

**MODIFIED DECISION RECORD
FOR
Lance Oil & Gas Company Inc.
Williams Draw Unit Gamma & Williams Draw Unit Delta PODs
ENVIRONMENTAL ASSESSMENT – WY-070-08-042**

BACKGROUND

The original Buffalo Field Office (BFO) decision on Williams Draw Unit (WDU) Gamma and Williams Draw Unit (WDU) Delta Plan of Developments (PODs) issued on May 14, 2010, deferred a decision on twenty-seven (27) APDs to allow the operator the opportunity to provide additional information related to the proposed access roads associated with the well locations. Lance Oil & Gas Company, Inc. was ordered to complete a geotechnical investigation and analysis for each road alignment and submit those findings as well as proper mitigation measures, based on a professional geotechnical engineer's recommendation, to alleviate the stress that load bearing traffic would impose upon the native materials and prevent slope failure.

The BLM ID team identified engineered roads C-1, C-2, F-1, F-2, G-1, L-3, O-1, O-2 and 23-25 requiring a geotechnical analysis within the WDU Gamma POD as well as engineered roads C-1, C-2, J-1, Q, 44-25A and 34-19 within the WDU Delta POD.

Following the onsite inspection and prior to the May 14, 2010 decision, BLM instructed Lance Oil & Gas (LOG) to complete a geotechnical analysis along identified proposed road alignments listed below where road suitability is questionable due primarily to slopes exceeding 25%. Lance submitted a plan for geotechnical analysis received by BLM-BFO January 13, 2010 but the plan failed to address all the areas of concern identified.

The sites identified were judged to be of uncertain stability and required additional information before being constructed and subjected to load bearing traffic. The Powder River Basin EIS states, "It may not be feasible or possible to build the road where slopes are steep and the rock or soil material is weak. In these cases, alternative road locations should be considered. Sites judged to be of uncertain stability should be reviewed by a Geotechnical Specialist before they are used. Those sites where emerging ground water, thick organic layers, unstable geology, or other instability factors are present should not be used."

The extent and detail of the geotechnical investigation required were to be determined by a licensed Professional Engineer competent in geotechnical engineering. The investigation reports submitted to the BLM were to consider the following:

- The analysis should include distribution of bedrock and surficial deposits, outcrops, in-situ slope stability, discontinuities, structural features, ground-water occurrence and behavior, potential sliding, current failures, and observed and potential geologic hazards.
- The geotechnical analysis should also include a narrative description of surficial deposits, specifying engineering properties, especially those that can affect design or construction. These descriptions may include, but are not restricted to, soil structure, composition, cohesion, internal friction, the presence of swelling materials, low-density materials, gypsum and other sulfates, caliche, dispersive soils, loose deposits subject to liquefaction or consolidation, and erodible materials.

A minimum of three exploratory holes or test pits were to be made along the proposed road alignment until bedrock is reached. All drill hole and test pit logs must show moisture condition, soil classification

and depth. Location of all borings will be submitted to BLM prior to initiation of the geotechnical investigation on a map.

On July 20, 2010 and September 23, 2010, the BLM-BFO received geotechnical investigation reports submitted by LOG for the following roads:

- WDU Gamma roads C-1, C-2 F-1, F-2, G-1, L-3, O-2 and 23-25
- WDU Delta roads C-1, C-2, Q, 34-19, and 44-25A

The geotechnical reports were reviewed by the BLM-BFO ID-Team to ensure that all the information provided addressed concern related to road suitability, slope stability as well as reclamation potential. The following determinations were made:

1. LOG had failed to submit geotechnical data for WDU Gamma road O-1 and WDU Delta road J-1
2. LOG had constructed WDU Gamma road O-1 without conducting a geotechnical investigation as directed by BLM in the decision on Williams Draw Unit (WDU) Gamma and Williams Draw Unit (WDU) Delta Plan of Developments (PODs) issued on May 14, 2010.
3. The geotechnical report submitted for WDU Delta road Q identifies carbonaceous shale along the road alignment that lies near the surface. This material is prone to decomposition and is likely to have low strength parameters providing poor slope stability under load bearing traffic. The road construction plan, however, does not adequately address mitigation to avoid road failure and ensure reclamation success. The site specific reclamation plan submitted by LOG February 1, 2010 does not adequately address the reclamation limitations associated with carbonaceous shale when brought to the surface nor does it adequately address surface stabilization.

DECISION: BLM's decision is to approve 26 of 27 APDs within LOG's WDU Gamma and WDU Delta POD's as described in Alternatives C. Alternative C is the Modified Proposed Action, and is the result of collaboration between the Bureau of Land Management and Lance Oil & Gas Company.

I find this action will not result in significant impacts on the human environment pursuant to Title 40 Code of Federal Regulations 1508.27 (a) and (b) (1) through (10) and that an Environmental Impact Statement is not required.

	Well Name	Well #	QTR	Sec	TWP	RNG	Lease
1	WDU DELTA WILLIAMS DU	11-7	NWNW	7	50N	76W	WYW042305
2	WDU DELTA WILLIAMS DU	34-19	SWSE	19	50N	76W	WYW145600
3	WDU DELTA WILLIAMS DU	14-30	SWSW	30	50N	76W	WYW145602
4	WDU DELTA WILLIAMS DU	41-30	NENE	30	50N	76W	WYW145601
5	WDU DELTA WILLIAMS DU	42-12	SENE	12	50N	77W	WYW133630
6	WDU DELTA WILLIAMS DU	23-13	NESW	13	50N	77W	WYW135629
7	WDU DELTA WILLIAMS DU	12-13	SWNW	13	50N	77W	WYW135629
8	WDU DELTA WILLIAMS DU	34-13	SWSE	13	50N	77W	WYW147347
9	WDU GAMMA WILLIAMS DU	44-5	SESE	5	49N	76W	WYW147332
10	WDU GAMMA WILLIAMS DU	33-8	NWSE	8	49N	76W	WYW160792
11	WDU GAMMA WILLIAMS DU	41-8	NENE	8	49N	76W	WYW160792
12	WDU GAMMA WILLIAMS DU	21-17	NENW	17	49N	76W	WYW134233
13	WDU GAMMA WILLIAMS DU	43-17	NESE	17	49N	76W	WYW134233
14	WDU GAMMA WILLIAMS DU	32-17	SWNE	17	49N	76W	WYW134233
15	WDU GAMMA WILLIAMS DU	41-17	NENE	17	49N	76W	WYW134233

	Well Name	Well #	QTR	Sec	TWP	RNG	Lease
16	WDU GAMMA WILLIAMS DU	12-1	SWNW	1	49N	77W	WYW136688
17	WDU GAMMA WILLIAMS DU	23-1	NESW	1	49N	77W	WYW136688
18	WDU GAMMA WILLIAMS DU	21-2	NENW	2	49N	77W	WYW136688
19	WDU GAMMA WILLIAMS DU	41-2	NENE	2	49N	77W	WYW136688
20	WDU GAMMA WILLIAMS DU	32-2	SWNE	2	49N	77W	WYW136688
21	WDU GAMMA WILLIAMS DU	43-2	NESE	2	49N	77W	WYW136688
22	WDU GAMMA WILLIAMS DU	21-24	NENW	24	50N	77W	WYW130640
23	WDU GAMMA WILLIAMS DU	32-24	SWNE	24	50N	77W	WYW130640
24	WDU GAMMA WILLIAMS DU	13-25	NWSW	25	50N	77W	WYW130625
25	WDU GAMMA WILLIAMS DU	23-25	NESW	25	50N	77W	WYW130625
26	WDU GAMMA WILLIAMS DU	34-25	SWSE	25	50N	77W	WYW130625

The following 1 well, WDU Delta road Q and associated infrastructure is denied:

Well Name	Well #	Environmental Issues
WDU DELTA	42-29-5076	<ol style="list-style-type: none"> 1. The geotechnical plan submitted by LOG on January 13, 2010 failed to recognize the BLM's concerns of slope stability for WDU Delta Road Q. A geotechnical investigation report submitted September 23, 2010 for Road Q identifies carbonaceous shale along the road alignment that lies near the surface to a depth of 4 feet at a segment of the road proposed over slopes >25%. This material is prone to decomposition and is likely to have low strength parameters providing poor slope stability under load bearing traffic. On October 6, 2010, BLM requested LOG detail how the carbonations shale would be dealt with in the road construction plans. LOG responded on October 12, 2010 that the material would be excavated and wasted on the surface. The road construction plan, however, does not adequately address mitigation to avoid road failure and ensure reclamation success. Carbonations shale brought to the surface will degrade topsoil and render it unsuitable for vegetation to establish and stabilize the surface especially across areas of steep slopes. 2. The access WDU Delta Road Q is proposed over slopes >25% at the ingress/egress of the well pad. This portion of the proposed road has poor road suitability as the design shows the load bearing portion of the road falling over slopes >25%. Road suitability is poor for the segment(s) identified. 3. The site specific reclamation plan submitted by LOG February 1, 2010 does not adequately address the reclamation limitations associated with carbonaceous shale when brought to the surface nor does it adequately address surface stabilization in general.

Operator Committed Measures:

The operator has agreed to abide by all condition of approval (COAs) in the Williams Draw Unit Gamma and Williams Draw Unit Delta POD's approved on May 14, 2010, EA # WY-070-EA-08-042. These COAs will reduce resource impacts. See Williams Draw Unit Gamma and Williams Draw Unit Delta Master Surface Use Plans (MSUP), submitted on February 1, 2010.

Conditions of Approval:

The operator must abide by all the condition(s) of approval (COAs) in the Williams Draw Unit Gamma and Williams Draw Unit Delta POD's approved on May 14, 2010, EA # WY-070-EA-08-042 specifically site specific surface use COA #11 which states:

The Williams Draw Unit Gamma and Delta Project area is dominated by steep slopes and/or fragile soils. Improved roads used in conjunction with accessing federal wells must be fully built (including all water control structures such as wingditches, culverts, relief ditches, low water crossings, surfacing, etc.) and functional to BLM standards as outlined in the BLM Manual 9113 prior to drilling of the well. This applies to the ENTIRE Williams Draw Gamma and Delta project areas.

Road O-1

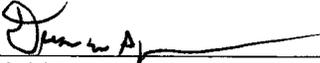
1. Lance Oil & Gas Company Inc. will complete a geotechnical evaluation of the WDU Gamma Road O-1, newly constructed, that includes a summary of: the slope stability, soils, bedrock, factor of safety against slope failures, and any special remediation or mitigation efforts required to decrease the potential for road failure.
 - a. This information is to be submitted to the BLM-BFO by December 1, 2010.
 - b. No construction related to WDU Gamma Road O-2 or well locations 12-13-5077, 23-13-5077, 34-13-5077, 21-24-5077 and 32-24-5077 will commence prior the completion of any and all remediation identified in the Road O-1 geotechnical evaluation.

RATIONALE: The decision to authorize the selected alternative, as summarized above, is based on the following:

1. The Operator, in their POD as of February 1, 2010, has committed to:
 - Comply with all applicable Federal, State and Local laws and regulations.
 - Obtain the necessary permits from other agencies for the drilling, completion and production of these wells including water rights appropriations, the installation of water management facilities, water discharge permits, and relevant air quality permits.
 - Offer water well agreements to the owners of record for permitted water wells within ½ mile of a federal CBNG producing well in the POD.
 - Provide water analysis from a designated reference well in each coal zone.
2. The Operator has certified that a Surface Use Agreement has been reached with the Landowners.
3. The selected alternative will not result in any undue or unnecessary environmental degradation.
4. It is in the public interest to approve these wells, as the leases have the potential of being drained of federal gas, resulting in a loss of revenue for the government. Furthermore, approval of this development will help meet the nation's future needs for energy reserves, and will help to stimulate local economies by maintaining stability for the workforce.
5. The selected alternative incorporates appropriate local greater sage-grouse research and the best available science from across the species' range in development of the attached conditions of approval.
6. Mitigation measures were selected to best meet the purpose and need, and will be applied by the BLM to alleviate environmental impacts.
7. The selected alternative incorporates components of the Wyoming Governor's Sage Grouse Implementation Team's "core population area" strategy, the Governor's executive order, and local research to provide mitigation for sage-grouse, while meeting the purpose and need for the Williams Draw Unit Gamma and Williams Draw Unit Delta Projects.

