

July 21, 2010

Mr. Mike Nedd, Acting Director
Montana State Office
Bureau of Land Management
5001 Southgate Drive
Billings, MT 59101

Mr. Tim Bozorth, Manager
Dillon Field Office
Bureau of Land Management
1005 Selway Dr.
Dillon, MT 59725-9431

Dear Messrs. Nedd and Bozorth:

Attached please find our recommendation for the Bureau of Land Management State Office and Dillon Field Office to prepare a "Master Leasing Plan" for BLM lands managed by the Dillon Filed Office in the Centennial Valley/Beaverhead Headwaters area pursuant to Instruction Memorandum No. 2010-117 (issued May 17, 2010).

We are aware that under the terms of IM No. 2010-117, each BLM State Office is directed to submit an implementation plan and timeline to the Director for fulfilling the terms of the IM by August 16, 2010. We have taken the opportunity to prepare the enclosed recommendation to assist you in fulfilling this mandate, and look forward to working with the BLM in the preparation of a "Centennial Valley/Beaverhead Headwaters Master Leasing Plan".

Sincerely,

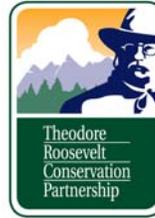
A handwritten signature in cursive script, appearing to read "Peter Aengst".

Peter Aengst, The Wilderness Society, and also on behalf of:

Barb Cestero, Greater Yellowstone Coalition
Corey Fisher, Montana Trout Unlimited
Tom France, National Wildlife Federation
Bill Geer, Theodore Roosevelt Conservation Partnership

Enclosure = MLP Proposal for Centennial Valley – Beaverhead Watershed and associated maps

Cc: Assistant Secretary Wilma Lewis
Deputy Assistant Secretary Sylvia Baca
Deputy Assistant Secretary Ned Farquhar
Director Bob Abbey
Deputy Director Mike Pool
Deputy Director Marcilynn Burke
Jim Albano, Montana State Office



Master Leasing Plan Recommendation: Centennial Valley/Beaverhead Headwaters, Montana

Prepared by

**National Wildlife Federation, Theodore Roosevelt Conservation Partnership,
Trout Unlimited, The Wilderness Society, Greater Yellowstone Coalition**

Summary: Montana's Centennial Valley and the nearby watersheds that comprise the headwaters to the Beaverhead River contain sensitive and nationally significant ecological values that the BLM's 2006 Dillon RMP fails to adequately protect from potential oil and gas development. An MLP for this area would allow the agency to proactively avoid future conflicts (like the lease protests from sportsmen groups and others that occurred here in 2008-2009) by withdrawing from leasing the federal minerals in the Centennial Valley watershed and applying throughout the Beaverhead River watershed of the Dillon Resource Area more effective management prescriptions and stipulations related to trout fisheries, Greater Sage-grouse, big game species, and threatened and endangered wildlife.

I. Area Name and Location:

Centennial Valley/Beaverhead Headwaters, within the Dillon Resource Area

II. Summary Data (best estimate based on GIS layers provided/available):

- **BLM Field office and counties** = Dillon Field office; Beaverhead County
- **Relevant RMP** = Dillon RMP issued in February 2006
- **Map** = see attached for both proposed MLP boundary and Centennial Watershed withdrawal area
- **Total acres** = 2.2 million acres in proposed MLP boundary of which 500,318 acres are BLM surface.
- **% Federal lands** = taking in national forest lands, refuge lands, and BLM lands, over 1,800,000 acres or 80 % of the proposed MLP area is federal land.
- **Excluding Forest Service and Refuge land, total acres of federal minerals in proposed MLP boundary** = 720,633 acres of federal minerals with 196,131 acres under private land, 24,187 acres under state land, and 500,318 acres under BLM surface.
- **% leased** = 82,370 acres or approximately 8% of the federal minerals in the proposed MLP area are currently under valid lease.

