CANCELLED

U.S. Department of the Interior
Bureau of Land Management
Kremmling Field Office
P.O. Box 68
Kremmling, CO 80459

ENVIRONMENTAL ASSESSMENT

NUMBER: CO-120-2007-02-EA

PROJECT NAME: Red Willow CBM wildcat gas well APD

LEGAL DESCRIPTION: T. 8 N., R. 80 W., Sec 3 SW1/4SW1/4

APPLICANT: Red Willow Oil and Gas

DESCRIPTION OF PROPOSED ACTION AND ALTERNATIVES:

Background/Introduction/Issues and Concerns: The Federal mineral estate, administered by the Bureau of Land Management (BLM) as part of its mineral leasing program, provides minerals, including fossil fuels, for the benefit and use of the American public, and encourages development of domestic oil and gas reserves to reduce dependence on foreign energy supplies. Mineral development is supported by the Mineral Leasing Act (1920 30 USC 181 et. seq.) and the Federal Land Policy and Management Act (FLPMA).

There has been no oil and gas drilling previously in this area. CBM drilling 5 miles east of Walden (on private lands) have resulted in continuing testing, fracing and drilling of a second (horizontal) well from the original wellpad. Test and production results are unknown at this time.

This well is an APD on federal surface and mineral estate.

Site was field examined with proponent representatives on 10/3/06, with John Morrone, Paula Belcher, and John Monkouski present for BLM. Later field visits were made by several additional staff, including wildlife (Charles Cesar and Megan McGuire), 10/6/06 during pre-permitting.

Proposed Action: Red Willow Oil and Gas has proposed a new wildcat gas well test on lease #_____, approximately 5 miles southwest of Walden Colorado, in the North Park basin (Jackson County). This well would be a new wildcat well test, in an area of no previous oil and gas drilling or production. As a wildcat, it would only be an initial drilling and test for gas in the Sudduth coal seam. As such, no gas field development is anticipated, or would be permitted at this time. Further analysis would be required if this well proves productive, prior to any other well testing or development in the area.

Access is on an existing 2-track route from Colorado Hwy. 14, at the existing access and gate, about 100 yds SW of mile marker 29. This 2- track road will be improved with temporary fabric and gravel (approx 6" thickness) improvement for the __ feet distance the 2- track would be followed. If the well is plugged, the fabric and gravel improvements would be removed from the road, returning it to a reclaimed 2- track route. A small drainage is intercepted several feet from the highway, and an 18" culvert would be set on grade and in alignment with the drainage at this location. Colorado Department of Transportation (DOT) controls access from their permitted right-of-way on the highway, and access permits would be secured from them by the proponent prior to any disturbances.

A fence currently exists along the highway, with a "drop gate" of barbed wire at the 2-track access point. If drilling occurs while this pasture is unused, this gate would remain. If drilling occurs when the pasture is used, the "drop gate" will need to be replaced with a cattleguard. If multiple trips are required daily to service, access or maintain the well while the pasture is in use, a cattleguard will be required. The grazing schedule for this pasture is included as table one. Where is the table?- pete T needs to insert

Drilling would likely take 60-90 days at this site, with the full well pad disturbance lasting for less than one year. Partial reclamation to the minimum needed to for well testing would occur within 60 days of completion of drilling, with recontouring, revegetation, seeding and mulching of the partial reclamation at the site at that time. After the well is plugged and abandoned, full recontouring, revegetation and mulching would occur to fully reclaim the site into the conditions that occur prior to disturbance. (Need to include a project map that shows the access road and projected well site)- waiting on submittal.

John, we should talk about projected acres of disturbance for the drilling activity (road and well pad disturbance), and we should also talk about what would happen with any produced water.

Any produced water from this well test will require re-injection, with no surface ponding or drainage of the produced water. Water quality data for any produced or intercepted water will be submitted to the BLM with this well drilling and test. Closed storage tanks, with pipeline or transportation to a re-injection site are required, in compliance with Onshore Order No. 7. No surface release of produced water can be allowed for this well under the current Kremmling FO RMP.

