

DEPARTMENT OF NATURAL
RESOURCES AND CONSERVATION

NORTHEASTERN LAND OFFICE

DNRC - Trust Land Management Division



STATE OF MONTANA

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HAVRE UNIT OFFICE
PO BOX 868
HAVRE, MONTANA 59501-0868

April 7, 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 *Dan Dobler*

RE: Devon Energy Production Company, LP – Lessee and Operator
State of Montana Oil & Gas Lease #10,477-68
Township 32 North, Range 14 East, M.P.M.
Section 36: All
Hill County, Montana
State #36-5 Well (SW¼NW¼) & State #36-13 Well (SW¼SW¼)

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DNRC NELO

Devon Energy Production Co., LP is proposing to drill two exploratory natural gas wells and construct access roads into the well sites across the above referenced tract of state agricultural land. I conducted an on-site inspection of the proposed natural gas wells and access roads with Brent Sande, Landman for Devon Energy. Brent and I discussed environmental concerns, reclamation procedures, and surface damage settlement issues that I had for this project. Kenneth J. Wilson is the state's surface lessee on this tract of state land and has been notified about the location of the proposed well sites and access roads on his surface lease with the State of Montana. Devon Energy is currently in the process of settling damages to the cropland resource with the State of Montana and Kenneth J. Wilson. I will forward the signed notice of settlement for damages to you once it has been finalized.

Enclosed you will find an Environmental Assessment Checklist for your review. I have concluded in the EA Checklist that minimal negative environmental impacts are expected with this type of project occurring on agricultural land. I have outlined my concerns and listed the mitigation measures that must be implemented for the reclamation of these natural gas well sites. These mitigation measures are found within the drilling stipulations listed on the attached page. Please review the EA Checklist, sign and date it, and return a finalized copy to me. Please forward a copy of the executed EA Checklist to Connie Daruk in Helena, so that she may forward it to the Environmental Quality Council. I used a Trimble global positioning system to map the well pad areas on this tract of state land. Enclosed you will find a GIS map with the natural gas well pads plotted in.

I am recommending that the Department issue Devon Energy Production Company, LP a permit to drill two natural gas wells and construct access roads into the well sites across the above referenced tract of state land. If you have any further questions regarding this matter, please contact me at the Havre Unit Office and I will be glad to assist you.

Enclosures: EA Checklist/Drilling Stipulations/GIS Map

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LEGISLATIVE ENVIRONMENTAL
POLICY OFFICE

CHECKLIST ENVIRONMENTAL ASSESSMENT

**Project Name: Proposed Exploratory Natural Gas Wells
State #36-5 Well (SWNW) & State #36-13 Well (SWSW)**

Proposed Implementation Date: May 20, 2006

**Proponent: State of Montana Oil & Gas Lessee and Operator – Devon Energy Production Company, LP
C/o Brent Sande, PO Box 1644, Havre, MT 59501**

Type and Purpose of Action: Devon Energy Production Company, LP is proposing to drill two exploratory natural gas wells and construct access roads into the well sites across a tract of state agricultural land. The Montana Department of Natural Resources and Conservation (DNRC), Trust Land Management Division (TLMD) is the agency responsible for administrating all mineral activity on State School Trust lands. The State of Montana owns the mineral rights and the surface on this entire section of land. If the natural gas wells are capable of commercial production, Devon Energy Production Company, LP will have to bury pipelines to transport the natural gas off the state land. Devon Energy Production Company, LP must obtain a permit to drill from the Montana DNRC, prior to conducting any drilling activities on this tract of state land.

Location: SW $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$, Sec. 36, T32N, R14E

County: Hill 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 Devon Energy Production Company, LP to drill two exploratory natural gas wells and construct access roads into the well sites across the above referenced tract of state land. The State of Montana owns the mineral rights and the surface on this entire section of land. Brent Sande, Landman for Devon Energy has contacted the state's surface lessee, Kenneth J. Wilson, regarding their intentions to drill two natural gas wells and construct access roads into the well sites across this tract of state agricultural land. If the natural gas wells are capable of commercial production, Devon Energy will bury pipelines to transport the natural gas off the state land. Damages to the agricultural resource will be settled with the State of Montana and Kenneth J. Wilson within a reasonable time period following the completion of the natural gas wells. If successful, the natural gas wells will generate additional revenue for the State of Montana, School Trust Fund and Devon Energy 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. Devon Energy Production Company, LP will need to obtain a permit to drill the natural gas wells from the Montana DNRC, prior to conducting any surface activities on this tract of state agricultural land.

