U.S. Department of the Interior
Bureau of Land Management
Little Snake Field Office
455 Emerson Street
Craig, CO 81625-1129

ENVIRONMENTAL ASSESSMENT

EA-NUMBER: CO-100-2006-056 EA

CASEFILE/PROJECT NUMBER/LEASE NUMBER: COC63740

PROJECT NAME: Two Beartooth Wells

LEGAL DESCRIPTION: Both wells in Moffat County, Colorado

Federal Well #19-4: Lot 8 Section 19, T8N, R89W, 6th PM
Federal Well #19-12: NWSW Section 19, T8N, R89W, 6th PM

APPLICANT: Beartooth Oil & Gas Company

PLAN CONFORMANCE REVIEW: The proposed action is subject to the following plan:

Name of Plans: Little Snake Resource Management Plan and Record of Decision (ROD) approved on April 26, 1989; and the Colorado Oil and Gas Leasing & Development Environmental Impact Statement (EIS) and the ROD signed on November 5, 1991.

Remarks: The proposed Two Beartooth Wells would be located within Management Unit 1 (Little Snake Resource Management Plan). The objective of Management Unit 1 is to realize the potential for development of coal, oil, and gas resources. Other resource uses/values within this unit are allowed consistent with coal, oil, and gas resource development.

The proposed action was reviewed for conformance with this plan (43 CFR 1610.5, BLM 1617.3). The proposed action is in conformance with the objectives for this management unit.

NEED FOR PROPOSED ACTION: To provide for the development of oil and gas resources and to supply energy resources to the American public.

PUBLIC SCOPING PROCESS: The Notices of Staking (NOSs) have been posted in the public room of the Little Snake Field Office for a 30-day public review period beginning March

13, 2006 when the NOSs were received, and may be viewed during regular business hours (7:45 a.m. to 4:30 p.m.), Monday through Friday, except holidays.

DESCRIPTION OF PROPOSED ACTION AND ALTERNATIVES: The proposed action is to approve two Applications for Permit to Drill (APDs) submitted by Beartooth Oil & Gas Company. Beartooth proposes to drill two gas wells on private land in T8N, R89W. The mineral estate at these two locations is administered by the BLM. Two APDs have been filed with the LSFO for the wells, the Federal Well #19-4 and the Federal Well #19-12. The APDs cover mitigation of impacts to vegetation, soil, surface water, and other resources. Mitigation not incorporated by Beartooth in the drilling and surface use plans would be attached by the BLM as Conditions of Approval to the approved APDs.

The proposed wells would be located approximately 12 miles north of Craig, Colorado. The approximate date work would start is the summer or fall of 2006 and the estimated duration of construction and drilling is 10 days. Moffat County Roads 18 and 18S would be used to access the well sites. Beartooth proposes to construct approximately 2785 feet of new road access. New road construction would conform to BLM specifications for a "resource road", with a 14-foot wide running surface. Total surface disturbance for the new access roads would be 3.1 acres. In the event that the well is commercially productive, the access road would be upgraded to an all-weather road as required by the private surface owner. The entire length of access road is located on private surface and does not require a federal right-of-way. There is an existing fence that will cross the new access road for the Federal Well #19-12. Following the surface owners' request, the fence will be cut and a cattleguard installed. A 20-foot steel pole gate will be placed adjacent to the cattleguard. All access road construction is on lease and on private surface.

The proposed well pads would be cleared of all vegetation and leveled for drilling. Topsoil and native vegetation would be stockpiled for use in reclamation. Approximately 2.0 acres would be disturbed for construction of each of the well pads. This would include the 250' by 260' well pads, the topsoil and subsoil piles to be constructed at the well sites. A reserve pit would be constructed on each of the well pads to hold drill mud and cuttings. If a gas well is a producer, cut portions of the well site would be backfilled and unused portions of the well site would be stabilized and re-vegetated. If a gas well proves unproductive, the well would be properly plugged and the entire well pad and new access road would be reclaimed. The upgraded portions of the road will remain in place.

Beartooth did not include plans for a gas sales pipeline for the two Beartooth wells. A detailed written statement of work (Sundry Notice) would be filed with the BLM before pipeline installation for these wells. This Sundry Notice would be assessed, when it is received, for environmental impacts of a gas sales pipeline.

NO ACTION ALTERNATIVE: The "no action" alternative is that the wells would not be permitted and therefore no wells would be drilled. Beartooth holds a valid and current oil and gas lease for the area where the proposed two Beartooth wells would be located. Under leasing contracts, the BLM has an obligation to allow mineral development if the environmental consequences are not irreversible or too severe. The APD process is designed to overcome the no

action situation of not accepting the APD through the mitigation of predicted environmental consequences. Since the proposed action is consistent with the ROD and the Oil and Gas Leasing EIS, rejecting the APDs for the wells was considered but will not be analyzed further in this EA.

AFFECTED ENVIRONMENT/ENVIRONMENTAL CONSEQUENCES/MITIGATION MEASURES

CRITICAL RESOURCES

AIR QUALITY

Affected Environment: There are no special designation air sheds or non-attainment areas nearby that would be affected by the proposed action.

Environmental Consequences: Short term, local impacts to air quality from dust would result during and after well pad construction. Drilling operations produce air emissions such as exhaust from diesel engines that power drilling equipment. Air pollutants could include nitrogen oxides, particulates, ozone, volatile organic compounds, fugitive natural gas, and carbon monoxide. Gas flaring reduces the health and safety risks in the vicinity of the well by burning combustible and poisonous gases like methane and hydrogen sulfide. The proposed action will not adversely affect the regional air quality.

Mitigative Measures: None

Name of specialist and date: Barb Blackstun 05/02/06

AREA OF CRITICAL ENVIRONMENTAL CONCERN

Affected Environment: Not present.

Environmental Consequences: Not applicable.

Mitigative Measures: Not applicable

Name of specialist and date: Jim McBrayer 05/02/06

CULTURAL RESOURCES

Affected Environment: Cultural resources, in this region of Colorado, range from late Paleo-Indian to Historic. For a general understanding of the cultural resources in this area of Colorado, see An Overview of Prehistoric Cultural Resources, Little Snake Resource Area, Northwestern Colorado, Bureau of Land Management Colorado, Cultural Resources Series, Number 20, An Isolated Empire, A History of Northwestern Colorado, Bureau of Land Management Colorado, Cultural Resource Series, Number 2 and Colorado Prehistory:

A Context for the Northern Colorado River Basin, Colorado Council of Professional Archaeologists.