As the above statistics make clear, there are substantial federal mineral interests within the proposed MLP area and the majority of these are not currently leased.

III. Indications of Industry Interest

In 2006-2007, expressions of leasing interest were submitted to BLM for lease parcels within the western portion of the Centennial valley (see map). Several of these parcels involved federal minerals under large, private ranchlands where conservation easements had been imposed to protect wildlife habitat and other values. The BLM decided to defer action on these parcels.

Elsewhere within the Dillon Resource Area and near the Beaverhead River, parcels were offered and leased over the objections of sportsmen groups and others in March 2007 and October 2008. There are also over a dozen older oil and gas wells within the MLP boundary and several valid leases on national forest and BLM lands in the area west and south of Lima. (see attached “Gas Density and Wells Map”).

Although there have been no “commercial discoveries” of oil and gas within the proposed Centennial Valley/Beaverhead Headwaters Master Leasing Plan (CVBW) (Final Dillon RMP EIS, Volume II, Appendices, p. 97), the oil and gas industry has expressed interest in acquiring federal oil and gas leases within areas of the proposed CVBW, and some portions of the area are rated by the BLM as having “moderate” potential for oil and gas (see Map 83 of the Dillon Resource Management Plan and Environmental Impact Statement, Volume III).

It should be noted that in 2008, the BLM approved a large two dimensional seismic project on BLM and USFS lands in the Beaverhead watershed near Lima, over the objections of sportsmen and conservation groups, indicating oil and gas industry interest and investment in this area. This seismic exploration was completed in 2009 in the Tendoy Mountains and Big Sheep Basin west of I-15, the results of which are proprietary to the energy industry.

IV. Potential Resource Conflicts

Background on Values for the Proposed Area:

Centennial Valley: The Centennial Valley is a large, high elevation, undeveloped watershed in Beaverhead and Madison Counties in southwestern Montana. The Centennial Valley encompasses approximately 385,000 acres north and east of the Continental Divide along the Montana-Idaho border. The Centennial Mountains flank the south side of the valley and the rolling foothills of Gravelly Mountain range extend to the north. The Red Rock River meanders through the broad and flat valley floor feeding Upper and Lower Red Rock Lakes. The valley contains the largest wetland complex in the Greater Yellowstone Ecosystem comprising thousands of acres in a mosaic of open water and emergent vegetation. The uplands on the valley floor are characterized by lowlands dominated by sagebrush, grasslands, and lush willow dominated riparian areas. The Montana Natural Heritage Program has rated the Centennial Valley as one of the most significant natural landscapes in Montana, a tribute to its intact ecological systems, expansive wetlands, diverse native fauna and flora, and unique concentrations of rare species. Land ownership in the Centennial Valley is predominantly public lands with 285,000 acres managed by the Bureau of Land Management, Forest Service, Fish and

Wildlife Service, and Montana Department of Natural Resource Conservation. (FWS -- <http://www.fws.gov/mountain-prairie/pfw/montana/mt3b.htm>)

The Centennial Valley contains critical migration routes for wildlife throughout the Northern Rockies. The valley's expansive wetlands are home to hundreds of bird species, and the Red Rock River system is one of the last places where rare [Arctic grayling survive](#). The valley contains the highest nest density in the West for trumpeter swans, and lies along one of only two primary swan migration corridors. The Centennial also hosts the densest population of peregrine falcons and ferruginous hawks in Montana, and a healthy population of bald eagles and osprey. (<http://www.nature.org/wherewework/northamerica/states/montana/preserves/art15855.html>)

According to a study prepared by the Montana Natural Heritage Program for the BLM (“Assessment of the Red Rock River Subbasin and Wetlands of the Centennial Valley,” June, 2009), the Centennial Valley hosts an abundance of native resident and migratory terrestrial and avian wildlife species. A partial listing includes the following: Greater Sage-Grouse, Ferruginous hawks, Swainson’s hawks, Golden Eagles, Trumpeter Swans, white faced ibis, elk, pronghorn, mule deer, moose, black bear, mountain lions, gray wolves, and grizzly bears.

Two hundred sixty-one bird species or approximately 70% of those found in Montana inhabit the valley. At least 150 bird species breed in the valley. The valley has been the base for trumpeter swan recovery efforts in the Northern Rockies since a remnant population was discovered here in the early 1900's. The Centennial Valley hosts the densest breeding population of peregrine falcons, ferruginous hawks, and trumpeter swans in Montana, and priority habitat for Greater Sage-grouse.

Red Rock Creek and Upper Red Rock Lake contain one of the only native lacustrine populations of Arctic grayling in the lower 48 states. Several streams in the valley contain genetically pure westslope cutthroat trout. The stream habitat of the valley also provides habitat for river otters.

Lying only 20 miles from Yellowstone National Park, the Centennial Valley and surrounding lands comprise a linkage zone and provide secure habitat for the following wide ranging native predators and game species (<http://www.fws.gov/mountain-prairie/pfw/montana/mt3b1.htm>):

Bighorn Sheep
Bison
Black Bear
Elk
Grizzly Bear
Moose
Mountain Goat
Mountain Lion
Mule Deer
Pronghorn
Sage Grouse
Waterfowl
White-tailed Deer
Wolf

Wolverine

As Yellowstone grizzly bear and wolf populations continue to grow, these sensitive species are recolonizing the Centennial Valley and mountains. Portions of this watershed lie within the Primary Conservation Area for grizzly bears.

As a result of this remarkable ecological value, the BLM designated over 40,000 acres in the Centennial Mountains and approximately 1,000 acres to the north of the Red Rock Lakes National Wildlife Area as an Area of Critical Environmental Concern.

Beaverhead Headwaters – The area designated on the accompanying map as “Beaverhead Headwaters” is characterized by broad valleys, high basins, and surrounding island mountain ranges. This varied topography produces diverse habitat types including willow/cottonwood riparian systems, sagebrush-steppe communities, conifer forests, and alpine vegetation at the highest elevations. As a result, this landscape contains important habitats for Sage-grouse, pronghorn, elk, bighorn sheep, and other ecologically and economically important big game and non-game wildlife species.

In addition, this landscape is important for wide ranging carnivores, including wolves, grizzly bears and wolverine. By providing secure habitat and dispersal routes for sensitive wildlife, the Beaverhead Headwaters area ensures connectivity between area wildlife populations. This region functions as an important linkage keeping the wildlife of Greater Yellowstone connected to populations in other mountain ecosystems north and west of the GYE.

The Beaverhead Headwaters contains Montana-designated Blue Ribbon trout fisheries, as well as streams that harbor sensitive populations of Westslope Cutthroat trout, a Montanan-designated “Species of Special Concern,” in addition to other cold-water fish species. The Beaverhead River itself is considered a Blue Ribbon fishery by Montana Fish, Wildlife and Parks. Additionally, the Red Rock River, above Clark Canyon Reservoir, is a popular recreational fishery for wild trout. Many tributaries of the Beaverhead and Red Rock River hold conservation populations of Westslope cutthroat trout, a species that currently occupies only a fraction of its historical range east of the Continental Divide. Additionally, this drainage has many streams considered to be potential habitat for future Westslope cutthroat reintroductions.

Because of unique buried cultural deposits and a high concentration of rock art pictograph sites described as “vulnerable to adverse change.” (RMP, p.23) the Dillon RMP designated the 23,000 acre Muddy Creek/ Big Sheep Creek ACEC in the Beaverhead headwaters area.

Impacts to values from leasing -- The final Dillon Resource Management Plan opened 1,209,280 acres within the Dillon Resource Area – or over 90% -- to oil and gas leasing and development (Table 5, p. 53 of Vol. I FEIS). Lands opened for leasing included the vast majority of BLM lands and minerals in the Centennial Valley, which as noted above harbors a remarkable array of wildlife and other environmental values. This includes minerals underlying portions of the Centennial Mountains ACEC and the entire Centennial Sandhills ACEC.

