

UPDATE AND ANALYSIS OF WESTERN OIL AND WESTERN GOLD EXPLORATION

Background:

March 2019 SETT first contact w/ proponent

SETT provides comment on EA 11/15/19

Recommending both potential pads be incorporated and winters seasonal restrictions to be enforced

SETT provides to BLM and proponent the estimate for exploration mitigation of 5.66 acres (four debits)

SETT provides additional comments to EA on 02/06/20 for final EA

Decision Record published April 2020

January 2020 Western Gold Exploration provides Notice for 1.82 acres of disturbance directly overlapping well pad 35-1 (Western Oil)

ANALYZING THE AREA FOR MITIGATION PURPOSES

Western Oil Exploration authorized for up to 5.66 acres of new disturbance in the EA

Western Gold Exploration authorized for 1.82 acres of new disturbance through a “Notice”

Sites are overlapping but not concurrent for drilling timelines and preparation

Each project was authorized different ingress and egress using White Pine County roads (BLM ROW)

Western Gold first began exploration activities late spring/early summer 2020 (no seasonal restriction)

Western Oil had seasonal restrictions associated with their EA that did not allow activities to begin until August 15 (one-month waiver for LBR June 15 – September 15)

SETT made aware of potential trespass on Hamilton Credit Project (Part of Kinross’ Tumbling JR Ranch credit site)

Road conditions were so poor that it will likely require drones with gps to accurately account for total disturbance

Coordination with various local, state, and federal agencies
(White Pine County, NDEP, NDWR, SEP, NDOM, BLM)

Ascertaining which party is responsible for the associated disturbances

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STEVE SISOLAK
Governor



STATE OF NEVADA
Sagebrush Ecosystem Program

November 15, 2019

Stacy Holt,
Ely BLM
702 N. Industrial Way
Ely, NV 89301

Dear Ms. Holt,

Thank you for the opportunity to provide comment on the Preliminary Environmental Assessment for Western Oil Exploration Application for Permit to Drill Scott Federal #25-1 Oil Well (DOI-BLM-NV-L010-2018-0002-EA).

The Sagebrush Ecosystem Technical Team (SETT) is aware that the project proponent has also submitted an APD for Scott Federal #35-1, which is not analyzed within this EA. The SETT strongly encourages that both Scott Federal #25-1 and #35-1 be incorporated in one NEPA action in order to adequately analyze and address the direct and indirect impacts associated with these well pads.

The SETT has concerns regarding the language describing the use of the Conservation Credit System (CCS) and Habitat Quantification Tool (HQT). The EA states on page 20:

"If the well was determined to be productive, Western oil would be required to coordinate with the Sagebrush Ecosystem Technical Team (SETT) to determine if the Conservation Credit System (CCS) is appropriate to mitigate for direct and indirect anthropogenic disturbances."

The SETT would like to clarify that the CCS is not optional, as can be implied from the statement above, if an anthropogenic disturbance qualifies to be analyzed and mitigated for within the CCS.

On October 3rd, 2019, permanent regulation (Legislative Council Bureau File Number R024-19) outlining the CCS mitigation requirements was adopted by the Sagebrush Ecosystem Council, then approved by the Legislative Commission and filed with the Secretary of State on October 30th, 2019. This permanent regulation has replaced the temporary mitigation regulation that was adopted in April 2019.

This regulation requires compensatory mitigation for disturbances including oil and gas, as well as for exploration activities, including oil and gas, greater than five acres.

Currently, Western Oil's surface disturbance for #25-1 and #35-1 well pads is under five acres and will not require mitigation; however, the SETT requests continued involvement during the exploration phase to analyze the project in the event the planned surface disturbance is modified and has the potential to exceed five acres.

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Kathleen Pettey, State Lands

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STEVE SISOLAK
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STATE OF NEVADA
Sagebrush Ecosystem Program

January 3, 2020

Dear Mr. Ortega:

The Sagebrush Ecosystem Technical Team (SETT) would like to provide an overview of the permanent mitigation regulations recently adopted and requirements of the State of Nevada concerning disturbances within greater sage-grouse habitat and compensatory mitigation. During our recent discussions it became evident to the SETT that there has been some misunderstanding or misinterpretation concerning the CCS and the application of the mitigation regulation and I would like to provide some clarification.

