.

Where practicable, seed shall be installed by drill seeding to a depth of 0.25 to 0.5 inch. Where drill seeding is impracticable, seed may be installed by broadcast seeding at twice the drill-seeding rate, followed by raking or harrowing to provide 0.25 to 0.5 inch of soil cover or by hydroseeding and hydromulching. Hydroseeding and hydromulching shall be conducted in two separate applications to ensure adequate contact of seeds with the soil.

If interim revegetation is unsuccessful, the operator shall implement subsequent reseeding until interim reclamation standards are met.

- g. Mulch. Mulch shall be applied within 24 hours following completion of seeding. Mulch may consist of either hydromulch or of certified weed-free straw or certified weed-free native grass hay crimped into the soil.

NOTE: Mulch is not required in areas where erosion potential mandates use of a biodegradable erosion-control blanket (straw matting).

- h. Erosion Control. Cut-and-fill slopes shall be protected against erosion with the use of water bars, lateral furrows, or other measures approved by the BLM. Cut-and-fill slopes along drainages or in areas with high erosion potential shall also be protected from erosion using hydromulch

designed specifically for erosion control or biodegradable blankets/matting, bales, or wattles of weed-free straw or weed-free native grass hay. A well-anchored fabric silt fence shall also be placed at the toe of cut-and-fill slopes along drainages or to protect other sensitive areas from deposition of soils eroded off the slopes. Additional BMPs shall be employed as necessary to reduce soil erosion and offsite transport of sediments.

- i. Site Protection. The pad shall be fenced to BLM standards to exclude livestock grazing for the first two growing seasons or until seeded species are firmly established, whichever comes later. The seeded species will be considered firmly established when at least 50 percent of the new plants are producing seed. The BLM will approve the type of fencing.
 - j. Monitoring. The operator shall conduct annual monitoring surveys of all sites categorized as “operator reclamation in progress” and shall submit an annual monitoring report of these sites to the BLM by **December 31** of each year. The monitoring program shall use the four Reclamation Categories defined in Appendix I of the 1998 DSEIS to assess progress toward reclamation objectives. The annual report shall document whether attainment of reclamation objectives appears likely. If one or more objectives appear unlikely to be achieved, the report shall identify appropriate corrective actions. Upon review and approval of the report by the BLM, the operator shall be responsible for implementing the corrective actions or other measures specified by the BLM.
- (5) Weed Control. Encana will 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 Operators*, dated March 2007. However, **no herbicides shall be applied within 100 meters of Colorado hookless cactus unless approved by the CRVFO Ecologist**. A Pesticide Use Proposal (PUP) shall be submitted to the CRVFO ecologist (beth_brenneman@blm.gov) and approval received by the CRVFO ecologist prior to the use of herbicides. Annual weed monitoring reports shall be submitted to BLM, at the email address cited above, by **December 1**.

DOWNHOLE CONDITIONS OF APPROVAL Applications for Permit to Drill

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

Surface Location: SESW, Section 1, Township 8 South, Range 97 West, 6th P.M.

<u>Well Name</u>	<u>Well (Pad)</u>	<u>Bottomhole Location</u>	<u>Lease</u>
Federal	35-16H (ON1)	SESE, Sec 35, T7S, R97W	COC 64195
Federal	36-11H (ON1)	SESW, Sec 36, T7S, R97W	COC 64195