<u>No Action Alternative</u>: The No Action Alternative would be to not allow the drilling of this wildcat CBM gas well. Since valid existing rights are given on this lease (insert lease number), and absent site specific surface-occupancy and lease stipulations, BLM would not deny the right to drill and develop the lease.

Based on the applicable 1984 Kremmling Resource Management Plan (RMP) and the 1991 Oil and Gas EIS/ROD, a proposed well location may be relocated by the BLM (43CFR 3101.1-2) up to 200 meters (656-feet) from the proposed site, but approval cannot be denied outright. The BLM, in issuing this lease, has made an irrevocable commitment to allow some surface disturbance activities, and can only impose reasonable mitigation measures as Surface Use Conditions of Approval (COA) attached to the approved APDs. It should also be noted that the

No Action alternative decision would probably result in the need to amend the existing RMP, since it rendered a decision to make these minerals available for leasing and potential development. Thus, this alternative will not be analyzed further.

Alternatives Considered But Eliminated From Further Analysis: The initial well location requested approx. 550 feet to the southeast. Considerable cut and fill, visual disturbances, and potential erosion and siltation issues were considered to be issues at this site. By moving the proposed location less than 200 meters from the initial location, the impacts and construction costs would be minimized, while still maintaining a similar geologic target. With the Proposed Action, a slightly greater length of 2-track route would be needed but the total impacts would be decreased considerably.

PURPOSE AND NEED FOR THE ACTION: The purpose of this project is that BLM is responding to Red Willow Production Company's exercising of their lease rights, which include the right to occupy as much of the lease surface as is reasonable for exploration and extraction of the resource (oil and gas). This action is necessary because Federal Regulations (43 CFR 3160) require BLM to process APD applications on valid oil and gas mineral leases.

PLAN CONFORMANCE REVIEW: : The Proposed Action is subject to and has been reviewed for conformance with the following plan (43 CFR 1610.5, BLM 1617.3):

> Name of Plan: Kremmling Resource Management Plan, Record of Decision (ROD)
>
> Date Approved: December 19, 1984 (updated June 1999), and as amended by Record of Decision on December 5, 1991, in the Colorado Oil and Gas Leasing and Development Final Environmental Impact Decision (O & G EIS).
>
> The proposal had been reviewed for conformance with this plan (43 CFR 1610.5-3(a)).
>
> Decision Number/Page: ROD (map 3, p. 14)
>
> Decision Language: To facilitate orderly, economic and environmentally sound exploration and development of oil and gas resources using balanced multiple-use management (ROD p.11). Important wildlife habitat will be protected with the use of no surface occupancy, timing limitations or controlled surface use stipulations and /or lease notices on oil and gas leases, and conditions of approval (COA) on permits (ROD p. 3).

Standards for Public Land Health: In January 1997, Colorado Bureau of Land Management (BLM) approved the Standards for Public Land Health. Standards describe conditions needed to sustain public land health and relate to all uses of the public lands. The following are the approved standards:

Standard	**Definition/Statement**
#1 Upland Soils	Upland soils exhibit infiltration and permeability rates that are appropriate to soil type, climate, land form, and geologic processes. Adequate soil infiltration and permeability allows for the accumulation of soil moisture necessary for optimal plant growth and vigor, and minimizes surface runoff.
#2 Riparian	Riparian systems associated with both running and standing water, function properly and have

Systems	the ability to recover from major surface disturbances such as fire, severe grazing, or 100-year floods. Riparian vegetation captures sediment, and provides forage, habitat and bio-diversity. Water quality is improved or maintained. Stable soils store and release water slowly.
#3 Plant and Animal Communities	Healthy, productive plant and animal communities of native and other desirable species are maintained at viable population levels commensurate with the species and habitat's potential. Plants and animals at both the community and population level are productive, resilient, diverse, vigorous, and able to reproduce and sustain natural fluctuations, and ecological processes.
#4 Threatened and Endangered Species	Special status, threatened and endangered species (federal and state), and other plants and animals officially designated by the BLM, and their habitats are maintained or enhanced by sustaining healthy, native plant and animal communities.
#5 Water Quality	The water quality of all water bodies, including ground water where applicable, located on or influenced by BLM lands will achieve or exceed the Water Quality Standards established by the State of Colorado. Water Quality Standards for surface and ground waters include the designated beneficial uses, numeric criteria, narrative criteria, and anti-degradation requirements set forth under State law as found in (5 CCR 1002-8), as required by Section 303(c) of the Clean Water Act.

