

DECISION RECORD
Categorical Exclusion 3 (CX3), WY-070-390CX3-15-73
Section 390, Energy Policy Act of 2005
Sheridan Production Co., LLC, SLPU FED 23-04H
Bureau of Land Management, Buffalo Field Office, Wyoming

DECISION. The BLM approves the application for permit to drill (APD) from Sheridan Production Co., LLC (Sheridan) to drill 1 horizontal oil and gas well and construct the access road and infrastructure as described in the Categorical Exclusion #3 (CX3), WY-070-390CX3-15-73, all incorporated 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).
- Endangered Species Act of 1974 (16 USC 1531).
- Powder River Basin Oil and Gas Project Final Environmental Impact Statement (FEIS), 2003.
- Buffalo Resource Management Plan (RMP) 1985, Amendments 2003, 2011.
- Greater Sage-Grouse Habitat Management Policy on Wyoming BLM Administered Public Lands (WY-IM-2012-019) and Greater Sage-Grouse Interim Management Policies and Procedures (WO-IM-2012-043).

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 analysis for the 1 oil and gas well includes the project description, and site-specific mitigation measures which are incorporated by reference in this CX from earlier analysis. The proposed well is 34 miles southwest of Gillette, Wyoming. Sheridan Production’s proposed APD will produce oil and gas from the Parkman Formation of the Powder River Basin (PRB).

Approvals: BLM approves 1APD and associated infrastructure

#	Well Name	Well #	QTR/Lot	Sec	TWP	RNG	Surface	SH Lease #	Bottom Hole
1	SLPU FED	23-04H	NENW	3	45N	74W	Fee	Fee	Federal

Limitations. See conditions of approval (COAs) and recommended mitigation measures (RMMs).

THE FINDING OF NO SIGNIFICANT IMPACT (FONSI). The analysis in Categorical Exclusion #3 (CX3), WY-070-390CX3-15-73 found no significant impact to the human environment and BLM incorporates by reference here that FONSI. Thus an EIS is not required.

Summary of New Information. BLM posted the APDs for 30 days and received no public comments. Since BLM received the APD it has not received new policies appropriate to this proposal.

DECISION RATIONALE. The approval of this project is because:

1. BLM and Sheridan included design features and mitigation measures (conditions of approval (COAs)) to reduce environmental impacts while meeting the BLM's need. For a complete description of all site-specific COAs, see the COAs.
 - a. The impact of this development cumulatively contributes to the potential for local extirpation of the Greater Sage Grouse (GSG) yet its effect is acceptable because it is outside priority habitats and is within the parameters of the PRB FEIS/ROD and current BLM (WO-IM-2012-043) and Wyoming (WY-IM-2012-019) GSG conservation strategies.
 - b. With application of Standard Operating Procedures (SOPs), applied mitigation, Required Design Features, and COAs identified for Greater Sage-Grouse under the proposed action, impacts caused by surface-disturbing and disruptive activities would be minimized.
 - c. There are no conflicts anticipated or demonstrated with current uses in the area.
2. The Resource Management Plan (RMP) for the Buffalo Field Office is currently undergoing revision. The Draft RMP and Environmental Impact Statement was released in June 2013. The proposed action was screened against the Draft RMP to ensure that the proposed action would not preclude BLM's ability to select any alternative in a ROD. The proposed action was also determined to not be inconsistent with the direction outlined in the RMP's Preferred Alternative.
3. Sheridan will conduct operations to minimize adverse effects to surface and subsurface resources, prevent unnecessary surface disturbance, and conform with currently available technology and practice.
4. The selected alternative will help meet the nation's energy needs, and help stimulate local economies by maintaining workforce stability.
5. The operator committed to:
 - Comply with the approved APD, applicable laws, regulations, orders, and notices to lessees.
 - Obtain necessary permits from agencies.
 - Offer water well agreements to the owners of record for permitted wells.
 - Incorporate several measures to alleviate resource impacts into their submitted surface use plan and drilling plan.
6. The operator certified it has a surface access agreement.
7. The project lacks wilderness characteristics. A wilderness characteristics inventory was completed in 2013; no lands with wilderness characteristics were identified outside the Big Horn Mountains. The inventory is available at: <http://www.blm.gov/wy/st/en/programs/Planning/rmps/buffalo/docs.html>.
8. This APD is pursuant to the Mineral Leasing Act for developing oil or gas and do not satisfy the categorical exclusion directive of the Energy Policy Act of 2005, Section 390.

