

U.S. Department of the Interior
Bureau of Land Management
White River Field Office
220 E Market St
Meeker, CO 81641

Section 390

Categorical Exclusion for Oil and Gas Development

NUMBER: DOI-BLM-CO-110-2011-021-CX (390)

CASEFILE/PROJECT NUMBER: COD-052265

PROJECT NAME: 1 New Well (MC Hagood B2) on an Existing Well Pad (MC Hagood B1-A)

LEGAL DESCRIPTION: T2N, R103W, Section 22, NENW

APPLICANT: Chevron USA, Inc.

DESCRIPTION OF PROPOSED ACTION:

Background: The White River Field Office (WRFO) received a Notice of Staking (NOS) for a new well (MC Hagood B2) on a new well pad location for Chevron USA, Inc. on October 26, 2010. This was followed by an onsite inspection where it was identified that the location was not ideal; it was extremely close to other existing and already disturbed locations, the cut/fill would have been excessive (7,500 CY), the soils are very saline which would cause erosion concerns, and the site was located on an historic drainage which was previously filled and would cause erosion and instability concerns. Based on the concerns raised at this onsite inspection, it was requested that the location of the new well be relocated to an alternate site, preferably utilizing one of the many existing disturbance and/or well pad locations in close proximity to the proposed location. An Application for Permit to Drill (APD) for the new well MC Hagood B2 was received 12/16/2010 which reflected a relocated position for the well. The relocated site of the well is now proposed to be a second well on the existing MC Hagood B1-A well pad; this is a move of approximately 375 ft to the southwest. The new location will overlap the existing well pad MC Hagood B1-A by approximately one acre and require minimal additional surface disturbance to construct the pad and pipeline for MC Hagood B2.

Proposed Action: Chevron USA, Inc. proposes to construct one well pad expansion and drill one well (MC Hagood B2) on an existing well pad (MC Hagood B1-A) location. The new 230 ft x 260 ft (+/- 2.25 acres) well pad will be constructed on top of approximately one acre of the existing MC Hagood B1-A well pad, which is currently in interim reclamation and has one currently producing well. In addition, Chevron proposes to install approximately 1,592 ft of pipeline from the well pad southeast parallel to the existing MC Hagood B1-A pipeline, then northeast parallel to an existing road, then north parallel to an existing road to the tie-in point

with an existing pipeline in T2N, R103W, Section 22, NWNE. The pipeline installation will require a 40 ft construction right-of-way, and will be reclaimed to BLM specifications. Total acres disturbed including overburden to construct the well pad and pipeline corridor would be approximately **3.34 acres**; this includes the area that overlaps the existing MC Hagood B1-A well pad which is approximately 1 acre, therefore total new disturbance will be approximately 2.34 acres (see Figure 1).

The MC Hagood B2 APD (Application for Permit to Drill) and SUPO (Surface Use Plan of Operations) is incorporated by reference, and summarized below:

Existing and Planned Access Roads: Maintenance includes minor grade work for smoothing of road grades and for snow removal by road maintainers with dozer blades and other contractor's equipment as required. Chevron will follow guidelines from BLM Goldbook Road Maintenance page 30. Copies of BLM Manual 9113 have been distributed to Chevron facility engineers and reps to utilize for new road construction and maintenance standards.

The new access road grade will be relatively flat. No major cuts/fills are required. A center crown to the road will allow for drainage to side ditches that will be excavated to a depth of one foot minimum below the finished road surface.

Proposed Facilities: One new flowline will be installed to transport hydrocarbon 1,592 ft to CS #4 satellite header manifold. This flowline will be 4 in fiberglass pipe rated at 1,000 psi. The flowline will be buried to 42 in within a 40 ft typical right of way (ROW) parallel an existing road and the MC Hagood B1-A pipeline (see Figure 1). The ROW will be fully reclaimed to BLM specifications.

Water Supply: Fresh water will be trucked from Chevron's Main Water Treatment Plant located at (NESE) Section 32, T2N, R102W. The estimated amount of water to be used for operations is: construction (minimal-100 bbls), drilling (3,000 bbls), fracing (10,000 bbls), and dust abatement (1,500 bbls).

Waste Disposal: A close-loop drilling system will be utilized, using a cuttings catch pit, dewatering system, centrifuge system, and additional fluid storage. The cuttings pit will be constructed to BLM Goldbook standards. No liner will be needed for the cuttings pit. Cuttings will be buried in the pit with a minimum of 3 ft of fill. Prior to burial of cuttings, any liquid oil or water (none anticipated) will be trucked to the Chevron Main Water Plant to be filtered and separated; water will be re-injected into the Weber formation and oil will be skimmed and piped to an oil gathering collection station. Additionally, appropriate tests will be performed to ensure soils meet Colorado Oil and Gas Conservation Commission (COGCC) 910-1 standards prior to burial of cuttings and closing the pit. The pits will be fenced with 32-48 in high woven wire and netted to prevent access by migratory birds.

Well Site Layout & Construction: The location will be constructed using graders, dozers, and dump trucks. Topsoil pile will be seeded with the appropriate approved BLM seed mix. Placement of diversion ditches with check dams are indicated in the Site-Specific Stormwater Management Site Map.

Reclamation: Clean-up and rehabilitation will begin immediately following well completion and should be completed within 90-120 days, depending on season growth months.

Interim Reclamation- Interim reclamation consists of minimizing the footprint of disturbance of the wellsite not needed for production operations. All disturbed areas affected by drilling or subsequent operations, except areas reasonably needed for production operations, shall be reclaimed as part of the interim reclamation process. The portion of the well site not needed for operations and safety purposes is to be re-graded to a final or intermediate contour that blends with the surrounding topography as much as possible. In addition, pad reclamation is accomplished by replacing stockpiled topsoil, construction of sediment and erosion controls, and seeding of disturbed areas to reestablish cover vegetation. The access roads will be upgraded and maintained as necessary to prevent soil erosion, and accommodate year round traffic.

Revegetation efforts will also include the treatment of weeds by a contracted weed sprayer. The site will be kept free of State listed A & B noxious weeds and weeds/invasive species up until the Final Reclamation of the location is attained and approved.

Final Reclamation- Access road and well pad will be reshaped as closely as possible to the natural contour, covered with topsoil, and reseeded. Water breaks will be installed only if absolutely necessary to prevent erosion. Seedbed preparation includes disking following the natural contour. Drill seed on contour to a depth no greater than ½ inch. In areas that cannot be drilled, broadcast at double the seeding rate and harrow seed into soil. Certified seed will be used. Fall seeding must be completed after September 1, and prior to prolonged ground frost. Final reclamation will be completed once a uniform vegetative cover has been established that reflects pre-disturbance or reference area forbs, shrubs, and grasses with a total percent plant cover of at least 80% pre-disturbance levels.

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

Name of Plan: White River Record of Decision and Approved Resource Management Plan (ROD/RMP).

Date Approved: July 1, 1997

Decision Number/Page: Page 2-5

Decision Language: “Make federal oil and gas resources available for leasing and development in a manner that provides reasonable protection for other resource values.”

REVIEW OF EXISTING NEPA DOCUMENTS:

List by name and date all existing NEPA documents that cover the Proposed Action.

Name of Document: CO-110-2006-097-EA

Date Approved: June 5, 2006

CATEGORICAL EXCLUSION REVIEW: The Energy Policy Act of 2005 (P.L. 109-58) prescribed five categorical exclusions (CX) for activities whose purpose is for the exploration of oil or gas.

The Proposed Action qualifies as a categorical exclusion under the Section 390 of the Energy Policy Act, #2: *“Drilling an oil and gas location or well pad at a site at which drilling has occurred within five (5) years prior to the date of spudding the well.”*

Documentation

The BLM NEPA Handbook (H-1790-1) and Instruction Memorandum 2010-118 provide specific instructions for using this CX.

1) Is the proposed well to be drilled from a location or well pad that has been previously disturbed or constructed to support drilling a well?

Yes, the proposed MC Hagood B2 well will be drilled from the existing MC Hagood B1-A well pad. There will be an overlap of approximately one acre between the existing well pad and the final location once the expansion has been completed. The BLM NEPA Handbook specifically states that “additional disturbance or expansion of the existing well pad is not restricted so long as it is tied to the original location or well pad”.

2) Has drilling occurred on the site within five years prior to the date of spudding the proposed well?

Yes, the completion date of the previously drilled well was 05/07/2008. The APD will contain a condition of approval that states: “If the well has not been spudded by 05/07/2013, this APD will expire and the operator is to cease all operations related to preparing to drill the well.”

3) Is the Proposed Action within the boundaries of an area included in a site-specific NEPA document that analyzed the exploration and/or development of oil and gas?

Yes. A site-specific NEPA document has been prepared (CO-110-2006-097-EA) for this location.

4) Is the Proposed Action in conformance with the land use plan?

Yes. See above for the land use plan conformance review.

5) Do any of the extraordinary circumstances in 43 CFR 46.215 apply?

| Extraordinary Circumstance | YES | NO |
|--|-----|----|
| a) Have significant adverse effects on public health and safety. | | X |
| b) Have significant impacts on such natural resources and unique geographic characteristics as historic or cultural resources; park, recreation, or refuge lands; wilderness areas; wild or scenic rivers; national natural landmarks; sole or principal drinking water aquifers; prime farmlands; wetlands; floodplains; national monuments; migratory birds; and other ecologically significant or critical areas. | | X |
| c) Have highly controversial environmental effects or involve unresolved conflicts concerning alternative uses of available | | X |

| Extraordinary Circumstance | YES | NO |
|---|-----|----|
| resources. | | |
| d) Have highly uncertain and potentially significant environmental effects or involve unique or unknown environmental risks. | | X |
| e) Establish a precedent for future action or represent a decision in principle about future actions with potentially significant environmental effects. | | X |
| f) Have a direct relationship to other actions with individually insignificant but cumulatively significant environmental effects. | | X |
| g) Have significant impacts on properties listed, or eligible for listing, in the National Register of Historic Places as determined by either the bureau of office. | | X |
| h) Have significant impacts on species listed, or proposed to be listed, on the List of Endangered or Threatened Species, or have adverse effects on designated Critical Habitat for these species. | | X |
| i) Violate a Federal law, or a State, local or tribal law or requirement imposed for the protection of the environment. | | X |
| j) Have a disproportionately high and adverse effect on low income or minority populations | | X |
| k) Limit access to and ceremonial use of Indian sacred sites on Federal lands by Indian religious practitioners or significantly affect the physical integrity of such sacred sites. | | X |
| l) Contribute to the introduction, continued existence, or spread of noxious weeds or non-native invasive species known to occur in the area or actions that may promote the introduction, growth, or expansion of the range of such species. | | X |

INTERDISCIPLINARY REVIEW:

The proposed action was presented to, and reviewed by the White River Field Office interdisciplinary team on 01/25/2011. A list of resource specialists who participated in this review is available upon request from the White River Field Office.

REMARKS:

Cultural Resources: The proposed well pad expansion and pipeline have been inventoried at the Class III (100% pedestrian) level (Darnell 2011, Compliance Dated 3/31/2001) with no cultural resources identified in the inventoried area. There are no known cultural resources within 308 meters of the proposed project. There should be no new impacts to cultural resources from this project. (MRS 3/31/2011)

Native American Religious Concerns: No Native American Religious concerns are known in the area, and none have been noted by Northern Ute tribal authorities. Should recommended inventories or future consultations with Tribal authorities reveal the existence of such sensitive

properties, appropriate mitigation and/or protection measures may be undertaken. (MRS 3/31/2011)

Paleontological Resources: The proposed well location is located in an area generally mapped as the Cretaceous Mancos Shale formation (Tweto 1979), which the BLM, WRFO has classified as a PFYC3 formation. The formation is known to produce fossil resources in some areas though none have been reported from the Rangely area to date (Armstrong and Wolny 1989). There is a very small possibility for the project to impact fossil resources but the probability is unlikely. (MRS 3/31/2011)

Threatened and Endangered Wildlife Species: There are no wildlife-related issues or concerns associated with the proposed action. All wildlife issues were adequately addressed in the original environmental assessment. Because the majority of disturbance is confined to or immediately adjacent to an existing well pad and roadway, construction activities associated with the proposed action may take place throughout the year with no timing restrictions for wildlife. (LRB 03/03/11)

Threatened and Endangered Plant Species: There are no special status plant species located within the vicinity of the proposed action. The nearest special status plant habitat is located approximately two miles southwest of the proposed project. (MLD 03/31/2011)

Land with Wilderness Characteristics: The proposed actions are within areas of BLM public lands that clearly do not have wilderness character. BLM public lands would be considered for further inventory if it met one or more of the following criteria of wilderness character:

- i. Parcel of land is equal or greater than 5,000 acres or is of sufficient size as to make practicable its preservation and use in an unimpaired condition.
- ii. Parcel of land does not have extensive surface disturbance and/or is roadless
- iii. Parcel of land is within or adjacent to an area that has been proposed for wilderness by a non-governmental entity.
- iv. Parcel of land is contiguous with lands which have been formally determined to have wilderness or wilderness potential values. These include, but are not limited to, designated Wilderness, BLM Wilderness Study Areas, U.S. Fish & Wildlife Service areas Proposed for Wilderness Designation; U.S. Forest Service Wilderness Study Areas or areas of Recommended Wilderness; and National Park Service areas Recommended or Proposed for Designation.

These parcels of BLM lands do not meet one or more of the above criteria based upon a review of all available data. (CAS 3/28/2011)

REFERENCES CITED:

Armstrong, Harley J., and David G. Wolny
1989 Paleontological Resources of Northwest Colorado: A Regional Analysis. Museum of Western Colorado. Grand Junction, Colorado.

Darnell, Nicole

2011 Class III Cultural Resources Inventory for the Proposed MC Hagood B2 Well Location and Short Pipeline Route in Rio Blanco County, Colorado for Chevron U.S.A., Inc. Grand River Institute, Grand Junction, Colorado. #11-11-06

Tweto, Ogden

1979 Geologic Map of Colorado. United States Geologic Survey, Department of the Interior, Reston, Virginia.

MITIGATION:

Timing Limitations

- 1) If the well has not been spudded by 05/07/2013, this APD will expire and the operator is to cease all operations related to preparing to drill the well.

Pre-Construction Activities and Notifications

- 2) The *designated Natural Resource Specialist* will be notified via email or phone 24 hours prior to beginning all construction-related activities associated with this project that result in disturbance of surface soils. Construction-related activities may include, but are not limited to, pad and road construction, clearing pipeline corridors, trenching, etc. Notification of all construction-related activities, regardless of size, that result in disturbance of surface soils as a result of this project is required.

Post-Construction Notifications

- 3) In an attempt to track interim and final reclamation of federal actions related to the development of federal mineral resources, the operator shall provide the *designated Natural Resource Specialist* with geospatial data in a format compatible with the WRFO's ESRI ArcGIS Geographic Information System (GIS) (e.g., GIS point and polygon features). These data will be used to accurately locate and identify all geographic as-built (i.e., constructed and design implemented) features associated with this project and included in the Application for Permit to Drill (APD) or Sundry Notice (SN), as appropriate.
 - These data shall be submitted within 60 days of construction completion. If the operator is unable to submit the required information within the specified time period, the operator shall notify the designated Natural Resource Specialist via email or by phone, and provide justification supporting an extension of the required data submission time period.
 - GIS polygon features may include, but are not limited to: full well pad footprints (including all stormwater and design features), constructed access roads/widths, existing roads that were upgraded/widths, and pipeline corridors.
 - Acceptable data formats are: (1) corrected global positioning system (GPS) files with sub-meter accuracy or better; (2) ESRI shapefiles or geodatabases; or (3) AutoCAD .dwg or .dxf files. If possible, both (2) and (3) should be submitted for each as-built feature. Geospatial data must be submitted in UTM Zone 13N,

NAD 83, in units of meters. Data may be submitted as: (1) an email attachment or (2) on a standard compact disk (CD) in compressed (WinZip only) or uncompressed format. All data shall include metadata, for each submitted layer, that conforms to the *Content Standards for Digital Geospatial Metadata* from the Federal Geographic Data Committee standards. Questions shall be directed to WRFO BLM GIS staff at (970) 878-3800.

