DECISION RECORD
Categorical Exclusion 3 (CX3), WY-070-390CX3-14-288 to 289
SM Energy Section 390, Energy Policy Act of 2005
Bureau of Land Management, Buffalo Field Office, Wyoming

DECISION. The BLM approves the applications for permit to drill (APDs) from SM Energy to drill 2 oil and gas well and construct its associated infrastructure as described in the consolidated CX3 analysis, WY-070-390CX3-14-288 to 289, all of which the 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).
- Endangered Species Act of 1974 (16 USC 1531).
- Buffalo and Powder River Basin Final Environmental Impact Statement (FEIS), 1985, 2003 (2011).
- Buffalo Resource Management Plan (RMP) 1985, Amendments 2001, 2003, 2011.

A summary of the details of the approval follows. The CX analysis, WY-070-390CX3-14-288 to 289 includes the project description, including site-specific mitigation measures which are incorporated by reference into that CX3 from earlier analysis. The proposed wells are approximately 30 miles West of Wright, Johnson County, Wyoming.

Approvals. BLM approves the following APD and associated infrastructure:

Well Name/ Well #	Qtr	Sec	Twp	Rng	Lease
Smokey Fed 4176-18-19-1FH	SWSW	7	41N	76W	WYW147312
Clover Fed 4177-12-1-1FH	SWNE	13	41N	77W	WYW147341

Limitations. See the conditions of approval (COAs).

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 and its limiting parameters. Thus a FONSI and an EIS is not required.

COMMENT OR NEW INFORMATION SUMMARY. Since receipt of this APD the BLM received no new or clarified policies appropriate to this proposal.

DECISION RATIONALE. The approval of this project is because:
1. Mitigation measures and COAs, analyzed in the CX3, in environmental impact statements or environmental analysis to which the CX3 tiers or incorporates by reference, will reduce environmental impacts while meeting the BLM'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 greater sage-grouse (GSG) 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 2 wells 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 operator, in their POD, shall:
   - Comply with all applicable federal, state, and local laws and regulations.
   - Offer water well agreements to the owners of record for permitted water wells within 0.5 mile of a federal producing well in the POD (PRB FEIS ROD, p. 7).
6. The project is clearly lacking in wilderness characteristics as it lacks federal surface.
7. 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.
8. SM Energy certified there is a surface access agreement with the landowners.
9. 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 APD.

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: 6/25/14

Categorical Exclusion 3 (CX3), WY-070-390CX3-14-288 to 289
Applications for Permit to Drill (APDs), Section 390, Energy Policy Act of 2005
SM Energy, Smokey Fed 18-19-1FH, Clover Fed 12-1-1FH
Bureau of Land Management, Buffalo Field Office, Wyoming

Description of the Proposed Action.
The proposal is to explore for and possibly develop oil and gas reserves in geologic formations leased by SM Energy in Wyoming, see Table 1. The proposal consists of drilling 2 horizontal oil and gas wells to the Frontier Formation. SM Energy proposes to drill, complete, produce, and eventually reclaim the location. Associated infrastructure will include a tank battery and access roads. No gathering pipelines are proposed. Any future gathering pipelines or other infrastructure will have a sundry submitted and receive NEPA analysis. SM Energy submitted the APDs March 11, 2014. Onsite inspections occurred on April 9, 2014 to evaluate the proposal and modified it as necessary to mitigate environmental impacts. The APDs were resubmitted May 13, 2014. A second onsite occurred June 3, 2014 to evaluate changes to pad and access locations made after the first onsite. The BLM sent a post-onsite deficiency letter to SM Energy on June 4, 2014. The BLM received deficiency responses June 17, 2014.

Table 1. Proposed Wells

Well Name/ Well #	Qtr	Sec	Twp	Rng	Lease	CX Number
Smokey Fed 4176-18-19-1FH	SWSW	7	41N	76W	WYW147312	WY-070-390CX3-14-288
Clover Fed 4177-12-1-1FH	SWNE	13	41N	77W	WYW147341	WY-070-390CX3-14-289

The BLM's need for this project is to determine whether, and if so, and under what conditions to support the Buffalo Resource Management Plan's (RMP) goals, objectives, and management actions (2003 Amendment) with permitting the operator's exercising of conditional lease rights to develop federal fluid minerals. APD information is an integral part of this EA, which BLM incorporates here by reference. Conditional fluid mineral development supports the RMP, the Mineral Leasing Act of 1920, the Federal Land Policy Management Act (FLPMA), and other laws and regulations.

