

DEPARTMENT OF NATURAL
RESOURCES AND CONSERVATION
NORTHEASTERN LAND OFFICE

RECEIVED
MAY 12 2006
DNRC NELO



STATE OF MONTANA

(406) 265-5236 Telephone
(406) 265-5236 FAX

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

May 9, 2006

DNRC - Trust Land Management Division

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: Helis Oil & Gas Company, LLC - Lessee and Operator
Energy Consultants, LLC - Agent
State of Montana Oil & Gas Lease #10,858-68
Battle Creek #14-16 Well (SESW)
Township 36.0 North, Range 19.0 East, M.P.M.
Section 16: All, (From the surface to the base of the Eagle formation)
Blaine County, Montana

RECEIVED

JUN 30 2006

LEGISLATIVE ENVIRONMENTAL
POLICY OFFICE

Helis Oil & Gas Company, LLC has notified the Montana Department of Natural Resources and Conservation of their intentions to drill an exploratory natural gas well on the above referenced tract of state land. Helis Oil & Gas Company is the State of Montana's oil and gas lessee on this tract of state land. Energy Consultants, LLC will be handling the drilling operations on behalf of Helis Oil & Gas Company, LLC. I conducted an on-site inspection of the proposed natural gas well on Monday, May 1, 2006. I have outlined my concerns within the drilling stipulations listed on the attached page. S Bar B Ranch Corp., C/o Jack Davies is the state's surface lessee on this tract of native grazing land. Helis Oil & Gas Company, LLC will be required to settle all surface damages with the State of Montana and S Bar B Ranch Corp. - C/o Jack Davies, prior to drilling the natural gas well.

Enclosed you will find an Environmental Assessment Checklist for your review. I have concluded in the EA Checklist, that no large-scale or negative impacts are expected on this tract of native grazing land, as long as Helis Oil & Gas Company follows the stipulations that I have set in place for drilling this natural gas well. 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 drill pad area and the access road into the well site. I have attached a GIS map with the proposed access road and drill pad area for your convenience. I am recommending that the Department issue Helis Oil & Gas Company, LLC a permit to drill an exploratory natural gas well on this tract of state grazing land. If you have any 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

CHECKLIST ENVIRONMENTAL ASSESSMENT

Project Name: Battle Creek #14-16 Gas Well (SESW)	Proposed Implementation Date: May 20 th , 2006
Proponent: State of Montana Oil & Gas Lessee & Operator - Helis Oil & Gas Company, LLC, 228 St. Charles Avenue, Suite 912, New Orleans, LA 70130 – Energy Consultants, LLC, PO Box 159, Billings, MT 59103-0159	
Type and Purpose of Action: Helis Oil & Gas Company, LLC has notified the Montana DNRC of their proposal to drill an exploratory natural gas well on a tract of state grazing land in northern Blaine County. Energy Consultants, LLC is the agent for Helis and they will be conducting the drilling operations for this exploratory natural gas well. The Montana Department of Natural Resources and Conservation (DNRC), Trust Land Management Division (TLMD) is responsible for administrating all mineral exploration 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 well is capable of commercial production, Helis Oil & Gas Company will bury a 3" poly pipeline to transport the natural gas to an existing gathering pipeline south of the proposed well site on this tract of state land. Helis Oil & Gas Company, LLC will settle all surface damages with the State of Montana and S Bar B Ranch Corporation – C/o Jack Davies, prior to drilling the natural gas well.	
Location: SE¼SW¼; Sec. 16, T36N, R19E	County: Blaine County, Montana