<p>3. ALTERNATIVES CONSIDERED:</p>	<p>Action Alternative: Grant Devon Energy permission to drill two exploratory natural gas wells and construct access roads into the well sites across this tract of State School Trust Land. Mitigation measures will be used to limit the impact to the agricultural resource and control future erosion problems. The Montana DNRC will issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites across this tract of state land.</p> <p>No Action Alternative: Deny Devon Energy permission to drill two exploratory natural gas wells and construct access roads across this tract of State School Trust Land. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land.</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 wells are located approximately 9 miles southwest of Havre, Montana. Devon Energy will disturb the soils on this tract of state agricultural land by drilling two exploratory natural gas wells and constructing access roads into the well sites across this tract of state land. The proposed natural gas wells are located on gently rolling to nearly flat, dryland agricultural land that has silty-clay loam soils. The soils located within the area of the proposed disturbance 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 stockpiled in a separate pile, down-slope from the project and used first for fill. There are no special reclamation considerations for the proposed project. No unusual geologic features are present in the area of the proposed disturbance. The Montana DNRC has already set up a reclamation plan for reclaiming the well sites and the access roads, if the wells are not capable of commercial production.</p> <p style="text-align: right;">(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><u>(Continued from Previous Page)</u></p> <p><u>No Action Alternative:</u> The soils on this tract of state agricultural land will not be disturbed. The Montana DNRC will not issue Devon Energy a reclamation plan for this project. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.</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><u>Action Alternative:</u> The project will have a minimal impact on surface and groundwater resources in the surrounding area. Drilling two exploratory natural gas wells will not impact the water quality, quantity, and distribution found in this area. The proposed natural gas wells are located in a rural area that is primarily used for livestock grazing purposes, agricultural production of small grains, and wildlife habitat. There is no potential to violate any ambient water quality standards with this project. Drinking water will not be contaminated with this type of activity. The water quality will not be degraded in this area. Devon Energy's subcontractors will use water from an adjacent reservoir on deeded land for drilling the natural gas wells.</p> <p><u>No Action Alternative:</u> The water quality, quantity, and distribution currently found on this tract of state land will not be altered. Devon Energy's subcontractors will not use water from an adjacent reservoir on deeded land to drill the natural gas wells. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.</p>

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

<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 two exploratory natural gas wells and constructing access roads into the well sites will produce some dust particulates, throughout the entire process of building the well sites and drilling the natural gas wells. The project is not influenced by air quality regulations or zones. Once the drill pads are completed and the gas wells have been drilled, the air quality will return to normal. There will no longer be substantial traffic in and out of this tract of state land from the drilling crew.</p> <p>No Action Alternative: The air quality will not be impacted in this area. No dust particulates will be produced from the substantial traffic in and out of this tract of state land. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.</p>
<p>7. VEGETATION COVER, QUANTITY AND QUALITY: Will vegetative communities be permanently altered? Are any rare plants or cover types present?</p>	<p>Action Alternative: The area of the proposed disturbance is located on agricultural land that is used primarily for the production of small grains. The location of the proposed well sites is currently in summer fallow and will most likely be seeded to a spring wheat crop within a few weeks. The proposed project area does not contain any rare plants or cover types. The topsoil excavated from the site will be stock piled upslope from the project and used last to cover the disturbed area for reclaiming the site.</p> <p>No Action Alternative: The vegetative cover, quantity, and quality currently found on this tract of state agricultural land will not be altered. The location of the proposed project will be seeded to a spring wheat crop within a few weeks and there will be no damages to the crop from this project. Wildlife habitat will not be altered. 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. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land.</p>