If the operator is unable to send the data electronically, the operator shall submit the data on compact disk(s) to:

BLM, White River Field Office
Attn: Natural Resource Specialist
220 East Market Street
Meeker, Colorado 81641

Internal and external review of the reporting process and the adequacy of the associated information to meet established goals will be conducted on an on-going basis. New information or changes in the reporting process will be incorporated into the request, as appropriate. Subsequent permit application processing may be dependent upon successful execution of this request, as stated above.

- 4) If for any reason the location or orientation of the geographic feature associated with the **proposed action changes**, the operator shall submit updated GIS “As-Built” data to designated Natural Resource Specialist within 7 calendar days of the change. This information shall be **submitted via Sundry Notice**.

Resource-Specific Mitigation During Construction, Drilling, and Production:

Cultural Resources

- 5) The operator is responsible for informing all persons who are associated with the project operations that they will be subject to prosecution for knowingly disturbing paleontological sites, or for collecting fossils. If fossil materials are uncovered during any project or construction activities, the operator is to immediately stop activities in the immediate area of the find that might further disturb such materials, and immediately contact the authorized officer (AO). Within five working days the AO will inform the operator as to:
 - whether the materials appear to be of noteworthy scientific interest
 - the mitigation measures the operator will likely have to undertake before the site can be used (assuming in situ preservation is not feasible)

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 cost. 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.

Pre-Reclamation Notification

- 6) The *designated Natural Resource Specialist* will be notified 24 hours prior to beginning all reclamation activities associated with this project via email or by phone. Reclamation activities may include, but are not limited to, seed bed preparation that requires disturbance of surface soils, seeding, or constructing exclosures (e.g., fences) to exclude livestock from reclaimed areas.

Reclamation and Weed Management

- 7) Promptly revegetate all disturbed areas with Native Seed Mix #8 listed below. Seed mixture rates are Pure Live Seed (PLS) pounds per acre. Drill seeding is the preferred method of application.

| Native Seed Mix #8: Clayey Saltdesert Rangesite | | | |
|---|--------------------------|------------------------------------|-------------------|
| Variety | Species | Scientific Name | Lbs. PLS per Acre |
| Viva Florets | Galleta Grass | <i>Pleuraphis jamesii</i> | 3 |
| Rimrock | Indian Ricegrass | <i>Achnatherum hymenoides</i> | 3 |
| Toe Jam Creek | Bottlebrush Squirreltail | <i>Elymus elymoides</i> | 2.5 |
| Rosanna | Western Wheatgrass | <i>Pascopyrum smithii</i> | 4 |
| | Scarlet Globemallow | <i>Sphaeralcea coccinea</i> | 0.25 |
| | Annual Sunflower | <i>Helianthus annuus</i> | 2.5 |
| | Shadscale | <i>Atriplex confertifolia</i> | 2 |
| Alternates: | | | |
| UP Plateau | Sandberg Bluegrass | <i>Poa secunda ssp. sandbergii</i> | 0.5 |
| | Fernleaf Biscuitroot | <i>Lomatium dissectum</i> | 3 |
| | Sandberg Bluegrass | <i>Poa secunda ssp. sandbergii</i> | 0.5 |

- 8) All seed tags will be submitted to the *designated Natural Resource Specialist* within 14 calendar days from the time the seeding activities have ended via Sundry Notice. The sundry will include the purpose of the seeding activity (i.e., seeding well pad cut and fill slopes, seeding pipeline corridor, etc.). In addition, the SN will include the well or well pad number associated with the seeding activity, if applicable, the name and phone number of the contractor that performed the work, the method used to apply the seed (e.g., broadcast, hydro-seeded, drilled), whether the seeding activity represents interim or final reclamation, an estimate of the total acres seeded, an attached map that clearly identifies all disturbed areas that were seeded, and the date the seed was applied.