Elsewhere within the Dillon Resource Area, lands within the Beaverhead River drainage with important habitats for Westslope cutthroat trout and other coldwater fish species, and lands harboring important Sage grouse habitats were made available for oil and gas leasing, with management prescriptions which are not adequate to protect the habitat necessary for the conservation and restoration of these species.

For example, the Dillon RMP provides for a one-half mile “No Surface Occupancy” stipulation in federal oil and gas leases for habitat currently occupied with 99-100% pure Westslope Cutthroat trout, as well as, fluvial and adfluvial arctic grayling habitat (Table 5, p. 53, FEIS), however, there are no stipulations designed to protect streams with habitat suitable for reintroducing Westslope cutthroat trout. The *MOU and Conservation Agreement for Westslope and Yellowstone Cutthroat Trout in Montana* (2007) - to which the BLM is a signatory - has as a primary objective restoring cutthroat trout to suitable habitats within their historic range. Recently, the Butte Field Office, in recognition of this obligation and need to protect habitat suitable for restoration cutthroat trout populations, included in their RMP a one-half mile “No Surface Occupancy” stipulation for streams with “high restoration potential for native fish,” including arctic grayling and Westslope cutthroat trout. The conservation and recovery of Westslope cutthroat trout and arctic grayling would be well served if the Dillon Field Office developed a similar stipulation to ensure that future restoration efforts are not compromised by oil and gas leasing decisions made today. This is especially true in light of the fact that MDFWP is currently preparing a regional Westslope cutthroat trout plan for Southwest Montana that will specify opportunities to re-establish or expand cutthroat trout populations in the BLM’s Dillon Field Office.

Greater Sage-grouse

Similarly, with respect to sage-grouse leks, the final Dillon RMP allows for only a one-quarter mile NSO stipulation. Even the Draft RMP’s conservation alternative, which wasn’t chosen, would have provided for no leasing only within one-half mile (Table 5, p. 53, Vol. I, FEIS). The latest science on disturbance of sage-grouse breeding and wintering habitat shows this stipulation to be wholly inadequate (summary and citations in Fed. Reg. “12-Mo. Findings on Petitions to List the Greater Sage-grouse”, 3/4/2010 p. 18).

The Centennial Valley historically had a large population of Greater Sage-grouse and still hosts the largest sage-grouse breeding lek in southwest Montana near Fish Creek. It also is considered a “core” or “priority habitat” for Greater Sage-grouse by BLM and MDFWP because of numerous other active breeding leks (MDFWP, core area map v.1, 1/28/2009). The definition of “priority” and “core” habitats as mapped jointly by BLM and MDFWP are considered synonymous (Bozorth, 2010, Dillon Sage-grouse LWG). The valley is also a well-documented migratory corridor for some of the region’s sage-grouse population which winters in Idaho.

A BLM Instruction Memorandum (IM 2010-071) issued March 5, 2010 and effective immediately, provides substantial guidance on energy development in Greater Sage-grouse habitats. Under “Actions Available for Protection of Sage Grouse Populations” it states in part:

Oil and Gas/Geothermal:

a.. Withhold from sale or defer the sale of parcels, in whole or in part, that industry has proposed for oil and gas or geothermal leasing in priority habitat as supported by analysis under the National Environmental Policy Act (NEPA) of the impacts of leasing on sage-grouse.

Thus securing a federal mineral withdrawal as part of preparation of an MLP for the entire Centennial Valley and/or for all mapped priority sage-grouse habitats within the upper Beaverhead watershed appears fully consistent with IM 2010-071.

Big Game Habitat

A final example is crucial big game habitat, including winter range, calving and birthing areas, bighorn sheep core areas and yearlong habitat. Under the Final Dillon RMP, only timed leasing stipulations apply to these crucial habitat types, while the unselected “conservation alternative” would have provided for no leasing in such areas (See Page 55 and Table 6 of Final Dillon RMP, April 2005).

