

Division 3
DNRC - Trust Land Management Division
**DEPARTMENT OF NATURAL
RESOURCES AND CONSERVATION**
NORTHEASTERN LAND OFFICE

RECEIVED

FEB 02 2006

D.N.R.C.



STATE OF MONTANA

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HAVRE UNIT OFFICE
PO BOX 868
210 SIXTH AVENUE
HAVRE, MONTANA 59501-0868

January 25, 2006

MEMORANDUM

TO: Clive Rooney, Area Manager, Northeastern Land Office
Julie David, Supervisor, Mineral Leasing Section

FR: Dan Dobler, Havre Unit Manager, Northeastern Land Office

RE: Montana Land & Exploration, Inc. – Lessee and Operator
Oil & Gas Lease OG-35,392-04
Township 33 North, Range 21 East
Section 16: All
Blaine County, Montana
SW Cherry Patch #13-16 Well (SWSW)

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JAN 27 2006

DNRC NELO

Dan Dobler

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LEGISLATIVE ENVIRONMENTAL
POLICY OFFICE

Montana Land & Exploration, Inc. is proposing to drill and exploratory natural gas well and construct an access road into the well site on the above referenced tract of state land. Montana Land & Exploration, Inc. is the State of Montana's oil and gas lessee on this tract of land and will be conducting the drilling operations. Montana Land & Exploration, Inc. will bury a pipeline across the state land, if the natural gas well is capable of commercial production. I conducted an on-site review of this project with Trent Sizemore, Agent for Montana Land & Exploration, Inc. I have outlined my concerns within the drilling stipulations listed on the attached page.

Enclosed you will find an Environmental Assessment Checklist for your review. I have concluded in the Environmental Assessment Checklist, that no large-scale or negative impacts to the state grazing land are expected, as long as Montana Land & Exploration, Inc. follows the drilling stipulations that I have set in place for this project. Please review the EA Checklist, sign and date it, and return a finalized copy to me. Please forward a copy of the EA Checklist to Connie Daruk in Helena, so that she may forward it onto the EQC. I used a global positioning system to map the drill pad area and the access road across this tract of state land. The access road will come in from the east across an existing two-track trail. Enclosed you will find a GIS map with the drill pad area and access road plotted in. I have also enclosed original copies of the signed surface lessee notice of settlement of damages, oil and gas surface damage settlement, and a copy of the check sent to you for the surface damage settlement for the state. I am recommending that the Department issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road across this tract of state land. If you have any further questions, please contact me at the Havre Unit Office.

Enclosures:

CHECKLIST ENVIRONMENTAL ASSESSMENT

Project Name: Proposed Exploratory Natural Gas Well SW Cherry Patch #13-16 Well (SWSW)	Proposed Implementation Date: February 10, 2006
Proponent: Montana Land & Exploration, Inc., 2100, 101 – 6 th Avenue, S.W., Calgary, Alberta T2P 3P4, Canada	
Type and Purpose of Action: Montana Land & Exploration, Inc (ML&E, Inc.) is proposing to drill an exploratory natural gas well and construct and access road across a tract of state grazing land. Montana Land & Exploration, Inc. will also construct a pipeline to transport the natural gas off the state land, if the well is capable of commercial production. Montana Land & Exploration, Inc. is the State of Montana's oil and gas lessee on this tract of state land. The Montana Department of Natural Resources and Conservation's (DNRC), Trust Land Management Division (TLMD) is responsible for administrating natural gas activity on State School Trust lands. The State of Montana owns the mineral rights and the surface on this entire section of land.	
Location: SW¼SW¼; Sec. 16, Twp. 33 North, Rng. 21E	County: Blaine County, Montana

I. PROJECT DEVELOPMENT

1. PUBLIC INVOLVEMENT, AGENCIES, GROUPS OR INDIVIDUALS CONTACTED: Provide a brief chronology of the scoping and ongoing involvement for this project.	The Montana Department of Natural Resources and Conservation has been petitioned by Montana Land & Exploration, Inc. to drill an exploratory natural gas well and construct an access road into the well site on the above referenced tract of state land. The mineral rights and the surface are owned by the State of Montana. Trent Sizemore, Agent for Montana Land & Exploration, Inc. has contacted the state's surface lessee, Lenard O. Drugge, regarding their intentions to drill a natural gas well and construct an access road into the well site across this tract of state land. Damages to the native rangeland resource will be settled with Mr. Drugge and the State of Montana within a reasonable time period following the completion of the well. If successful, the proposed natural gas well would generate additional revenue for the School Trust Fund of Montana in the form of royalties from the sale of natural gas.
2. OTHER GOVERNMENTAL AGENCIES WITH JURISDICTION, LIST OF PERMITS NEEDED:	The Montana DNRC/TLMD's; Havre Unit Office, Minerals Management Bureau, and the Montana Board of Oil and Gas are the only governmental agencies that have jurisdiction for this type of activity on State School Trust land.