1. Twenty-four hours *prior* to (a) spudding, (b) conducting BOPE tests, (c) cementing/running casing strings, and (d) within twenty-four hours *after* spudding, the CRVFO shall be notified. One of the following CRVFO inspectors shall be notified by phone. The contact number for all notifications is 970-876-9064. The BLM CRVFO inspectors are Julie King, Lead PET; David Giboo, PET; and Alan White, PET.
2. A CRVFO 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, sidetracks, changes or variances to the BOPE, deviating from conditions of approval, and conducting other operations not specified within the APD. Contact Will Howell at 970-876-9049 (office) or 970-319-5837 (cell) for verbal approvals.
3. If a well control issue (e.g. kick, blowout, or water flow, casing failure occurs, or an increase in bradenhead pressure) arises during drilling or completions operations, Will Howell 970-876-9049 (office), 970-319-5837 (cell) shall be notified within 24 hours from the time of the event. IADC/Driller's Logs and Pason Logs (mud logs) shall be forwarded to CRVFO, Will Howell, 2300 River Frontage Road, Silt, CO 81652 within 24 hours of a well control event.
4. The BOPE shall be tested and conform to Onshore Order #2 for a **5M** system and recorded in the IADC/Driller's log. A casing head rated to 5,000 psi or greater shall be utilized.
5. An electrical/mechanical mud monitoring equipment shall be function tested prior to drilling out the surface casing shoe. As a minimum, this equipment shall include a trip tank, pit volume totalizer, stroke counter, and flow sensor.
6. Prior to drilling out the surface casing shoe, gas-detecting equipment shall be installed in the mud return system. The mud system shall be monitored for hydrocarbon gas/pore pressure changes, rate of penetration, and fluid loss.
7. A gas buster shall be functional and all flare lines effectively anchored in place, prior to drilling out the surface casing shoe. The discharge of the flare lines shall be a minimum of 100 feet from the wellhead 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.
8. A length of 1,500 feet of Surface Casing shall be installed on these wells to protect potential water sources and aquifers and control lost circulation zones.

9. After the surface casing is cemented, a Pressure Integrity Test/FIT will be performed on the first well drilled in accordance with OOGO No. 2; Sec. III, B.1.i. to make sure the surface casing is set in a competent formation. Submit the results from the test via email (whowell@blm.gov) on the first well drilled on the pad and record results in the IADC log.
10. As a minimum, cement shall be brought to 200 feet above the Mesaverde. After WOC for the production casing, a CBL shall be run to verify the TOC and an electronic copy in .pds or .pdf format shall be submitted to CRVFO, Will Howell, 2300 River Frontage Road, Silt, CO 81652 within 48 hours. If the TOC is lower than required or the cement sheath of poor quality, a CRVFO petroleum engineer shall be notified for remedial operations within 48 hours from running the CBL and prior to commencing fracturing operations,.

A DV tool shall be placed in the Intermediate Casing to insure cement is to required depth. If Intermediate Casing cement circulates to surface, record for well file.

A greater volume of cement may be required to meet the 200-foot cement coverage requirement for the Williams Fork Formation, Mesaverde Group. Evaluate the top of cement on the first cement job on the pad. If cement is below 200-foot cement coverage requirement, adjust cement volume to compensate for low cement coverage.

11. On the first well drilled on this pad, a triple combo open-hole log shall be run from the base of the surface borehole to surface, and from TD to bottom of surface casing shoe. This log shall be in submitted within 48 hours in .pds or .pdf format to CRVFO, Will Howell/Todd Sieber, 2300 River Frontage Road, Silt, CO 81652. Contact Todd Sieber at 970-876-9000 or asieber@blm.gov for clarification.
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) Pressure Integrity Test results within 30 days of completed operations (i.e. landing tubing) per 43 CRF 3160-9. Contact Will Howell for clarification.
13. A casing string integrity test shall be run to ensure casing mechanical integrity on the surface and production casing. This casing integrity test will not exceed 70% of the casing burst pressure per OOGO No. 2; Sec III, B.1.h. The test pressure should not decline more than 10% in 30 minutes or remedial work will be necessary. Submit the graphical results from the test via email (whowell@blm.gov) or regular mail to Will Howell, CRVFO, 2300 River Frontage Road, Silt, CO 81652.
14. Prior to commencing fracturing operations, the production casing shall be tested to the maximum anticipated surface treating/fracture pressure (Encana 9000 psi) and held for 15 minutes without a 2% leak-off. If leak-off is found, Will Howell 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 within 48 hours after Frac operations.
15. Submit a monthly report of operations or production per CFR 3162.4-3 including any production from these wells in MCFPD, BOPD, BWPD with FTP/SITP until the completion report (Form 3160-4) is filed.
16. Per CFR 3162.4-1(c), not later than the fifth business day after any well begins production on which royalty is due anywhere on a lease site or allocated to a lease site, or resumes production in a case of a

Wells: Federal 35-16H & 36-11H

Pad: ON1

Operator: Encana Oil & Gas (USA) Inc.

well which has been off production for more than 90 days, the operator shall notify the authorized officer by letter or sundry notice, Form 3160-5, or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed.