

**United States Department of the Interior
Bureau of Land Management**

**Categorical Exclusion
DOI-BLM-CO-S050-2015-0054 CX**

September 2015

**Extension of Suspension of Operations and Production
Federal Oil and Gas Leases
COC-63886, COC-63888, COC-63889, and COC-64169**

Location: North Fork Area, Colorado

**U.S. Department of the Interior
Uncompahgre Field Office
2465 South Townsend Avenue
Montrose, CO 81403
Phone: (970) 240-5300**



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CATEGORICAL EXCLUSION

NUMBER: DOI-BLM-CO-S050-2015-0054 CX

CASEFILE / PROJECT NUMBERS: Federal Oil and Gas Leases: COC-63886, COC-63888, COC-63889, and COC-64169

PROJECT NAME: Extension of Suspension of Operations and Production (SOP)

PLANNING UNIT: Uncompahgre Basin Resource Area

LEGAL DESCRIPTION:

Lease Number	Legal Description
COC-63886	
COC-63888	T. 10 S., R. 89 W., Secs. 29-34, 6th P.M.
COC-63889	
COC-64169	T. 12 S., R. 89 W., Secs. 30-31, 6th P.M.

APPLICANTS: SG Interests VII, LTD (SGVII) and Falcon Seaboard Oil and Gas, LLC (Falcon)

DESCRIPTION OF PROPOSED ACTION: Together as operating rights owners, SGVII and Falcon are requesting that the previous suspension of operations and production (SOP) on the above referenced leases be extended. The request to continue the SOP on the leases was received by BLM on July 13, 2015. The operator of these leases is SG Interests I, Ltd (SGI). SGVII and Falcon request that the SOP continue to be applicable as the environmental analysis for SG's proposals on the referenced leases are still being conducted and continue to be complicated by the ongoing processing issues related to the leases being on Forest Service managed lands located in the Huntsman Ridge and Pilot Knob Colorado Roadless Areas. The circumstances regarding the NEPA analysis warranting the original lease suspensions and any extensions of those suspensions have not changed.

The following information is applicable to this suspension request:

- A. COC-63886, COC-63888 & COC-63889 lease information:
- a. Lease SOPs are subject to the provisions of 43 CFR 3103.4-4.
 - b. These leases are located in and committed to the approved Huntsman Unit, case serial number COC-74403X.
 - c. BLM Manual 3180 provides that "the authorized officer may grant a suspension of operations and/or production for any or all leases effectively or fully committed to the unit agreement due to existing circumstances that prohibit the unit operator from drilling and/or producing on unitized land." (BLM Manual H-3180-I.II.J.2.)
 - d. SGI submitted an application for permit to drill (APD) the 10-89-31-1 well inside the COC-63886 leasehold of which the surface use will be permitted by the FS Paonia

Ranger District. This APD was submitted on February 17, 2010, prior to the expiration of the lease.

- e. All three leases are located entirely on lands managed by the FS Paonia Ranger District and are located within the Huntsman Ridge Colorado Roadless Area (CRA). Portions of the CRA were previously known as the Drift Creek Inventoried Roadless Area, identified in the 2001 Roadless Area Conservation Rule and GMUG Forest Plan.
- f. These leases are currently under a SOP with an effective date of April 1, 2010.

B. COC-64169 lease information:

- a. This lease SOP is subject to the provisions of 43 CFR 3103.4-4.
- b. Lease COC-64169 is currently under a SOP with an effective date of March 1, 2010.
- c. This lease is located within the approved Gunnison Energy Corporation Deadman Gulch Unit, case serial number COC-74489X, however the lease is not committed to the unit.
- d. SGI submitted an APD the 12-89-30-1 well of which the surface use will be permitted by the FS Paonia Ranger District. This APD was submitted on February 17, 2010, prior to the expiration of the lease.
- e. The lease is located entirely on FS lands managed by the Paonia Ranger District located within the Pilot Knob CRA. Portions of the CRA were previously known as the Springhouse Park Inventoried Roadless Area, identified in the 2001 Roadless Area Conservation Rule and GMUG Forest Plan.

C. Roadless Rule Information:

- a. The FS promulgated the Colorado Roadless Rule on July 3, 2012. This new rule superseded the previous 2001 Roadless Area Conservation Rule for the State of Colorado. In order for the FS to proceed on oil and gas development projects involving lands encumbered by the Colorado Roadless Rule, the FS Regional Office was to be consulted prior to conducting NEPA analysis.
- b. On July 27, 2015, BLM received a letter from the FS Paonia Ranger District which states the following:
 - i. Proposals to develop leases COC-63886 (APD Federal 10-89-31 #1) and COC-64169 (APD Federal 12-89-30 #1), which are located within the Huntsman Ridge Colorado Roadless Area and the Pilot Knob Colorado Roadless Area, respectively, have been received by the Paonia Ranger District and have undergone Roadless consultation. However, a date to initiate analysis under the National Environmental Policy Act (NEPA) has not yet been set. The Paonia Ranger District remains in the planning phase of analyzing the proposed operations on the subject leases. The start date for NEPA analysis is unknown and the expected decision date is also unknown at this time. Considering the resource issues likely involved in the future analysis, it may be at least 18-24 months from an initiation date until any NEPA process was finalized.

D. The following terms were applied to all four of the leases at the time they were let:

- a. Lease Notice "Interim Roads Policy"
 - i. Lands contained within this lease are subject to the Forest Service Interim Rule, "Administration of the Forest Service Development Transportation System: Temporary Suspension of Road Construction and Reconstruction in Unroaded Areas"; Federal Register/Vol. 64, No. 29/ Friday, February 12, 1999, pages 7290 through 7305.
 - ii. These lands will also be subject to the final road management policy which will be set within 18 months. No road construction will be allowed within the unroaded area until the Forest Service adopts its revised road management policy

or 18 months from the effective date of this final interim rule, whichever is sooner.

PLAN CONFORMANCE REVIEW: The Proposed Action is subject to and has been reviewed for conformance with 43 CFR 1610.5, BLM 1617.3 and the following plan:

Name of Plan: Uncompahgre Basin RMP

Date Approved: July 1989

Decision Number/Page: 9

Decision Language: Federal oil, gas and geothermal estate on both federal surface and split estate lands will be open to leasing with standard lease terms.

And,

Name of Plan: Grand Mesa, Uncompahgre and Gunnison National Forests: Oil and Gas Leasing Final Environmental Impact Statement Record of Decision (ROD)

Date Approved: April 1993

Decision Number/Page: ROD -1, ROD-11, ROD-12

Decision Language: (Page ROD-1) The purpose of this Record of Decision (ROD) is to document Forest Service decisions regarding: 1) which lands will be administratively available for oil and gas leasing in accordance with 36 CFR 228.102(d) and 2) which specific lands are authorized for the BLM to advertise for lease in accordance with 36 CFR 228.102(e). These decisions include the lease terms and stipulations determined necessary to protect the surface resources based on disclosure of environmental effects in the Oil and Gas Leasing Final EIS and standards and guidelines contained in the National Forest Land and Resource Management Plan (Forest Plan). This ROD also documents the decision to amend the Forest Plan to include the lands determined to be administratively available for oil and gas leasing.

Drift Creek - Standard Lease Terms (Page ROD-11)

This area contains no special resource concerns. The area contains timber in the Forest's suited timber base and has timber sales scheduled for this decade in the Forest Plan. It is currently roaded and leased. The area is open to off-road and off-trail travel by motorized vehicles.

Springhouse Park – Standard Lease Terms (Page ROD-12)

This area contains no identified special features. This area has timber sales scheduled within it, including the Floating Lake Timber Sale. The Floating Lake Timber Sale will potentially result in an extensive road system. The area is also broken by established motorized use.