3. ALTERNATIVES CONSIDERED:	<p>Action Alternative: Grant Montana Land & Exploration, Inc. permission to drill an exploratory natural gas well and construct an access road into the well site on this tract of State School Trust land. Mitigation measures will be used to limit the impact to the native rangeland resource.</p> <p>No Action Alternative: Deny Montana Land & Exploration, Inc. permission to drill an exploratory natural gas well and construct an access road across this tract of State School Trust land. The natural gas well will not be drilled on this tract of state land at this time.</p>
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II. IMPACTS ON THE PHYSICAL ENVIRONMENT

RESOURCE	POTENTIAL IMPACTS
<p>4. GEOLOGY AND SOIL QUALITY, STABILITY AND MOISTURE: Are fragile, compactible or unstable soils present? Are there unusual geologic features? Are there special reclamation considerations?</p>	<p>Action Alternative: The proposed natural gas well is located approximately 3 miles northeast of Zurich, Montana. Montana Land & Exploration, Inc. will disturb the soils on this tract of grazing land by constructing a well site, access road, and drilling an exploratory natural gas well. The proposed natural gas well is located on an upland bench with silty-clay loam soils. The soils in this area are suitable for this type of activity. During construction of the site, mitigation measures will be used to stockpile the topsoil upslope from the project, so that it may be used for reclaiming the site. The subsoil and excessive dirt will be stock piled in a separate pile, down-slope from the project and used first for fill. Montana Land & Exploration, Inc. may have to blade portions of the existing two-track trail to the east in order to get the drill rig into the well site. These areas will be reclaimed with the seed mixture found in the Natural Gas Well Drilling Stipulations for this project. The topsoil will be scraped off and located upslope of the road to control erosion. There are no special reclamation considerations for this proposed project. No unusual geologic features are present in the area of disturbance. The Montana DNRC has already set up a reclamation plan for reclaiming the well site and the trail into the natural gas well.</p> <p style="text-align: center;">(Continued on Next Page)</p>

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

<p>4. GEOLOGY AND SOIL QUALITY, STABILITY AND MOISTURE: Are fragile, compactible or unstable soils present? Are there unusual geologic features? Are there special reclamation considerations?</p>	<p style="text-align: center;"><u>(Continued from Previous Page)</u></p> <p>No Action Alternative: The soils on this tract of state grazing land will not be disturbed. ML&E, Inc. will not blade a trail across the state land or drill the proposed natural gas well. There will be no need for a reclamation plan to reseed the disturbed areas. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road across this tract of state land.</p>
<p>5. WATER QUALITY, QUANTITY AND DISTRIBUTION: Are important surface or groundwater resources present? Is there potential for violation of ambient water quality standards, drinking water maximum contaminant levels, or degradation of water quality?</p>	<p>Action Alternative: The project is expected to have a minimal impact on the surface and groundwater resources found in the surrounding area. Drilling an exploratory natural gas well will not impact the water quality, quantity, and distribution in this area. The location of the proposed natural gas well is in a rural area that is primarily used for livestock grazing purposes. There is no potential to violate any ambient water quality standards. Drinking water will not be contaminated with this type of activity. The water quality will not be degraded. Montana Land & Exploration, Inc. will re-distribute the clays that are brought up in the drilling process back down into the well casing.</p> <p>No Action Alternative: The water quality, quantity, and distribution currently found on this tract of state land will not be impacted. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road on this tract of State School Trust land.</p>
<p>6. AIR QUALITY: Will pollutants or particulate be produced? Is the project influenced by air quality regulations or zones (Class I airshed)?</p>	<p>Action Alternative: Drilling an exploratory natural gas well and constructing an access road into the well site will produce some particulates, during the initial drilling and construction stages. The project is not influenced by air quality regulations or zones. Once the gas well is drilled and the pad is completed, the air quality will return to normal. There will no longer be substantial traffic in and out of this tract of state land, once the project has been completed.</p> <p>No Action Alternative: The air quality will not be impacted and no dust particulates will be produced. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road across this tract of State School Trust land.</p>

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

7. VEGETATION COVER, QUANTITY AND QUALITY: Will vegetative communities be permanently altered? Are any rare plants or cover types present?