MLP Criteria Attainment

The proposed CVBH clearly meets a key criterion in IM 2010-117 for where MLPs are to be considered: “Additional analysis or information is needed to address likely resource or cumulative impacts if oil and gas development were to occur where there are: multiple-use or natural/cultural resource conflicts.” This proposed area obviously harbors a remarkably diverse array of indigenous fish, wildlife and plant species that would be put at grave risk from oil and gas activities. In addition, several decades of conservation initiatives by the state and federal government, NGOs, and local landowners have served to protect this abundance of thriving wildlife habitats and populations in an area of striking expanses and great natural beauty, initiatives that would be undercut with the advent of an oil and gas development program in the area.

Finally, IM 2010-117 also contains a “list of important national and local resource issues that should be considered when developing an MLP” (p. 5). At least four of the detailed criteria mentioned under this are relevant to the proposed CVBH depicted on the attached map, including:

- Designated ACECs;
- Nearby FWS lands (in this case the Red Rock Lakes NWR);
- “Fisheries and wildlife habitat, migration corridors, and rare plants”; and
- Watershed conditions.

There are also several BLM WSA’s within the landscape most of which are proposed for permanent designation as Wilderness by the BLM and in legislation now pending before Congress (Senator Tester’s “Forest Jobs and Recreation Act”).

V. Potential Master Leasing Plan Decision – Opportunity to Solve or Prevent Conflicts

Future conflicts over oil and gas leasing and development within the Dillon Resource Area are virtually assured if leasing takes place under the existing land use prescriptions articulated in the Dillon RMP, especially if leasing is allowed to occur anywhere within the Centennial Valley, and in the Beaverhead Headwaters area where land use prescriptions put key fish and wildlife habitats at unnecessary risk from oil and gas activities. Development of a Master Leasing Plan for the Centennial Valley/Beaverhead Headwaters area which (a) leads to the administrative withdrawal from mineral leasing of federal lands within the Centennial Valley, and (b) prescribes more effective means of protection for trout fisheries and key wildlife habitats within the Beaverhead Headwaters area – for example, disallowing leasing or prescribing NSO stipulations in Sage Grouse core areas, big game winter and spring range and in Westslope cutthroat trout occupied and reintroduction habitat – will minimize the likelihood of future conflicts over oil and gas leasing.