Environmental Consequences: The proposed projects, Beartooth Federal 19-4 and Federal 19-12, have undergone a Class III cultural resource survey:

Martin, Curtis and Nicole Darnell, Carl E. Conner, Barbara J. Davenport
2006 Class III Cultural Resource Inventory Report for the Proposed Fed. #19-4 and Fed #19-12 and Related 0.5 Mile of new and To-Be-Upgraded Roads in Moffat County, Colorado for Beartooth Oil and Gas Company. GRI No. 2635; BLM 11.1.06. Grand River Institute, Grand Junction, Colorado.

The survey identified no eligible to the National Register of Historic Places prehistoric cultural resources. The proposed project may proceed as described in this EA with the following mitigative measures in place.

Mitigative Measures:

The following standard stipulations apply for this project:

1. The operator is responsible for informing all persons who are associated with the operations that they will be subject to prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are encountered or uncovered during any project activities, the operator is to immediately stop activities in the immediate vicinity of the find and immediately contact the authorized officer (AO) at (970) 826-5000. Within five working days, the AO will inform the operator as to:

- Whether the materials appear eligible for the National Register of Historic Places;
- The mitigation measures the operator will likely have to undertake before the identified area can be used for project activities again; and
- Pursuant to 43 CFR 10.4(g) (Federal Register Notice, Monday, December 4, 1995, Vol. 60, No. 232) the holder of this authorization must notify the AO, by telephone at (970) 826-5000, and 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.

2. If the operator wishes, at any time, to relocate activities to avoid the expense of mitigation and/or the delays associated with this process, the AO will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, the operator will be responsible for mitigation costs. The AO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from

the AO that the required mitigation has been completed, the operator will then be allowed to resume construction.

Name of specialist and date: Henry S. Keesling 05/02/06

ENVIRONMENTAL JUSTICE

Affected Environment: The project would not directly affect the social, cultural, or economic well being and health of Native American, minority or low-income populations. The project area is relatively isolated from population centers, so no populations would be affected by physical or socioeconomic impacts from the project.

Environmental Consequences: None.

Mitigative Measures: None.

Name of Specialist and Date: Louise McMinn 05/08/06

FLOOD PLAINS

Affected Environment: Active floodplains and flood prone zones are avoided.

Environmental Consequences: No threat to human safety, life, welfare, or property will result from the proposed action.

Mitigative Measures: None

Name of specialist and date: Barb Blackstun 05/02/06

INVASIVE, NONNATIVE SPECIES

Affected Environment: Cheatgrass, whitetop, halogeton, Canada thistle, and other biennial thistles are known to occur in this region. There is the potential for noxious weeds, such as dalmatian toadflax, knapweeds, and others, to exist and spread in these areas. Given an opportunity, these species are capable of out competing native vegetation communities, and becoming the dominant cover type without appropriate management.

Environmental Consequences: The surface disturbing activities and associated traffic involved with drilling two new wells and upgrading and constructing necessary access roads will create a favorable environment, and provide a mode of transport for invasive species and other noxious weeds to become established. Invasive species can be spread through a variety of means including vehicular travel, wildlife and livestock movement, wind, and water. Required mitigation attached as Conditions of Approval to minimize disturbance, and the utilization of interim reclamation techniques would facilitate control of

invasive species and reduce the potential of long-term infestation of annual and noxious weed species.

Mitigative Measures: None

Name of specialist and date: Curtis Bryan 05/05/06

MIGRATORY BIRDS

Affected Environment: The proposed project is within nesting habitat for a golden eagle. The Federal 19-4 well pad is located approximately 2/3 mile from a golden eagle nest. It is not known if these nests are currently active.

Environmental Consequences: It is very unlikely that nest sites would be damaged as a result of construction activity. Some changes may occur to habitat which support prey species for these two raptor species. Any negative impacts to prey species habitat would make the area less likely to be used for nesting.

Mitigative Measures: None

Name of specialist and date: Timothy Novotny 05/08/06

NATIVE AMERICAN RELIGIOUS CONCERNS

A letter was sent to the Uinta and Ouray Tribal Council, Southern Ute Tribal Council, Ute Mountain Ute Tribal Council, and the Colorado Commission of Indian Affairs on January 21, 1999. The letter listed the projects that the BLM would notify them on and projects that would not require notification. No comments were received (Letter on file at the Little Snake Field Office). This project requires no additional notification.

Name of specialist and date: Henry S. Keesling 05/02/06

PRIME & UNIQUE FARMLANDS

Affected Environment: Not Present

Environmental Consequences: None

Mitigative Measures: None

Name of specialist and date: Barb Blackstun 05/02/06

T&E SPECIES – ANIMALS

Affected Environment: There are no threatened or endangered animal species or habitat for such species in or near the project area. The proposed wells are located within mapped nesting habitat for the Columbian sharp-tailed grouse, a BLM special status species. The 19-12 well is located approximately .59 miles from a Columbian sharp-tailed grouse lek. The access road for the 19-4 well is located approximately .62 miles from a Columbian sharp-tailed grouse lek. The 19-4 well pad is located approximately .73 miles from the lek. A topographic barrier exists between the 19-4 well pad and this lek site. Both well pads are on private surface that has been converted into agricultural fields. These fields do not provide nesting habitat for sharp-tailed grouse.

Environmental Consequences: The construction of the two well pads and access roads and the subsequent drilling of two gas wells should not impact breeding activities associated with this sharp-tailed grouse lek. It is unlikely for sharp-tailed grouse to nest near either well pad because the private surface has been converted into agricultural fields.

Mitigative Measures: None

Name of specialist and date: Timothy Novotny 05/08/06

T&E SPECIES – PLANTS

Affected Environment: There are no federally listed threatened or endangered plant species within or in the vicinity of the Proposed Action.

Environmental Consequences: None

Mitigative Measures: None

Name of specialist and date: Hunter Seim 05/02/06

T&E SPECIES - SENSITIVE PLANTS

Affected Environment: There are no BLM sensitive plant species within or in the vicinity of the Proposed Action.

Environmental Consequences: None

Mitigative Measures: None

Name of specialist and date: Hunter Seim 05/02/06

WASTES, HAZARDOUS OR SOLID

Affected Environment: If a release does occur, the environment affected would be dependent on the nature and volume of material released. If there are no releases, there will be no impact on the environment.

Environmental Consequences: Consequences will be dependent on the volume and nature of the material released. In most every situation involving hazardous materials, there are ways to remediate the area that has been contaminated. Short-term consequences will occur, but they can be remedied, and long-term impacts will be minimal.