The vegetative communities found in this area include the following plants: western wheatgrass (*Agropyron smithii*), needle-and-thread (*Stipa comata*), blue grama (*Bouteloua gracilis*), green needlegrass (*Stipa viridula*), threadleaf sedge (*Carex filifolia*), sandberg bluegrass (*Poa secunda*), cudweed sagewort (*Artemisia ludoviciana*), fringed sagewort (*Artemisia frigida*), dense clubmoss (*Selaginella densa*), silver sagebrush (*Artemisia cana*), and woods rose (*Rosa woodsii*).

Action Alternative: The vegetative communities in the immediate area of the disturbance will be permanently altered with this type of project. The proposed project area does not contain any rare plants or cover types. The area of disturbance is on native rangeland. This area is primarily used for livestock grazing purposes. The topsoil excavated from the site will be stock piled upslope from the project and used last to cover the disturbed area. The area of disturbance will be reclaimed with a mixture of native grasses and yellow sweetclover. The reclamation plan seed mixture has been laid out as a stipulation in the Natural Gas Exploratory Well Drilling Stipulations.

No Action Alternative: The vegetative communities currently found on this tract of state grazing land will not be permanently altered. Native grasses, forbs, and shrubs will not be destroyed. The vegetative cover, quantity, and quality will remain in its natural state on this tract of state land. The topsoil will not be disturbed and there will be no need for a reclamation plan. No natural gas activity will occur on this tract of state land at this time. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road across this tract of State School Trust land.

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

8. TERRESTRIAL, AVIAN AND AQUATIC LIFE AND HABITATS:
Is there substantial use of the area by important wildlife, birds or fish?

Action Alternative: The habitat found within the immediate area of disturbance will be impacted with the construction of a natural gas well and access road. The area of disturbance will be small in scope and shall be reclaimed with the terms and conditions outlined in the reclamation plan. The disturbed area will be reclaimed with a mixture of native grasses and yellow sweetclover. The area of the proposed project is best described as a short grass prairie habitat type. Many different types of wildlife species use this area for habitat. The proposed project will not have any long-term impacts on the wildlife species that currently inhabit this area. Wildlife will be able to migrate through this area with minimal impact. Some wildlife species may be temporarily displaced with all the drilling activity, but once the project is completed wildlife will return to normal everyday habits. No wildlife species will be permanently relocated as a result of this project. The reclamation plan to reseed the disturbed area back to native grasses and yellow sweetclover will enhance the habitat by controlling erosion and providing additional forage for wildlife.

No Action Alternative: The terrestrial and avian life and their associated habitats found within this area will not be altered. Wildlife and birds will continue to use this area as habitat. Livestock grazing will continue to be the only authorized surface activity on this tract of state land. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road on this tract of State School Trust land.

9. UNIQUE, ENDANGERED, FRAGILE OR LIMITED ENVIRONMENTAL RESOURCES: Are any federally listed threatened or endangered species or identified habitat present? Any wetlands? Sensitive Species or Species of special concern?

Action Alternative: The proposed natural gas well and access road will have a minimal impact on the unique, endangered, fragile, and limited environmental resources present in this area. There are no wetlands located in the immediate area of disturbance. No sensitive species or species of special concern will be threatened by this project. Listed, threatened, or endangered species will be able to migrate through this area with minimal impact. There is no confirmed use of this area by threatened or endangered species, however the potential of occasional use does exist.

(Continued on Next Page)

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

9. UNIQUE, ENDANGERED, FRAGILE OR LIMITED ENVIRONMENTAL RESOURCES: Are any federally listed threatened or endangered species or identified habitat present? Any wetlands? Sensitive Species or Species of special concern?

(Continued from Previous Page)

No Action Alternative: The unique, endangered, fragile and limited environmental resources found on this tract of State School Trust land will not be impacted. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road across this tract of State School Trust land.

10. HISTORICAL AND ARCHAEOLOGICAL SITES: Are any historical, archaeological or paleontological resources present?

Action Alternative: Staff from the Montana Department of Natural Resources and Conservation have inspected the proposed well site and access road for historical and archaeological resources. The proposed well site is located on native rangeland. No visual surface features were identified in the immediate area of the proposed disturbance. If buried historical or archaeological resources are discovered at any time during construction of the access road or the well site, the proponent will cease all activity and contact the MT DNRC's, Havre Unit Office (406)-265-5236.

No Action Alternative: There are no known historical or archaeological resources present in the area of the proposed project. Unknown historical or archaeological features buried under the surface will not be altered. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road across this tract of State School Trust land.