I. PROJECT DEVELOPMENT

<p>1. PUBLIC INVOLVEMENT, AGENCIES, GROUPS OR INDIVIDUALS CONTACTED: Provide a brief chronology of the scoping and ongoing involvement for this project.</p>	<p>Helis Oil & Gas Company, LLC has notified the Montana Department of Natural Resources and Conservation of their intentions to drill an exploratory natural gas well on the above referenced tract of state land. The mineral rights and the surface on this entire section are owned by the State of Montana. Energy Consultants, LLC will be conducting the drilling operations for this project. Helis Oil & Gas Co. will contact the State's surface lessee, S Bar B Ranch Corporation, C/o Jack Davies regarding their intentions to drill a natural gas well on this tract of state grazing land. If the natural gas well is capable of commercial production, Helis Oil & Gas Co. will bury a 3" poly pipeline across this tract of state land to an existing gathering pipeline located just south of the proposed well site. Surface damages will be settled with S Bar B Ranch Corp., C/o Jack Davies and the State of Montana, prior to drilling the natural gas well. If successful, the natural gas well will generate additional revenue for the State of Montana's, School Trust Fund and Helis Oil & Gas Company, LLC in the form of royalties from the sale of natural gas.</p>
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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 project on State School Trust land. Helis Oil & Gas Co. will need to obtain a drilling permit from the Montana DNRC, prior to conducting any surface activities on this tract of state grazing land.
3. ALTERNATIVES CONSIDERED:	<p>Action Alternative: Grant Helis Oil & Gas Co. permission to drill an exploratory natural gas well on this tract of State School Trust land. The Montana DNRC will issue Helis Oil & Gas Co. a permit to drill a natural gas well on this tract of state land. Mitigation measures will be implemented to limit the impact on the native rangeland resource.</p> <p>No Action Alternative: Deny Helis Oil & Gas Co. permission to drill an exploratory natural gas well on this tract of State School Trust land. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill a natural gas well on this tract of state land.</p>

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>(Continued on Next Page)</p>	<p>Action Alternative: The proposed natural gas well is located approximately 20 miles north of Chinook, Montana. Helis Oil & Gas Company will disturb the soils on this tract of native grazing land by drilling an exploratory natural gas well. The proposed natural gas well is located on gently-rolling plains that consist of a short-grass prairie that has 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. These mitigation measures will also be used to bury a pipeline, if the well is capable of commercial production. There are no special reclamation considerations for the proposed project. No unusual geologic features are present in the area of disturbance. The Montana DNRC has set up a reclamation plan for reclaiming the well site and access road, if the well is not capable of commercial production.</p> <p>(Continued on Next Page)</p>

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

(Continued from Previous Page)	(Continued from Previous Page)
<p>4. GEOLOGY AND SOIL QUALITY, STABILITY AND MOISTURE: Are fragile, compactable or unstable soils present? Are there unusual geologic features? Are there special reclamation considerations?</p>	<p>No Action Alternative: The soils on this tract of state grazing land will not be disturbed. The Montana DNRC will not need to issue a reclamation plan to Helis Oil & Gas Co. for the reclamation of the well site. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing 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 will have a minimal impact on surface and groundwater resources in the surrounding area. Drilling an exploratory natural gas well will not impact the water quality, quantity, and distribution found in this area. The proposed natural gas well is located in a rural area that is primarily used for livestock grazing purposes 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. There is several natural gas wells already located on this tract of state land.</p> <p>No Action Alternative: The water quality, quantity, and distribution currently found on this tract of state land will not be altered. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing 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 building an access road into the well site will produce some dust particulates, throughout the entire drilling process. The project is not influenced by air quality regulations or zones. Once the drill pad is completed and the gas well is drilled, the air quality will return to normal. There will no longer be substantial traffic in and out of this tract of state land.</p> <p>No Action Alternative: The air quality will not be impacted in this area and no dust particulates will be produced. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing land.</p>