Mitigative Measures: None

Name of specialist and date: Duane Johnson 05/02/06

WATER QUALITY/HYDROLOGY – GROUND

Affected Environment: Poor water zones within the Fort Union Formation will be isolated from water within the formations below by casing and cement. Near surface waters will be protected by the surface casing and cement behind pipe. The Fort Union coals will be isolated by the production casing and cement behind the production pipe. Potable water is highly unlikely in this area. It is predicted that the produced water from the Fort Union coals will be of poor quality. All shows of water will be isolated with cement.

Environmental Consequences: With the use of proper construction practices, drilling practices, and with best management practices no significant adverse impact to groundwater aquifers and quality is anticipated to result from the proposed action. A geologic and engineering review was performed on the 8-point drilling plan to ensure that the cementing and casing programs adequately protect the downhole resources.

Mitigative Measures: None

Name of specialist and date: Robert Ernst 05/16/06

WATER QUALITY/HYDROLOGY – SURFACE

Affected Environment: The project areas are located on gently sloping hillsides. Runoff water affected by this project would flow in a southwesterly direction for about ½ mile to Cole Gulch or Dry Fork, both tributaries of Fortification Creek, which eventually flows into the Yampa River. All stream segments within the affected environment are presently supporting their classified uses.

Environmental Consequences: Adjustments to the access road for the Federal well #19-12 were made during the field onsite visit. Two drainages crossings on the access to this well will require upgrading to the existing farm field crossings. One crossing at a headcut will

be constructed as designed by licensed, professional engineer and another crossing will be accomplished by constructing a wildlife/stock pond with the access road crossing the dam. The well locations and access roads are entirely on private surface. Construction of the road, well pad, and installation of drainage features should follow the private landowner's specifications and the recommendations provided in the Surface Operating Standards for Oil and Gas Development, 3rd Edition.

Increased sedimentation to Fortification Creek and the Yampa River during spring runoff or from high intensity summer/fall rainstorms would be the greatest potential impact to water quality. Although some sediment may be transported off site and eventually reach perennial waters, the mitigation provided in the Surface Use Plan and the Conditions of Approval will reduce the potential impacts caused by surface runoff.

Mitigative Measures: None

Name of specialist and date: Barb Blackstun 05/16/06

WETLANDS/RIPARIAN ZONES

Affected Environment: The access road for the Federal 19-4 well crosses a drainage which has an active head cut. From the head cut a free flowing spring has developed. While no riparian inventory has been conducted by the BLM, it is likely this system is currently not meeting the standard due to the active head cut. This spring is capable of supporting a limited riparian system.

Environmental Consequences: While constructing the access road to this well pad, the project proponent will develop the free flowing spring and run a pipeline beneath the road to a natural drainage for discharge. The project proponent will also fill in and stabilize the head cut to prevent further erosion.

Mitigative Measures: None

Name of specialist and date: Timothy Novotny 05/08/06

WILD & SCENIC RIVERS

Affected Environment: Not present.

Environmental Consequences: Not applicable.

Mitigative Measures: Not applicable

Name of specialist and date: Jim McBrayer 05/02/06

WILDERNESS, WSAs

Affected Environment: Not present.

Environmental Consequences: Not applicable.

Mitigative Measures: Not applicable

Name of specialist and date: Jim McBrayer 05/02/06

NON-CRITICAL ELEMENTS

FLUID MINERALS

Affected Environment: The proposed action is in favorability zone 4 (highest for oil and gas potential). These two wells will penetrate the Fort Union, Lance, Fox Hills and Lewis Shale Formations. These wells will be explored for natural gas recovery in the Lewis Shale Formation.

Environmental Consequences: The proposed casing and cementing program appears to be adequate to protect and/or isolate all resources identified above.

Mitigative Measures: None

Name of specialist and date: Robert Ernst 05/16/06

PALEONTOLOGY

Affected Environment: The geologic formation at the surface is the Cretaceous Age Fort Union Formation (Tf). The Fort Union Formations is a mostly soft light-gray, white, tan, light-green, and brown sandstone, shale, and claystone, and subordinate carbonaceous shale, coal, siltstone, and conglomerate. Tf is largely fluvial and lacustrine in origin. This formation has been classified a Class II formation for the potential for occurrence of scientifically significant fossils. Scientifically significant fossils are occasionally found within this formation (Armstrong & Wolney, 1989). The potential for discovery of significant fossils on this location is considered to be moderate.

Environmental Consequences: If any such fossils are located here, construction activities could damage the fossils and the information that could have been gained from them would be lost. The significance of this impact would depend upon the significance of the fossil. This impact can be effectively mitigated by ceasing operations and notifying the Field Office Manager immediately upon discovery of a fossil during construction activities. An assessment of the significance is made and a plan to retrieve the fossil or the information from the fossil is developed.

The proposed action could also constitute a beneficial impact to paleontological resources by increasing the chances for discovery of scientifically significant fossils.

Mitigative Measures: "Standard Discovery Stip", i.e., "If fossils are discovered during construction or other operations, all activity in the area will cease and the Field Office Manager will be notified immediately. An assessment of significance will be made within an agreed time frame. Operations will resume only upon written notification by the Authorized Officer."

References

Armstrong, Harley J. and Wolney, David G., 1989, Paleontological Resources of Northwest Colorado: A Regional Analysis, Museum of Western Colorado, Grand Junction, CO, prepared for Bur. Land Management, Vol. I of V.

Miller, A.E., 1977, Geology of Moffat County, Colorado, Colo. Geol. Surv. Map Series 3, 1:126,720.

Name of specialist and date: Robert Ernst 05/02/06

RANGE MANAGEMENT/RANGE IMPROVEMENTS:

Affected Environment: The proposed wells and associated road construction would take place on private land.

Environmental Consequences: Although the proposed actions are on private land the proposed road construction for well 19-4 would require a cattle guard along the boundary fence with an adjacent gate for livestock trailing. Without the cattle guard, possible intermixing of cattle could accrue. It is not anticipated that the proposed action will have a significant impact on livestock management.

Mitigation Measures: The proposed action for well 19-4 would require a cattle guard and gate that meets the private land owner/BLM standards.

Name of specialist and date: Amy Ruhs 05/03/06

SOILS

Affected Environment: The proposed well sites and access roads are primarily found within the Evanot loam soil-mapping unit. Slopes within this unit average 1 to 12 percent. The well pads have been staked on gently sloping ground. These very deep, well-drained soils are found on benches and hills. Runoff is medium and the hazard of water erosion is moderate. The hazard of soil blowing is slight. This soil is capable of producing about 30 bushels of winter wheat per acre in a wheat-fallow rotation.