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

<p>11. AESTHETICS: Is the project on a prominent topographic feature? Will it be visible from populated or scenic areas? Will there be excessive noise or light?</p>	<p>Action Alternative: The natural gas well will be a prominent topographic feature if the well is capable of commercial production. The natural gas well will be visible to the public from the Oberg Road, which is approximately ¼ of a mile to the east. The project is located approximately 3 miles northeast of Zurich, Montana. The land is primarily used for livestock grazing purposes. The project will produce some excessive noise during the initial stages of drilling. Once the well is drilled, the noise levels will return to normal.</p> <p>No Action Alternative: The aesthetics that are currently found on this tract of state land will not be lost. The natural gas well will not become a prominent topographic feature. This tract of state land will continue to be used solely for livestock grazing purposes and wildlife habitat. No excessive noise will be produced by the drilling rig and its crew. Wildlife species will not be temporarily displaced in this area. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road on this tract of state land.</p>
<p>12. DEMANDS ON ENVIRONMENTAL RESOURCES OF LAND, WATER, AIR OR ENERGY: Will the project use resources that are limited in the area? Are there other activities nearby that will affect the project?</p>	<p>Action Alternative: This project will demand the environmental resources of natural gas and a small portion of land for the drill pad area, access road, and pipeline, if the well is capable of commercial production. The demand on the environmental resource of air and water will be minimal. Once the project is completed, the proponent will reclaim the site, even if the well does produce justifiable gas flow. If the well is showing good natural gas production, the proponent will need to install a natural gas pipeline to transport the natural gas off the state land.</p> <p>No Action Alternative: There will be no demands on the environmental resources of land, water, air, or energy that currently exist on this tract of state land. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road on this tract of state land.</p>

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

13. OTHER ENVIRONMENTAL DOCUMENTS PERTINENT TO THE AREA: Are there other studies, plans or projects on this tract?

Action Alternative: The Montana DNRC will continue to explore for natural gas resources on tracts of land that have mineral rights owned by the State of Montana. The mineral rights belong to the State of Montana and revenue brought in from these developments will continue to be used for educational purposes within the State of Montana's School Trust Fund. The MT DNRC will continue to explore and develop natural gas facilities as long as they are environmentally sound. The goal of the Montana DNRC/TLMD is to manage the State of Montana's trust land resources to produce revenue for the trust beneficiaries, while considering environmental factors and protecting the future income-generating capacity of the land. The Montana DNRC/TLMD will continue to monitor the surface licensed grazing activity and set stocking rates on this tract of grazing land every ten years in accordance with State of Montana law.

No Action Alternative: This project will not impact other studies, plans, or projects that the MT DNRC has for this tract of land. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road on this tract of state land.

III. IMPACTS ON THE HUMAN POPULATION

RESOURCE

POTENTIAL IMPACTS AND MITIGATION MEASURES

14. HUMAN HEALTH AND SAFETY: Will this project add to health and safety risks in the area?

Action Alternative: ML&E, Inc., its subcontractors, and/or their employees understand the risks associated with drilling an exploratory natural gas well and constructing an access road into the well site on this tract of state land. ML&E, Inc., its subcontractors, and their employees assume these risks as occupational hazards. This project will not add to the human health and safety risks found in this area.

No Action Alternative: The project will not add to the health or human safety risks found in this area. ML&E, Inc. will not assume any occupational hazards by not drilling the natural gas well. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road on this tract of state land.

<p>15. INDUSTRIAL, COMMERCIAL AND AGRICULTURAL ACTIVITIES AND PRODUCTION: Will the project add to or alter these activities?</p>	<p>Action Alternative: Drilling an exploratory natural gas well and constructing an access road will create new industrial activity on this tract of state land. If ML&E, Inc. is successful in drilling a producing natural gas well; the School Trust Fund of Montana will generate additional revenue through royalties from the sale of natural gas. The forage production on the native rangeland will be temporarily reduced, due to the well pad disturbance. However, after the reclamation process is completed, forage production on this tract of grazing land will be enhanced in this area. In the long run, the reclamation plan to seed native grasses back into this area will increase the long-term forage productivity and enhance erosion control on these soils.</p> <p>No Action Alternative: The industrial, commercial, and agricultural activities will not be altered on this tract of state land. There will be no additional revenue generated in royalties to the School Trust Fund of Montana or for ML&E, Inc. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road on this tract of state land.</p>
<p>16. QUANTITY AND DISTRIBUTION OF EMPLOYMENT: Will the project create, move or eliminate jobs? If so, estimated number.</p>	<p>Action Alternative: The project will provide ML&E, Inc. with revenue generated by the sale of natural gas. The State of Montana's, School Trust Fund will also benefit from royalties through the sale of natural gas. This project will not move or eliminate jobs within the surrounding area. The project will provide Montana Land & Exploration, Inc.'s employees with additional work.</p> <p>No Action Alternative: The quality and distribution of employment will not be impacted in this area. Montana Land & Exploration, Inc. is scheduled to drill several natural gas wells in this area this year. If they are not allowed to drill this natural gas well they will simply move on to the next well on the schedule. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road on this tract of state land.</p>