The State of Nevada has developed compensatory mitigation requirements to address impacts from anthropogenic disturbances to greater sage-grouse and its habitats within the sagebrush ecosystem. Impacts to sage-grouse habitat will be analyzed using the Nevada Conservation Credit System's (CCS) Habitat Quantification Tool (HQT).

As you are aware, on October 3rd, 2019 the Sagebrush Ecosystem Council adopted a permanent regulation (Legislative Council Bureau File Number R024-19) outlining sagebrush ecosystem mitigation requirements. It was later approved by the Legislative Commission and filed with the Secretary of State on October 30th, 2019. This permanent regulation has replaced the temporary mitigation regulation that was adopted in April 2019.

This State regulation requires mitigation for direct and indirect impacts from CCS defined anthropogenic disturbances (see CCS Scientific Methods Document, Table 2). There was a significant change in the permanent regulation that has implications for Western Oil Exploration and its proposed exploration well pads. Exploration activities (e.g. mining, geothermal, oil, gas, etc.) greater than five acres of surface disturbance will require compensatory mitigation for direct impacts. However, if proposed exploration is less than five acres but located within sage-grouse habitat, mitigation is not required but this does not preclude the project proponent from consulting with the SETT during the NEPA process. It is the SETT's understanding that the most recent Environmental Assessment for exploration well pads 25-1 and 35-1 consist of approximately 5.66 acres, which would require mitigation for direct impacts.

For clarification, if exploratory well(s) of less than five acres go into production, the project would require mitigation for both direct and indirect disturbance associated with the project. In this case, the project proponent would be required to continue coordinating with the SETT to develop a mitigation plan to offset the impacts of the Proposed Action using the HQT. If credits were secured to offset the

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STEVE SISOLAK
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STATE OF NEVADA
Sagebrush Ecosystem Program

February 6, 2020

Tiera Arbogast,
Ely BLM
702 N. Industrial Way
Ely, NV 89301

Dear Ms. Arbogast,

Thank you for the opportunity to provide comment on the Preliminary Environmental Assessment for Western Oil Exploration Application for Permit to Drill Scott Federal #25-1 and #35-1 (DOI-BLM-NV-L000-2018-0002-EA).

The Sagebrush Ecosystem Technical Team (SETT) appreciates the incorporation of our suggested language into this PEA. Due to the change in acreage of the exploration, from less than five acres to 5.66 acres, the SETT suggests minor changes to the existing language in the PEA. The SEC recently approved changes to the CCS regarding credit phasing. We suggest the following revised language to replace the "GRSG HQT Analysis" on Page 24 in Section 3.2.5 is provided below to capture these changes:

"Oil and gas exploration under five acres is not analyzed using the Habitat Quantification Tool (HQT) or mitigated for using the Conservation Credit System (CCS) as outlined in Nevada State Regulation, Legislative Council Bureau File No. R024-19. If cumulative exploration activities from the Proposed Action and any subsequent exploration (even if included in separate NEPA) exceed five acres, compensatory mitigation would be required using the CCS. As identified by the BLM in the preliminary EA, the proposed exploration is 5.66 acres, which will require compensatory mitigation for the proposed action. If the exploratory well(s) go into production, Western Oil would be required to continue coordinating with the Sagebrush Ecosystem Technical Team (SETT) to develop additional mitigation through a mitigation plan to offset the impacts of any wells put into production. Any additional exploratory drilling within the project area would also require coordination with the SETT.

The CCS requires at least one-third (1/3) of the mitigation obligation (debts) to be acquired up front before any ground disturbance; the remaining two-thirds (2/3) of the mitigation obligation may be satisfied within a 10-year period following the first offset. If credit phasing is selected and all mitigation is not completed up front, a mitigation plan will need to be completed in coordination with the SETT prior to any ground disturbance.

After conducting a preliminary HQT desktop analysis of the proposed project Scott Federal wells #25-1, #35-1, and access roads, 4 debts were calculated for the exploration. If the proposed exploration wells go into production, direct and indirect impacts calculated from the HQT resulted in 4,622 term debts, which is determined by using 100% Habitat Suitability Index in place of field data, which is the most conservative estimate due to the unavailability of field data. If field data are collected using the

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STEVE SISOLAK
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STATE OF NEVADA
Sagebrush Ecosystem Program

June 25, 2020

Dear Mr. Ortega:

I am notifying you and the BLM that Western Oil Exploration's proposed disturbance of an estimated 5.66 acres of exploratory drilling exceeds the minimum acreage exemption related to the proposed activity per the compensatory mitigation requirements for impacts to sage-grouse habitat as stipulated by Nevada State Regulation 232.400 - 232.480. Please see the accompanying letter provided on January 3, 2020, that details the requirements of both exploratory drilling and production wells for oil and gas.

