

**SCOPING STATEMENT
THE ATLANTIC RIM COALBED METHANE PROJECT
Petroleum Development Corporation
Bureau of Land Management
Rawlins Field Office**

Description of Project

Petroleum Development Corporation (PEDCO) of Gillette, Wyoming, has notified the Bureau of Land Management (BLM), Rawlins Field Office, that PEDCO and other operators, including Merit Energy Company, Double Eagle Petroleum and Mining Company, and Julander Energy Company, propose to explore and potentially develop coalbed methane (CBM) located within the administrative boundary of the BLM's Rawlins Field Office. The proposed Atlantic Rim CBM project area is generally located in Townships 13 through 20 North, and Ranges 89 through 92 West, Carbon County, Wyoming, as shown on the attached Exhibit. The total project area encompasses approximately 310,335 acres, of which 199,558 acres are federal surface, 16,156 acres are State of Wyoming lands, and 94,621 acres are private surface.

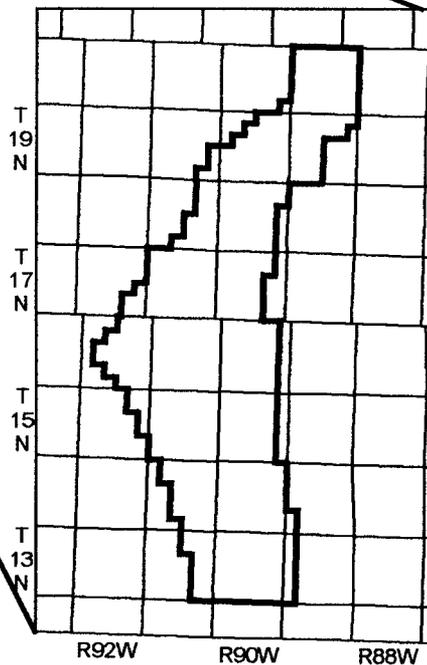
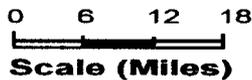
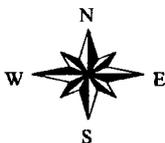
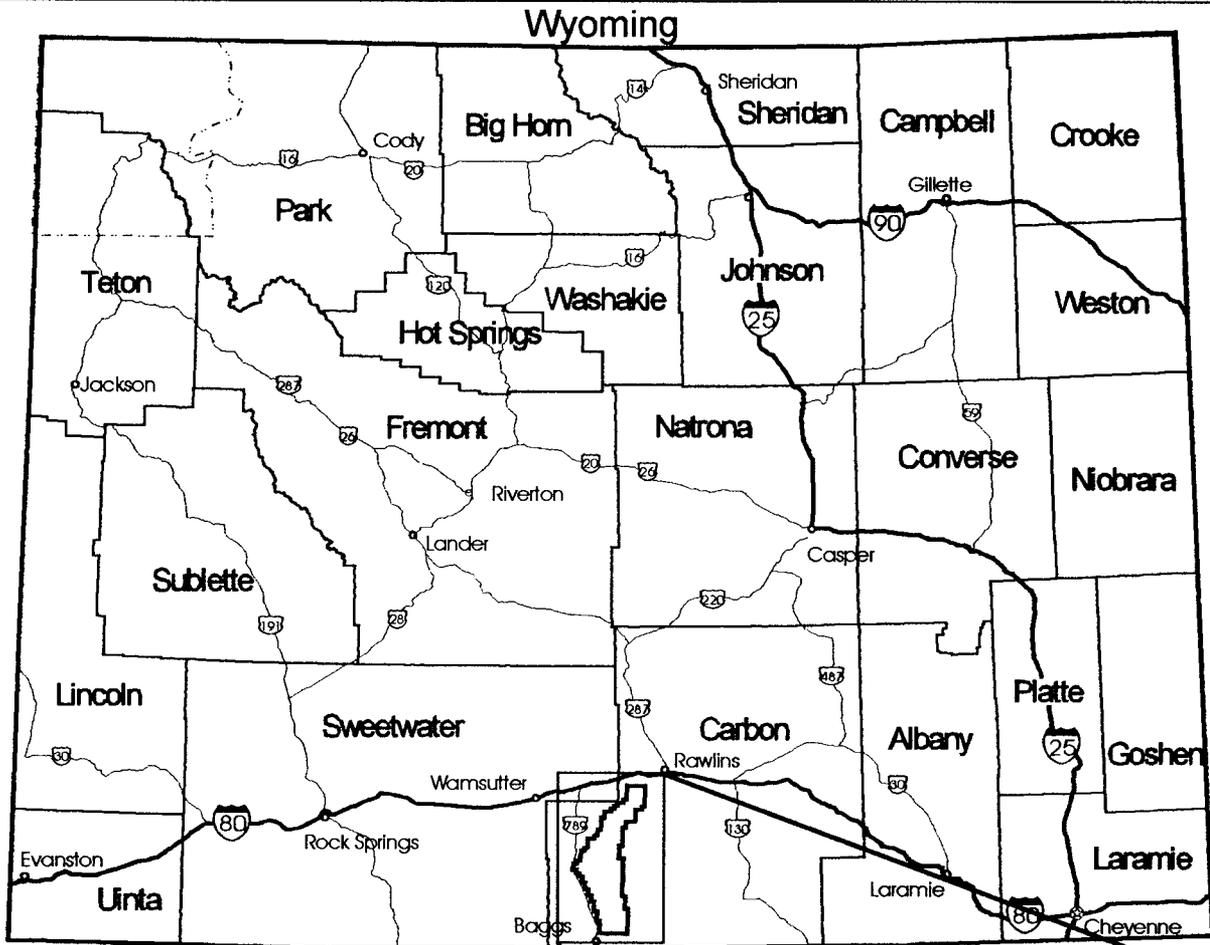
Petroleum Development Corporation's proposal for CBM exploration and potential development began as the 96 well CBM project initiated by Stone & Wolf. A scoping notice describing the 96 well project was mailed out to the public on February 25, 2000. During the preparation of the environmental assessment for its CBM exploration program, Stone & Wolf sold its operating rights to PEDCO. In addition to the Stone & Wolf properties, PEDCO had also acquired additional lease holdings on private and federal lands located north of the Stone & Wolf proposal. After evaluating the geologic characteristics of both areas, PEDCO determined that CBM gas production appeared optimal on the coal structure west of the original CBM proposal. In addition, lease holdings located to the north (just south of the Interstate-80 corridor) would allow PEDCO to access existing infrastructure (i.e., roads, pipelines, powerlines) located in that area. Petroleum Development Corporation notified BLM on May 3, 2001, that it wished to withdraw its application for the 96 well project. In a letter dated May 24, 2001, PEDCO submitted its new proposal to the BLM for CBM exploration and development of the lands shown on the attached Exhibit.