<p>17. LOCAL AND STATE TAX BASE AND TAX REVENUES: Will the project create or eliminate tax revenue?</p>	<p>Action Alternative: The project will create additional tax revenue in Blaine County, if the well is capable of commercial production. The project will have an impact on the local and state tax base. If the natural gas is sold on the open market, the revenue generated from this well will increase the local and state tax base.</p> <p>No Action Alternative: The local and state tax base will remain the same. Tax revenue will not be impacted in Blaine County by not drilling the natural gas well. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road on this tract of state land.</p>
<p>18. DEMAND FOR GOVERNMENT SERVICES: Will substantial traffic be added to existing roads? Will other services (fire protection, police, schools, etc) be needed?</p>	<p>Action Alternative: The project will create some substantial traffic during the initial phases of drilling the natural gas well and constructing an access road. ML&E, Inc. has been informed, as to where the access road into the well site will be placed. There is an existing two-track trail to the east that almost ties into the proposed drill pad area. The project will not create a demand for government services. The project will not require the services of fire protection, police, or schools.</p> <p>No Action Alternative: There will be no additional demand for government services on this tract of state land. The Montana DNRC/TLMD will continue to monitor grazing management activity and set stocking rates for this tract of grazing land owned by the State of Montana. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road on this tract of state land.</p>
<p>19. LOCALLY ADOPTED ENVIRONMENTAL PLANS AND GOALS: Are there State, County, City, USFS, BLM, Tribal, etc. zoning or management plans in effect?</p>	<p>Action Alternative: The project will not interfere with any other locally adopted environmental plans or goals that the Montana DNRC has for this tract of state land. No zoning plans will be in effect for the construction of the natural gas well or access road. The Montana DNRC will continue to explore and develop natural gas facilities on lands in which, the State of Montana owns the mineral rights. Environmental Assessment Checklists will continue to be the basis of conclusion for future development or further study of projects such as this.</p> <p style="text-align: right;">(Continued on Next Page)</p>

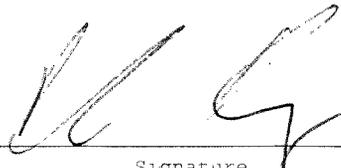
<p>19. LOCALLY ADOPTED ENVIRONMENTAL PLANS AND GOALS: Are there State, County, City, USFS, BLM, Tribal, etc. zoning or management plans in effect?</p>	<p style="text-align: center;">(Continued from Previous Page)</p> <p>No Action Alternative: There are no other known locally adopted environmental plans or goals for this tract of state land. The Montana DNRC will continue to work with natural gas companies to explore and develop natural gas production on tracts of land in which the State of Montana owns the mineral rights. Our mission at the Montana DNRC is to produce revenue for the trust beneficiaries, while considering the long-term environmental impacts to the land. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road on this tract of state land.</p>
<p>20. ACCESS TO AND QUALITY OF RECREATIONAL AND WILDERNESS ACTIVITIES: Are wilderness or recreational areas nearby or accessed through this tract? Is there recreational potential within the tract?</p>	<p>Action Alternative: The proposed natural gas well is located on a legally accessible tract of state land. The proposed project area is accessible to the public for recreational purposes by a county road that runs through this tract. This tract of state land does have recreational potential for hunting, hiking, and bird watching. The main recreational activities that occur here are hunting and hiking. The natural gas well and access road will have a minimal impact on the recreational activities that will occur on this tract of state land in the future.</p> <p>No Action Alternative: This tract of state land is legally accessible to the public for recreational purposes. The recreational potential for this tract of state land will continue to remain low to moderate. The Montana DNRC does have recreational authority, provided by the Montana Fish, Wildlife, & Parks on all tracts of state land. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road on this tract of state land.</p>