Because a standard exists for these five categories, a finding must be made for each of them in the environmental analysis. These findings are located in specific elements below or in the Interdisciplinary Team Analysis Review Record and Checklist (IDT-RRC) (Appendix 1).

AFFECTED ENVIRONMENT / ENVIRONMENTAL CONSEQUENCES / MITIGATION MEASURES:

CRITICAL ELEMENTS: The following critical elements, Areas of Critical Environmental Concern, Environmental Justice, Farmlands- Prime and Unique, Native American Religious Concerns, Floodplains, Wild and Scenic Rivers, and Wilderness were evaluated and determined that they were not present or that there would be no impact to them from the Proposed Action or No Action Alternative. See IDT-RRC in Appendix 1 for further information.

The following critical elements were determined to be potentially impacted and were carried forward for analysis from the IDT-RRC in Appendix 1.

AIR QUALITY

Affected Environment:
Environmental Consequences:

Mitigation:

CULTURAL RESOURCES

Affected Environment: A Class III pedestrian, cultural resources, inventory was completed for the proposed well location, new access road and existing 2-track access road in October, 2006. The Area of Potential Effect is 10 acres centered on the well pad location and a corridor 100' wide along the new access road and existing 2-track road. Cultural site 5JA1793.1, an abandoned segment of historic Colorado State Highway 14, was recorded during inventory.

Environmental Consequences: Cultural site 5JA1793.1 is an approximate 1500' segment of un-surfaced, earthen road recommended as "not applicable" to the overall eligibility of the abandoned Colorado State Highway 14 to the National Register of Historic Places. Associated with the abandoned highway, are remnants of a bridge crossing an unnamed, intermittent drainage, consisting of 2 poured concrete abutments near the south end of the recorded segment.. Site 5JA1793.1 is in a degraded condition, having been abandoned and neglected for over 50 years. Development of the well location will cause impacts to the abandoned highway segment. If the well is successful and brought into production, upgrading the existing 2-track road will cause additional impacts.

Mitigation: Because road segment 5JA1793.1 is recommended not eligible to the NRHP, there will be "no effect" to any resources eligible or potentially eligible to the NRHP, and the proposed project is recommended to proceed with BLM standard cultural discovery stipulations.

INVASIVE, NON-NATIVE SPECIES

Affected Environment
Environmental Consequences:

Mitigation:

MIGRATORY BIRDS

Affected Environment: The proposed well sites would be located in sagebrush steppe habitat. Migratory birds expected to inhabit the project sites include Sage Sparrows, Horned Larks, Western Kingbirds, Common Nighthawks, Green-tailed Towhees, Red-tail Hawks, Prairie Falcons, Western Bluebirds, American Kestrals, Burrowing owls, Swainson's hawks, and golden eagles.

Environmental Consequences/Mitigation: The proposed project would eliminate a small amount of sagebrush habitat. The reclamation plan, which would be implemented after project completion, would adequately restore most of the sagebrush habitat lost to the construction activities associated with the proposed project. Accordingly, the Proposed Action would not have any major direct, indirect or cumulative impacts on migratory birds.

THREATENED, ENDANGERED, AND SENSITIVE SPECIES (includes a finding on Standard 4)

Affected Environment: The proposed well sites would be located in habitat occupied by Greater sage-grouse, a BLM designated sensitive species. While sage-grouse occupy the project area on a yearlong basis, the area is especially important as nesting habitat for sage-grouse. The nearest sage-grouse breeding complex (referred to as a lek) is located approximately 1.25 miles west of the proposed well site. The sagebrush habitat adjoining the lek provides hiding and nesting cover for sage-grouse during the breeding season.