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

<p>8. TERRESTRIAL, AVIAN AND AQUATIC LIFE AND HABITATS: Is there substantial use of the area by important wildlife, birds or fish?</p>	<p>Action Alternative: The terrestrial and avian life and habitat found on this tract of agricultural land is very minimal. The habitat found in the immediate area of disturbance will be impacted with the construction of the drill pads and access roads. The area of disturbance will be small in scope and shall be reclaimed with the terms and conditions outlined within the well drilling stipulations provided by the Montana DNRC. Many different types of wildlife species use this area for secondary habitat. Those species include whitetail deer, mule deer, antelope, badger, skunk, the Columbian ground squirrel, red fox, coyote, as well as many different types of songbirds, upland game birds, and waterfowl. Wildlife species may be temporarily displaced, while the gas wells are being drilled. However, no wildlife species will be permanently relocated as a result of this project. The proposed project will not have any long-term impacts on wildlife species or their associated habitats that currently exist on this tract of state land.</p> <p>No Action Alternative: The terrestrial and avian life and their associated habitats found within this area will not be disturbed. Wildlife and birds species will continue to use this area as they have in the past. These species will not be temporarily displaced by drilling two exploratory natural gas wells. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.</p>
<p>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?</p>	<p>Action Alternative: The area of the proposed project is located on agricultural land that is used for the production of small grains. The proposed natural gas wells and access roads will have a minimal impact on the unique, endangered, fragile, and limited environmental resources present in this area. There are no wetlands located within 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)</p>

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

<p>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?</p>	<p>(Continued from Previous Page)</p> <p>No Action Alternative: The unique, endangered, fragile and limited environmental resources found on this tract of state agricultural land will not be temporarily impacted. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.</p>
<p>10. HISTORICAL AND ARCHAEOLOGICAL SITES: Are any historical, archaeological or paleontological resources present?</p>	<p>Action Alternative: Staff from the Montana Department of Natural Resources and Conservation has inspected the proposed well sites and access roads for historical and archaeological resources. The proposed well sites and access roads are located on previously disturbed agricultural land. No visual surface features were discovered during the on-site inspection of the proposed areas of disturbance. If 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.</p> <p>No Action Alternative: There are no known historical or archaeological resources present in the area of the proposed project. Unknown historical or archaeological features under the surface will not be altered. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.</p>

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

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?

Action Alternative: If successful, the natural gas wells will become prominent topographic features. The shed that houses the well head and natural gas meters will be visible to the public, if these two gas wells area capable of commercial production. The project is located approximately 9 miles southwest of Havre, Montana. The land is primarily used for livestock grazing purposes, the production of small grains, and wildlife habitat. The project will produce some excessive noise during the entire stages of drilling the natural gas wells. Once the wells are drilled, the noise levels will return to normal. The area of the proposed project is being developed for natural gas production. Several natural gas wells have already been drilled in the area and more are proposed on adjacent lands surrounding this tract.

No Action Alternative: The aesthetics that are currently found on this tract of state agricultural land will not be impacted. The natural gas wells will not become prominent topographic features on this tract of state land. This tract of state land will continue to be used solely for the production of small grains as agricultural land. Wildlife species will not be temporarily displaced. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.

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?

Action Alternative: This project will demand the environmental resources of natural gas and a small portion of land for the well sites and access roads. The demand on the environmental resources of air and water will be minimal. Once the project is completed, the proponent will reclaim the site with the terms and conditions outlined within the well drilling stipulations provided by the Montana DNRC. If the wells are capable of commercial production, the proponent will need to install pipelines to transport the natural gas off the state land. There are no other activities nearby that will affect this project.

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II. IMPACTS ON THE PHYSICAL ENVIRONMENT

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?

(Continued from Previous Page)

No Action Alternative: There will be no additional demands on the environmental resources of land, water, air, or energy that are currently found on this tract of state agricultural land. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.

