

**Decision on Action and Application for Categorical Exclusion
For Activities Associated with Oil and Gas Development
Section 390, Energy Policy Act of 2005**

Squaw Creek Addition
Pinnacle Gas Resources, Inc.
(CX070-07-3-025 thru 028)
Bureau of Land Management
Buffalo Field Office

Description of the Proposed Action

Pinnacle Gas Resources, Inc. proposes to drill 4 additional CBNG wells and construct the associated infrastructure within the East and West Squaw Creek POD. The East and West Squaw Creek EA# (WYW-070-05-335) was approved on March 10, 2006.

The total number of wells approved will be 4 as follows:

Table 1 – Well List

CX #	Well Name	Well Number	Qtr/Qtr	Section	TWP	RNG	Lease Number
3-025	SQUAW CREEK ADD SS	07CC-30	SWNE	30	55N	73W	WYW138608
3-026	SQUAW CREEK ADD SS	07WP-30	SWNE	30	55N	73W	WYW138608
3-027	SQUAW CREEK ADD SS	02CC-33	NWNE	33	55N	73W	WYW130596
3-028	SQUAW CREEK ADD SS	02WP-33	NWNE	33	55N	73W	WYW130596

The proposed action includes the following:

1. Drilling of 4 federal CBM wells in the Cook/Canyon and Wall/Pawnee coal zones to the following depths:
 - o 7-CC30 well to 560 feet
 - o 7-WP30 well to 960 feet
 - o 2-CC30 well to 550 feet
 - o 2-WP33 well to 847 feet

The 7-CC30 and 7-WP30 wells were drilled without approval and subsequently plugged without approval. After APD approval, Operator will need to redrill and complete the 7-CC30 and 7-WP30 wells.

The 2-CC33 well was drilled and surface casing was set prior to APD approval; the well is currently shut-in. The 2-WP33 has not been drilled. After APD approval, Operator will need to complete the 2CC-30 well and drill and complete the 2-WP33 well.

2. An unimproved road network.

The proposed unimproved road network consists of:

 - o A primitive road near the 2-32 well location adjoining the two adjacent landowners' properties with a gate at the property line.
 - o A primitive road accessing the 7-30 well location.
 - o A primitive road between the 3-26 and 1-27 well locations.

These roads have been created and used prior to approval.

3. A buried gas, water and power line network. All proposed pipelines and utility corridors were constructed prior to approval at the following locations:
 - Utility lines (water, gas and electric) to the 7-30 well location were trenched in
 - Utility lines (water, gas and electric) to the 2-33 well location were trenched in
 - Utility lines (water, gas and electric) between the 14-29 well location, the 2-32 well location and the JW Impoundment were trenched in
 - Utility lines (water, gas and electric) to the 16-29 well location, the 4-33 well location and the 6-33 well location were trenched in
 - The pipeline route was brush-hogged and the pipeline was laid on the surface between the 3-26 well location and the 01-27 well location

Upon approval, the Operator will need to trench in the pipeline between the 3-26 well location and the 01-27 well location and reclaim all utility corridors.

4. A Water Management Plan (WMP) that involves the following infrastructure and strategy: 1 new discharge point and 1 existing stock water impoundment within the Little Powder River watershed. The operator has obtained a Wyoming Pollutant Discharge Elimination System (WYPDES) permit (Permit #WY0054402) from the Wyoming Department of Environmental Quality (WDEQ) for the discharge to this impoundment which states that this impoundment will not discharge except as a result of a storm event. The water discharge point at the JW Impoundment was installed prior to approval.
5. Installation of 3 culverts and 2 low water crossings.
 - Two culverts are located along the primitive road accessing the 2-35 well location
 - One culvert is located on the primitive road between the 5-27 and the Bay Horse Reservoir
 - One low water crossing is located along the primitive road between the 16-29 and 4-33 well locations
 - Another low water crossing is located along the primitive road accessing the 12-26 well location

These actions have not occurred. Once approved, the Operator will install the culverts and the low water crossing.

The topography of the project area consists of flat ephemeral bottomlands, gently rolling hills, and rising to moderately sloping ridges and draws. General vegetation communities in the area include sagebrush steppe, grassland, and penderosa/juniper woodlands. Squaw Creek and South Squaw Creek are the primary drainages in the project area with elevations in the area ranging from 3,940 to 4,176 feet. Livestock grazing and CBNG development are the current land uses of the area.