<p>21. DENSITY AND DISTRIBUTION OF POPULATION AND HOUSING: Will the project add to the population and require additional housing?</p>	<p>Action Alternative: The project will not add to the population or require additional housing. The density and distribution of population and housing will continue to be low in this rural area. The project will be completed in two to three days and the drill crew will leave the site. If the natural gas well is capable of commercial production, ML&E, Inc. will have to bury a pipeline to transport the natural gas off the state land. This activity may require the presence of ML&E employees for an additional day or two.</p> <p>No Action Alternative: The density and distribution of population and housing will continue to remain low in this rural ranching and farming community. The Montana DNRC/TLMD is the sole agency responsible for any surface and subsurface activity on this tract of state land. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road on this tract of state land.</p>
<p>22. SOCIAL STRUCTURES AND MORES: Is some disruption of native or traditional lifestyles or community's possible?</p>	<p>Action Alternative: The project will not disrupt any native or traditional lifestyles in this community. Drilling an exploratory natural gas well and constructing an access road will not change the social structures and mores found in this area. Natural gas exploration, development, and production are slowly becoming somewhat high in this area. ML&E, Inc. has been responsible for their actions in the past and they are willing to do whatever it takes to make people happy and get the job done environmentally safe.</p> <p>No Action Alternative: The native and traditional lifestyles will not be impacted in this rural ranching and farming community. The people who live in this area are very much open to natural gas exploration, development, and production on their own lands. The natural gas well will not be drilled. ML&E, Inc. will not have to blade portions of the existing two-track trail to get the drill rig into the state land. The native and traditional lifestyles in this area will continue to remain the same. The Montana DNRC will not issue Montana Land & Exploration, Inc. a permit to drill an exploratory natural gas well and construct an access road on this tract of state land.</p>

IV. FINDING	
25. ALTERNATIVE SELECTED:	Action
26. SIGNIFICANCE OF POTENTIAL IMPACTS:	N S.I
27. Need for Further Environmental Analysis: <input type="checkbox"/> EIS <input type="checkbox"/> More Detailed EA <input checked="" type="checkbox"/> No Further Analysis	