The final Environmental Assessment for Western Oil Exploration's exploration well pads 25-1 and 35-1 consists of approximately 5.66 acres, which requires mitigation for direct impacts prior to any authorized disturbance. We strongly urge that a notice to proceed be withheld by the BLM for this project until this issue is resolved, and the minimum mitigation required has been satisfied.

Please contact me at your earliest convenience to discuss acquiring credits to offset the 5.66 acres of disturbance. Non-compliance with applicable state law may result in suspension or revocation of existing authorizations, or delays to operational activities.

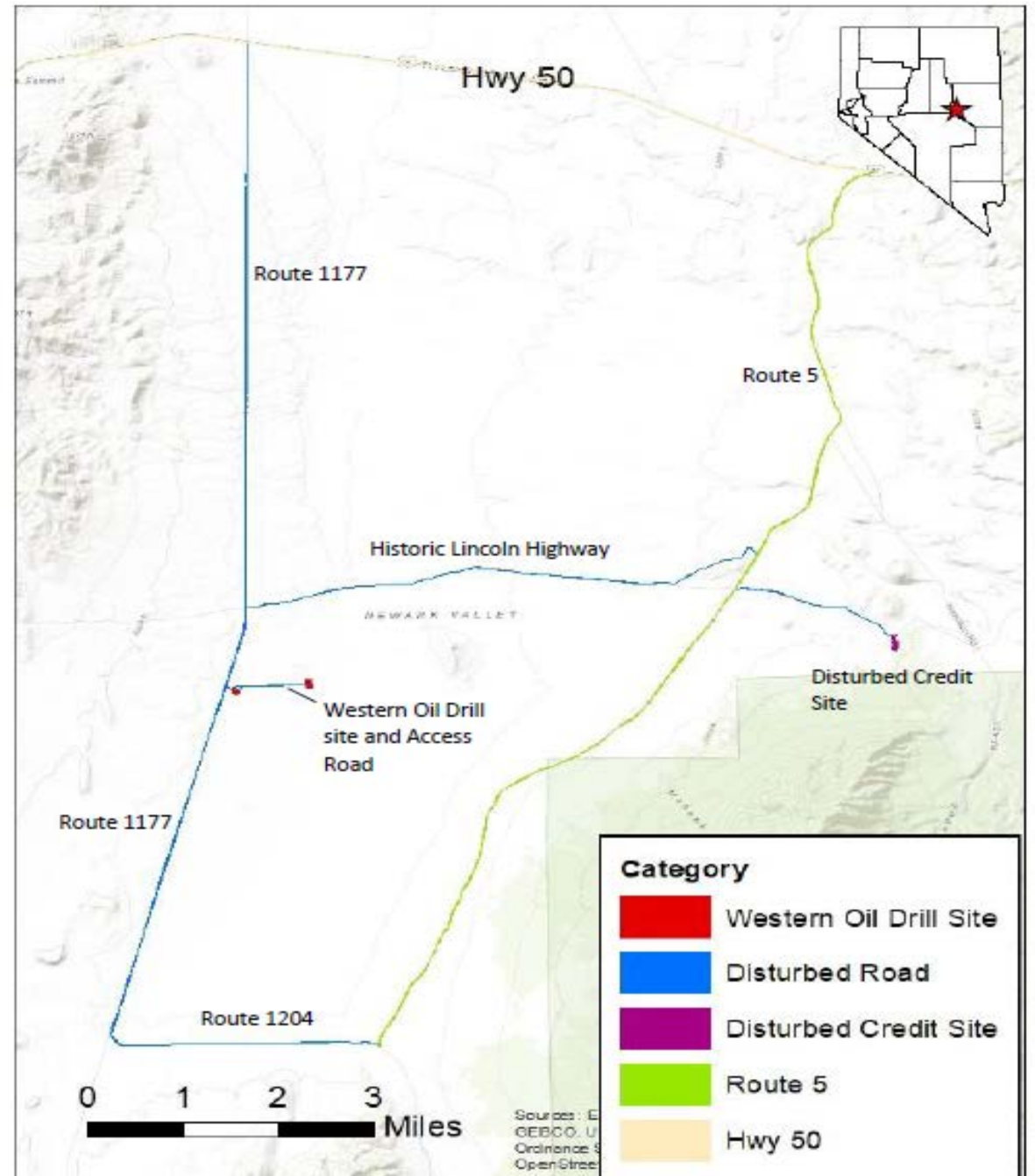
Sincerely,

Kelly McGowan
Program Manager
Sagebrush Ecosystem Program

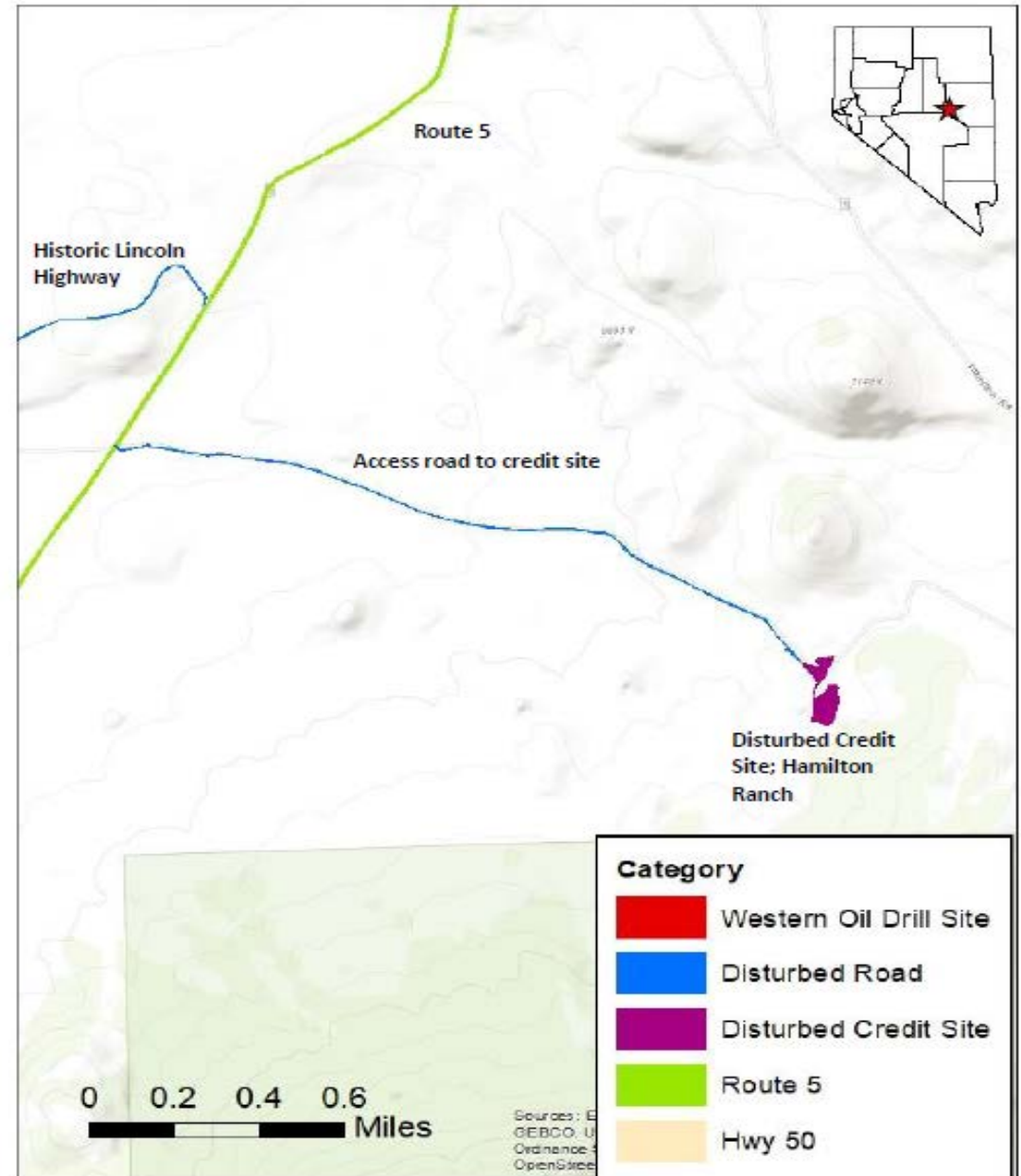
Cc: Jared Bybee
Associate District Manager
Ely District Office, BLM