VI. Stakeholders

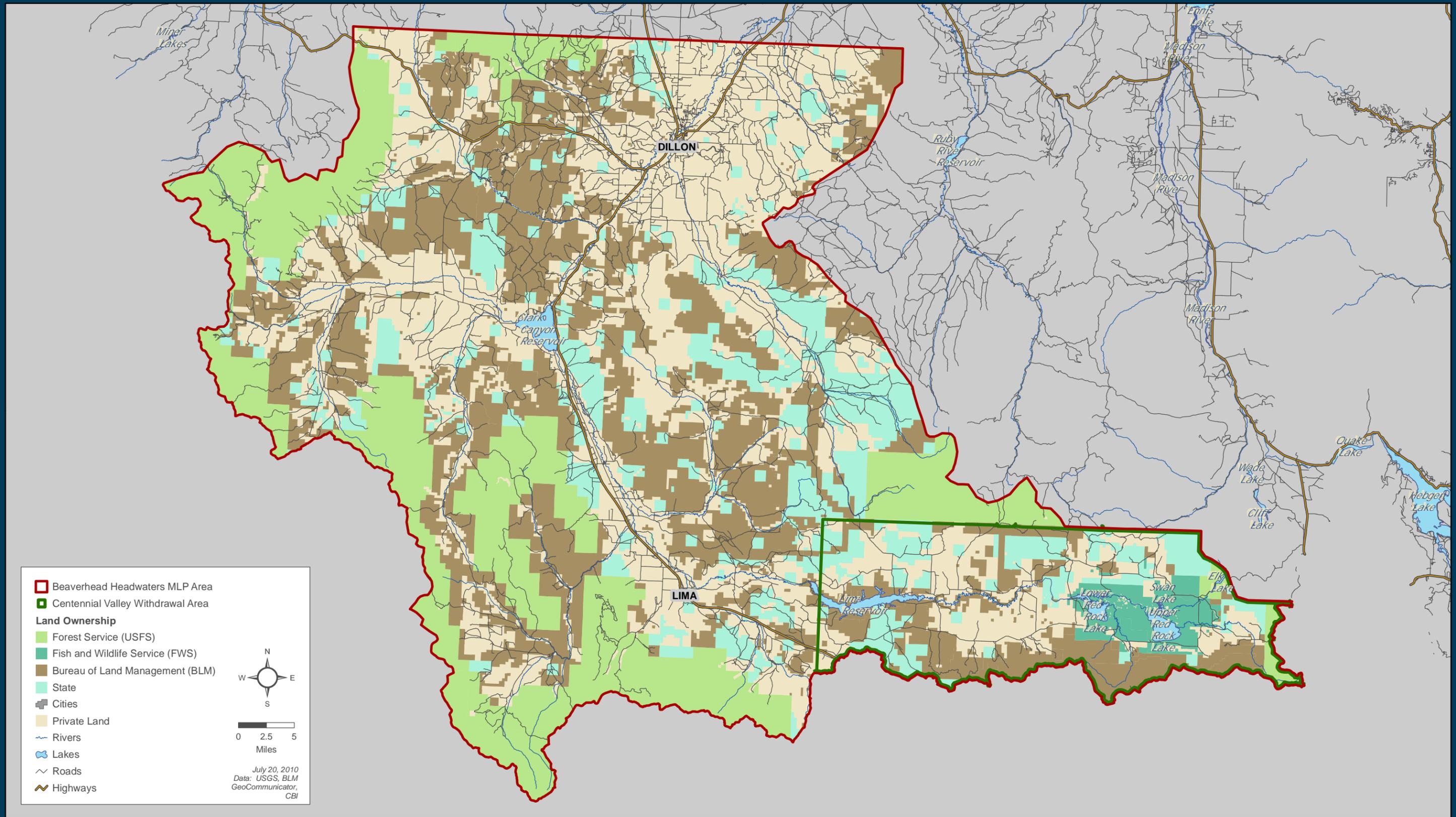
Many local, state, and national sportsmen groups and conservation groups are involved in this area, including but not limited to: The Wilderness Society, Trout Unlimited, Montana Wildlife Federation, National Wildlife Federation, Theodore Roosevelt Conservation Partnership, Greater Yellowstone Coalition, American Wildlands, Wildlife Conservation Society, and The Nature Conservancy. In addition, The Centennial Valley Association is highly involved and an important voice for local landowners and ranchers in that valley. Montana Fish Wildlife and Parks, Red Rocks National Wildlife Refuge, Montana Department of Natural Resources, and the Beaverhead-Deerlodge National Forest are other agencies with a major role in wildlife and land management that would also need to be engaged.

VII. Appendix

- Surface ownership map for CVBH Proposed MLP
- Federal Minerals by Surface Ownership map for CVBH Proposed MLP
- CVBH Map showing federal leases, wells, and natural gas density
- CVBH Map showing federal leases and sage grouse Core Area habitat
- Montana Sage Grouse Core Areas Map
- Map of Centennial Valley showing 2007 nominated lease parcels