EA Checklist Approved By: Clive Rooney
Name

Area Manager, Northeastern Land Office
Title

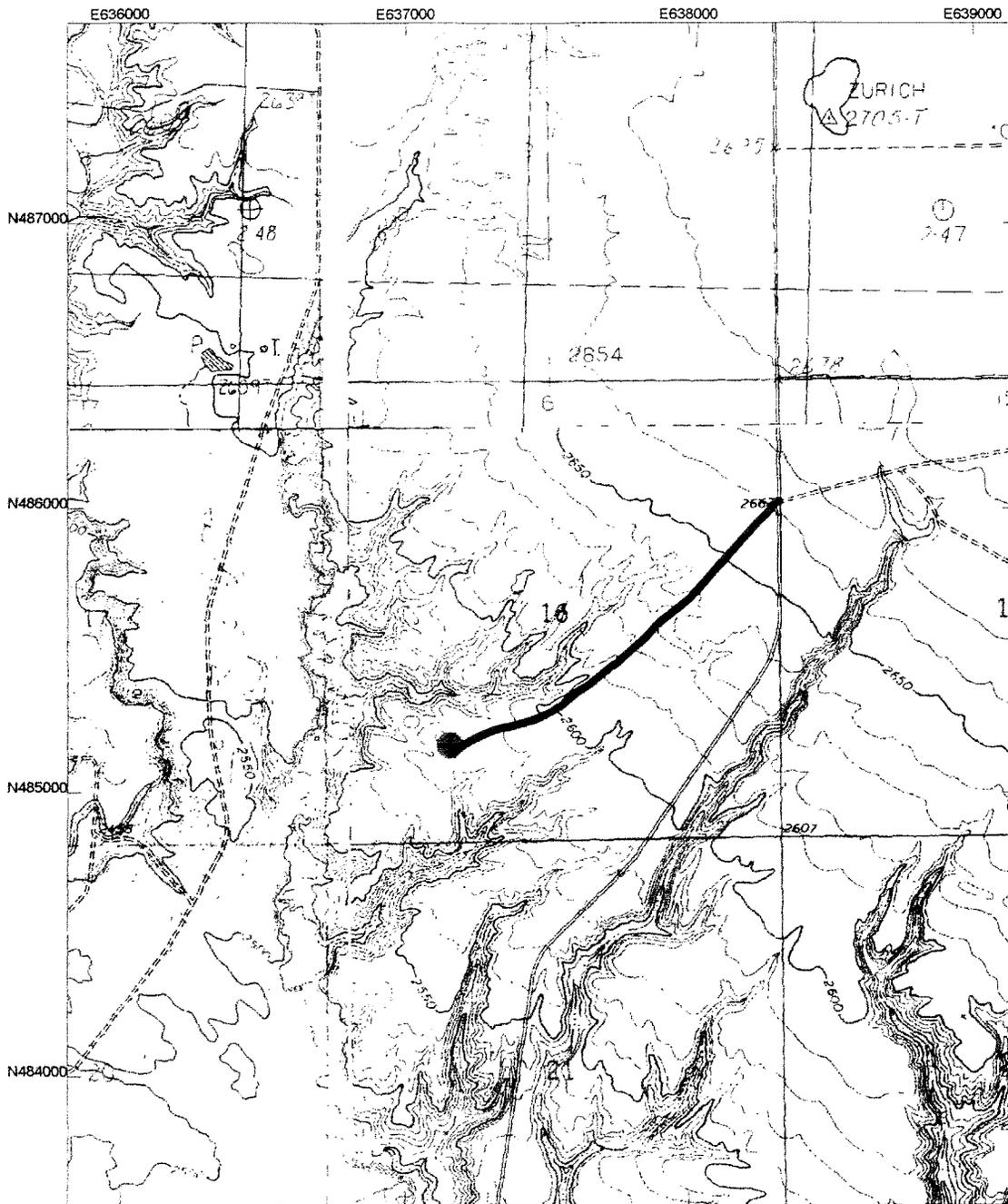

Signature

1/30/6
Date

Natural Gas Exploratory Well Drilling Stipulations for Oil & Gas Lease No. 35,392-04

Proposed SW Cherry Patch #13-16 Well (SWSW) - Blaine County, Montana

1. Permittee shall contact the Havre Unit Office, 48 hours prior to any surface activity.
2. The permittee shall contact the state's surface lessee, Lenard O. Drugge, 48 hours prior to any drilling activity. The permittee shall settle all surface damages within a reasonable time period following the completion of the well.
3. The permittee shall be responsible for controlling any noxious weeds introduced by the permittee's activity on the state land and shall prevent or eradicate the spread of those noxious weeds onto BLM and deeded land adjoining the premises.
4. This tract may contain buried significant archaeological, historical, or paleontological resources. If any of these resources are located, the permittee shall cease all drilling activity and contact the appropriate Area Office, Unit Office, and Department Archaeologist in Helena immediately. The Department reserves the right to restrict surface activity for the purposes of protecting significant cultural resources.
5. In order to prevent the introduction of noxious weeds on the state land, all equipment used on this project must be initially power washed prior to use.
6. Natural gas drilling activity may occur on dry or frozen ground only. No activity will be allowed during muddy conditions.
7. No vehicle oil changes or petroleum disposal shall occur on this tract of state land.
8. There will be no off-road traffic other than that necessary to accomplish the gas well drilling and the construction of an access road to the well site.
9. All gates will be closed and all fences that are taken down will be repaired as soon as possible.
10. The topsoil removed from the site must be located upslope of the project. Subsoil, excessive dirt, and pit stockpiles must be located down-slope of the project.
11. The access road must be kept to a minimal size in order to minimize the impact to the native rangeland resource.
12. Turn-arounds must be kept to their initial size and they are not to be expanded on. The tear drop must be as close to the drill pad as possible.
13. All disturbed areas shall be seeded with State of Montana Certified or Registered seed. The seed mixture shall be planted in the amounts specified in pounds of pure live seed per acre (PLS/acre). The seed mixture shall consist of 5 lbs. PLS/acre 'Rosana' western wheatgrass, 5 lbs. PLS/acre 'Pryor' slender wheatgrass, 6 lbs. PLS/acre 'Lodorm' green needlegrass, and 2 lb. PLS/acre yellow sweetclover (seed poundage is to be doubled if area is broadcast seeded). The seeding will be repeated until a satisfactory stand is established as determined by the Havre Unit Office.