Environmental Consequences: Increased soil erosion from wind and water would occur during construction of the well pads and construction of the short access roads. Erosion would continue throughout the operational life of the wells. Loss of topsoil, soil compaction, and possible increases in sediment loads to Fortification Creek are impacts most likely to occur. Soil erosion would be reduced by mitigation described in the Surface Use Plan and Conditions of Approval in the approved APD.

Mitigative Measures: None

Name of specialist and date: Barb Blackstun 05/16/06

VEGETATION

Affected Environment: The proposed action, wells 19-4 and 19-12 are located on private lands in clover/wheat fields.

Environmental Consequences: The total disturbance caused by road construction and well pad construction is minimal, and would not jeopardize the greater herbaceous community, as long as appropriate weed management practices are employed.

Mitigative Measures: None

Name of specialist and date: Amy Ruhs 05/03/06

WILDLIFE, AQUATIC

Affected Environment: There is no aquatic wildlife habitat in or near the project area.

Environmental Consequences: None

Mitigative Measures: None

Name of specialist and date: Timothy Novotny 05/08/06

WILDLIFE, TERRESTRIAL

Affected Environment: The proposed well pads are within year round habitat for mule deer and elk. Both proposed well pads are within mapped severe winter range for both species. Much of the project area has been converted into agricultural fields which provide little to no severe winter range habitat for mule deer and elk. The remaining intact shrub lands are important to both species during severe winters. Construction activities in this area should be avoided between December 1 and April 30. A variety of small mammal species might be found in the project area as well.

Environmental Consequences: As mitigated, there should be no negative impacts to mule deer or elk using the project area during winter months. Some displacement of big game might occur while construction is occurring. Surrounding habitat should be sufficient to support big game animals during the construction period. Most small mammals will avoid the project site during construction. The area surrounding the well pads will be used once construction has been completed.

Mitigative Measures: CO-9 No surface disturbing activities between December 1 and April 30 in order to protect wintering mule deer and elk.

Name of specialist and date: Timothy Novotny 05/08/06

OTHER NON-CRITICAL ELEMENTS: For the following elements, those brought forward for analysis will be formatted as shown above.

Non-Critical Element	NA or Not Present	Applicable or Present, No Impact	Applicable & Present and Brought Forward for Analysis
Fluid Minerals			See Fluid Minerals
Forest Management	BB 05/02/06		
Hydrology/Ground		RE 05/16/06	
Hydrology/Surface		BB 06/16/06	
Paleontology			See Paleontology
Range Management			See Range Mgmt.
Realty Authorizations	LM 05/08/06		
Recreation/Travel Mgmt		RS 05/22/06	
Socio-Economics		LM 05/08/06	
Solid Minerals		RE 05/02/06	
Visual Resources		JM 05/02/06	
Wild Horse & Burro Mgmt	BB 05/02/06		

CUMULATIVE IMPACTS SUMMARY: Cumulative impacts may result from the development of the two Beartooth wells when added to non-project impacts that result from past, present, and reasonably foreseeable future actions. The potential exists for future oil and gas development throughout area. Currently a few producing wells exist within a one-mile radius of the proposed wells. Other past or existing actions near the project area that have influence on the landscape are wildfire, hunting, grazing, farming, and ranching activities.

Surface disturbance associated with oil and gas activity would increase the potential for erosion and sedimentation. Only a small reduction in available forage would be anticipated. Some wildlife species may be temporarily displaced by construction at the well site and access road, but

should return once construction is completed. Contrasts in line, form, color, and texture from development would impact the visual qualities on the landscape.

The cumulative effects of projected oil and gas development are minimized through Best Management Practices identified in the Surface Use Plan of the APD and the BLM required mitigation in the Conditions of Approval for the APD. Proper construction and drilling practices must comply with federal and state environmental regulations. All federal oil and gas wells in the area would be completed in accordance with Onshore Order No. 2. Reasonably foreseeable mineral development would occur under the guidelines of the Little Snake Resource Management Plan and the Colorado Oil and Gas Leasing and Development EIS.

STANDARDS:

PLANT AND ANIMAL COMMUNITY (animal) STANDARD: Much of the project area has been converted from a mountain shrub land into agricultural fields. This conversion limits the capabilities of this site to provide habitat for a diverse group of wildlife. The proposed construction of two well pads, their associated access roads and the drilling of the two wells is not likely to negatively impact this habitat. This action will not prevent this standard from being met.

Name of specialist and date: Timothy Novotny 05/08/06

SPECIAL STATUS, THREATENED AND ENDANGERED SPECIES (animal) STANDARD: There are no threatened or endangered animal species or habitat for such species in or near the project area. Columbian sharp-tailed grouse may use the project area for early brood rearing habitat. The construction of the two well pads and access roads and the subsequent drilling of two gas wells should not impact breeding activities. It is unlikely for sharp-tailed grouse to nest near either well pad because the private surface has been converted into agricultural fields. This standard is currently being met and will continue to be met in the future.

Name of specialist and date: Timothy Novotny 05/08/06

PLANT AND ANIMAL COMMUNITY (plant) STANDARD: The plant communities impacted by the Proposed Action are currently meeting this standard. Plant diversity, vigor, abundance, and reproductive capability are currently at levels that ensure resilience in the plant community to human activities. Weeds, particularly halogeton, must be addressed and all principles of invasive weeds control should be employed. Given this mitigation measure, the Proposed Action would meet this standard. The No Action Alternative would also meet this standard because the disturbances would not occur.

Name of specialist and date: Amy Ruhs 05/03/06

SPECIAL STATUS, THREATENED AND ENDANGERED SPECIES (plant) STANDARD: There are no federally listed threatened or endangered or BLM sensitive plant species within or in the vicinity of the Proposed Action. This standard does not apply.

Name of specialist and date: Hunter Seim 05/02/06

RIPARIAN SYSTEMS STANDARD: The development of the free flowing spring and repair of active head cut will likely improve riparian potential in the project area by adding stabilization to the system. While no riparian inventory has been conducted by the BLM, it is likely this system is currently not meeting the standard due to the active head cut. The development of the spring and stabilization of the head cut should improve the spring's ability to provide a properly functioning riparian system in the project area. This project will allow this standard to be met in the future.

Name of specialist and date: Timothy Novotny 05/08/06

WATER QUALITY STANDARD: The proposed action would meet the public land health standard for water quality. Interim reclamation of the unused area on the well pads will be completed to minimize sheet and rill erosion from the well sites. When the well pads are no longer needed for production operations, the disturbed area would be reclaimed to approximate original contours, topsoil would be redistributed, and adapted plant species would be reseeded. These Best Management Practices would help to reduce accelerated erosion of the sites. No stream segments near this project are listed as impaired.