CORRESPONDENCE WITH BLM AND WESTERN OIL

OVERVIEW MAP OF THE AREA



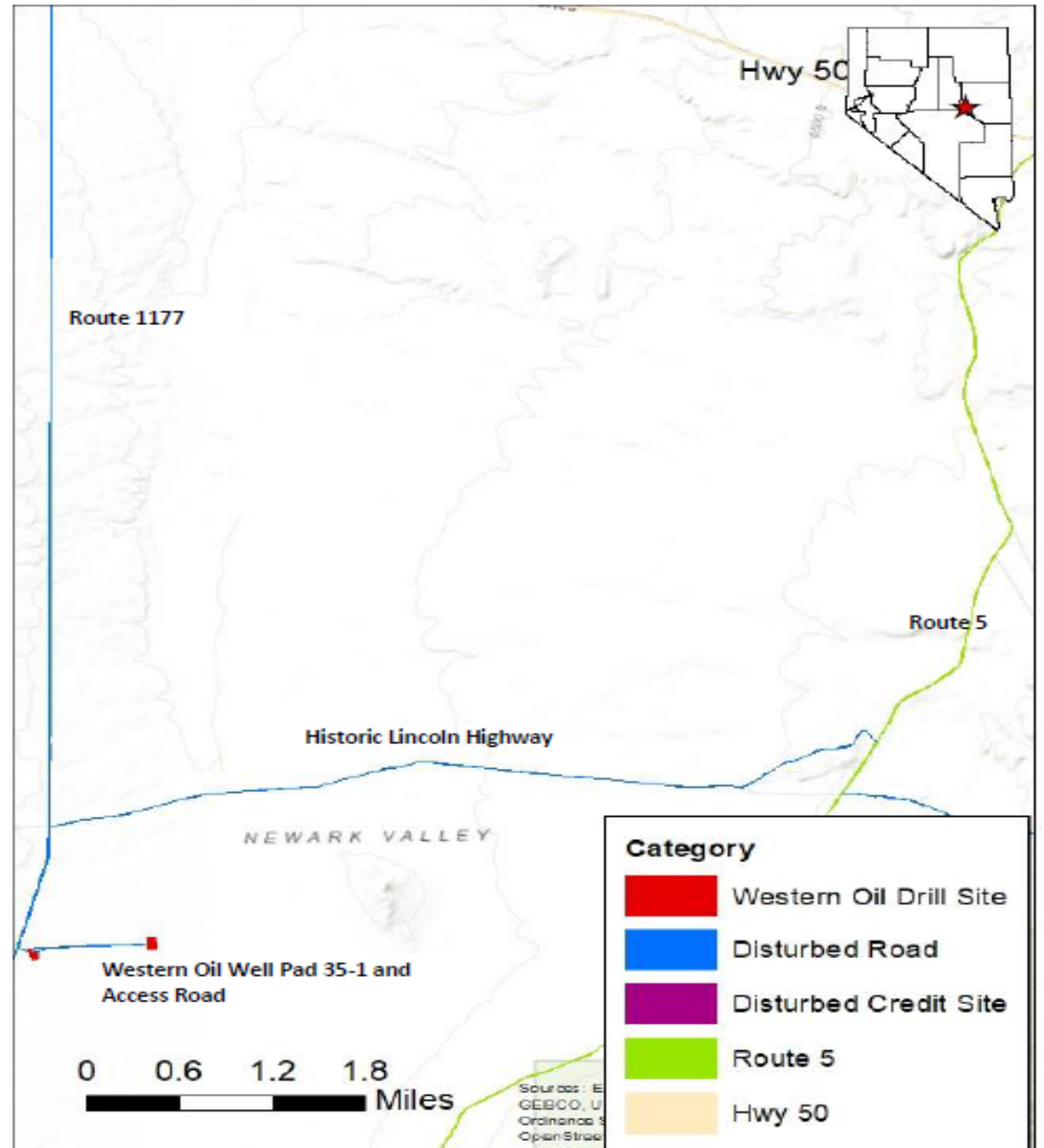
ACCESS ROAD TO HAMILTON (TJR) CREDIT SITE