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

<p>7. VEGETATION COVER, QUANTITY AND QUALITY: Will vegetative communities be permanently altered? Are any rare plants or cover types present?</p>	<p>The vegetative communities found within this area include the following plants: western wheatgrass (<i>Agropyron smithii</i>), needle-and-thread (<i>Stipa comata</i>), blue grama (<i>Bouteloua gracilis</i>), green needlegrass (<i>Stipa viridula</i>), sedges (<i>Carex spp.</i>), sandberg bluegrass (<i>Poa secunda</i>), cudweed sagewort (<i>Artemisia ludoviciana</i>), fringed sagewort (<i>Artemisia frigida</i>), dense clubmoss (<i>Selaginella densa</i>), silver sagebrush (<i>Artemisia cana</i>), and woods rose (<i>Rosa woodsii</i>).</p> <p>Action Alternative: The vegetative communities found within the immediate area of the proposed disturbance will be temporarily altered with this type of project. The proposed project area does not contain any rare plants or cover types. The area of disturbance is located on native rangeland. This area is primarily used for livestock grazing purposes, wildlife habitat, and natural gas production. 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. The area of disturbance will be reclaimed with a mixture of native grasses and yellow sweetclover. Existing vegetation surrounding the area of the proposed disturbance will also help reclaim the areas disturbed by this project. The reclamation plan will be incorporated as a stipulation for the well drilling permit.</p> <p>No Action Alternative: The vegetative communities currently found on this tract of state grazing land will not be temporarily altered. Native grasses, forbs, and shrubs will not be disturbed. 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 Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing land.</p>
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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 in the immediate area of disturbance will be impacted with the construction of a natural gas well drill pad and access road. The area of disturbance will be small in scope and shall be reclaimed with the terms and conditions outlined within the well drilling stipulations imposed by the Montana DNRC. The disturbed area will be reclaimed with a mixture of native grasses and yellow sweetclover. The area of disturbance primarily consists of needle-and-thread (*Stipa comata*), blue grama (*Bouteloua gracilis*), green needlegrass (*Stipa viridula*), prairie junegrass (*Koeleria pyramidata*), fringed sagewort (*Artemisia frigida*), silver sagebrush (*Artemisia cana*) and western wheatgrass (*Agropyron smithii*). 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. 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 well is 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 the wildlife species or their habitat that currently exists on this tract of state land.

No Action Alternative: The terrestrial and avian life and their associated habitats found within the area of the proposed disturbance will not be altered. Wildlife and birds species will continue to use this area, as they have in the past. These species will not be temporarily displaced by the natural gas well drilling activity. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing land.

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>Action Alternative: The proposed exploratory natural gas well 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.</p> <p>No Action Alternative: The unique, endangered, fragile and limited environmental resources found on this tract of state grazing land will not be impacted. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing land.</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 site for historical and archaeological resources. The proposed well site and access road are located on native rangeland. No visual surface features were identified in the immediate area of disturbance, during the on-site inspection. If historical or archaeological resources are discovered at any time during construction of the well site, the proponent shall cease all activity and contact the MT DNRC's, Havre Unit Office (406)-265-5236. The Department reserves the right to restrict surface activity for the purposes of protecting significant cultural resources.</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 Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing land.</p>

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: If successful, the natural gas well will become a prominent topographic feature. The natural gas well will be visible to the public from a county road along the east section line of this tract. The project is located approximately 20 miles north of Chinook, Montana. The land is primarily used for livestock grazing purposes, wildlife habitat, and natural gas production. The project will produce some excessive noise, throughout the entire drilling process. Once the well is drilled, the noise levels will return to normal. The area of the proposed project is somewhat developed for natural gas production and several natural gas wells already exist on this tract of state land.</p> <p>No Action Alternative: The aesthetics that are currently found on this tract of state grazing land will not be impacted. The natural gas well will not become a prominent topographic feature. This tract of grazing land will continue to be used for livestock grazing purposes, wildlife habitat, and natural gas production. No excessive noise will be produced by the drilling rig and its crew. Wildlife species will not be temporarily displaced by this project. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing 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 well site and access road. The demand on the environmental resources of air and water will be minimal. Once the project is completed, the proponent will reclaim the site. If the well is showing good natural gas production, the proponent will need to bury a pipeline to an existing gathering pipeline to transport the natural gas off the state land. There are no other activities nearby that will affect this project.</p> <p>No Action Alternative: There will be no demands on the environmental resources of land, water, air, or energy that are currently found on this tract of state grazing land. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing land.</p>

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

<p>13. OTHER ENVIRONMENTAL DOCUMENTS PERTINENT TO THE AREA: Are there other studies, plans or projects on this tract?</p>	<p>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'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 Montana 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 existing natural gas developments and livestock grazing management as well as set stocking rates on this tract of state grazing land every ten years in accordance with Montana State Statute.</p> <p>No Action Alternative: The project will not impact other studies, plans, or projects that the Montana DNRC may have for this tract of state land. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing land.</p>
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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: Helis Oil & Gas Co., its subcontractors, and/or their employees understand the risks associated with drilling an exploratory natural gas well. Helis Oil & Gas Co., 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 human health or safety risks found in this area. Helis Oil & Gas Co. will not assume any occupational hazards by not drilling the natural gas well on this tract of state land. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing land.</p>