ADMINISTRATIVE REVIEW AND APPEAL: Under BLM regulations, this decision is subject to administrative review in accordance with 43 CFR 3165. Any request for administrative review of this decision must include information required under 43 CFR 3165.3(b) (State Director Review), including all supporting documentation. Such a request must be filed in writing with the State Director, Bureau of Land Management, P.O. Box 1828, Cheyenne, Wyoming 82003, no later than 20 business days after this Decision Record is received or considered to have been received.

Any party who is adversely affected by the State Director's decision may appeal that decision to the Interior Board of Land Appeals, as provided in 43 CFR 3165.4.



Field Manager, Buffalo Field Office

11/5/10

Date

**FINDING OF NO SIGNIFICANT IMPACT
FOR
MODIFIED DECISION RECORD
FOR
Lance Oil & Gas Company Inc.
Williams Draw Unit Gamma & Williams Draw Unit Delta PODs
ENVIRONMENTAL ASSESSMENT -WY-070-08-042**

FINDING OF NO SIGNIFICANT IMPACT:

On the basis of the information contained in the EA, and all other information available to me, it is my determination that: (1) The decision to approve twenty-six (26) wells and deny one (1) well previously onsited in the Lance Oil and Gas Inc's Williams Draw Unit (WDU) Gamma and Williams Draw Unit (WDU) Delta Plan of Developments (PODs) will not have significant environmental impacts beyond those already addressed in PRB EIS to which the EA is tiered; (2) The decision to authorize 26 wells and deny 1 well previously onsited wells is in conformance with the Buffalo Field Office Resource Management Plan (1985, 2001); and (3) The decision to authorize 26 wells and deny 1 well previously onsited wells does not constitute a major federal action having a significant effect on the human environment. Therefore, an environmental impact statement or a supplement to the existing environmental impact statement is not necessary and will not be prepared.

This finding is based on my consideration of the Council on Environmental Quality's (CEQ) criteria for significance (40 CFR 1508.27), both with regard to the context and to the intensity of the impacts described in the EA.

CONTEXT:

Mineral development (coal, oil and gas, bentonite, and uranium) is a long-standing and common land use within the Powder River Basin. More than one fourth of the nation's coal production comes from the Powder River Basin. The PRB FEIS reasonably foreseeable development predicted and analyzed the development of 51,000 CBNG wells and 3,200 oil wells. The additional CBNG development described in Alternative B is insignificant within the national, regional, and local context.

INTENSITY:

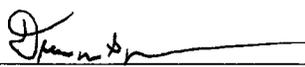
The implementation of a combination of Alternative C will result in beneficial effects in the forms of energy and revenue production however; there will also be adverse effects to the environment. Design features and mitigation measures have been included within Alternative C to prevent significant adverse environmental effects.

The preferred alternative does not pose a significant risk to public health and safety. The geographic area of the POD does contain unique characteristics identified within the 1985 RMP, 2003 PRB FEIS, or other legislative or regulatory processes.

Relevant scientific literature and professional expertise were used in preparing the EA. The scientific community is reasonably consistent with their conclusions on environmental effects relative to oil and gas development. Research findings on the nature of the environmental effects are not highly controversial, highly uncertain, or involve unique or unknown risks.

CBNG development of the nature proposed with this POD and similar PODs was predicted and analyzed in the PRB FEIS; the selected alternative does not establish a precedent for future actions with significant effects.

There are no cultural or historical resources present that will be adversely affected by the selected alternative. No species listed under the Endangered Species Act or their designated critical habitat will be adversely affected. The selected alternative will not have any anticipated effects that would threaten a violation of Federal, State, or local law or requirements imposed for the protection of the environment.

Field Manager:  Date: 11/5/10