Environmental Consequences: Since little vegetative loss from the proposed well sites development is anticipated, a small amount of sage-grouse nesting habitat would be impacted by the proposed project Most of this habitat would be restored when the well site is successfully reclaimed with native vegetation. The distance from well site to the nearest lek, located 1.25 miles away, should be sufficient to avoid conflicts with breeding sage-grouse and drilling activities.

Mitigation:

Finding on the Public Land Health Standard for Threatened & Endangered species: The proposed project is located in an area where the habitat was meeting Standard 4. Neither the Proposed Action nor No Action Alternative would prevent the area from meeting this standard.

WASTES, HAZARDOUS OR SOLID

Affected Environment:

Environmental Consequences/Mitigation

WATER QUALITY, SURFACE AND GROUND (includes a finding on Standard 5)

Affected Environment:

Environmental Consequences

Mitigation:

WETLANDS & RIPARIAN ZONES (includes a finding on Standard 2)

Affected Environment:

Environmental Consequences/Mitigation:

Finding on the Public Land Health Standard for riparian systems:

NON-CRITICAL ELEMENTS: The following non-critical elements were determined to be potentially impacted and were carried forward for analysis from the IDT-RRC in Appendix 1.

SOILS (includes a finding on Standard 1)

Affected Environment:

Environmental Consequences:

Mitigation:

Finding on the Public Land Health Standard for upland soils:

VEGETATION (includes a finding on Standard 3)

Affected Environment:

Environmental Consequences/Mitigation:

Finding on the Public Land Health Standard for plant and animal communities (partial, see also Wildlife, Aquatic and Wildlife, Terrestrial

WILDLIFE, TERRESTRIAL (includes a finding on Standard 3)

The proposed well would be constructed in sagebrush habitat which is occupied by a variety of birds and mammals. The project area is occasionally inhabited by mule deer and Rocky Mountain elk during winter. Pronghorn and small mammals including badgers, coyotes, and a variety of small rodents inhabit the area on a yearlong basis.

Environmental Consequences/Mitigation: The proposed project would not conflict with terrestrial wildlife, since habitat disturbance would be minimal. All vegetative disturbances associated with the project would be reclaimed. Harassment or disturbance of wildlife would also be minimal since drilling activities would be short term and not likely to occur during periods of animal concentration. The Proposed Action would not result in any major direct, indirect or cumulative impacts to the area's terrestrial wildlife.

Finding on the Public Land Health Standard for plant and animal communities (partial, see also Vegetation and Wildlife, Aquatic): The proposed project is located in an area where the habitat was meeting Standard 3. Neither the Proposed Action nor No Action Alternative would prevent the area from meeting this standard.

RANGELAND MANAGEMENT

Affected Environment

Environmental Consequences:

Mitigation:
If drilling occurs while this pasture is unused, this gate will remain. If drilling occurs when the pasture is used, the "drop gate" will need to be replaced with a cattleguard. If multiple trips are required daily to service, access or maintain the well while the pasture is in use, a cattleguard will be required.
The grazing schedule for this pasture is included as table one.

VISUAL RESOURCES

Affected Environment:

Environmental Consequences:

Mitigation:

SOCIO-ECONOMICS

Affected Environment: The proposed project is located in southwestern Jackson County. In 2004, the estimated population of Jackson County was 1,454. This was a decrease of negative 7.80% from the 2000 census. In 2000, the estimated median household income was $31,821. Out of the 64 counties in Colorado, Jackson County ranked 58th in terms of population growth from 2000 to 2003. Together, these statistics demonstrate the limited tax base and limited potential for near-term population growth in Jackson County.

Environmental Consequences/Mitigation

CUMULATIVE IMPACTS SUMMARY: All resource values have been evaluated for cumulative impacts.

PERSONS / AGENCIES CONSULTED: See IDT-RRC in Appendix 1.