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 on this tract of land are owned by the State of Montana's, School Trust Fund and revenue brought in from these developments will continue to be used for educational purposes by the beneficiaries of the Trust. The MT DNRC will continue to explore and develop natural gas facilities as long as they are environmentally safe. 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 administer and monitor the licensed agricultural lease every ten years in accordance with Montana State Statute.

No Action Alternative: The project will not impact other studies, plans, or projects that the Montana DNRC has for this tract of land. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.

III. IMPACTS ON THE HUMAN POPULATION

RESOURCE	POTENTIAL IMPACTS AND MITIGATION MEASURES
<p>14. HUMAN HEALTH AND SAFETY: Will this project add to health and safety risks in the area?</p>	<p>Action Alternative: Devon Energy, its subcontractors, and/or their employees understand the risks associated with drilling two exploratory natural gas wells. Devon Energy, 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.</p> <p>No Action Alternative: The project will not add to the health or human safety risks found in this area. Devon Energy will not assume any occupational hazards by not drilling the natural gas wells and constructing access roads into the well sites across this tract of state land. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.</p>
<p>15. INDUSTRIAL, COMMERCIAL AND AGRICULTURAL ACTIVITIES AND PRODUCTION: Will the project add to or alter these activities?</p>	<p>Action Alternative: Drilling two exploratory natural gas wells and constructing access roads into the well sites will create additional industrial activity on this tract of state land. If Devon Energy Production Company, LP is successful in drilling two producing natural gas wells; the School Trust Fund of Montana will generate additional revenue through royalties from the sale of natural gas. Crop production on the agricultural land will be temporarily reduced, due to the well pad disturbances. However, after the reclamation process is completed, these areas will return to small grain production. These sites on agricultural land have been easy to reclaim after the well has been drilled and connected to a pipeline.</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 from royalties to the School Trust Fund or Devon Energy. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.</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 Devon Energy with revenue generated by the sale of natural gas. The State of Montana's, School Trust Fund will 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 Devon Energy's employees with additional work and income.</p> <p>No Action Alternative: The quality and distribution of employment will be impacted in this area. Devon Energy is scheduled to drill several natural gas wells in this area. If they are not allowed to drill these wells on the state land, they will simply move on to the next well on the drilling schedule. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.</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 Hill County, if the wells are successful and capable of commercial production. Therefore, the project will have an impact on 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 Hill County by not drilling the natural gas wells. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.</p>

18. DEMAND FOR GOVERNMENT SERVICES: Will substantial traffic be added to existing roads? Will other services (fire protection, police, schools, etc) be needed?

Action Alternative: The project will create some substantial traffic throughout the entire phase of drilling the natural gas wells and constructing the access roads. Devon Energy has been informed, as to where the access roads into the well sites will be placed. The access roads will leave the county roads from the north and south and tie into each perspective well. The project will not create a demand for government services. The project will not require the services of fire protection, police, or schools.

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 agricultural production and management practices on this tract of agricultural land owned by the State of Montana. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.

19. LOCALLY ADOPTED ENVIRONMENTAL PLANS AND GOALS: Are there State, County, City, USFS, BLM, Tribal, etc. zoning or management plans in effect?

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 agricultural land. No zoning plans will be in effect for the installation of two natural gas wells and access roads across this tract of state land. The Montana DNRC will continue to explore and develop natural gas facilities on lands that the State of Montana owns the mineral rights. Environmental Assessment Checklist's will continue to be the basis of conclusion for future development or further study of projects such as this.

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. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.

<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 wells are located on a legally accessible tract of state land. The proposed project area is accessible to the general public for recreational purposes, via county roads that are found along all four section lines of this tract. This tract of state land does have some recreational potential for hunting, hiking, and bird watching. The main recreational activity that occurs here is hunting. The natural gas wells and access roads will have a minimal impact on the recreational activities that may occur on this tract of state land in the future.</p> <p>No Action Alternative: This tract of state land will continue to be legally accessible to the public for recreational purposes. The recreational potential for this tract of land will continue to be low. 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 Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.</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 within a week to ten days and the drill crew will leave the site. If the natural gas wells are successful, Devon Energy will have to bury pipelines to transport the natural gas off the state land. This activity may require the presence of Devon employees for an additional day or two.</p> <p>No Action Alternative: The density and distribution of population and housing will continue to be low in this rural ranching and farming community. The Montana DNRC/TLMD is the agency responsible for any surface and subsurface activity on this tract of state land. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.</p>