BLM determined upon review of PEDCO's proposal that the increase in CBM drilling and development activity could potentially result in significant impacts and that an environmental impact statement (EIS) would be necessary. PEDCO has also requested that the BLM look at a full field development scenario during preparation of the EIS.

For purposes of conducting an environmental analysis, PEDCO and the other operators have indicated that a maximum of 3,880 CBM wells may be drilled in the Atlantic Rim project area. Drilling is expected to last for approximately 6-10 years, with a life-of-project (LOP) of 20-30 years.

Proposed Drilling Operations

Approximately 7 to 10 days would be required to drill, log, and case each well utilizing a truck or trailer-mounted drilling rig and associated rig equipment. Three additional days would be required to run a bond log, perforate the well casing and run an electric pump utilizing a small CBM completion rig. The estimated size of each drill site location is 200 feet by 200 feet, of which only those areas necessary to conduct drilling and completion operations would be cleared of vegetation.



Location of the Atlantic Rim Project Area in Southcentral Wyoming.

Some site disturbance may be required to place the drill rig on level ground. A small reserve pit would be constructed at each drill site location to hold drilling fluids and cuttings. The reserve pit would be 12 feet wide by 60 feet long by 10 feet deep, although larger pits may be required depending on the depth of the well. Drilling depths would vary within the project area with the deeper wells located toward the western edge of the project area, and would vary between 300 feet and 6,000 feet.

Each well would require a water discharge line and gas line. Methods to dispose of water produced during CBM production may include disposal in injection wells, treatment of the water prior to disposal, surface discharge, or some combination of the three. When surface discharge is used as the method of water disposal, water quality and quantity would be monitored to ensure compliance with federal, state, and local requirements.

Following drilling and completion, flowlines and gathering facilities would be installed, with the required power supply. Gas lines from 10-15 wells would be tied into a small compressor for transmission to a larger centralized compressor. The large compressor would boost the gas line pressure for transmission to the sales line. An average of three small and one large compressors would be required for each pod. Gas volumes would dictate the size of compressors.

Several wells in each pod (i.e., a group of CBM wells drilled to maximize gas production) would be tested for an estimated maximum of 30 days. If the tests are successful, the remaining wells in each pod may require testing, but the duration of these tests may be decreased to 3 to 7 days. An estimated 6 to 12 months of continuous producing status would be needed to fully evaluate the economics of any additional development.

The proposed project area is currently accessed by existing developed and undeveloped roads. The gas produced within the project area would be transported by an existing pipeline, new pipelines, and new gathering lines. A road network would be developed that would include upgraded and two-track unimproved trails.

If the wells are non-productive or non-economical, all disturbed areas would be reclaimed to appropriate federal, state, or private landowner specifications.

Relationship to Existing Plans and Documents

Resource Management Plan - The document that directs management of BLM-administered lands within the analysis area is the Great Divide Resource Management Plan (RMP, November 8, 1990). The objective for management of oil and gas resources, as stated in the RMP, is to provide for leasing, exploration, and development of oil and gas while protecting other resource values.

The development of coalbed methane within the Atlantic Rim project area is in conformance with the RMP. The environmental analysis that will be prepared on the PEDCO proposal will incorporate appropriate decisions, terms, and conditions of use described in the RMP.

Since the levels of oil and gas development under this proposal will likely exceed the levels of development analyzed in the RMP, it is anticipated that an RMP review will be conducted concurrently with the preparation of the Atlantic Rim CBM EIS.

Use Authorizations - Use authorizations (i.e., rights-of-way, permits, etc.) for roads, powerlines, pipelines, and well site facilities would be processed through the BLM application for Permit to Drill (APD) and Sundry Notice permitting process as long as the facilities remain on-lease and are owned and operated by the unit operator. Any facility located off-lease would require individual rights-of-way permits.

Lease Stipulations - Some leases within the proposed area include special stipulations on occupancy. These are in addition to the standard lease terms. These stipulations are designed to protect surface resources such as soils, water, and wildlife by restricting periods of activity and areas of disturbance. Application of these lease stipulations will be handled on a case-by-case basis for each APD submitted to the BLM.

National Environmental Policy Act

On reviewing the proposal from PEDCO and the other Operators, the BLM has determined that permitting this project would constitute a major federal action that could significantly affect the quality of the human environment. Pursuant to NEPA and Council on Environmental Quality regulations on implementing NEPA, the BLM will prepare an EIS describing and evaluating the probable impacts resulting from the Atlantic Rim proposed action and alternatives. The purpose of an EIS is to provide the public and decision-makers with sufficient information to understand the environmental consequences of the proposal and identify and develop appropriate mitigation measures to minimize environmental impacts.

One element of the NEPA process is scoping. Scoping activities are initiated early in the process to:

- identify reasonable development alternatives to be evaluated in the EIS;
- identify environmental/socio-economic issues of concern related to the proposed project; and
- determine the depth of analysis for issues addressed in the EIS.

