

DECISION RECORD

**Categorical Exclusion (CX), WY-070-390CX3-13-76, Section 390, Energy Policy Act of 2005
Petro-Hunt, LLC, Application for Permit to Drill (APD), USA 44-71-27A-34-1H
Bureau of Land Management, Buffalo Field Office, Wyoming**

DECISION: The BLM approves the application for permit to drill (APD) from Petro-Hunt to drill 1 well and construct the associated infrastructure as described in the CX3 worksheet, WY-070-390CX3-13-76 which BLM incorporates here by reference.

Compliance. This decision complies with:

- Federal Land Policy and Management Act of 1976 (FLPMA) (43 USC 1701); DOI Order 3310.
- National Environmental Policy Act of 1969 (NEPA) (42 USC 4321).
- National Historic Preservation Act of 1966 (16 USC 470).
- Buffalo and Powder River Basin (PRB) Final Environmental Impact Statement (FEIS), 1985, 2003.
- Buffalo Resource Management Plan (RMP) 1985 and Amendments.

Consultation. This decision considered:

- BLM Washington Office Instruction Memorandum No. 2009-078, Processing Oil and Gas Application for Permit to Drill for Directional Drilling into Federal Mineral Estate from Multiple-Well Pads on Non-Federal Surface and Mineral Locations, 2009.
- Wyoming BLM State Director Review, SDR No. WY-2011-010, EOG Resources, Inc. v. Pinedale Field Office, 2011.

A summary of the details of the approval follows. The CX worksheet, WY-070-390CX3-13-76 includes the project description, including site-specific mitigation measures which are incorporated by reference into that worksheet from earlier analysis. The proposed well is approximately 5 miles east of Wright, Campbell County, Wyoming.

Approvals: BLM approves the following APD and associated infrastructure:

#	Well Name/Well #	QTR	Sec	TWP	RNG	Lease	CX Number
1	USA 44-71-27A-34-1H	SESE	22	44N	71W	WYW132214	WY-070-390CX3-13-76

THE FINDING OF NO SIGNIFICANT IMPACT (FONSI). Congress, the Department of Interior and BLM affirmed there was no significant impact of a like-structured project when they created this CX3 worksheet process and its limiting parameters. Thus a FONSI and an EIS is not required.

COMMENT OR NEW INFORMATION SUMMARY. Since receiving this APD the BLM received a clarification of best management practices to reduce direct mortality to wildlife, WO IM-2013-033.

DECISION RATIONALE. The approval of this project is because:

1. Mitigation measures and conditions of approval (COAs), analyzed in the CX3 worksheet, in environmental impact statements or environmental analysis to which the CX3 worksheet tiers or incorporates by reference, will reduce environmental impacts while meeting the project’s need.
2. The approved project conditioned by its design features and COAs, will not result in any undue or unnecessary environmental degradation. The impact of this development cumulatively contributes to the potential for local extirpation yet its effect is acceptable because it is outside priority habitats and is within the parameters of the PRB FEIS/ROD and current BLM and Wyoming GSG conservation strategies. There are no conflicts anticipated or demonstrated with current uses in the area. This decision approving the USA 44-71-27A-34-1H complies with the Energy Policy Act of 2005, Section 390, 43 CFR 1610.5, 40 CFR 1508.4, and 43 CFR 46.215.

3. Approval of this project conforms to the terms and the conditions of the 1985 Buffalo RMP (BLM 1985) and subsequent update (BLM 2001) and amendments (BLM 2003, 2011). This project complies with the breadth and constraints of CX3, Energy Policy Act of 2005, and subsequent policy.
4. The selected alternative will help meet the nation's energy need, revenues, and stimulate local economies by maintaining workforces.
5. The project is clearly lacking in wilderness characteristics as there is no federal surface.
6. This decision does not foreclose the lessee or operator to propose a new or supplementary plan for developing the federal oil and gas lease(s) in this project area, including submission of additional APDs to drain minerals in accord with lease rights and law. This decision does not foreclose the lessee or operator to propose using external pumping units via a sundry application process.
7. Petro-Hunt certified there is a surface use access agreement with the landowner.
8. This approval is subject to adherence with all of the operating plans, design features, and mitigation measures contained in the Master Surface Use Plan of Operations, Drilling Plan, Water Management Plan, and information in individual APDs.