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: _____ /s/ Duane W. Spencer

Date: _____ 3/16/15

Categorical Exclusion 3 (CX3), WY-070-390CX3-15-73
Section 390, Energy Policy Act of 2005
Sheridan Production Co., LLC, SLPU FED 23-04H
Applications for Permit to Drill (APDs)
Bureau of Land Management, Buffalo Field Office, Wyoming

Description of the Proposed Action.

Sheridan Production Co., LLC (Sheridan) requests BLM’s approval for 1 application for permit to drill (APD). Sheridan proposes to drill the horizontal oil and gas well and construct associated infrastructure at the location in Table 1.1.

Table 1.1. Proposed Well

#	Well Name	Well #	QTR/Lot	Sec	TWP	RNG	Surface	SH Lease #	Bottom Hole
1	SLPU FED	23-04H	NENW	3	45N	74W	Fee	Fee	Federal

The proposal is to explore for, and possibly develop oil and gas reserves in the Lower Parkman formation at a depth of 7,571 feet of total vertical depth. The project area is 34 miles south of Gillette, Campbell County, Wyoming.

The jurisdiction for SLPU Fed 23-04H is fee surface with underlying fee minerals; the lateral producing from Federal minerals. BLM consults Instruction Memorandum (IM) No. 2009-078 entitled *Processing Oil and Gas Applications for Permit to Drill for Directional Drilling into Federal Mineral Estate from Multiple-Well Pads on Non-Federal Surface and Mineral Estate Locations* for processing applied to the SLPU Fed 23-04H APD. Appendix A contains required Conditions of Approval (COAs), and Appendix B contains Recommended Conditions of Approval (COAs), for SLPU Fed 23-04H, as instructed in IM No. 2009-078. The fluid mineral leasing program falls under the authority of the Mineral Leasing Act, the Federal Land Policy Management Act (FLPMA), and other laws and regulations.

Project area elevation is 5,016 feet above sea level. The area consists of flat to gentle rolling topography with small ephemeral drainages. The climate is semi-arid, averaging 10-14 inches of precipitation annually, about 60% of which occurs between April and September. The SLPU Fed 23-04H well and infrastructure are all located on private surface. Livestock grazing is the primary historic land use. There is existing conventional oil and coalbed natural gas (CBNG) development in and adjacent to the project area. Oil and gas development became the predominant land use in recent years. The proposed well is in the Savageton Lower Parkman Oil & Gas Unit WYW177255X, which includes 28,330 acres of existing and proposed oil and gas development. A network of existing roads within the project area will be used to access the SLPU Fed 23-04H. These roads were constructed or improved to accommodate the existing CBNG development.

Sheridan submitted an APD on August 12, 2014, to the BFO. Sheridan and BFO completed onsite evaluations on October 29, 2014. The onsite evaluated the proposal and modified it to mitigate environmental impacts. The BLM sent a Post-onsite deficiency letter to Sheridan on November 6, 2014. Revisions were received from Sheridan on December 19, 2014, and January 15, 2015.

Drilling, Construction & Production design features include:

- Sheridan anticipates completing drilling and construction in 2 years. Drilling and construction is year-round in the region. Weather may cause delays but delays rarely last multiple weeks. Timing limitations in the form of conditions of approval (COAs) and/or agreements with surface owners may impose longer temporal restrictions.
- A road network consisting of existing improved roads and proposed improved roads.
- 150kW generators will supply temporary power to the pumping unit and lease control equipment.

Gas produced from the well will be used and/or propane trucked to the location for the generator. Generators will be removed once power lines have been installed to individual well locations, if power is required. Additional overhead power has not been proposed. There is existing overhead power in close proximity to individual well locations

- Construction of 1 engineered drilling pad, access road, and buried pipelines accounting for a total of 4.49 acres of disturbance for the proposed project during the construction and drilling phases; reduced to 1.50 acres of disturbance during the operational phase.
- Buried pipelines as depicted in Surface Use Plans.
- Sheridan will not use Hydraulic Fracturing in completion of this well.
- Approximately 10,000 bbls of water will be used for the drilling and completion. The water source will be municipal water from the city of Gillette, which will be hauled by truck to the well sites and stored in tanks.
- A wheel trencher used to construct the pipeline right-of-way. Initial disturbance will be 20 feet wide; after interim reclamation, disturbance width will be 10 feet wide.
- Sheridan certified that all affected landowners within ½ mile have been offered a water well agreement.