Additionally, NEPA requires that a “no action” alternative be considered in all environmental documents. This will allow a comparison of the economic and environmental consequences of the proposed and alternative development levels versus current development levels and existing environmental conditions. Under the no action alternative, full field development of coalbed methane within the project area would not occur. This assumption, however, does not mean denial of coalbed methane exploration or development in the area, since all federal lands within the project area have been leased for oil and gas production or are available for lease as described in the Great Divide Resource Management Plan.

Identified Resource Management Issues, Concerns, and Opportunities

The following issues and concerns have been identified by the BLM to date. It is not meant to be an all-inclusive list, but rather a starting point for public input and a means of identifying the resource disciplines needed to conduct the analysis.

- Increased traffic and associated impacts on existing county, state, and BLM roads.
- Socio-economic impacts to local communities.
- Impacts to surface and groundwater resources, including sedimentation/salinity to the Colorado River system.
- Potential impacts to sensitive soils within the project area.
- Impacts from emissions resulting from additional drilling and production activities.
- Reclamation of disturbed areas and control of noxious weed invasions.
- Potential conflicts with livestock management operations in the analysis area, including possible impacts to range improvement projects.
- Potential impacts to cultural and historical values within the analysis area.
- Potential impacts to wildlife habitats within the analysis area, including big game, greater sage grouse, and raptors
- Potential impacts to listed, or proposed for listing, threatened and endangered plant and animal species, including potential Colorado River depletion and effects on downstream listed fish species.

- Potential impacts to sensitive plant and wildlife species including bluehead sucker, roundtail chub, and flannelmouth sucker.
- Cumulative effects of drilling and development activities when combined with other ongoing and proposed developments on lands adjacent to the Atlantic Rim project area.
- Potential conflicts between mineral development activities and recreational opportunities.

Interim Drilling Activities

While the Atlantic Rim environmental analysis is being prepared, the BLM would allow the drilling of a maximum of 200 exploration wells in nine pod locations specifically for the acquisition of data necessary for the completion of the EIS within the proposed analysis area. The BLM's Rawlins Field Office, with recommendations from BLM's Reservoir Management Group, has developed an interim drilling policy to inform the operators under what criteria interim drilling will be allowed concurrently with EIS preparation. Prior to the development of these wells, the BLM will require that an environmental assessment be prepared for each pod developed on federal acreage. Interim drilling activities would be monitored by BLM to ensure that such activities do not significantly affect the environment or prejudice the decisions to be made as a result of the analysis conducted in the Atlantic Rim EIS.

The primary objective of interim drilling will be to drill, complete, and produce the wells to determine:

- which coals are gas productive,
- which drilling and completion techniques are economical,
- if de-watering of the coal(s) can be achieved, and
- what depths or pressure windows may be preferred to target economic gas production.

Interdisciplinary Team

Based on current understanding of issues, concerns, and opportunities and established objectives from other plans, an Interdisciplinary Team (IDT) made up of the following specialists and skills has been identified:

Air Quality Specialist
 Soil Scientist
 Range Management Specialist
 Archeologist
 Geologist
 Realty Specialist
 Recreation Planner
 Hydrologist
 Petroleum Engineer
 Wildlife Biologist
 Environmental Scientist (surface protection)
 Interdisciplinary Team Leader
 Public Affairs Specialist

Timing Needs or Requirements

Public input is important in establishing the level and scope of the analysis. The public is encouraged to participate throughout the environmental analysis process to help in identifying the level of analysis needed, alternatives to the proposed action, other issues or concerns that should be analyzed, mitigative opportunities, and any other comments or ideas to help ensure the completeness of the analysis process.

The scoping period will remain open until 30 days after the publication of the Notice of Intent (NOI) in the Federal Register. At this time we do not know when the publication will occur, but the scoping period will not end prior to July 25, 2001. Please submit your comments to:

Address: Brenda Vosika-Neuman, Project Manager
BLM - Rawlins Field Office
P. O. Box 2407
1300 North Third Street
Rawlins, Wyoming 82301-4376

Email: rawlins_wymail@blm.gov

Public meetings to discuss the proposed project are scheduled for 7:00 p.m. on July 10 and 11, 2001, at the following locations.