Table 1.2. Summary of Surface Disturbance

Facility	
Engineered Pad	2 @ varies (15.5 acres)*
Template Road	0.5 miles @ 50' corridor (2.7 acres)
Total Acre Disturbance	**18.2 ac**

NOTE: * note pad to include poseidon and frac tanks for completion purposes

For more details on project area access, design features, construction practices, drilling/completion practices (including timeframes and quantities of water), for the proposal and details regarding reclamation refer to the (MSUP pp.1-13) in the POD. The plan was written and reviewed to ensure that environmental impacts to both surface and subsurface resources are minimized. Also see the APDs for maps showing the existing roads, proposed access roads and well locations. In addition, see the Trigger/Target EA, WY-070-EA14-190, Sections 2, 3 and 4, incorporated here by reference for specifics regarding project area, general construction/reclamation practices. The surface owner is the Moore Land Company, LLC, and overlies federal minerals. Refer to the Master Surface Use Plan (MSUP) p. 12 in the administrative record (AR).

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 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 (2011), 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 it lacks federal surface. BLM finds that the conditions and environmental effects found in the senior NEPA analyses 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 APDs are in a developed oil or gas field (any field with a completed confirmation well). BLM determined that over 115 townships from Montana to the Converse County border comprise the PRB developed field. The proposed well locations are inside, immediately adjacent to or in the 4-mile analysis area of the recent NEPA analyses in Tables 1.3 and 1.4 This information shows the reader that BLM conducted analysis.

Table 1.3. BLM Tiers this CX3 to this Overlapping NEPA Analyses by Decision Date:

POD / Wells Name	NEPA Analyses #	#/ Type Well/ Drilled	Mo/Yr
Trigger Fed 4176-16-21-1FH & Target Fed 4176-17-20-1FH	WY-070-EA14-190	2 / Oil/ 0	3/2014

See also: SDR WY-2013-005, particularly noting pp. 2-3, incorporating the entirety here by reference.
Approved within 5 years and in the analysis area of this proposal.

Table 1.4. BLM Incorporates by Reference the Overlapping Surface & Water NEPA Analyses

POD Name	NEPA Analysis	CBNG Well Pads:	Mo/Yr
Spruce 2 POD	WY-070-EA13-240	5 / Oil	7/30/13
Grayling POD	WY-070-10-332	80 / CBNG	3/1/11

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

This CX3 also incorporates by reference the descriptions and analysis of horizontal drilling and hydraulic fracturing from Crazy Cat East EA, WY-070-EA13-028.

2) There are existing NEPA analyses (and the RMP) containing reasonably foreseeable activity scenario for this action. There are several existing NEPA analyses that reasonably foresaw activity to spud additional wells to fill in 80 acre well-spacing. BLM also notes from Table 1.3, above, that of the 2 analyzed APDs, at this time, none are drilled; thus 2 undrilled, analyzed APDs contribute to the available reasonably foreseeable activity. BLM reviewed these NEPA analyses in Tables 1.3 and 14, and determined they considered the potential environmental effects associated with the proposed activity at a site specific level. In addition, all approved NEPA analyses tier 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 3,200 oil wells. The Barlow et al. wells are in the foreseeable activity or development scenario that was analyzed in NEPA analyses in Tables 1.3 and 1.4, and in the PRB FEIS's Appendix A.

   Furthermore, the reasonably foreseeable activity (RFA) for this and adjacent areas includes oil/gas

exploration on 1280 acre spacing and possible 640 acre spacing. (This does not preclude the spacing analysis in the PRB FEIS or applying to drill multiple wells from these 2 pads further reducing the surface disturbance per well). SM Energy's RFA consists of 64 wells on 16 well pads. The RFA area defined by SM Energy as their Deep Powder Development is located here;

T.42N., R.77W. Sec. 36

T.41N., R.77W. Sec. 1, 2, 11, 12, and T.41N., R.76W. Sec. 5-8, 14-23, 25-36

The project analysis area is defined as the area within 5 miles of the proposed Trigger and Target wells. Well development beyond the analysis area could be 1 well per 2 sections. Future development may use existing well pads and infrastructure put in place for fee and/or federal mineral development. Potential APD submittals could also consist of multiple wells on an existing pad or tie into existing supporting infrastructure such as; tank batteries, pipelines, powerlines, and transportation networks.