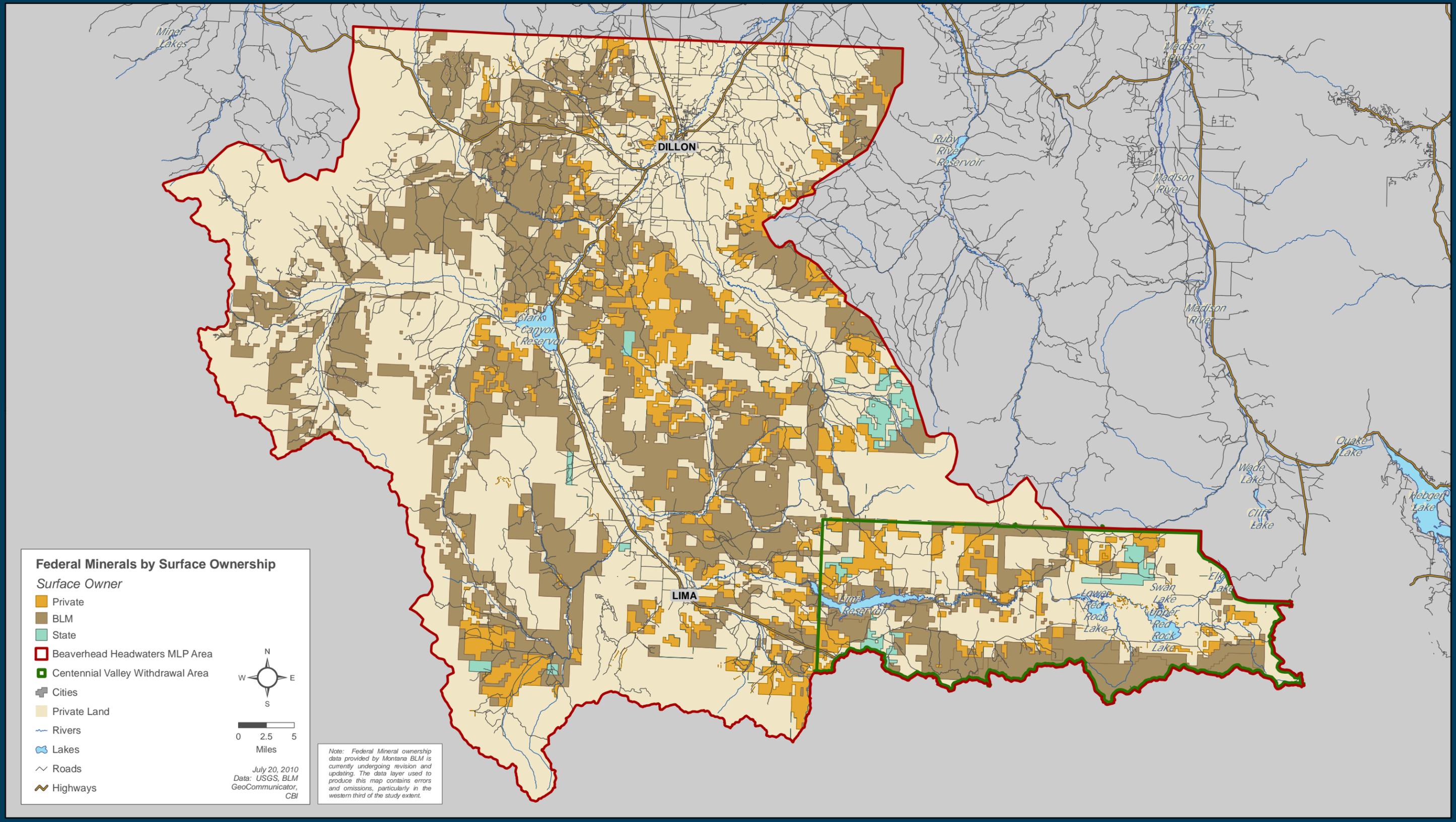
Beaverhead Headwaters/Centennial Valley Proposed MLP