CATEGORICAL EXCLUSION REVIEW: The proposed action is designated as a categorical exclusion pursuant to 516 DM 11.9 and is listed in H-1790-1, Appendix 4, BLM Categorical Exclusion B.4., "Approval of suspension of operations, force majeure suspensions, and suspensions of operations and production." None of the following exceptions in 516 DM 2, Appendix 2, apply:

Exceptions	YES	NO
Have significant adverse effects on public health and safety.	_____	<u>X</u> _____
Have adverse effects on such natural resources and unique geographic characteristics as historic or cultural resources; park, recreation, or refuge lands; wilderness areas; wild or scenic rivers; national natural landmarks; sole or principal drinking water aquifers; prime farmlands; wetlands, floodplains; national monuments; migratory birds; and other ecologically significant or critical areas.	_____	<u>X</u> _____
Have highly controversial environmental effects or involve unresolved conflicts concerning alternative uses of available resources.	_____	<u>X</u> _____
Have highly uncertain and potentially significant environmental effects or involve unique or unknown environmental risks.	_____	<u>X</u> _____
Establish a precedent for future action or represent a decision in principle about future actions with potentially significant environmental effects.	_____	<u>X</u> _____
Be directly related to other actions with individually insignificant but cumulatively significant environmental effects.	_____	<u>X</u> _____
Have significant impacts on properties listed, or eligible for listing, in the National Register of Historic Places.	_____	<u>X</u> _____
Have significant impacts on species listed, or proposed to be listed, on the List of Endangered or Threatened Species, or have adverse effects on designated Critical Habitat for these species.	_____	<u>X</u> _____
Violate a Federal law, or a State, local or tribal law or requirement imposed for the protection of the environment.	_____	<u>X</u> _____
Have disproportionately high and adverse effect on low income or minority populations.	_____	<u>X</u> _____
Limit access to and ceremonial use of Indian sacred sites by Indian religious practitioners or adversely affect the physical integrity of such sacred sites.	_____	<u>X</u> _____
Significantly, contribute to the introduction, continued existence, or spread of noxious weeds or non-native invasive species known to occur in the area or actions that may promote the introduction, growth, or expansion of the range of such species.	_____	<u>X</u> _____

INTERDISCIPLINARY REVIEW:

<u>Name</u>	<u>Title</u>	<u>Area of Responsibility</u>
Thane Stranathan	Natural Resource Specialist	Lands & Minerals
Jedd Sondergard	NEPA P&EC	NEPA
Teresa Pfifer	Staff Supervisor	Lands & Minerals
John Pecor	Petroleum Engineer	Fluid Minerals TRFO

REMARKS: Cultural, threatened and endangered species, wildlife timing and other stipulations applied to federal parcels when leased still apply.