INTERDISCIPLINARY REVIEW: See IDT-RRC in Appendix 1.

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CO-120-2006-26-EA

Based on the analysis of potential environmental impacts contained in the attached environmental assessment, and considering the significance criteria in 40 CFR 1508.27, I have determined that the Proposed Action will not have a significant effect on the human environment. An environmental impact statement is therefore not required.

DECISION RECORD

DECISION:

RATIONALE:

MITIGATION MEASURES:

Air Quality:

Cultural:

-The holder is responsible for informing all persons in the area who are associated with this project that they will be subject to prosecution for disturbing historic or archaeological sites, or for collecting artifacts.

-The holder shall immediately bring to the attention of the Authorized Officer any and all antiquities, or other objects of historic, paleontological, or scientific interest including but not limited to, historic or prehistoric ruins or artifacts DISCOVERED as a result of operations under this authorization (16 U.S.C. 470.-3, 36 CFR 800.112). The holder (BLM and the reclamation contractor) shall immediately suspend all activities in the area of the object and shall leave such discoveries intact until written approval to proceed is obtained from the Authorized Officer. Approval to proceed will be based upon evaluation of the object(s). Evaluation shall be by a qualified professional selected by the Authorized Officer from a Federal agency insofar as practicable (BLM Manual 8142.06E). When not practicable, the holder shall bear the cost of the services of a non-Federal professional.

Within five working days the Authorized Officer will inform the holder as to:

- Whether the materials appear eligible for the National Register of Historic Places;

- The mitigation measures the holder will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and,

- A timeframe for the Authorized Officer to complete an expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the Authorized Officer are correct and that mitigation is appropriate.

If the holder wishes, at any time, to relocate activities to avoid the expense of mitigation and/or the delays associated with this process, the Authorized Officer will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, the holder will be responsible for mitigation costs. The Authorized Officer will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the Authorized Officer that the required mitigation has been completed, the holder will then be allowed to resume construction.

-Antiquities, historic, prehistoric ruins, paleontological or objects of scientific interest that are outside of the authorization boundaries but directly associated with the impacted resource will also be included in this evaluation and/or mitigation. Antiquities, historic, prehistoric ruins, paleontological or objects of scientific interest, identified or unidentified, that are outside of the authorization and not associated with the resource within the authorization will also be protected. Impacts that occur to such resources, which are related to the authorizations activities, will be mitigated at the holder's cost.

-Pursuant to 43 CFR 10.4(g), the holder of this authorization must notify the authorized officer, 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), you must stop activities in the vicinity of the discovery and protect it for 30 days or until notified to proceed by the authorized officer.

Invasive/Non-native Species:

Migratory Birds and Threatened, Endangered, and Sensitive Species:

Water Quality, Surface and Ground:

Soils:

Rangeland Management and Visual Resource Management:

COMPLIANCE/MONITORING:

NAME OF PREPARER: John Morrone

NAME OF ENVIRONMENTAL COORDINATOR: Joe Stout

DATE: 10/10/06

SIGNATURE OF AUTHORIZED OFFICIAL:

DATE SIGNED:
ATTACHMENTS:

1). Topo Project Map
2). Re-vegetation Seed Mix
3). Grazing Schedule

APPENDICES:
Appendix 1 – Interdisciplinary Team Analysis Review Record and Checklist

Appendix 1

INTERDISCIPLINARY TEAM ANALYSIS REVIEW RECORD AND CHECKLIST:

Project Title: Red Willow CBM wildcat gas well APD
Project Leader: John Morrone
Date Submitted for Comment: 10/10/06
Due Date for Comments:

Need for a field Exam: Site was field examined with proponent representatives on 10/3/06, with John Morrone, Paula Belcher, and John Monkouski present for BLM. Later field visits were made by several additional staff, including wildlife (Charles Cesar and Megan McGuire) 10/5/06, visual resources_____, during pre- permitting.