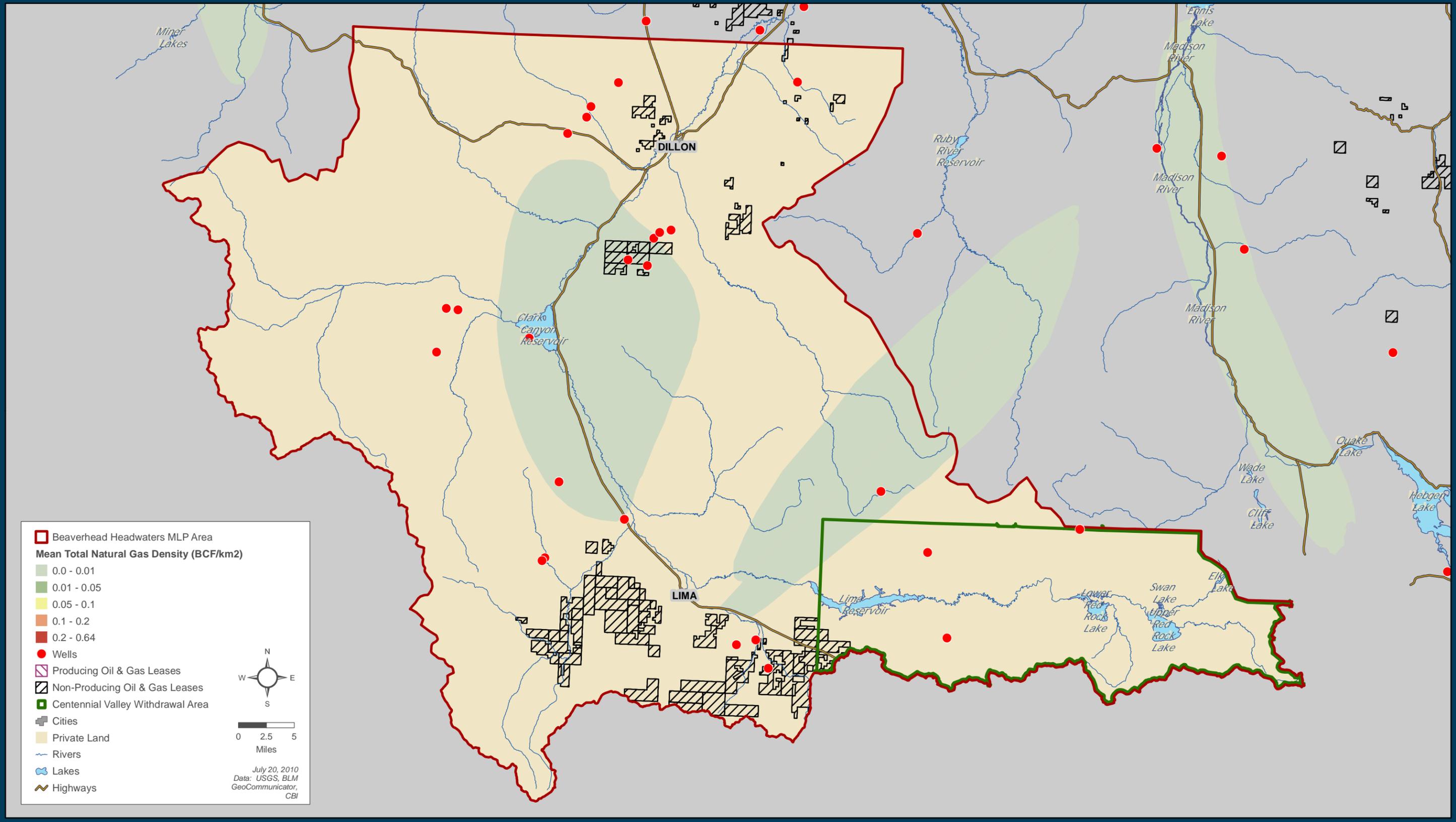
Federal Minerals by Surface Ownership

Beaverhead Headwaters/Centennial Valley Proposed MLP





Beaverhead Headwaters/Centennial Valley Gas Density and Wells





Beaverhead Headwaters/Centennial Valley Sage Grouse Core Areas

