

**U.S. Department of the Interior  
Bureau of Land Management  
Uncompahgre Field Office  
2465 South Townsend Avenue  
Montrose, CO 81401**

**Decision Record**

**(DOI-BLM-CO-S050-2013-0035 CX)**

**PROJECT NAME:** SG Interests VII, Ltd., (SG) Suspension of Operations, Federal Oil and Gas Lease No. COC-66716

**DECISION:** It is my decision to approve a suspension of operations on lease COC-66716 pursuant to 43 CFR 3103.4-4, subject to the conditions listed below, in order to allow SG additional time to complete their application for permit to drill (APD) the Federal natural gas #12-90-7-1 well. Lease suspension of operations become effective on the first day of the month in which the request is received by BLM (43 C.F.R. § 3103.4-4(b)). Therefore, the lease suspension will become effective as of July 1, 2013 and effectively add the period of the suspension to the primary term of the lease. Rental and minimum royalty payments shall not be suspended during any period of suspension of operations only pursuant to 43 C.F.R. § 3103.4-4(d). Therefore, the request to suspend those fees is not approved, and the rental and minimum royalty payments will continue to accrue.

The lease suspension will expire when one of the following conditions is **first** met:

The first day of the month that:

1. The APD is considered complete.
2. The lease is committed to a valid unit or communitization agreement.
3. February 28, 2014.

**RATIONALE:** The request for suspension of operations and production of lease COC-66716 was filed by SG on July 16, 2013, prior to the lease's primary term expiration date of July 31, 2013. SG also filed the Federal #12-90-7-1 APD on July 1, 2013, 30 days prior to the lease expiration as required. However, the APD cannot be considered complete until either a surface owner access agreement or an adequate surface use protection bond is in place. SG has until August 22, 2013, (45 days from the APD notification letter sent on July 8, 2013) to provide a surface owner access agreement or have a surface use protection bond in place with the BLM Colorado State Office. SG has demonstrated that they have been trying to negotiate a surface use access agreement with the surface owner since February 2013. On August 1, 2013, SG notified BLM that they do not believe they will reach an agreement with the surface owner, and they request to pursue a surface use protection bond instead. In consultation with the BLM Colorado State Office, it is anticipated that it could take up to approximately seven (7) months from the date the request is filed by the operator to affect the bond. As provided for in BLM

Manual 3160-10, a request for suspension may be granted if the lessee is diligently pursuing surface access.

Denial of the request by SG to suspend the production and the rental and minimum royalty payments during the period of the suspension is based on the my decision to grant the lessee a suspension of operations only, rather than a suspension of operations and production pursuant to 43 C.F.R. § 3103.4-4(d). There is no well capable of producing in paying quantities on the lease and the lease is not committed to a producing unit, therefore the lease is not eligible for a suspension of production.

COMPLIANCE WITH MAJOR LAWS and CONFORMANCE WITH LAND USE PLAN:

The Proposed Action is categorically excluded from further documentation under the National Environmental Policy Act (NEPA) in accordance with 516 DM 11.9, B.4. This categorical exclusion is appropriate in this situation because there are no extraordinary circumstances potentially having effects that may significantly affect the environment. The Proposed Action has been reviewed, and none of the extraordinary circumstances described in 516 DM 2 apply.

The decision is in compliance with applicable laws, regulations and policy, including the Endangered Species Act, Migratory Bird Treaty Act and National Historic Preservation Act. It is also in conformance with the Uncompahgre Basin RMP.

PUBLIC COMMENT:

The BLM informed the public about this project by listing it on the online Uncompahgre Field Office NEPA Register and a copy of the completed Categorical Exclusion will be posted on the NEPA website.

ADMINISTRATIVE REMEDIES:

Any adversely affected party who contests a decision of the authorized officer may request an administrative review before the State Director. Such requests, including all supporting documentation, shall be filed with the State Director within twenty (20) business days of receipt of the notice. Upon request and showing good cause, an extension for submitting supporting data may be granted by the State Director. Requests for administrative review should be sent to: State Director (CO-922), Bureau of Land Management, Colorado State Office, 2850 Youngfield Street, Lakewood, Colorado 80215.

NAME OF PREPARER: Thane

NAME OF ENVIRONMENTAL COORDINATOR: Shirley

DATE 8-15-2013

SIGNATURE OF AUTHORIZED OFFICIAL Barbara Sharrow  
Barbara Sharrow  
Field Office Manager

DATE SIGNED 8-20-13