Name of specialist and date: Barb Blackstun 05/16/06

UPLAND SOILS STANDARD: The proposed action will not meet the upland soil standard for public land health, but it is not expected to while the well pads and access roads are used for operations. The disturbed area will not exhibit the characteristics of a healthy soil. Several Best Management Practices have been designed into the project that will reduce impacts to and conserve soil materials. Upland soil health will return to the well pads and access roads after the disturbed area has been successfully reclaimed.

Name of specialist and date: Barb Blackstun 05/16/06

PERSONS/AGENCIES CONSULTED: Uintah and Ouray Tribal Council, Colorado Native American Commission, Colorado State Historic Preservation Office.

FINDING OF NO SIGNIFICANT IMPACT (FONSI)
EA CO-100-2006-056

Based on the analysis of potential environmental impacts contained in the EA and all other available information, I have determined that the proposal and the alternatives analyzed do not constitute a major Federal action that would adversely impact the quality of the human environment. Therefore, an EIS is unnecessary and will not be prepared. This determination is based on the following factors:

1. Beneficial, adverse, direct, indirect, and cumulative environmental impacts have been disclosed in the EA. Analysis indicated no significant impacts on society as a whole, the affected region, the affected interests, or the locality. The physical and biological effects are limited to the Little Snake Resource Area and adjacent land.

2. Public health and safety would not be adversely impacted. There are no known or anticipated concerns with project waste or hazardous materials.

3. There would be no adverse impacts to regional or local air quality, prime or unique farmlands, known paleontological resources on public land within the area, wetlands, floodplain, areas with unique characteristics, ecologically critical areas, or designated Areas of Critical Environmental Concern.

4. There are no highly controversial effects on the environment.

5. There are no effects that are highly uncertain or involve unique or unknown risk. Sufficient information on risk is available based on information in the EA and other past actions of a similar nature.

6. This alternative does not set a precedent for other actions that may be implemented in the future to meet the goals and objectives of adopted Federal, State, or local natural resource related plans, policies, or programs.

7. No cumulative impacts related to other actions that would have a significant adverse impact were identified or are anticipated.

8. Based on previous and ongoing cultural surveys, and through mitigation by avoidance, no adverse impacts to cultural resources were identified or anticipated. There are no known American Indian religious concerns or persons or groups who might be disproportionately and adversely affected as anticipated by the Environmental Justice Policy.

9. No adverse impacts to any threatened or endangered species or their habitat that was determined to be critical under the Endangered Species Act were identified. If, at a future time, there could be the potential for adverse impacts, treatments would be modified or mitigated not to have an adverse effect or new analysis would be conducted.

10. This alternative is in compliance with relevant Federal, State, and local laws, regulations, and requirements for the protection of the environment.

DECISION AND RATIONALE: I have determined that approving these two APDs is in conformance with the approved land use plan. It is my decision to implement the project with the mitigation measures provided in the Application for Permit to Drill and the Conditions of Approval. The project will be monitored as stated in the Compliance Plan outlined below.

MITIGATION MEASURES: The mitigation measures for this project are found in the file room of the Little Snake Field Office. The APD's 13-point surface use plan, well location maps, and the Conditions of Approval are found in the well's case file labeled COC63740, Well #19-4 and COC63740, Well #19-2.

COMPLIANCE PLAN(S):

Compliance Schedule
Compliance will be conducted during the construction phase and drilling phase to insure that all terms and conditions specified in the lease and the approved APD are followed. In the event a producing well is established, periodic inspections as identified through the Inspection and Enforcement Strategy and independent well observations will be conducted. File inspections will include a review of all required reports and the Monthly Report of Operations will be evaluated for accuracy.

Monitoring Plan
The well location and access road will be monitored during the term of the lease for compliance with pertinent Regulations, Onshore Orders, Notices to Lessees, or subsequent COAs until final abandonment is granted; monitoring will help determine the effectiveness of mitigation and document the need for additional mitigative measures.

Assignment of Responsibility
Responsibility for implementation of the compliance schedule and monitoring plan will be assigned to the Fluid Mineral staff in the Little Snake Field Office. The primary inspector will be the Petroleum Engineering Technician, but the Petroleum Engineer, Natural Resource Specialist, Realty Specialist, and Legal Instruments Examiner will also be involved.

SIGNATURE OF PREPARER:

DATE SIGNED:

SIGNATURE OF ENVIRONMENTAL REVIEWER:

DATE SIGNED:

SIGNATURE OF AUTHORIZED OFFICIAL:

DATE SIGNED:

ADVISORY NARRATIVES AND CONDITIONS OF APPROVAL FOR APPLICATIONS

FOR PERMIT TO DRILL (APDs)

Operator: Well No.:

Location: NESW Sec., TN, RW Lease No.: COC

Little Snake Field Office

The Bureau of Land Management, Little Snake Field Office, address and telephone contacts are:

Address:	455 Emerson Street, Craig, CO 81625	
Office Phone:	(970) 826-5000	Fax: (970) 826-5002
Petroleum Engineer:	Stanley Eng,	Office Phone (970) 826-5075
Natural Resource Specialist:	Barb Blackstun	Office Phone (970) 826-5097
Geologist:	Fred Conrath,	Office Phone (970) 826-5098 Home Phone (970) 870-9148
Assistant Field Manager:	Jerry Strahan,	Office Phone (970) 826-5099

All lease and/or unit operations are to be conducted in such a manner to ensure full compliance with the applicable laws, regulations (43 CFR Part 3160), Onshore Oil and Gas Orders No. 1, 2, 3, 4, 5, 6 and 7, Notice to Lessees, and the approved plan of operations. Approval of this application does not relieve you of your responsibility to obtain other required federal, state, or local permits. A copy of the approved Form 3160-3 and the pertinent drilling plan, along with any advisory narratives and conditions of approval, shall be available at the drillsite to authorized representatives at all times. The operator is considered fully responsible for the actions of his subcontractors.

Your review and appeal rights are contained in 43 CFR 3165.3 and 3165.4.

CONDITIONS OF APPROVAL

STANDARD CONDITIONS

1. The Little Snake Field Office will be given 48-hour notification prior to commencing construction and/or reclamation work. Contact the Little Snake Field Office (970) 826-5000 to report work, which will commence.

2. Notify Little Snake Field Office at (970) 826-5000 at least 48 hours in advance to witness running and cementing of surface casing and testing of the BOPE.