For a detailed description of design features and construction practices associated with this proposal, refer to the surface use plan (SUP) and drilling plan included with the APD. Also, see the subject APD for maps showing the proposed well location and associated facilities described above. Total surface disturbance for the proposed action is 4.49 acres, reduced to 1.50 acres of disturbance at Interim Reclamation. Once the well is completed, any area of the well pad not needed for operations will be reclaimed for interim reclamation (long-term disturbance).

Table 1.2. Disturbance Summary SLPU Fed 23-04H:

Facility	Construction Disturbance (Short Term)	Interim Disturbance (Long Term)
Number of Well Pads	1	1
Engineered Pads with fill slopes, topsoil, spoils	3.45 acres	0.46 acres
Proposed Template Roads	0.24 acres	0.24 acres
Proposed Pipelines	0.80 acres	0.80 acres
Overhead Power (none proposed)	Existing adjacent	Existing adjacent
Total Acre Disturbance	4.49 Acres	1.50 Acres

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 analysis is NEPA compliance that is 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, and Amendments of 2001, 2003, 2011, and the PRB FEIS, 2003 Record of Decision (ROD) as required by 43 CFR 1610.5, 40 CFR 1508.4, and 43 CFR 46.215. BLM finds that the conditions and environmental effects found in the senior EAs 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 (any field with a completed confirmation well). The proposed SLPU Fed 23-04H is inside, immediately adjacent to or in the 4 mile analysis area of the recent NEPA analysis in Table 1.3, which include an area of approximately 19,840 acres. This information shows the reader that BLM conducted analysis.
- 2) There is an existing NEPA document (and the RMP) containing reasonably foreseeable development scenario for this action. BLM reviewed this document and determined that it 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 51,000 CBNG wells. The proposed well is in the foreseeable development scenario with similar geographic and resource conditions analyzed in the EA in Table 1.3 and in the PRB FEIS's Appendix A.

Table 1.3.* Overlapping NEPA Analyses Tiered & Incorporated by Reference

POD / Well Name	Operator	NEPA Analyses #	#/Type Well	# Drilled	Decision Date
SLPU Add 2 POD	Sheridan Production	WY-070-EA14-216	4/ Oil	2 Oil	6/25/2014

See also: SDR WY-2013-005, particularly noting pp. 2-3, incorporating the entirety here by reference.

*Approved within 5 years and in the 4 miles analysis area of the SLPU Fed 23-04H (as of 3/10/2015)

- 3) The tiered NEPA document was finalized or supplemented within 5 years of spudding (drilling) the proposed well. See Table 1.3 for tiered document.

In summary, the analysis in Tables 1.3., analyzed in detail the anticipated direct, indirect, residual, and cumulative effects that would result from the approval of this APD and associated support structure in SLPU Fed 23-04H is similar to both the qualitative and quantitative analysis in the above tiered-to and incorporated NEPA analysis. The BLM reviewed the analysis and found that the analysis considered potential environmental effects associated with the proposal at a site specific level. The SLPU Fed 23-04H APD 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. The proposal's acres of surface disturbances are within the analysis parameters of the PRB FEIS.

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 analysis 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, Appendices A, B and C.

Traffic, light and heavy duty trucks, will increase with approval of the well. During the construction and drilling phase, Sheridan estimates 5-15 heavy duty and light duty trucks per day. During the operation phase, Sheridan estimates up to 2 light duty trucks per day for well operational activities.

Wildlife

A BLM wildlife biologist reviewed the proposed APD and determined that it, combined with the COAs and design features, are: (1) consistent with the PRB FEIS, the Buffalo RMP and the above tiered NEPA analysis; and (2) consistent with the programmatic biological opinion (ES-6-WY-02-F006), from the PRB FEIS, Appendix K. The affected environment and environmental effects for wildlife are discussed in, and anticipated to be similar to, the SLPU Add 2 POD, (WY-070-EA14-216), incorporated here by reference. Rationale for species not discussed in detail below can be referenced in the administrative record ((Table W.1.(Summary of Sensitive Species Habitat and Project Effects) and Table W.2. (Summary of

Threatened and Endangered Species Habitat and Project Effects). Additional information is discussed below.

