

DECISION RECORD
Wesco Operating Inc, Federal 5-32 Vertical Oil Well Application For Permit to Drill (APD)
Categorical Exclusion 3 (CX3), WY-070-390CX3-13-58
Bureau of Land Management, Buffalo Field Office, Wyoming

DECISION: The BLM approves the application for permit to drill (APD) from Wesco Operating Inc., to drill 1 vertical oil well and construct their associated infrastructure as described in the CX3 worksheet, WY-070-390CX3-13-58, 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).
- Endangered Species Act of 1974 (16 USC 1531).
- Buffalo and Powder River Basin (PRB) Final Environmental Impact Statement (FEIS), 1985, 2003.
- Buffalo Resource Management Plan (RMP) 1985, Amendments 2001, 2003, 2011.

A summary of the details of the approval follows. The CX worksheet, including the project description, in addition to site-specific mitigation measures which are incorporated by reference into that worksheet from earlier analysis. The proposed well is approximately 30 miles southeast of Gillette, WY, Campbell County, Wyoming. The Federal 5-32 oil well APD proposes to produce oil from the PRB. The proposed well is a vertical bore proposed on an 40 to 80 acre spacing pattern. This well will produce from the Minnelusa formation.

Approvals: BLM approves the following APD and associated infrastructure:

#	Well Name	Well #	QTR	Sec	TWP	RNG	Lease	CX Number
1	Federal	5-32	SWNE	5	46N	70W	WYW040048A	WY-070-390CX3-13-58

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. The BLM received a Greater Sage-Grouse (GSG) population viability analysis for the PRB and consulted that study in the analysis of this APD.

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 of GSG yet its effect is acceptable because it is outside preliminary priority (core) 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 this APD/POD 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 APD, 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).
 - Provide water analysis from a designated reference well in each coal zone.
6. The project is clearly lacking in wilderness characteristics because it is amidst mineral development.
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. Wesco certified there is a surface use access agreement with the landowners it posted a bond.
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 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: *Janice D.* Date: 2/6/13

Categorical Exclusion 3 (CX3), WY-070-390CX3-13-58

Section 390, Energy Policy Act of 2005

**Wesco Operating Inc., Federal 5-32 Vertical Oil Well Project Application for Permit to Drill (APD)
Bureau of Land Management, Buffalo Field Office, Wyoming**

Description of the Proposed Action.

Wesco Operating Inc. (Wesco) proposes to drill 1 vertical oil well and construct associated infrastructure as follows:

Table 1.1. Proposed Well

#	Well Name/ Well #	QTR	Sec	TWP	RNG	Lease	CX Number
1	Federal 5-32	SWNE	5	46N	70W	WYW040048A	WY-070-390CX3-13-58

The proposed vertical oil well is within historic and current oil field. The project area is 30 miles southeast of Gillette, WY, in Campbell County. Elevation at the project is 4,623 feet. The topography has gently sloped draws rising to mixed sagebrush and grassland uplands. An unnamed, ephemeral draw runs 1.75 miles to the Belle Fourche River, which drains the project area. The climate in the area is semi-arid, averaging 10-14 inches of precipitation annually, about 60% of which occurs between April and September. The jurisdiction for the well surface is: federal; underlying minerals are: federal; and the targeted formation for extraction is a federal lease. The proposed project is within the Amkirk field.

The BLM will decide whether or not to approve the proposed development, and if so, under what terms and conditions agreeing with the Bureau's multiple use mandate, environmental protection, and RMP.

Reasonably foreseeable development in the Wesco, Federal 5-22 APD Environmental Assessment (EA) (WY-070-EA13-26, approved December 20, 2012) which the Wesco 5-32 well will tier to, and its locality to include, but not limited to the approved Federal 5-22 APD, will fill-in to 40-acre spacing. This supports the development anticipated in the PRB FEIS, (see narrative in Section 2, No Action Alternative). The surface owner is the BLM. The proposal is to explore by vertical drilling for, and possibly develop, oil reserves in the Minnelusa Formation at 10,250 feet, total vertical distance.

The operator submitted a notice of staking (NOS) on October 8, 2011, to the BLM. The operator and BLM completed onsite evaluations on September 6, 2012. The operator converted its NOS to an APD which BLM received on October 11, 2012. The onsites evaluated the proposal and modified it to mitigate environmental impacts. The BLM sent a post-onsite deficiency letter to Wesco on January 8, 2013.

Full effects of the action and recommended mitigation measures are in the Wesco Federal 5-32 surface use plan, The Wesco APD 390CX, WY-070-390CX3-13-58, well Federal 5-22, WY-070-EA13-26, and BLM Conditions of Approval (COAs) for Conventional Application for Permit to Drill, Appendix A.