3. The notice of spud will be reported orally to the Little Snake Field Office (970) 826-5000 at least 24 hours after spudding. This notice shall include spud date, time, details of spud (hole, casing, cement, etc.), API well number, and date the rotary rig was moved on location. If the spudding occurs on a weekend or holiday, wait until the following regular workday to make this report. The oral notice shall be followed by written notification within 5 working days.

4. No hazardous materials, hazardous wastes, or trash will be disposed of on public lands or on private surface overlying the oil and gas lease. If a release does occur, it will be reported to the Little Snake Field Office immediately at (970) 826-5000.

5. The area to be utilized for storage of the reserve pit overburden will have the brush cleared and the topsoil salvaged before excavation of the reserve pit commences.

6. All survey stakes representing the leveled drill pad, the crest of excavations, the toe of embankments, the reserve pit, and the access road will be in place prior to construction. Staking shall include the well location, two 200-foot directional reference stakes, the exterior dimensions of the drill pad, reserve pit and other areas of surface disturbance, cuts and fills, and centerline flagging of new roads with road flagging being visible from one to the next.

7. Construction activities will not be allowed to commence if the topsoil cannot be separated from the subsoil during adverse environmental conditions (i.e. when soils are frozen or muddy).

8. Surface disturbance and vehicular travel will be limited to the approved location and approved access route. Any additional area needed will be approved in advance.

9. Drainage for runoff water will be provided to divert runoff water away from the reserve pit, cut portions of the well location and the topsoil stockpile. Runoff water that concentrates and forms channels on the well location will be diverted and/or dispersed to prevent erosion of the fill slopes. Any ditches designed to provide runoff drainage will be constructed on a minimal grade and will release water onto undisturbed ground without causing accelerated erosion. The operator will take additional measures if erosion is occurring within the runoff water drainage system.

10. If fossils are discovered during construction or other operations, all activity in the area will cease and the Field Office Manager will be notified immediately. An assessment of significance will be made within an agreed timeframe. Operations will resume only upon written notification by the Authorized Officer.

11. STANDARD STIPULATION: If cultural or paleontological resources are discovered during exploration operations under this license, the licensee shall immediately notify the Field Officer Manager and shall not disturb such discovered resources until the Field Officer Manager issues specific instructions.

a. Within 5 working days after notification, the Field Office Manager shall evaluate any cultural resources discovered and shall determine whether any action may be required to protect or to preserve such discoveries.

b. The cost of data recovery for cultural resources discovered during exploration operations shall be borne by the licensee, if the licensee is ordered to take any protective measures. Ownership of cultural resources discovered shall be determined in accordance with applicable law.

c. The operator is responsible for informing all persons who are associated with the operations that they will be subject to prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are encountered or uncovered during any project activities, the operator is to immediately stop activities in the immediate vicinity of the find and immediately contact the Authorized Officer (970) 826-5087. Within five working days the Authorized Officer will inform the operator as to:

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

2. The mitigation measures the operator will likely have to undertake before the identified area can be used for project activities again and,

d. If the operator 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 operator 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 operator will then be allowed to resume construction.

e. Pursuant to 43 CFR 10.4(g) (Federal Register Notice: Monday December 4, 1995, Vol 60, No. 232) the holder of this authorization must notify the Authorized Officer, by telephone (970) 826- 5087, 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.

12. The reserve pit will be designed to exclude runoff water and maintain a 2-foot freeboard between the maximum fluid level and the lowest point of containment. The reserve pit will not be used for disposal of any materials or fluids, except for materials or fluids specifically addressed in the drilling program or having a subsurface origin. If oil or oily substance is in the reserve pit, it must be removed within 30 days after the drilling rig is removed. Netting will be installed if oily substance is present in the reserve pit.

13. The perimeter of the reserve pit and production pits, if any, will be fenced with woven wire with 2 strands of barbed wire, properly spaced, on the top and all held in place by side posts and corner H-braces to inhibit entry by livestock and wildlife. The fence will be maintained until backfilling or removal of facilities occurs.

14. In the event downhole operations threaten to exceed the required 2-foot freeboard, regarding reserve pit fluids, immediate notification will be provided to the Authorized Officer with concurrent steps taken to minimize the introduction of additional fluids, until alternative containment methods can be approved.

15. Reserve pit fluids will be allowed to evaporate through one entire summer season (June-August) after drilling is completed, unless an alternative method of disposal is approved. After the fluids disappear, the reserve pit mud will be allowed to dry sufficiently to allow backfilling. The backfilling of the reserve pit will be completed within 30 days after dry conditions exist and will meet the following minimum requirements:

a. Backfilling will be done in such a manner that the mud and associated solids will be confined to the pit and not squeezed out and incorporated in the surface materials.
b. There will be a minimum of 5 feet of cover (overburden) on the pit.
c. When the work is completed, the pit areas will support the weight of heavy equipment without sinking and over time shall not subside over 6-inch depth.

16. If installed, production facilities will be located on cut portions of the existing drill pad.

17. In the event production is established, all land surfaces that are to remain free of vegetation (roads and well location) will be monitored for and protected from wind erosion; dry powdery soil will be treated to minimize wind erosion. The unused disturbed areas surrounding the well location will be re-contoured to appropriate confirmation as soon as possible. Some or all of the stockpiled topsoil will be evenly distributed over these re-contoured areas. Brush cleared prior to construction of the well site shall be scattered back over the re-contoured area.

18. Prior approval is required to remove reserve pit fluids from the reserve pit; a request of this type will need to include the destination of the fluids and if the destination is not a State approved facility, the request will include State approval of the destination.

19. All pits, cellars, rat holes and other bore holes unnecessary for further lease operations, excluding the reserve pit, will be backfilled immediately after the drilling rig is released. Pits, cellars and/or bore holes that remain on location must be fenced as specified for the reserve pit in the applicant's Surface Use Plan.

20. In the event a producing well is established, all new production equipment, which has open-vent exhaust systems, will have these exhaust systems constructed in such a way to prevent the entry and perching of birds and bats.

21. All permanent structures (on-site for six months or longer) constructed or installed (including oil well pumpjacks) will be painted a flat, non-reflective, earthtone color to match the standard environmental colors, as determined by the Rocky Mountain Five-State Interagency Committee. All facilities will be painted within six months of installation. Facilities required to comply with OSHA (Occupational Safety and Health Act) will be excluded.

22. Surface facilities should appear to blend in to the existing landscape to the greatest possible extent. Facilities should not be located on ridgelines or extend above them. Facilities should be minimal in size (or located underground) and colored and texture to blend in with the surroundings.