Land uses and other disturbances occurring within the proposed project include wildlife habitat, livestock grazing, ranching, dryland agriculture, overhead power lines, conventional oil and gas, and improved and unimproved roads. Habitats within the proposal are comprised of sagebrush grassland and mixed-grass prairie. The dominant vegetation is Wyoming big sagebrush and the understory is a mix of pasture grasses (needleandthread, prairie junegrass, blue gramma, Sandberg bluegrass, threadleaf sedge, and cheatgrass).

Migratory Birds

During the onsite, the BLM biologist identified that suitable nesting habitat is present for several BLM sensitive sagebrush obligates. Construction of the well and associated infrastructure will remove nesting habitat which could kill BLM sensitive migratory birds, or destroy eggs, if the habitat is removed during the nesting season. To reduce the likelihood of a “take” under the MBTA, the BLM biologist recommended that construction of the proposal (vegetation removal) occur outside of the breeding season (May 1- July 31) for the proposed well pad and associated infrastructure. This restriction would apply to habitat removal, unless a pre-construction nest search (within approximately 10 days of construction planned May 1-July 31) is completed. If surveys will be conducted, the operator will follow the “2012 Sage-brush BLM Sensitive Migratory Bird Nest Protocol” found at the following web address:

http://www.blm.gov/wy/st/en/field_offices/Bufalo/wildlife.html

Water Resources

The historical use for groundwater in this area was for stock water. A search of the WSEO Ground Water Rights Database showed 1 registered stock water wells within 1/2 mile of the proposed well in the project area at a depth of 275 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 1,700 feet, total vertical depth to protect shallow aquifers.

Table 1.4. Casing Set and Cementing Depths in relation to the Fox Hills

Well Name/ Well #	Total Depth of Surface Casing (ft.)	Total Depth of Intermediate Casing (ft.)	Depth to Fox Hills (ft.)
SLPU FED 23-04H	1,700	7,050	6,463

The Fox Hills, the deepest penetrated fresh water zone in the PRB lies well above the target formation. Table 1.4., shows the depth where casing will be set and cemented in place. The operator will verify that there is competent cement across the zone, from 100 feet above to 100 feet below the Fox Hills formation. This will ensure that ground water will not be adversely impacted by well drilling and completion operations.

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 well 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.

Cultural

In accordance with section 106 of the National Historic Preservation Act, BLM must consider impacts to historic properties (sites that are eligible for or listed on the National Register of Historic Places (NRHP)). For an overview of cultural resources that are generally found within BFO the reader is referred to the Draft Cultural Class I Regional Overview, Buffalo Field Office (BLM, 2010). A Class III (intensive) cultural resource inventory (BFO project no. 70150044) was performed in order to locate specific historic properties which may be impacted by the proposed project. No cultural resources are located in or near the proposed project area.

BLM policy states that a decision maker’s first choice should be avoidance of historic properties (BLM Manual 8140.06(C)). If historic properties cannot be avoided, mitigation measures must be applied to resolve the adverse effect. No historic properties will be impacted by the proposed project. Following the State Protocol Between the Wyoming Bureau of Land Management State Director and The Wyoming State Historic Preservation Officer, Section V(D)(i) the Bureau of Land Management electronically notified the Wyoming State Historic Preservation Officer (SHPO) on 3/13/2015 that no historic properties exist within the area of potential effect (APE). If any cultural values (sites, features or artifacts) are observed during operation, they will be left intact and the Buffalo Field Manager notified. If human remains are noted, the procedures described in Appendix L of the PRB FEIS must be followed. Further discovery procedures are explained in Standard COA (General)(A)(1).

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

Position/Organization	Name	Position/Organization	Name
NRS/Team Lead	Debby Green	Archaeologist	Clint Crago
Supervisory NRS	Casey Freise	Wildlife Biologist	Scott Jawors
Petroleum Engineer	Jonathon Shepard	Geologist	Kerry Aggen
LIE	Karen Klaausen	NEPA Coordinator	Tom Bills

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 SLPU Fed 23-04H 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: _____/s/Duane W. Spencer

Date: _____ 3/16/15

Contact Person, Debby Green, Natural Resource Specialist, Buffalo Field Office, 1425 Fort Street, Buffalo WY 82834, 307-684-1100.

Reference

Taylor, R. L., D. E. Naugle, L. S. Mills. 2012. Viability analyses for conservation of sage-grouse populations: Buffalo Field Office, Wyoming. Final Report. February 27, 2012. University of Montana, Missoula, MT.