3) The tiered NEPA document was finalized or supplemented within 5 years of spudding (drilling) the proposed wells. This CX3 tiers to the NEPA analysis in Table 1.3.

In summary, the analyses in Tables 1.3 and 1.4, analyzed in detail the anticipated direct, indirect, residual, and cumulative effects that would result from the approval of these APDs and associated support structure. The impacts from SM Energy's proposal's development are similar to both the qualitative and quantitative analysis in the above tiered-to and incorporated NEPA analyses. The BLM reviewed the analyses and found that the analyses considered potential environmental effects associated with the proposal at a site specific level. SM Energy's 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. 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 MSUP, drilling plan, in addition to the Standard COAs found in the PRB FEIS ROD, Appendix A.

Soils/Vegetation

Impacts anticipated and mitigation considered with the implementation of the proposal will be similar to those analyzed in the Trigger/Target EA, WY-070-EA14-190, pp. 6-7 EA, which is adjacent or overlapping to the project area and is incorporated here by reference.

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 2 registered stock and 1 domestic water wells within 1 mile of the proposed wells in the project area with depths ranging from 230 to 750 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 surface casing will be run following safe remedial procedures in the event of casing failure, and using proper cementing procedures should protect any fresh water aquifers above the targeted mineral zone. Specific to protection of the Fox Hills Formation (7600 ft.); as described in the Casing & Cementing Program of the Drilling Plan, 'the top of cement on the intermediate casing will isolate the Fox Hills Formation and will be verified by a cement bond log (CBL). This will help ensure that ground water of the Fox Hills formation 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. Impacts anticipated occurring and mitigation considered will be similar to those analyzed in the Trigger/Target EA, WY-070-EA14-190, pp. 13-14, which is adjacent or overlapping to the project area and is incorporated here by reference:

Wetlands/Riparian
There are no wetlands or riparian areas near the proposed well pads or infrastructure.

Invasive Species
Impacts anticipated and mitigation considered will be similar to those analyzed in the Sahara POD EA, WY-070-EA14-190, pp. 8, which is adjacent or overlapping to the project area and is incorporated here by reference.

Wildlife
BLM reviewed the proposed APD and 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 NEPA analyses; 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 is similar to the Trigger/Target wells. Impacts anticipated and mitigation considered with the implementation of the proposal will be similar to those analyzed in the Trigger/Target EA, WY-070-EA14-190, which is adjacent or overlapping to the project area and is incorporated here by reference. Wildlife reports and site specific impacts to BLM sensitive species can be found in the administrative record. The proposed well locations support habitat for BLM sensitive migratory birds, see, Trigger/Target EA, WY-070-EA14-190, pp. 18-19, for completed analysis where such habitat did not occur. See, consolidated Barlow 1, et al., CX3, WY-070-390CX3-14-139 & -140 & -259 to -263, pp. 11-12, incorporated here by reference for migratory bird analysis where BLM applied mitigation measures. A condition prohibiting removal of occupied habitat May 1- August 1, will be applied to mitigate those impacts.

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). Class III (intensive) cultural resource inventories (BFO project no. 70140066, 70140067) were 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.

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 2006, Section VI(A)(1), the BLM notified the Wyoming State Historic Preservation Officer (SHPO) on June 20, 2014, that no historic properties exist in 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	Eric Holborn	Archaeologist	Clint Crago
Supr NRS	Casey Freise	Wildlife Biologist	Scott Jawors
Petroleum Engineer	Will Robbie	Geologist	Kerry Aggen
LIE	Christine Tellock	Supr NRS	Bill Ostheimer
Soils	Arnie Irwin	Asst. Field Manager	Chris Durham
Hydrologist	NA	NEPA Coordinator	John Kelley
Asst. Field Manager	Clark Bennett	WY SHPO	Mary Hopkins

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 wells 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.

/s/ Duane W. Spencer — 7/07/14

Field Manager — Date

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