Drilling, Construction & Production design features include:

- The operator 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 COAs and/or agreements with surface owners may impose longer temporal restrictions. The operator anticipates the estimated drilling duration to be 4 to 5 weeks.
- A road network that will consist of existing improved all-weather roads; and a 500 foot, proposed all-weather, well access road.
- There will be a reserve pit at this oil well location during drilling and completion.
- Hydraulic fracturing operations are not planned. If hydraulic fracturing is needed later on in the process, the operator will send in a Sundry Notice, for BLM approval. Completion flowback water will

be held in tanks on location and trucked offsite to a disposal facility permitted by Wyoming Department of Environmental Quality (WDEQ).

- No off-site ancillary facilities are planned for this project. No staging areas, man camps/housing facilities are anticipated to be used off-site. Working trailers and sleeping trailers will be placed on the well pad during the drilling and completion of the well.
- If the well becomes a producer, production facilities will be located at the well site and will include a pumping unit, storage tanks, buildings, oil-water separator (heater-treater). There will be no pits at this producing oil well location.
- Water needed for the drilling and production of this well will be provided from the Fox Hills formation from the existing 1-N-9 water well located in the SESW Section 19 T47N R70W. Approximately 8,500 barrels of water will be hauled to the location on existing and proposed roads by water trucks.
- Produced water will be stored on site in tanks and then is proposed to be trucked for injection to the Amkirk 3-I-6 water injection facility.
- Dikes will be constructed completely around production facilities, i.e. production tanks, water tanks, and heater-treater. The dikes will be constructed of corrugated steel and/or dirt, approximately 3 feet high, and hold capacity of the largest tank plus 10%. If the load-out line is outside of the dike area. A drip barrel or "Getty-Box" will be installed under the end of all load-out lines.
- An existing and proposed above ground power line will be utilized if the well becomes a producer. Power will be provided by 3d party contactor. It is anticipated that new construction of power will begin at the existing 3-phase overhead lines just NE of the well. A natural gas powered generator will be used until the power line is installed.
- Since this well is proposed approximately 0.5 miles of the Kay Lek, the operator will ensure noise levels at the edge of the lek do not exceed 49 decibels; as prescribed in the Buffalo RMP ROD.
- Well pad disturbance during construction and drilling will be approximately 2.86 acres. Once the well is completed, any area of the well pad not needed for production will be reclaimed for interim reclamation.

The operator will use existing infrastructure for this well, as much as possible, since this well is next to existing company facilities. For a detailed description of design features and construction practices associated with the proposed project, 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 3.5 acres.

Table 1.2. Disturbance Summary for Wesco's Federal 5-32 Oil well:

Facility	Number or Miles	Factor	Disturbance
Engineered Pad	1 @ 300 ft x 400 ft	120,000 sq ft	2.75 acres
Engineered Pad Cut & Fill	varies	varies	0.11 acres
Improved Template RoadsNo Corridor	0.1 mile	500 x 32 ft	0.4acres
Proposed Overhead Power-3rd Party	0.1 mile	500 x 15 ft	0.2 acres
Total Surface Disturbance			3.5 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 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 it is amidst oil and natural gas 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 (any field with a completed confirmation well).

Table 1.3 is a list of existing/approved NEPA analysis that are within or adjacent to the project area. This information shows the reader that BLM conducted analysis.

Table 1.3. Adjacent or Overlapping Oil & Gas Well POD Development by Decision Date

#	POD / Well Name	NEPA Document #	# / Type Wells	Decision Date
1	Federal 5-22	WY-070-EA13-26	1 vertical oil well	12/20/2012

- 2) There is an existing NEPA document (and the RMP) containing reasonably foreseeable development scenario for this action. There are existing NEPA documents that reasonably foresaw development to spud additional wells to fill in 80 acre or less well-spacing. BLM reviewed these documents and determined they considered the potential environmental effects associated with the proposed activity at a site specific level. In addition, all approved EAs 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 over 3,000 oil wells. The project well is in the foreseeable development scenario of 80 acre or less well-spacing that was analyzed in EAs in Table 1.3 and in the PRB FEIS's Appendix A.
- 3) The tiered NEPA document was finalized or supplemented within 5 years of spudding (drilling) the proposed well. This project's CX3 tiers to the approved EA listed above in Table 1.3.

In summary the EA 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 of the Federal 5-32 well is similar to both the qualitative and quantitative analysis in the above mentioned EAs. The BFO reviewed the EA and found that the EA considered potential environmental effects associated with the proposal at a site specific level. The project well will share infrastructure in the Amkirk and Hilight oil fields. Confirmation wells for this project well are those wells drilled and completed in the Wesco, Federal 5-22 APD, EA WY-070-EA13-26 and the Primary Natural Resources', Jason 15-12 APD oil well, EA WY-070-06-138. The APD's surface use and drilling plans are tied to and or 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.

Wildlife.

A BLM wildlife biologist reviewed the proposed APD. The BLM 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 biologist performed an onsite visit to the project area on September 6, 2012. The proposed well and infrastructure incorporates recommendations provided to the BLM by the U.S. Fish and Wildlife Service and the Wyoming Department of Game and Fish. The affected environment and environmental consequences for wildlife are discussed in, and anticipated to be similar to, the Wesco's 5-22 well EA, (WY-070-EA13-26).