ADMINISTRATIVE APPEAL: This decision is subject to administrative appeal in accord with 43 CFR 3165. Request for administrative appeal 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: _____



Date: _____

2/21/13

Categorical Exclusion 3 (CX3), WY-070-390CX3-13-76
Section 390, Energy Policy Act of 2005
Petro-Hunt, LLC, Application for Permit to Drill (APD), USA 44-71-27A-34-1H
Bureau of Land Management, Buffalo Field Office, Wyoming

Description of the Proposed Action

The proposed action (proposal) is to explore for and possibly develop oil reserves in geologic formations leased by Petro-Hunt, LLC (PH) in Wyoming. The proposed project consists of drilling 1 horizontal oil well to the Turner formation. Petro-Hunt proposes to drill, complete, produce, and eventually reclaim the location. Associated infrastructure will include tank batteries and access road. No gathering pipelines are proposed. Any future gathering pipelines or other infrastructure will have a sundry submitted and analyzed in a separate NEPA document.

The notice of staking (NOS) for the proposed well was filed October 3, 2012 and NOS onsite was conducted on November 13, 2012. An application for permit to drill (APD) was submitted January 17, 2013. The BLM sent a post-onsite deficiency letter to Petro-Hunt February 5, 2013.

The well access and well pad are located on fee surface owned by ARK Land Company and above fee minerals. Right-of-way grants are not required since no federal surface land will be crossed.

Table 1.1. Proposed Well

#	Well Name/ Well #	QTR	Sec	TWP	RNG	Lease	CX Number
1	USA 44-71-27A-34-1H	SESE	22	44N	71W	WYW132214	WY-070-390CX3-13-76

Table 1.2. Summary of Surface Disturbance

Activity	Length (feet)	Width (feet)	Disturbed	Interim Disturbance
*USA 44-71-27A-34-1H: constructed pad/ tank battery	640 ft.	360 ft.	5.3 acres	2.6 acres
Cut/fills & Topsoil/spoil stockpiles	varies	varies	1.0 acres	
USA 44-71-27A-34-1H: access Road	750 ft.	40 ft.	0.70 acres	
Total Disturbance			7.0	

NOTE: * this is a fee/fee/fed well. PH will use about 750 ft of existing improved road (constructed for fee CBNG development). PH will widen the existing road to a 24' running surface, all work will be in the existing footprint.

In addition, PH plans on drilling a fee/fee well from this well location.

For more details on project area access, design features, construction practices of the proposed action and details regarding reclamation refer to the (MSUP pp.1-8) in the APD. The plan was written and reviewed to ensure that environmental impacts to both surface and subsurface resources are minimized. Also see the APD for a map showing the proposed access road, existing roads and well location.

The estimated time to construct the well pad is 7-14 days, estimated time to drill the well is 10-20 days, and the estimated time for completion activities is 6-16 days.

Plan Conformance, Compliance, and Justification with the Energy Policy Act of 2005.

The Energy Policy Act of 2005, Section 390(a) subjects oil or gas exploration or development to a rebuttable presumption that the use of a categorical exclusion under the National Environmental Policy Act (NEPA) applies. Thus BLM must use an Energy Policy Act, Section 390(b), CX unless BLM rebuts