NAME OF PREPARER: Thane Stranathan

NAME OF ENVIRONMENTAL COORDINATOR: Boudguf

DATE: 9/15/15

COMPLIANCE WITH NEPA

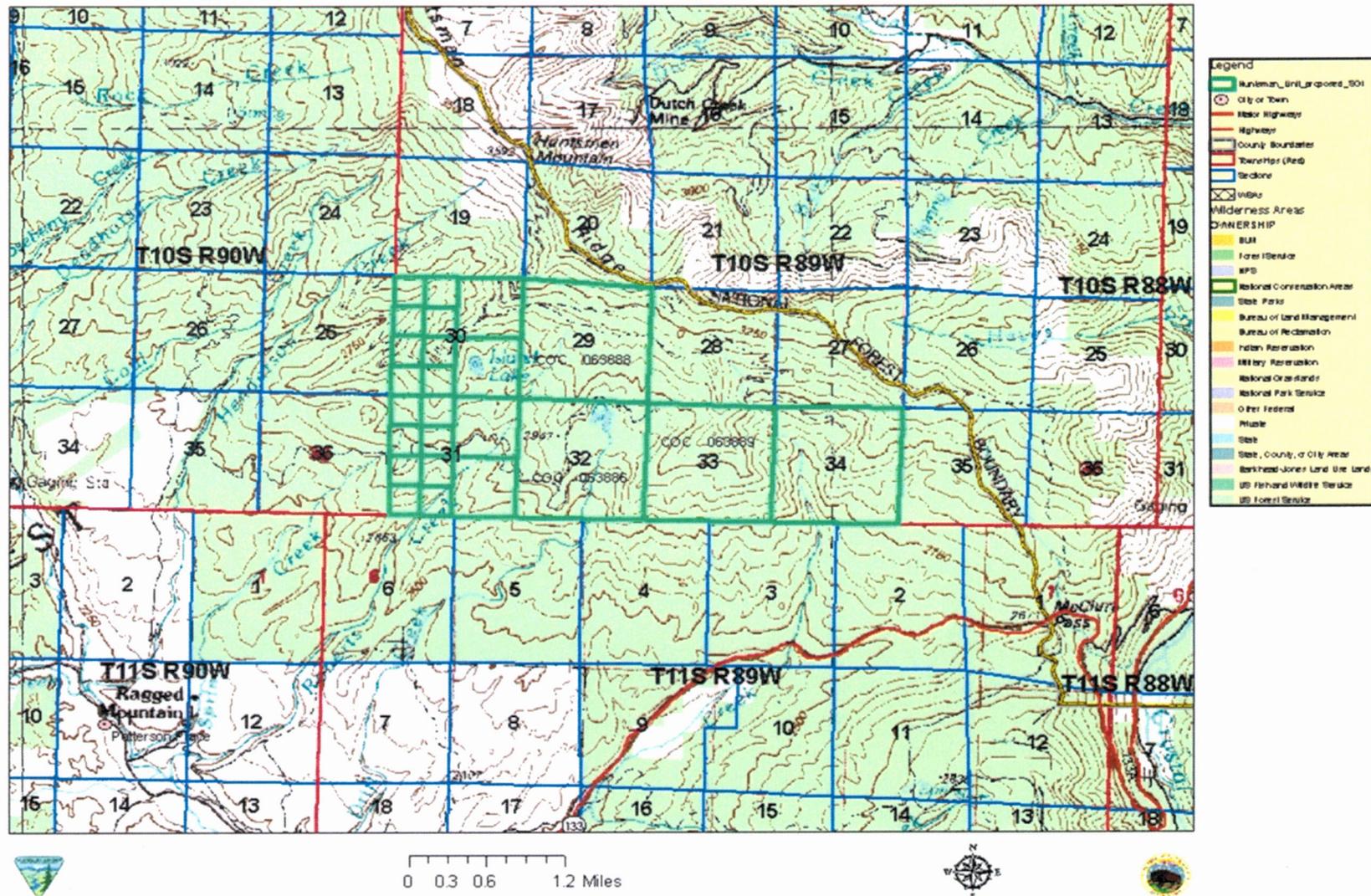
This CX for suspension of operations and production applies to Federal leases COC-63886, COC-63888, COC-63889, and COC-64169.

The action is categorically excluded from further documentation under the National Environmental Policy Act (NEPA) in accordance with 516 DM 11.9, B.4. This categorical exclusion is appropriate in this situation because there are no extraordinary circumstances potentially having effects that may significantly affect the environment. The Proposed Action has been reviewed, and none of the extraordinary circumstances described in 516 DM 2 apply.