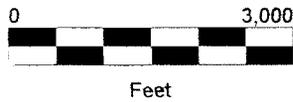


Montana Land & Exploration, Inc.
 SW Cherry Patch #13-16 Well (SWSW)

US State Plane 1983
 Montana 2500
 NAD 1983 (Conus)

N

Scale 1:24,000



D-SW Cherry Patch #13-16 Well SWSW.c
 1/12/2006

GPS Pathfinder® Office
Trimble

**SURFACE LESSEE
NOTICE OF SETTLEMENT OF DAMAGES**

TO: DEPARTMENT OF NATURAL RESOURCES
X Unit or ___ Area Office
ADDRESS: Havre, MT
RE: State Lease # 6015

I have been informed that Montana Land & Exploration, Inc.
of Calgary, Alberta, Canada is applying
for department authorization under their oil & gas lease enter onto the
following State Lands:

Township 33 North, Range 21 East of the M.P.M.
Section 16

for the purpose of Drilling & Completion of a proposed Natural Gas
Exploration Well

As the Lessee of the State Land described above, I/(we) understand that if the
proposed activity is authorized by the department, that I/(we) as leaseholder
am/(are) entitled to compensation for damages, that may occur to my/(our)
improvements, crops, or leasehold interest.

I/(we) also acknowledge that the said compensation, if any, is for actual
damages only and that compensation should not exceed the actual value of the
damages to my/(our) improvements, crops or leasehold interest.

I/(we), the undersigned hereby state that

- No damages are anticipated.
- Damages are anticipated and compensation has been received based on anticipated damages.
- Damages are anticipated and arrangements have been made for compensation.
Amount of Damage Payment \$250.00 (paid or arranged)
- Damages are anticipated and the applicant & I (we) are not able to agree on the value of the damages. Attached is a listing of my/(our) improvements, crops and/or statement of what portion of my/(our) leasehold interest will be damaged and my estimate of value for compensable damages.

Signed this 12 day of January, 2006.

 _____ (Lessee)
 Lenard O. Drugge (Lessee)

_____ (Lessee) _____ (Lessee)

(NOTE: All persons named on the state surface lease must sign this settlement statement. If a person is signing on behalf of another, copies of a Power of Attorney must be provided. Additionally, if a person has signed on behalf of an estate, Personal Representative papers must also accompany this form.)

OIL & GAS SURFACE DAMAGE SETTLEMENT

Department of Natural Resources and Conservation

Trust Land Management Division

O&G LEASE # OG-35392-04 TRS: T33N-R21E-Sec.16 COUNTY: Blaine

STATE OWNS: Surface & Minerals Minerals Only

PROPOSED ACTIVITY: Drill & Complete proposed Natural Gas Exploration Well

SURFACE OWNER/LESSEE PAYMENT: \$250.00
(Provide lessee settlement form or other acceptable documentation)

DAMAGE SETTLEMENT DUE STATE: \$1,000.00 (zero if the state does not own the surface)

TOTAL DAMAGE SETTLEMENT: \$1,250.00

The above payments are for settlement of damages anticipated from the proposed activity only, and do not constitute waiver by the oil & gas lessee or the State of Montana of any legal rights. If unanticipated damages should occur that exceed the amount of settlement already paid, the oil & gas lessee remains liable for repair, replacement or compensation covering the unanticipated damages.

I hereby certify that I am a lessee of record or an agent of the lessee of record, and that I am authorized to act on behalf of the lessee of record for the purpose of executing settlement of damages for the proposed activity. I acknowledge that damage settlement has been made pursuant to the Surface Owner Damage and Disruption Compensation Act (82-10-501 et seq., MCA), Administrative Rule (ARM 36.25.217(3) and 36.25.238), and pertinent provisions of the oil & gas lease.

Signed this 12th day of January, 20 06

Oil & Gas Lessee or Agent: Trent Sizemore, Agent Phone #: 357-3283

By: Trent Sizemore, Agent

Address: P.O. Box 81026

Billings, MT 59108

Accepted by the State of Montana
Trust Land Management Division

Area/Unit Office: Haure Unit Office

Jan Peller, Haure Unit Mgr

Address: 210 6th Ave
PO Box 888
Haure, MT 59501



LONEWOLF ENERGY, INC.
 P.O. BOX 81026
 BILLINGS, MT 59108-1026
 PH. (406) 255-0637
 FAX: (406) 254-2332

WESTERN BANK OF CHINOOK
 CHINOOK, MT 59523
 93-107/929

10649

1-12-2006

Pay to the
 Order of

DNRC - State of Montana

\$ 1,000.00*****

*****One Thousand and NO/100***** Dollars

1-800-433-8810

memo Damage Consideration (SW CP #13-16)

Robert I. Sims MP

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LONEWOLF ENERGY, INC.

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Damage Consideration for Drillsite/Road
 SW Cherry Patch #13-16 (T33N-R21E-Sec.16)
 Lenard O. Drugge, Surface Lessee

Drillsite	\$1,000.00
Road	\$250.00
Lessee	-\$250.00
<hr/>	
Net Due:	\$1,000.00

COPY

LONEWOLF ENERGY, INC.

10649

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