the presumption. This CX worksheet is NEPA compliance categorically excluded from an EA or EIS or their analysis; it is not an exclusion from all analysis. (40 CFR 1508.4 and BLM H-1790, p. 17.) The proposal conforms with the terms and conditions of the approved Resource Management Plan (RMP) for the public lands administered by the BLM, BFO, 1985, the PRB FEIS, 2003, and the Record of Decision (ROD) and Resource Management Amendments for the Powder River Oil and Gas Project, Amendments of 2001, 2011 as required by 43 CFR 1610.5, 40 CFR 1508.4, and 43 CFR 46.215. The project area is clearly lacking in wilderness characteristics as they are amidst extensive natural gas and coal development. BLM finds that the conditions and environmental effects found in the senior EA and PRB FEIS remain valid. The applicable categorical exclusion from the Energy Policy Act of 2005, Section 390, is exclusion number (b)(3) which is *drilling an oil or gas well within a developed field for which an approved land use plan or any environmental document prepared pursuant to NEPA analyzed such drilling as a reasonably foreseeable activity, so long as such plan or document was approved within 5 years prior to the date of spudding the well.*

BLM has 3 requirements to use a Section 390 CX3, (BLM H-1790, Appendix 2, #3, p. 143):

- 1) The proposed APD is in a developed oil or gas field. The proposed location incorporates by reference and is adjacent to; 2 fee/fee coalbed natural gas (CBNG) wells that are currently in gas shut in (GSI) status at this time. NOTE: the wells are set to be plugged before drilling of the USA 44-71-27A-34-1H.
- 2) There is an existing NEPA document (and the RMP) containing reasonably foreseeable development scenario for this action. BLM reviewed these documents and determined they considered the potential environmental effects associated with the proposed activity at a site specific level. In addition, the approved EA tiers into the PRB FEIS. The PRB EIS analyzed foreseeable development in the PRB. The PRB foreseeable development included 3,200 oil wells and drilling CBNG wells on 80 acre-spacing resulting in about 51,000 CBNG wells and over 3,200 oil wells. The USA 44-71-27A-34-1H well is in the foreseeable development scenario with similar geographic and resource conditions analyzed in the EA in Table 1.4 and in the PRB FEIS's Appendix A.

Table 1.4. EAs Which Account for Reasonably Foreseeable Development Scenario

#	POD Name	NEPA Document #	# / Type Wells	Decision Date
1	Cherokee Ridge Alpha	WY-070-EA12-070	6	6/8/12

- 3) The tiered NEPA document was finalized or supplemented within 5 years of spudding (drilling) the proposed well. See Table 1.4

In summary the impacts that will occur with the approval of this APD are similar to those analyzed in the EA in Table 1.4. The BFO reviewed the EA and found that the EA considered potential environmental effects associated with the proposal at a site specific level. The qualitative and quantitative analysis of anticipated direct, indirect, residual, and cumulative effects associated with well/infrastructure construction is adequate for this proposal. The APD's surface use and drilling plans are incorporated here by reference and show adequate protection of surface lands and ground water, including the Fox Hills formation.

Plan of Operations.

The proposal conforms to all Bureau standards and incorporates appropriate best management practices, required and designed mitigation measures determined to reduce the effects on the environment. BLM reviewed and approved a surface use plan of operations describing all proposed surface-disturbing activities pursuant to Section 17 of the Mineral Leasing Act, as amended. This CX3 worksheet also

incorporates and analyzes the implementation of committed mitigation measures contained in the SUP, drilling plan, in addition to the Standard COAs found in the PRB FEIS ROD, Appendix A.

Water Resources

The historical use for groundwater in this area was for stock or domestic water. A search of the WSEO Ground Water Rights Database showed 1 registered stock and no domestic water wells within 1 mile of the proposed well in the project area with depths from 105 to 706 feet. For additional information on groundwater, refer to the PRB FEIS, pp. 3-1 to 3-36.

Adherence to the drilling COAs, the setting of casing at appropriate depths, following safe remedial procedures in the event of casing failure, and using proper cementing procedures should protect any fresh water aquifers above the target coal zone. This will ensure that ground water will not be adversely impacted by well drilling and completion. The operator will run surface casing to 3,000 feet, total vertical depth to protect shallow aquifers. The water bearing formation in the Fox Hills Formations will be protected with casing and cement. Centralizers will be placed on every joint throughout the Fox Hills Formation. Estimated depth of the Fox Hills is 4960 total vertical distance (TVD).