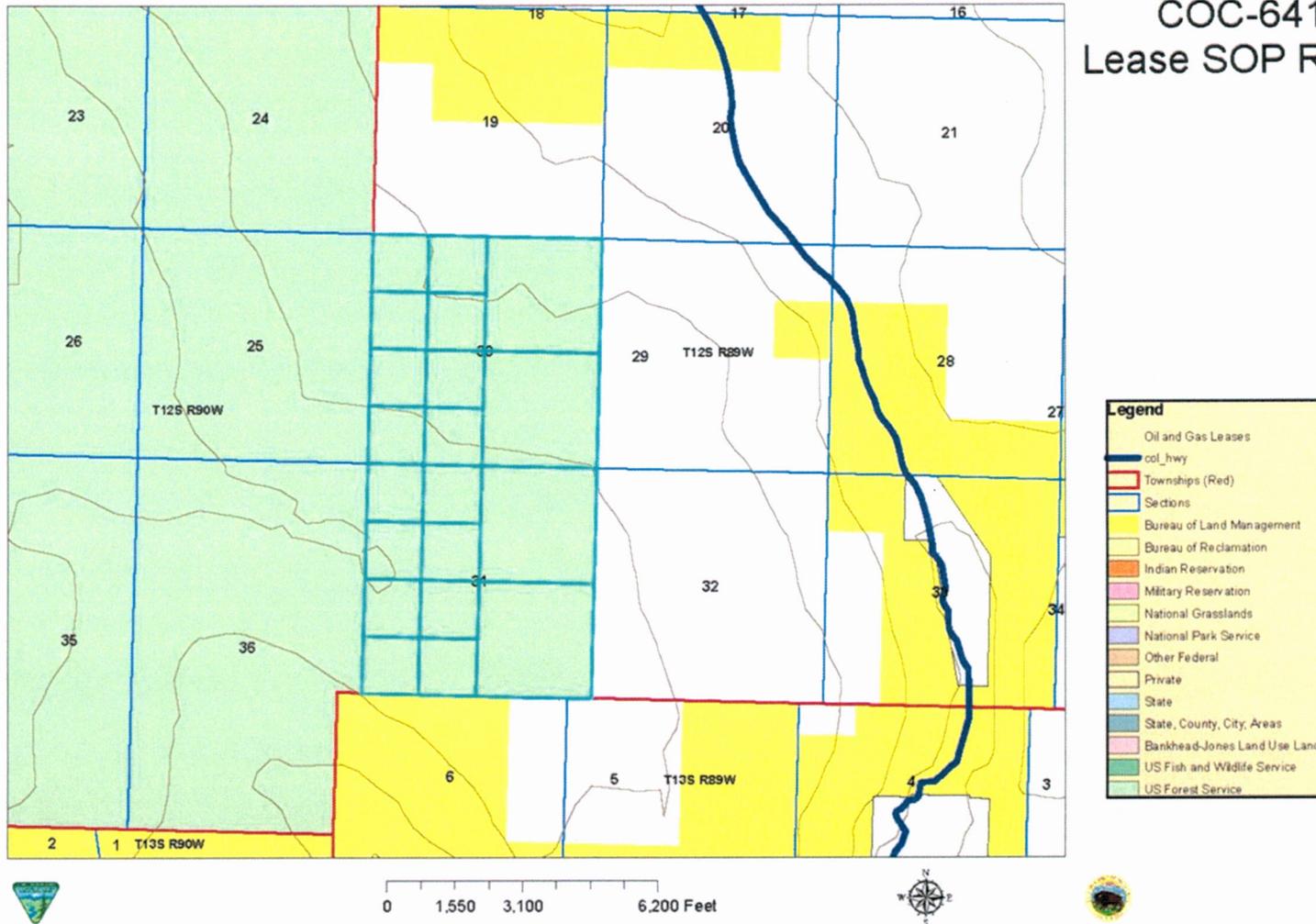
SIGNATURE OF AUTHORIZED OFFICIAL: Jeesea P. Pifer, Acting
for Barbara Sharrow
Field Manager
Uncompahgre Field Office

DATE SIGNED: 9-16-15

SG Interests Lease SOP Request COC-63886,63888,63889



SG Interests COC-64169 Lease SOP Request



**U.S. Department of the Interior
Bureau of Land Management
Uncompahgre Field Office
2465 South Townsend Avenue
Montrose, CO 81403**

Decision Record

(DOI-BLM-CO-S050-2015-0054 CX)

PROJECT NAME: SG Interests VII, LTD (SGVII) and Falcon Seaboard Oil and Gas, LLC (Falcon) request for extension of Suspension of Operations and Production (SOP) of four oil and gas leases.