Surface owners include Leon Oedekoven, James Wolff, John Daly, Bambi Pownall and BLM. An onsite was held on December 21, 2006 with the following in attendance: James Wolff, landowner; Sonny Oedekoven, landowner; Brian Deurloo, Steve Gregersen, Mike Peck, Dave Riecken – Pinnacle Gas Resources; Pat Barker – Western Land Services; Tom Bills, Kathy Brus, Leigh Grench and Theresa Gulbrandson – BLM.

Surface Disturbance

Surface disturbance associated with this POD includes disturbance that occurred prior to BLM approval and disturbance that will take place after the POD is approved. The surface disturbance for this action consists of:

Table 2 - SUMMARY OF DISTURBANCE

Facility	Number or Miles	Factor	Acreage of Disturbance	Duration of Disturbance
Nonconstructed Pad	2	Site Specific	0.5	Long Term
Constructed Pad	0			
Gather/Metering Facilities	0	Site Specific	0	Long Term
Screw Compressors	0	Site Specific	0	Long Term
Monitor Wells	0	0.1/acre	0	Long Term
Impoundments	1		4.5	Long Term
On-channel	1	Site Specific	4.5	
Off-channel	0	Site Specific	0.0	
Water Discharge Points		Site Specific	0.1	
Channel Disturbance				Short Term
Headcut Mitigation*		Site Specific	0.0	
Channel Modification		Site Specific	0.0	
Improved Roads	0.0	40' Width or Site Specific	0	Long Term
No Corridor	0		0	
With Corridor	0		0	
2-Track Roads	1.9	12' Width or Site Specific	8.6	Long Term
No Corridor	0.2		0.2	
With Corridor	1.7	20' Width or Site Specific	8.4	
Pipelines	0.7	20' Width or Site Specific	2.6	Short Term
No Corridor	0.7		2.6	
With Corridor	0		0	
Buried Power Cable	0	12' Width or Site Specific	0	Short Term
No Corridor	0		0	
Overhead Powerlines	0.0	15' Width	0	Long Term
Additional Disturbance	0	Site Specific	0	
		Total	16.2	Short Term
		Total	13.6	Long Term

Plan Conformance

The proposed action is in conformance with the terms and the conditions of the Approved Resource Management Plan for the Public Lands Administered by the Bureau of Land Management, Buffalo Field Office (BFO), April 2001 and the PRB FEIS, as required by 43 CFR 1610.5

Plan of Operations

Due to actions being completed prior to BLM approval, the proposal was not designed in conformance with all Bureau standards. BLM enforcement actions and assessments were applied where noncompliance issues occurred on the ground prior to approval. The proposal has incorporated best management practices, required and designed mitigation measures determined to reduce the effects on the environment.

A surface use plan of operations describing all proposed surface-disturbing activities has been reviewed and is approved pursuant to Section 17 of the Mineral Leasing Act, as amended.

Compliance with the Energy Policy Act of 2005

The proposed activity has been determined to be statutorily categorically excluded from NEPA documentation in accordance with Section 390 of the National Energy Policy Act of 2005.

Categorical Exclusion 3: 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 drilling as a reasonably foreseeable activity, so long as such plan or document was approved within five (5) years prior to the date of spudding the well.

The East and West Squaw Creek EA (WYW-070-05-335) has been reviewed and has been determined to consider potential environmental effects associated with the proposed activity at a site specific level.

The environmental assessment for East and West Squaw Creek was approved on March 10, 2006 and identifies the drilling of the 7-30 and 2-33 twin wells and associated infrastructure as reasonably foreseeable.

Persons and Agencies Consulted

Water Management

The operator has committed in the water management plan to fully contain all the water produced in association with this project within the impoundments identified in the POD. Most of the water management structures and strategy were included and analyzed in the original East and West Squaw Creek POD EA. The water management strategy for the East and West Squaw Creek POD was also for complete containment within existing and proposed impoundments.