Water for completions purposes will come from the City of Wright as will water for drilling/cementing purposes. Flowback fluids from the completion process will be disposed at one of two permitted disposal sites operated by TRCI or Kissack.

At the time of permitting, the volume of water that will be produced in association with these federal minerals is unknown. The operator will have to produce the wells for a time to be able to estimate the water production. In order to comply with the requirements of Onshore Oil and Gas Order #7, Disposal of Produced Water, the operator will submit a sundry to the BLM within 90 days of first production which includes a representative water analysis as well as the proposal for water management.

Historically, the quality of water produced in association with conventional oil and gas has been such that surface discharge would not be possible without treatment. Initial water production is quite low in most cases. There are three common alternatives for water management: Re-injection, deep disposal or disposal into pits. All alternatives would be protective of groundwater resources when performed in compliance with state and federal regulations.

Wildlife.

A BLM wildlife biologist reviewed the proposed APD. The wildlife biologist determined that the proposed APD, combined with the COAs (and design features), is: (1) consistent with the FEIS and its supplements, the RMP and the above tiered EAs; and (2) consistent with the programmatic biological opinion (ES-6-WY-02-F006), which is an update from the PRB FEIS, Appendix K. The affected environment and environmental consequences for wildlife are discussed in, and anticipated to be similar to, the Cherokee Ridge Alpha POD EA, (WY-070-EA12-070).

Raptors

Effects to raptors were analyzed in the Cherokee Ridge Alpha POD. Timing limitations were added to the POD as conditions of approval for both general raptors, and specifically for ferruginous hawks. No raptor nests are known within 0.5 mile of the proposed well. No timing restrictions for nesting raptors are needed.

Greater Sage-Grouse (GSG)

Effects to GSG were analyzed in the Cherokee Ridge Alpha POD EA. There are no leks known within 2 miles of the proposed well, and the habitat adjacent to the well has a very low potential to support nesting sage-grouse. No timing restrictions for nesting grouse are needed.

Migratory birds

The project could kill eggs or nestlings if the pad is cleared during the breeding season. Drilling and completions may impact migratory birds nesting adjacent to the well. These impacts are not anticipated to result in any measurable effect to migratory bird populations.

Cultural.

A previously reviewed and accepted Class III cultural resource inventory (BFO # 70110041) adequately covered the proposed project area. No cultural resources are in the area of potential effect. On February 15, 2013 Clinton Crago, BLM Archaeologist, electronically notified the Wyoming State Historic Preservation Office (SHPO) following section VI(A)(1) of the Wyoming State Protocol, of a finding of no effect for the proposed project.

List of Preparers: Persons and Agencies Consulted (BFO unless otherwise noted)

Position/Organization	Name	Position/Organization	Name
NRS/Team Lead	Eric Holborn	Archaeologist	Clint Crago
Supervisory NRS	Casey Freise	Wildlife Biologist	Bill Ostheimer
Petroleum Engineer	Matt Warren	Assistant Field Manager	Clark Bennett

Decision and Rationale on the Proposal.

The COAs provide mitigation and further the justification for this decision and may not be segregated from project implementation without further NEPA review. I reviewed the plan conformance statement and determined that the proposed USA 44-71-27A-34-1H CX3 APD and infrastructure conform to the applicable land use plan, 43 CFR 1610.5, 40 CFR 1508.4, and 43 CFR 46.215. I reviewed the proposal to ensure the appropriate exclusion category as described in Section 390 of the Energy Policy Act of 2005 is correct. I determined that there is no requirement for further environmental analysis.



Field Manager

2/21/13

Signature Date

Contact Person, Eric Holborn, Natural Resource Specialist, Buffalo Field Office, 1425 Fort Street, Buffalo WY 82834, 307-684-1044