DECISION: It is my decision to approve the request to extend the SOP and suspension of rental and royalties due, effective March 1, 2010, for Federal lease COC-64169; and April 1, 2010, for Federal leases COC-63886, COC-63888 and COC-63889 pursuant to provisions of 43 CFR 3103.4-4.

The individual lease suspensions will expire when one of the following conditions is first met:

1. The first day of the month that drilling operations are commenced on or for the benefit of a lease.
2. The first day of the month that a lease begins participating in a new or revised participating area.
3. BLM returns the APD(s) to SGI as unapproved.
4. For unitized leases COC-63886, COC-63888 and COC-63889, the first day of the month the Huntsman Unit is contracted.

Further, as directed by BLM Manual 3160-10.31C.3., "The authorized officer shall monitor the suspension on a regular basis to determine if conditions for granting the suspension are extant, and should terminate the suspension when it is deemed no longer necessary". There is no timeframe afforded by regulation by which BLM monitoring of the lease suspension is necessary, however BLM, in relationship to this SOP, will ensure that routine monitoring of the conditions for granting this suspension occurs.

RATIONALE: Our review has determined that the SOP continues to be justified on these leases as production from these leases is entirely dependent upon additional drilling which in-turn is dependent upon a date by which the FS Paonia Ranger District will initiate analysis under the NEPA, which has not yet been set. The Paonia Ranger District remains in the planning phase of analyzing the proposed operations on the subject leases. The start date for NEPA analysis is unknown and the expected decision date is also unknown at this time. Considering the resource issues likely involved in the future analysis, it may be at least 18-24 months from an initiation date until any NEPA process was finalized.

Review of existing guidance relating to this decision finds that:

- "The authorized officer may grant a suspension of operations and/or production for any or all leases effectively or fully committed to the unit agreement due to existing circumstances that prohibit the unit operator from drilling and/or producing on unitized land." BLM Manual H-3180-

I.II.J.2.

- The unknown amount of time it will take FS Paonia Ranger District to complete NEPA is appropriate justification as allowed for in both BLM manual M-3160-10.21B.B.1., and handbook H-3180-I.II.J.2.
- For the leases in which the SOP is granted, "any payment of rental or of minimum royalty also shall be suspended during the period of suspension of operations and production" as provided in BLM Manual 3160-10-21A.1.

COMPLIANCE WITH NATIONAL ENVIRONMENTAL POLICY ACT

The Proposed Action is categorically excluded from further documentation under the National Environmental Policy Act (NEPA) in accordance with 516 DM 11.9, B.4. This categorical exclusion is appropriate in this situation because there are no extraordinary circumstances potentially having effects that may significantly affect the environment. The Proposed Action has been reviewed, and none of the extraordinary circumstances described in 516 DM 2 apply.

COMPLIANCE WITH MAJOR LAWS and CONFORMANCE WITH LAND USE PLAN:

The decision is in compliance with applicable laws, regulations and policy, including the Endangered Species Act, Migratory Bird Treaty Act, Clean Water Act, Clean Air Act, National Historic Preservation Act, the Uncompahgre Basin Resource Management Plan Record of Decision 1989 and the Grand Mesa, Uncompahgre and Gunnison National Forests Oil and Gas Leasing Final Environmental Impact Statement Record of Decision 1993.

ADMINISTRATIVE REMEDIES:

Any adversely affected party who contests a decision of the authorized officer may request an administrative review before the State Director. Such requests, including all supporting documentation, shall be filed with the State Director within twenty (20) business days of receipt of the notice. Upon request and showing good cause, an extension for submitting supporting data may be granted by the State Director. Requests for administrative review should be sent to:

State Director (CO-922)
Bureau of Land Management
Colorado State Office
2850 Youngsfield St.
Lakewood, Colorado 80215

NAME OF PREPARER: Thane Stranathan

NAME OF ENVIRONMENTAL COORDINATOR: [Signature]

DATE 9/15/15

SIGNATURE OF AUTHORIZED OFFICIAL

[Signature]

Barbara Sharrow
for Field Manager
Uncompahgre Field Office

DATE SIGNED

9-16-15