The maximum water production is predicted to be 11.0 gpm per well or 44.0 gpm (0.10 cfs or 71 acre-feet per year) for this POD. The PRB FEIS projected the total amount of water that was anticipated to be produced from CBNG development per year (Table 2-8 Projected Amount of Water Produced from CBM Wells Under Alternatives 1, 2A and 2B pg 2-26) for the Little Powder River drainage is 18,607 acre-feet in 2007 (maximum production was estimated in 2005

at 22,427 acre-feet). As such, the volume of water resulting from the production of these wells is 0.32% of the total volume projected for 2007. This volume of produced water is within the predicted parameters of the PRB FEIS.

The quality of the water that will be produced from these new wells is assumed to be similar to that analyzed in the East and West Squaw Creek PODs.

To manage the produced water, 1 on-channel impoundment (7.30 acre-feet) has been improved within the project area. This impoundment disturbed approximately 4.53 acres including the dam structures. This existing impoundment was upgraded to meet the requirements of the WSEO, WDEQ and the needs of the operator and the landowner. All water management facilities were evaluated for compliance with best management practices during the onsite.

The PRB FEIS assumes that 15% of the impounded water will re-surface as channel flow (PRB FEIS pg 4-74). Consequently, the volume of water produced from these wells may result in the addition of 0.015 cfs below the lowest reservoir (after infiltration and evapotranspiration losses). The operator has committed to monitor the condition of channels and address any problems resulting from discharge. Discharge will not be allowed from this impoundment or from any of the other impoundments included in the East and West Squaw Creek POD areas. The WYPDES permit identifies a Flow Monitoring point below the impoundment at which “any effluent from this facility that reaches the established flow monitoring station, except as a result of reservoir overtopping during a 100-year / 24-hour storm event or greater, will be considered a violation of this permit and must be corrected by the permittee immediately.” (WYPDES Permit page 2.)

Sedimentation will occur in the impoundments, but would be controlled through a concerted monitoring and maintenance program. Phased reclamation plans for the impoundments will be submitted and approved on a site-specific, case-by-case basis as they are no longer needed for disposal of CBNG water, as required by BLM applied COAs.

Alternative (2A), the approved alternative in the Record of Decision for the PRB FEIS, states that the peak production of water discharged to the surface will occur in 2005 at a total contribution to the mainstem of the Little Powder River of 13 cfs (PRB FEIS pg 4-86). The predicted maximum discharge rate from these 4 wells is anticipated to be a total of 44.0 gpm or 0.1 cfs to impoundments. Using an assumed conveyance loss of 20% (PRB FEIS pg 4-74) and full containment, the produced water re-surfacing in Squaw Creek from this action (0.015 cfs) may add a maximum 0.012 cfs to the Little Powder River flows, or 0.09% of the predicted total CBNG produced water contribution. This impoundment is over 35 stream miles above the confluence of downstream tributaries (Horse Creek) with the Little Powder River. For more information regarding the maximum predicted water impacts resulting from the discharge of produced water, see Table 4-6 (PRB-FEIS pg 4-85).

Cultural

Class III cultural resource inventories were conducted for the Squaw Creek Addition POD prior to onsites conducted by BLM personnel (BFO project no. 70070025). Western Lands Services conducted a block and linear Class III cultural resource inventory following the Archeology and Historic Preservation, Secretary of the Interior's Standards and Guidelines (48CFR190) for the project.

Leigh Grench, BLM Archaeologist, reviewed the report for technical adequacy and compliance with Bureau of Land Management (BLM) standards, and determined it to be adequate. The following cultural resources are located in or near the area of potential effect.

Table 3 Cultural Resources Inventory Results

Site Number	Site Type	Eligibility
48CA6352	Historic Trash Dump	Not Eligible
48CA3255	Prehistoric Lithic Scatter	Not Eligible
48CA3256	Historic Homestead	Not Eligible

The Bureau has electronically notified the Wyoming State Historic Preservation Officer (SHPO) following section V (B) of the Wyoming State Protocol on 02/22/07 that no eligible historic properties were affected in the proposed project area.

If any cultural values [sites, artifacts, human remains (Appendix L PRB FEIS)] are observed during operation of this lease/permit/right-of-way, they will be left intact and the Buffalo Field Manager notified. Further discovery procedures are explained in the East and West Squaw Creek EA# WYW-070-05-335 approved on March 10, 2006 *Standard Conditions of Approval* (General)(A)(1).