Scoping Needs/Interested or Affected Publics: The proposed project was listed on the Kremmling Internet NEPA Register and on the Kremmling Field Office public room NEPA Board. Scoping was conducted with the Colorado Division of Wildlife.

Consultation/Permit Requirements:

Consultation	**Date Initiated**	**Date Completed**	**Responsible Specialist/ Contractor**	**Comments**
Cultural/Archeological Clearance/SHPO			F. Rupp	
Native American			F. Rupp	
T&E Species/FWS	N/A	N/A	M. McGuire	
Permits Needed (i.e. Air or Water)			P. Belcher	

(NP) = Not Present
(NI) = Resource/Use Present but Not Impacted
(PI) = Potentially Impacted and Brought Forward for Analysis.

NP NI PI	**Discipline/Name**	**Date Review Comp.**	**Initials**	**Review Comments** (required for Critical Element NIs, and for elements that require a finding but are not carried forward for analysis.)
	CRITICAL ELEMENTS			
PI	Air Quality **Belcher**			See comments in EA
NP	Areas of Critical Environmental Concern **Stout**			There are no Areas of Critical Environmental Concern in the proximity of the proposed project area.
NI	Cultural Resources **Rupp**			
NP	Environmental Justice **Stout**			According to the most recent Census Bureau statistics (2000), there are no minority or low income communities within the Kremmling Planning Area.
NP	Farmlands, Prime and Unique **Belcher**			
NP	Floodplains **Belcher**			
PI	Invasive, on-native Species			

PI	Migratory Birds **McGuire**	10/30/06	MM	See Comments.
NI	Native American Religious Concerns			
PI	T/E, and Sensitive Species (Finding on Standard 4) **McGuire**	10/30/06	MM	See Comments. Finding: Meets Standard 4 and will continue to meet for either the Proposed Action or No Action Alt.
PI	Wastes, Hazardous and Solid **Johnson**			
PI	Water Quality, Surface and Ground (Finding on Standard 5) **Belcher**			
PI	Wetlands & Riparian Zones (Finding on Standard 2) **Belcher**			
NP	Wild and Scenic Rivers			There are no Wild and Scenic Rivers in the Kremmling Planning Area. An Eligibility and Suitability study will be conducted during the upcoming RMP Revision (2007).
NP	Wilderness			There is no designated Wilderness or Wilderness Study Areas in the proximity of the proposed project area.
NON-CRITICAL ELEMENTS (A finding must be made for these elements)				
PI	Soils (Finding on Standard 1) **Belcher**			
PI	Vegetation (Finding on Standard 3) **Torma**			
NP	Wildlife, Aquatic (Finding on Standard 3) **McGuire**	10/26/06	MM	Finding: N/A
PI	Wildlife, Terrestrial (Finding on Standard 3) **McGuire**	10/30/06	MM	See Wildlife, Terrestrial analysis. Finding: Meets Standard 3 and will continue to meet for either the Proposed Action or No Action Alt.
OTHER NON-CRITICAL ELEMENTS				
NI	Access/Transportation			
NP	Forest Management			No forest present
NI	Geology and Minerals **Morrone**	10/10/06	JM	No significant impacts
NP	Hydrology/Water Rights **Belcher**			
NP	Paleontology **Morrone**	10/10/06	JM	No impacts
NI	Noise			
PI	Range Management **Torma**			
NI	Lands/ Realty Authorizations **Cassel**			
NI	Recreation			
PI	Socio-Economics **Stout**			
PI	Visual Resources **Straub**			
NI	Cumulative Impact Summary **Stout**			
FINAL REVIEW				
	P&E Coordinator **Stout**			
	Field Manager			

Attachment 3: Re-vegetation Seed Mix

Proposed Seed Mix Using Rangeland Drill

(Seed tags must be submitted to BLM after seeding.)

*** do not seed prior to October 1, to avoid sprouting.**

Double rate for Broadcast Seeding

MULCH

Native Hay or Straw	2,000 lbs.	X	_____	=150000

-Certified Noxious Weed Free-

-The mulch should be crimped in or a tactifying agent used to hold mulch on site.