23. A containment berm must be installed around all storage tanks, including temporary tanks. Compaction and construction of the berm surrounding the tank or tank battery will be designed to prevent lateral movement of fluids through the utilized materials, prior to storage of fluids. The berm must be constructed to contain at minimum 110 percent of the storage capacity of the largest tank within the berm. All loading lines will be placed inside the berm.

24. Control of noxious weeds will be required through successful vegetation establishment and/or herbicide application. It is the responsibility of the lease operator to insure compliance with all local, state, and federal laws and regulations, as well as labeling directions specific to the use of any given herbicide.

25. Reclamation Performance Standard

The lessee is required to use the reclamation practices necessary to reclaim all disturbed areas. Reclamation will ensure surface and subsurface stability, growth of a self-regenerating permanent vegetative cover and compatibility with post land use. The vegetation will be diverse and of the same seasonal growth as adjoining vegetation. Post land use will be determined by the Authorized Officer but normally will be the same as adjoining uses.

Reclamation practices which must be applied or accomplished are: re-grading to the approximate original contour, effectively controlling noxious weeds, separating, storing and protecting topsoil for redistribution during final abandonment, seeding and controlling erosion. If topsoil is not present, or quantities are insufficient to achieve reclamation goals, a suitable plant growth
media will be separated, stored and protected for later use. Reclamation will begin with the salvaging of topsoil and continue
until the required standards are met. If use of the disturbed area is for a short time (less than one year), practices, which ensure stability, will be used as necessary during the project, and practices needed to achieve final abandonment will commence immediately upon completion of the approved activity use and be completed, with the exception of vegetative establishment, within one year.
If use of the area is for longer periods of time (greater than one year), interim reclamation is required on the unused areas. Interim reclamation of the unused areas will begin immediately upon completion of the permanent facility(s) and be completed, with exception of vegetative establishment, within one year. For both short and long term projects vegetative establishment will be monitored annually. If the desired vegetation is not established by the end of the second growing season, cultural practices necessary for establishment will be implemented prior to the beginning of the next growing season. Interim reclamation, unless otherwise approved, will require meeting the same standards as final abandonment with the exception of original contour, which may be only partially achievable.

Annual reports consisting of reclamation practices completed and the effectiveness of the reclamation will be provided to the Little Snake Field Office. The first report will be due in January following initiation of reclamation practices and annually thereafter until final abandonment is approved.

There are numerous reclamation practices and techniques that increase the success rate of reclamation and stabilization. With the exception of those stated above, it is the lessee's prerogative to use those (s)he chooses to accomplish the objective. However, it is recommended that state-of-the-art reclamation, stabilization, and management practices be used to achieve the desired objective in a timely and cost-effective manner.

The following definitions and measurements will be used to accomplish and determine if reclamation has been achieved:

Permanent vegetative cover will be accomplished if the basal cover of perennial species, adapted to the area, is at lease ninety (90) percent of the basal cover of the undisturbed vegetation of adjoining land or the potential basal cover as defined in the Soil Conservation Service Range Site(s) for the area.

Diverse will be accomplished if at least two (2) perennial genera and three (3) perennial species, adapted to the area, make up the basal cover of the reclaimed area in precipitation zones thirteen (13) inches or less and three (3) perennial genera and four (4) perennial species in precipitation zones greater than thirteen (13) inches. One species will not make up more than fifty (50) percent of the perennial vegetation by basal cover.

Self-regenerating and adapted to the area will be evident if the plant community is in good vigor, there is evidence of successful reproduction, and the species are those commonly used and accepted in the area.

Surface stability will be accomplished if soil movement, as measured by deposits around obstacles, depths of truncated areas, and height of pedestalling, is not greater than three tenths (0.3) of an inch and if erosion channels (rills, gullies, etc.) are less than one (1) inch in depth and at intervals greater than ten (10) feet.

If this standard is not met by the end of the second growing season, two alternatives exist depending on the severity of the erosion:

If erosion were greater than two (2) times the allowable amount, corrective action would have to be taken by the responsible company at that time.

If erosion is less than or equal to two (2) times the allowable amount, and it is determined the erosion occurred during vegetative establishment and the site may become stable, no corrective action would be required at that time. Another check (and measurement) would be performed a year later to determine if stability standards had been met. If the original measurements have not increased by more than the allowed standard, the standard would be considered met. However, if the increase were greater than the allowed standard, corrective action would be required.

Subsurface stability (mass wasting event) is of concern if disturbance has included excavation over four (4) feet in depth and greater than 10,000 square feet in area on slopes thirty five (35) percent and greater, or on any erosion-prone slope (Danforth Hills, Vermillion Bluffs, and badland areas). When these conditions occur, length of liability for reclamation and final abandonment will continue for ten (10) years following re-contouring to original contour or for such time that climatic patterns provide two (2) consecutive years in which measurable precipitation totals at least 120 percent of average from October 1 through September 30, as measured by data averaged from nearby regional weather stations.
The Authorized Officer may waive this stipulation, or portions of it. Such waiver will be documented and justified when not applicable, or when objectives are accomplished through another method.

SITE SPECIFIC CONDITIONS

26. In order to protect big game winter range, no surface use is allowed during December 1 through April 30. An exception may be granted under mild winter conditions for the last 60 days of the closure. This does not apply to operation and maintenance of production facilities.

27. Surface disturbance and vehicular travel will be limited to the approved location and approved access route. Any additional area needed will be approved in advance. Prior to beginning any operation for these wells, which will result in additional surface disturbance, the operator will submit a proposal on Form 3160-5 (Sundry Notice) to the LSFO.

28. The access roads constructed will be crowned, ditched, and maintained to provide a 14 to 16 foot travel way. Total width of authorized disturbance is 50 feet. Water turnouts needed to provide additional drainage from the road ditch will be constructed not to exceed 2 percent slope to minimize soil erosion.

29. If production is established, surfacing should be applied to the access road to provide an “all-season” access road. This will include installation of additional surface drainage control structures whose need was not foreseen during construction.

30. Prior to drilling the Federal Well #19-12, a cattle guard with a metal gate over the cattle guard, and adjacent gate will be installed where the proposed access road crosses the private land boundary fence. A minimum 20-foot cattleguard with a minimum 20-ton load limit will be installed. The cattle guard and gates will be built to BLM specifications. The cattleguard(s) will be constructed with cement foundations. Adjacent to the cattleguard(s), a light duty wire or metal gate will also need to be installed. Wire spacing on the gate shall be at 16, 26, and 38 inches respectively from the ground, with the bottom wire being smooth. The cattle guard will be maintained on a regular basis to assure its effectiveness at turning livestock.