Raptors

Effects to raptors were analyzed in the Wesco 5-22 well EA. The BLM BFO requires a 0.5 mile radius timing limitation during the breeding season around active raptor nests to reduce the risk of decreased productivity or nest failure. The one ferruginous hawk nest within 0.5 miles is inactive since 2006. Because of other existing wells in close proximity to the nest, it is unlikely that ferruginous hawk pairs sensitive to human disturbance will use the site. BLM does not recommend timing limitations for raptors for this project.

Greater Sage-Grouse (GSG)

Effects to GSG were analyzed in the Wesco 5-22 well EA. The proposed well is approximately 0.5 miles from the Kay Lek. Although the Kay Lek is classified as "Occupied", there has not been any recorded activity since 1996. Normally a lek can be classified as "Unoccupied" after 10 years of inactivity. Because the proposed well and access road are not in good GSG habitat and the Kay lek has been inactive since 1996 (an update from Table 3.2 of the EA, WY-070-EA13-26), seasonal timing limitations are not recommended for the 5-32 well project.

In March, 2012, WY BLM released the report, "Viability analyses for conservation of GSG populations: Buffalo Field Office, Wyoming," indicating that a viable population of GSG remains in the PRB, but the combined impacts of multiple stressors, including West Nile virus (WNV) and energy development, threaten that viability (Taylor et al 2012). The information in the report identified that the effects of energy development are detectable at a larger spatial scale than analyzed in the documents listed in Table 1.3, above. Additional information regarding the population viability analysis, and its influence on cumulative effects from energy development is found in the affected environment and environmental effects sections (Section 3.7.12 and 4.8.2 – Candidate Species – Greater Sage-grouse (Sage-grouse)) of the Mufasa Fed 11-31H Well EA, WY-070-EA12-062, incorporated here by reference. Given that the 5-32 is a single well located adjacent to existing operating wells, this new information does not materially change the analysis included in the Wesco 5-22 well EA.

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 0 registered stock and domestic water wells within 1 mile of the proposed well in the project area. Refer to the PRB FEIS, pp. 3-1 to 3-36, for more information.

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. Wesco stated in their drilling plan that, "The casing will be cemented with a two stage cement job. A stage collar will be set at 100 feet below the Fox Hills, and a centralizer will be placed on every joint above the stage collar to 100 feet above the Fox Hills. The top and base of the Fox Hills formation will be determined by wireline log correlation of the first sand above the Pierre Shale. The first stage of cement will place cement from TD of 10,452 feet up to a depth of

7,600 feet. The second stage will bring cement from 100 feet below the Fox Hills to surface, thus isolating the Fox Hills. 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.

A Class III cultural resource inventory was performed for the Federal 5-32 well prior to on-the-ground project work (BFO project no. 070120055). A Class III cultural resource inventory following the Archeology and Historic Preservation, Secretary of the Interior's Standards and Guidelines (48CFR190) and the Wyoming State Historic Preservation Office Format, Guidelines, and Standards for Class II and III Reports was provided to the BFO. Douglas Tingwall, BLM Archaeologist, reviewed the report for technical adequacy and compliance with BLM standards, and determined it to be adequate. The following cultural resources are in a 1 mile radius of the project area.

Table 1.4. Cultural Resources Within a 1.0 Mile Radius of Federal# 5-32 Well Pad.

Site Number	Site Type	National Register Eligibility
48CA109	Prehistoric Lithic Scatter	Not Eligible
48CA111	Prehistoric Stone Circle/Lithic Scatter	Unevaluated
48CA614	Historic Wood Loading Ramp	Not Eligible
48CA615	Prehistoric Lithic Scatter	Not Eligible
48CA2428	Prehistoric Feature/Habitation/Stone Circles	Recommended Eligible
48CA2469	Historic Cairn	Not Eligible

There are no eligible sites within the area of potential effect (APE) of the proposed project. Following the Wyoming State Protocol Section VI(A)(1) the BLM electronically notified the Wyoming State Historic Preservation Officer (SHPO) on October 22, 2012 that no historic properties exist in the APE.

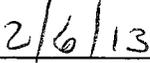
List of Preparers: Persons and Agencies Consulted (BFO unless otherwise noted)

Position/Organization	Name	Position/Organization	Name
NRS/Team Lead	Dan Sellers	Archaeologist	Doug Tingwall
Supr NRS	Casey Freise	Wildlife Biologist	Don Brewer
Petroleum Engineer	Will Robbie	Geologist	Warren Garrett
LIE	Christine Tellock	Grazing Management	NA
Soils	Dan Sellers	Supr NRS	Bill Ostheimer
Hydrologist	Keith A. Anderson	Assistant Field Manager	Chris Durham
Assistant Field Manager	Clark Bennett	NEPA Coordinator	John Kelley

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 Wesco Federal 5-32, 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


Signature Date

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