Information Sharing & Reclamation Monitoring

- 9) The Reclamation Status Report will be submitted electronically via email and as a hard-copy to WRFO Reclamation Coordinator, Brett Smithers (brett_smithers@blm.gov). Please submit the hardcopy to:

BLM, White River Field Office
220 East Market Street
Meeker, Colorado 81641
Attn: Brett Smithers

The Reclamation Status Report will be submitted annually for all actions that require disturbance of surface soils on BLM-administered lands as a result of the proposed action. Actions may include, but are not limited to, well pad and road construction, construction of ancillary facilities, or power line and pipeline construction. The Reclamation Status Report will be submitted by September 30th of each calendar year, and will include the well number, API number, legal description, UTM coordinates (using the NAD83 datum, Zone 13N coordinate system), project description (e.g., well pad, pipeline, etc.), reclamation status (e.g., Phase I Interim, Phase II Interim, or Final), whether the well pad or pipeline has been re-vegetated and/or re-contoured, percent of the disturbed area that has been reclaimed, method used to estimate percent area reclaimed (e.g., qualitative or quantitative), technique used to estimate percent area reclaimed (e.g., ocular, line-intercept, etc.), date seeded, photos of the reclaimed site, estimate of acres seeded, seeding method (e.g., broadcast, drilled, hydro-seeded, etc.), and contact information for the person(s) responsible for developing the report. The report will be accompanied with maps and GIS data showing each discrete point (i.e., well pad), polygon (i.e., area where seed was applied for Phase I and/or Phase II interim reclamation or area reclaimed for final reclamation), or polyline (i.e., pipeline) feature that was included in the report. Geospatial data shall be submitted: for each completed activity electronically to the designated BLM staff person responsible for the initial request and in accordance with WRFO geospatial data submittal standards (available from WRFO GIS Staff, or on the WRFO website). Internal and external review of the WRFO Reclamation Status Report, and the process used to acquire the necessary information will be conducted annually, and new information or changes in the reporting process will be incorporated into the report.

- 10) The operator will be required to meet with the WRFO reclamation staff in March or April of each calendar year and present a comprehensive work plan. The purpose of the plan is to provide information pertaining to reclamation activities that are expected to occur during the current growing season. Operators shall also provide a map that shows all reclamation sites where some form of reclamation activity is expected to occur during the current growing season.

COMPLIANCE PLAN: On-going compliance inspections and monitoring of drilling, production and post-production activities will be conducted by White River Field Office staff during construction of well pads, access roads, and pipelines. Specific mitigation developed in the associated Categorical Exclusion and the lease terms and conditions will be followed. The

Operator will be notified of compliance related issues in writing, and depending on the nature of the issue(s), will be provided 30 days to resolve such issues.

NAME OF PREPARER: Briana Potts

NAME OF ENVIRONMENTAL COORDINATOR: Heather Sauls

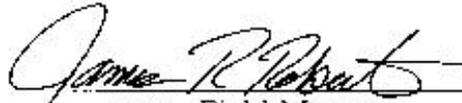
DATE: 04/06/2011

ATTACHMENTS: Figure 1: Project Map

DECISION AND RATIONALE: I have reviewed this CX and have decided to approve the proposed action.

This action is listed in the Instruction Memorandum Number 2005-247 as an action that may be categorically excluded under Section 390 of the Energy Policy Act of 2005. I have evaluated the action relative to the qualifying criteria listed above and have determined that it does not represent an exception and is, therefore, categorically excluded from further environmental analysis.

SIGNATURE OF AUTHORIZED OFFICIAL:


FOR Field Manager

DATE SIGNED: April 7, 2011

Administrative Review or Appeal Opportunities

This decision is effective upon the date the decision or approval by the authorized officer. Under regulations addressed in 43 CFR Subpart 3165, any party adversely affected has the right to appeal this decision. An informal review of the technical or procedural aspects of the decision may be requested of this office before initiating a formal review request. You have the right to request a State Director review of this decision. You must request a State Director review prior to filing an appeal to the Interior Board of Land Appeals (IBLA) (43CFR 3165.4).

If you elect to request a State Director Review, the request must be received by the BLM Colorado State Office, 2850 Youngfield Street, Lakewood, Colorado 80215, no later than 20 business days after the date the decision was received or considered to have been received. The request must include all supporting documentation unless a request is made for an extension of the filing of supporting documentation. For good cause, such extensions may be granted. You also have the right to appeal the decision issued by the State Director to the IBLA.

Contact Person: For additional information concerning this decision, contact Briana Potts, Natural Resource Specialist, White River Field Office, 220 E Market Street, Meeker, CO 81641, Phone (970) 878-3868.

Figure 1: Project Map