22. SOCIAL STRUCTURES AND MORES: Is some disruption of native or traditional lifestyles or community's possible?

Action Alternative: The project will not disrupt any native or traditional lifestyles found within this rural area. Drilling two exploratory natural gas wells and constructing access roads into the well sites will not change the social structures and mores found in this area. Natural gas exploration, development, and production are already somewhat high in this area. Devon Energy has been really responsible for their actions and they are willing to do whatever it takes to make people happy and get the job done right.

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 have natural gas wells on their own lands and collect royalties as well. The native and traditional lifestyles found in this area will continue to remain the same. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.

23. CULTURAL UNIQUENESS AND DIVERSITY: Will the action cause a shift in some unique quality of the area?

Action Alternative: The proposed natural gas wells and access roads will not cause a shift in any of the unique qualities found in this area. No cultural artifacts or surface features were observed or noted in the area of the proposed disturbance. Natural gas production is important to the people in this area, because it provides jobs and additional income for the people who live and work in this area.

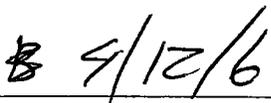
No Action Alternative: The cultural uniqueness and diversity of the land and its people will remain the same. This tract of state land will continue to be used solely for the production of small grains as agricultural land. Dryland agricultural production is authorized through a surface lease issued by the Montana DNRC. The State of Montana's School Trust Fund receives ¼ share of the grain production that comes off this tract of land every year. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #36-5 & State #36-13 wells and construct access roads into the well sites on this tract of agricultural land. The State of Montana's School Trust Fund and Devon Energy will not receive potential royalty payments from the sale of natural gas.