Wildlife

A BLM biologist reviewed an operator contracted wildlife inventory for the additions project and the analysis conducted for the East and West Squaw Creek POD. In addition, the BLM biologist conducted a field visit on December 21, 2006; where he reviewed the wildlife inventory for accuracy and evaluated impacts to wildlife resources. The complete wildlife analysis which evaluated all potentially affected Endangered Species Act listed species, BLM sensitive species, and other species of concern is available in the project file.

Decision and Rationale on Action

I have decided to implement permitting of the 07CC-30, 07WP-30, 2CC-33 and the 02WP-33 wells and associated infrastructure with the following Conditions of Approval (COAs):

1. The following conditions will minimize the impacts to raptors:
 - a. If an undocumented raptor nest is located during project construction or operation, the Buffalo Field Office (307-684-1100) shall be notified within 24 hours.
 - b. Activities within 0.5 miles of raptor nests shall be minimized as much as possible during the breeding season (February 1 – July 31), and restricted to between 0900 and 1500 hours.
 - c. Nest productivity checks shall be completed for all raptor nests within the Squaw Creek Additions POD listed in the table below. The productivity checks shall be completed for the first five years following project completion. The productivity checks shall be conducted no earlier than June 1 or later than June 30 and any evidence of nesting success/production shall be recorded. Survey results will be submitted to a Buffalo BLM biologist in writing no later than July 31 of each survey year.

BLM ID	UTM East	UTM North	Species	Substrate	Status 2005
3470	448688	4952374	RTHA	CTD	ACTI
3473	451603	4950900	SWHA	CTL	ACTI

2. The following conditions will minimize impacts to sage-grouse:
 - a. Sage-grouse surveys are required throughout the project area for the current breeding season and results reviewed by a BLM biologist. This condition will be implemented on an annual basis for the duration of surface disturbing activities.
 - b. If an active lek is identified during the survey, the 2 mile timing restriction (March 1-June 15) will be applied and surface disturbing activities will not be permitted until after the nesting season.
 - c. If the Wolfe lek is active the following will be affected;

Township Range	Sections	Affected Infrastructure
T55N R73W	29, 32, 33	Pipeline corridors
T55N R73W	30	Well 07-30 and corridor

- d. If the Squaw Creek lek is active the following will be affected;

Township Range	Section	Affected Infrastructure
T55N R73W	26, 27	Pipeline corridor.

3. As committed by the operator in the WMP, there will be no discharge of water produced in association with CBNG below any impoundments.
4. If any trees or riparian vegetation such as willows become inundated as a result of CBNG water discharge, the operator will:
 - a. Revise the water management strategy to reduce the discharge to eliminate the potential for inundation and the probability of harming the tree, or
 - b. Plant replacement vegetation and trees above the high water line in an area acceptable to the landowner where inundation will not be an issue.
5. All stock tanks shall include a ramp to enable trapped small birds and mammals to escape. See Idaho BLM Technical Bulletin 89-4 entitled Wildlife Watering and Escape Ramps on Livestock Water Developments: Suggestions and Recommendations.
6. No water will be allowed to overflow out of the stock tank to prevent potential erosion and additional surface disturbance.
7. The operator will increase the amount of the reclamation bond (#WYB00009) which is held by the BLM to include the increased costs associated with the construction of a by-pass channel at the JW impoundment. A copy of the proof of the adjustment will be submitted to the BLM BFO by 06-29-07.
8. All conditions of approvals with the East and West Squaw Creek EA approved 3/10/2006 must be strictly adhered to. See attached site specific COA document.

The above COAs and/or terms and conditions provide justification for this decision and may not be segregated from project implementation without further NEPA review. In addition, I have reviewed the plan conformance statement and have determined that the proposed activity is in conformance with the applicable land use plan(s). Further, I have reviewed the proposal to ensure the appropriate exclusion category as described in Section 390 of the Energy Policy Act of 2005 has been correctly applied. It is my determination that no further environmental analysis is required.

The above described action must be completed by 3/10/2011.

Implementation Date

This project will be implemented on or after the below date.

Chris E. Hanson
Field Manager

Date

Administrative Review or Appeal Opportunities

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.

Contact Person

For additional information concerning this decision, contact:

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