July 10, 2001:
Little Snake River School
100 Meeker
Baggs, Wyoming 82321

July 11, 2001:
Bureau of Land Management
Rawlins Field Office
1300 North Third Street
Rawlins, Wyoming 82301

Depending on the date of publication of the NOI in the Federal Register, another scoping meeting may be scheduled to meet the timing requirements for meetings described in the NOI. All those on the mailing list will be notified of this meeting with an amendment to the Scoping Notice. Publication of meeting times will be published in local and regional newspapers.

Public Participation

The following individuals and organizations will receive a copy of this scoping statement:

FEDERAL OFFICES

U.S. Bureau of Land Management
Wyoming State Office
U.S. Congresswoman Barbara Cubin
U.S. Senator Mike Enzi
U.S. Senator Craig Thomas

U.S. Army of Corps of Engineers
U.S. Bureau of Reclamation
U.S. Environmental Protection Agency
U.S. Fish and Wildlife Service

STATE AGENCIES

Governor Jim Geringer
State Engineer's Office
State Senators
Wyoming Department of Environmental
Quality

Wyoming Game and Fish Department
State Representatives
Wyoming State Planning Coordinator
Wyoming Department of Transportation
Wyoming Oil and Gas Conservation
Commission

COUNTY GOVERNMENT

Carbon County Commissioners

Carbon County Planning Commission

MUNICIPALITIES

Mayor-Baggs
Mayor-Rawlins

Mayor-Wamsutter

NATIVE AMERICAN TRIBES

Northern Arapahoe Tribal Council
Ute Mountain Tribe
Shoshone-Arapahoe Joint
Tribal Council

Shoshone Tribal Council
Ute Tribal Council
Uinta-Ouray Tribal Council

GRAZING PERMITTEES

Weber Ranch
Salisbury Livestock Company
Three Forks Ranch Corporation
Mike Sheehan
H.B. Lee
Espy Livestock
PH Livestock Company

Montgomery Livestock Company
Stratton Sheep Company
Sam Morgan
Robert Orchard
Matt Weber
Jack Creek Land and Cattle Company

LEASE AND ROW HOLDERS

Stone & Wolf, LLC
Merit Energy Company
Benson–Montin-Greer

North Finn, LLC
P&M Petroleum Management
KCS Mountain Resources, Inc.

LANDOWNERS

This scoping notice has been sent to 111 landowners potentially affected by the proposal.

LOCAL MEDIA

Casper Star-Tribune
Rock Springs Rocket Miner
Wyoming State Tribune/Eagle
KRAI - Craig, Colorado
KRKK - Rock Springs
KTWO - Casper
KUWR - University of Wyoming

Rawlins Daily Times
Wyoming State Journal
Gillette News-Record
KRAL - Rawlins
KSIT - Rock Springs
KTWO TV - Casper
Northwest Colorado Daily News

OTHER AGENCIES, INDUSTRY REPRESENTATIVES, INDIVIDUALS, AND ORGANIZATIONS

Audubon Society
Wilderness Society
The Nature Conservancy
Field Museum of Natural History
Department of Geology
Montana Oil Journal
Murie Audubon Society
Petroleum Association of Wyoming
Sierra Club
Wyoming Outdoor Council
Wyoming Stockgrowers Association
Wyoming Woolgrowers Association
Ivan Herold

National Wildlife Federation
Carbon County Stockgrowers
Wyoming Association of Professional
Archaeologists
Independent Petroleum Association
of Mountain States
The Nature Conservancy
Rocky Mountain Oil & Gas Association
Wyoming Farm Bureau Federation
Wyoming Public Lands Council
Wyoming Wildlife Federation
Vern Brodsho
Little Snake River Conservation District