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

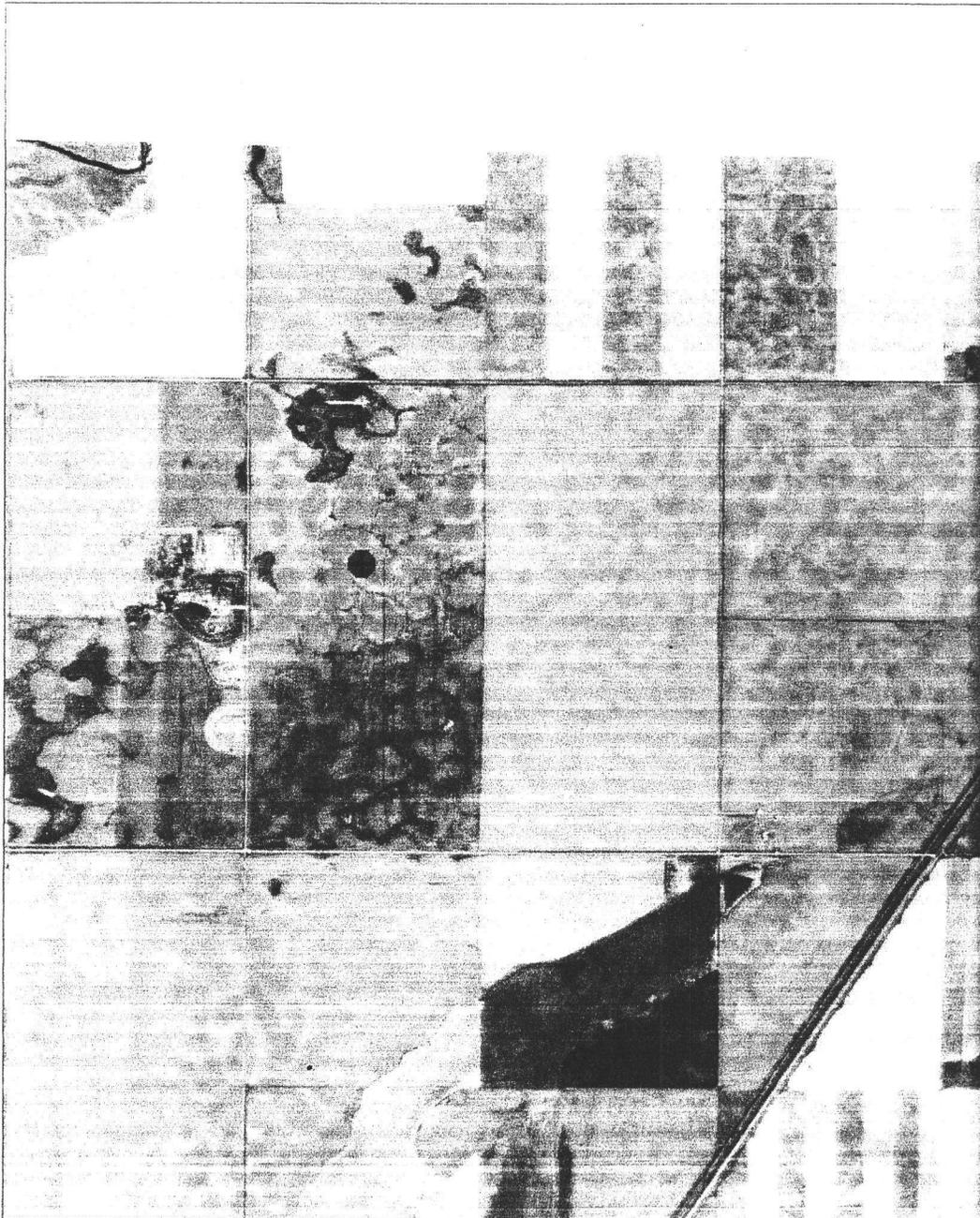

Date

State of Montana

Natural Gas Exploratory Well Drilling Stipulations for Oil & Gas Lease #10,477-68

State #36-5 Well (SW $\frac{1}{4}$ NW $\frac{1}{4}$) & State #36-13 Well (SW $\frac{1}{4}$ SW $\frac{1}{4}$) - Hill County, Montana

1. The permittee shall contact the Havre Unit Office, PO Box 868, Havre, MT 59501, (406) 265-5236, 48 hours prior to any surface activity.
2. The permittee shall contact the State's surface lessee, Kenneth J. Wilson, HC30, Box 322, Havre, MT 59501, 48 hours prior to any drilling activity. The permittee shall settle all surface damages with the State of Montana and Kenneth Wilson within a reasonable time period following the completion of the natural gas wells.
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 deeded land adjoining the premises.
4. The permittee shall also be responsible for controlling all annual weeds around the well sites, access roads, and pipeline routes across this tract of state agricultural land.
5. This tract of state land does not contain any known archaeological, historical, or paleontological resources in the area of the proposed disturbance. However, 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.
6. In order to prevent the introduction of noxious weeds on this tract of state land, all equipment used on this project must be initially power washed prior to use.
7. Natural gas drilling and service activity may occur on dry or frozen ground only. No activity will be allowed during muddy conditions.
8. No vehicle oil changes or petroleum disposal shall occur on this tract of state land.
9. There will be no off-road traffic other than that necessary to accomplish the gas well drilling and construction of the access roads into the well sites.
10. All gates will be closed and all fences that are taken down will be repaired as soon as possible.
11. The topsoil removed from the site must be located upslope from the project and used for covering the subsoil. Subsoil and excessive dirt must be located downslope from the project and used first for fill. This practice shall be used for installing the pipelines, if one or both of the wells are successful and capable of commercial production.
12. The access roads must be kept to their initial size in order to minimize the impact on the agricultural land. 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 areas as possible.



Devon Energy Production Company, LP
State #36-5 Well (SWNW)
& State #36-13 Well (SWSW)

US State Plane 1983
Montana 2500
NAD 1983 (Conus)

Scale 1:24,000

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Feet

D-STATE 36-5 + 36-13.cor

4/6/2006

GPS Pathfinder[®] Office