31. Culverts will be installed keeping the inlet and the outlet on original grade and sized to adequately drain the surface runoff. (18" minimum)

32. Additional mitigative measures will be employed to prevent or reduce accelerated erosion if it begins to occur within or on constructed drainage and diversion ditches or surface drainages affected by the road, well pad, or well pad embankments.

33. Installed pit liners must be impermeable and must be resistant to weather, sunlight, hydrocarbons, aqueous acids, alkalis, salt, fungi, or other substances likely to be contained in the drilling fluids or produced water. The liner will be of sufficient strength and construction to ensure impermeability. Suitable bedding material will be utilized to protect the integrity of the liner.

34. The water haul route will coincide with the proposed access road. Any changes in the water source or haul route must have written approval before the changes take place.

REGULATORY REMINDERS

A. This permit is valid for a period of one year from the date of approval. Any requests for extensions must be submitted prior to the end of the one-year period. If the permit terminates, any surface disturbance created under the permit must be rehabilitated in accordance with the approved plan within 90 days of termination, unless otherwise approved by the Authorized Officer. An expired permit may be reinstated at the Authorized Officer's discretion, however, future operations may require a new application be filed for approval.

B. All drilling operations, unless otherwise specifically approved in the APD, must be conducted in accordance with Onshore Oil and Gas Order No. 2; Drilling Operations.

C. All 7-Day Requirement responses are made part of this APD.

D. There shall be no deviation from the proposed drilling and/or workover program as approved, without prior approval from the Little Snake Field Office. Safe drilling and operating practices must be observed.

E. Approval of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease, which would entitle the applicant to conduct operations thereon.

F. No location will be constructed or moved, no well will be plugged, and no drilling or workover equipment will be removed from a well to be placed in a suspended status without prior approval of the Little Snake Field Office. If operations are to be suspended for more than 30 days, prior approval for certain well operations must be obtained and notification given before resumption of operations in accordance with 43 CFR 3162.3-2 and 3162.3-4.

G. In the case of newly drilled dry holes or failures, and in emergency situations, oral approval for subsurface abandonment operations may be granted by the Little Snake Field Office. Oral approvals must be confirmed in writing (Notice of Intention to Abandon (Form 3160-5)) within 15 days. Unless the plugging is to take place immediately upon receipt of oral approval, the appropriate resource area must be notified at least 48 hours in advance of the plugging of the well, in order to provide a representative the opportunity to witness plugging operations.

H. Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (Form 3160-4) must be submitted not later than 30 days after completion of the well or after completion of operations being performed, in accordance with Onshore Oil and Gas Order No. 1. Daily drilling reports, a copy of all logs, core descriptions, core analyses, well-test data, geologic summaries, sample descriptions, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations (with Form 3160-4) will be filed and sent to the Little Snake Field Office, 455 Emerson Street, Craig, Colorado 81625. Samples (cuttings, fluid, and/or gas) will be submitted only when requested by the Authorized Officer.

I. Section 102 (b) (3) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3162.4-1 (c), requires that "not later than the fifth business day after any well begins production on which royalty is due anywhere on a least site or allocated to a lease site, or resumes production in the case of a 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, or the date on which such production has begun or resumed."

The date on which a well commences production, or resumes production after having been off production for more than 90 days is to be construed as follows:

1. For an oil well, the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank or the date on which liquid hydrocarbons are first produced into a permanent storage facility, whichever occurs first;

2. For a gas well, that date on which gas is first measured through sales metering facilities or the date on which associated liquid hydrocarbons are first sold or shipped from a temporary storage facility, whichever occurs first. For purposes of this provision, a gas well shall not be considered to have been off production unless it is incapable of production.

If you fail to comply with this requirement in the manner and time allowed, you shall be liable for a civil penalty of up to $10,000 per violation for each day such violation continues, not to exceed a maximum of 20 days. See Section 109(c) (3) of the Federal Oil and Gas Royalty Management Act of 1982 and the implementing regulations at Title 43 CFR 3163.2(e) (2).

J. This APD is approved subject to the requirement that, should the well be successful (completed for production or recompleted for production in a new interval), the Little Snake Field Office must be notified when it is placed in a producing status. Such notification may be provided orally if confirmed in writing, and must be received in the Little Snake Field Office by not later than the 5th business day following the date on which the well is placed on production. The notification shall provide, as a minimum, the following information items:

1. Operator name
2. Well name, number, and location
3. Date well was placed on production
4. The lease, or communitized tract, or unit participating area to which the well's production is attributable.

K. A separate Monthly Report of Operations, Form 3160-6, shall be submitted for each lease, unit participating area, or communitization agreement, beginning with the month in which drilling operation commence, in accordance with 43 CFR 3162.4-3. This report shall be sent to Minerals Management Service, Production Accounting Division, P.O. Box 17110, Denver, Colorado 80217.

L. If at any time the facilities located on public lands authorized by the terms of the lease are no longer included in the lease (due to contraction in the unit or other lease or unit boundary change) the BLM will process a change in authorization to the appropriate statute. The authorization will be subject to appropriate rental, or other financial obligation determined by the Authorized Officer.

M. All produced liquids must be contained, including the dehydrator vent/condensate line effluent. All production pits must be bermed and fenced.

N. Gas produced from this well may not be vented or flared beyond an initial, authorized test period of 30 days or 50 MMCF following completion, whichever comes first, without the prior written approval of the authorized officer. Should gas be vented of flared without approval beyond the authorized test period, you may be directed to shut the well in until the gas can be captured or approval to continue venting or flaring is granted and you may be required to compensated the lessor for that portion of the gas that was vented or flared without approval which is determined to have been avoidably lost.

O. Produced water from newly completed wells may be temporarily disposed of into the reserve pit for a period of up to 90 days. During the 90-day periods, an application for approval of a permanent disposal method and location will be submitted according to Onshore Order No. 7 for approval.

P. A schematic facilities diagram as required by CFR 43, Part 3162.7-5, shall be submitted to the Little Snake Field Office within 60 days of installation or first production, whichever occurs first. All site security regulations as specified in Onshore Order No. 3 shall be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed in accordance with 3162.7-5(b).

Q. The permit holder is required to use certified weed free hay, straw and mulch on BLM lands in Colorado should the use or storage of hay, straw or mulch be necessary. Any person who knowingly and willfully violates this regulation may be subject to a fine of not more than $1,000 or imprisonment of not more than 12 months, or both as defined in 43 USC 1733 (a).