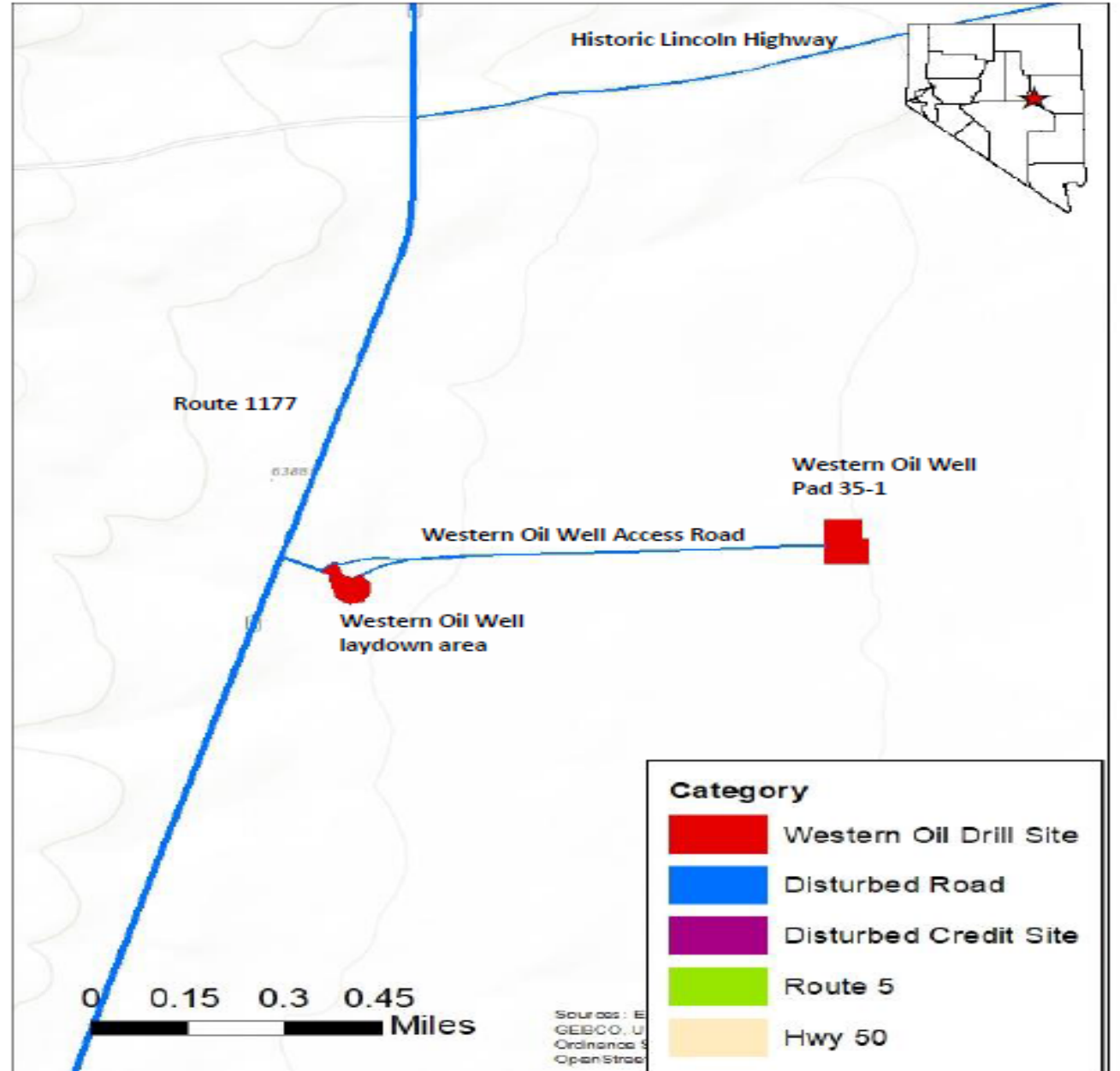
HISTORIC LINCOLN HIGHWAY







WP ROAD 1177 ACCESS ROAD TO WELL PAD 35-1









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