<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 will create additional industrial activity on this tract of state land. If Helis Oil & Gas Co. 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. The additional revenue generated from another natural gas well will increase royalty payments from this tract of land, if this natural gas well is successful.</p> <p>No Action Alternative: The industrial and livestock grazing activities will not be altered on this tract of state land. This tract of state land will continue to be used for the purposes of livestock grazing, wildlife habitat, and natural gas production. There will be no additional revenue generated from royalties to the School Trust Fund of Montana and Helis Oil & Gas Co. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing 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 Helis Oil & Gas Co. with additional revenue generated by the sale of natural gas, if the well is capable of commercial production. The State of Montana's, School Trust Fund will benefit from royalties, through the sale of natural gas as well. This project will not move or eliminate jobs within the surrounding area. The project will provide Helis Oil & Gas Company, LLC employees with additional work and income.</p> <p>No Action Alternative: The quality and distribution of employment will be not impacted in this area. Helis Oil & Gas Co. is scheduled to drill several natural gas wells in this area. If they are not allowed to drill this well on the state land, they will simply move to the next well on the drilling schedule. Helis and the School Trust Fund will loose out on additional revenue that could've been generated from this tract of state land, if a successful well was drilled.</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. 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 Blaine County by not drilling this natural gas well. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing 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, throughout the entire length of time it takes to drill the natural gas well. Helis Oil & Gas Co. has been informed, as to where the access road into the well site must be placed. 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 and administer livestock grazing management and natural gas development activities for this tract of grazing land owned by the State of Montana. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing 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 native grazing land. No zoning plans will be in effect for the installation of a natural gas well on 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.</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. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing 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, via a county road along the east section line of this tract. This tract of state land does have recreational potential for hunting and bird watching. Hunting is the main recreational activity that occurs on this tract of state land. The additional natural gas well and access road 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 remain legally accessible to the public for recreational purposes. The recreational potential for this tract of land will continue to be 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 Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing 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 successful, Helis Oil & Gas Co. will have to bury a pipeline across the state land to an existing gathering line to transport the natural gas off the state land. This activity may require the presence of Helis 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 agency responsible for any surface and subsurface activities on this tract of state land. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing 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 found within this rural area. Drilling an exploratory natural gas well will not change the social structure and mores found in this area. Natural gas exploration, development, and production are somewhat high in this area. There are several existing natural gas wells on this tract of state land at present time, along with several connecting pipelines and one gathering pipeline.</p> <p>No Action Alternative: The native and traditional lifestyles will not be impacted in this rural ranching and farming community. There are very few people who live in this area and natural gas development has been very important in providing jobs to the few people who in this area. The native and traditional lifestyles found in this area will continue to remain the same. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing land.</p>
<p>23. CULTURAL UNIQUENESS AND DIVERSITY: Will the action cause a shift in some unique quality of the area?</p>	<p>Action Alternative: The proposed natural gas well and access road 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 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.</p> <p>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 for wildlife habitat, livestock grazing, and natural gas production. Livestock grazing on this tract is authorized through a surface grazing lease issued by the Montana DNRC. The existing natural gas production is licensed through an oil and gas lease in which Helis Oil & Gas Company, LLC holds with the State of Montana. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing land.</p>

24. OTHER APPROPRIATE SOCIAL AND ECONOMIC
CIRCUMSTANCES:

Action Alternative: If the well is capable of commercial production, the project will generate additional revenue for the School Trust Fund of Montana and Helis Oil & Gas Co. through royalties from the sale of natural gas. The surrounding communities will benefit from projects such as this through lodging, gas, and food purchased by the drilling crew and Helis Oil & Gas Co.'s employees. The people in the surrounding area may be more open to natural gas exploration on their own lands, if this project is done right, if it's environmentally safe, and financially beneficial.

No Action Alternative: The potential for additional revenue to the State of Montana's School Trust Fund, Helis Oil & Gas Co., and the people in the surrounding area will be lost. The Montana DNRC will not issue Helis Oil & Gas Co. a permit to drill an exploratory natural gas well on this tract of state grazing land. There are no other appropriate social and/or economic circumstances to discuss within this Environmental Assessment Checklist.

EA Checklist Prepared By: Dan Dobler
Name

Havre Unit Manager
Title

Title

Dan Dobler
Signature

May 9th, 2006
Date

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

5-12-6
Date

State of Montana

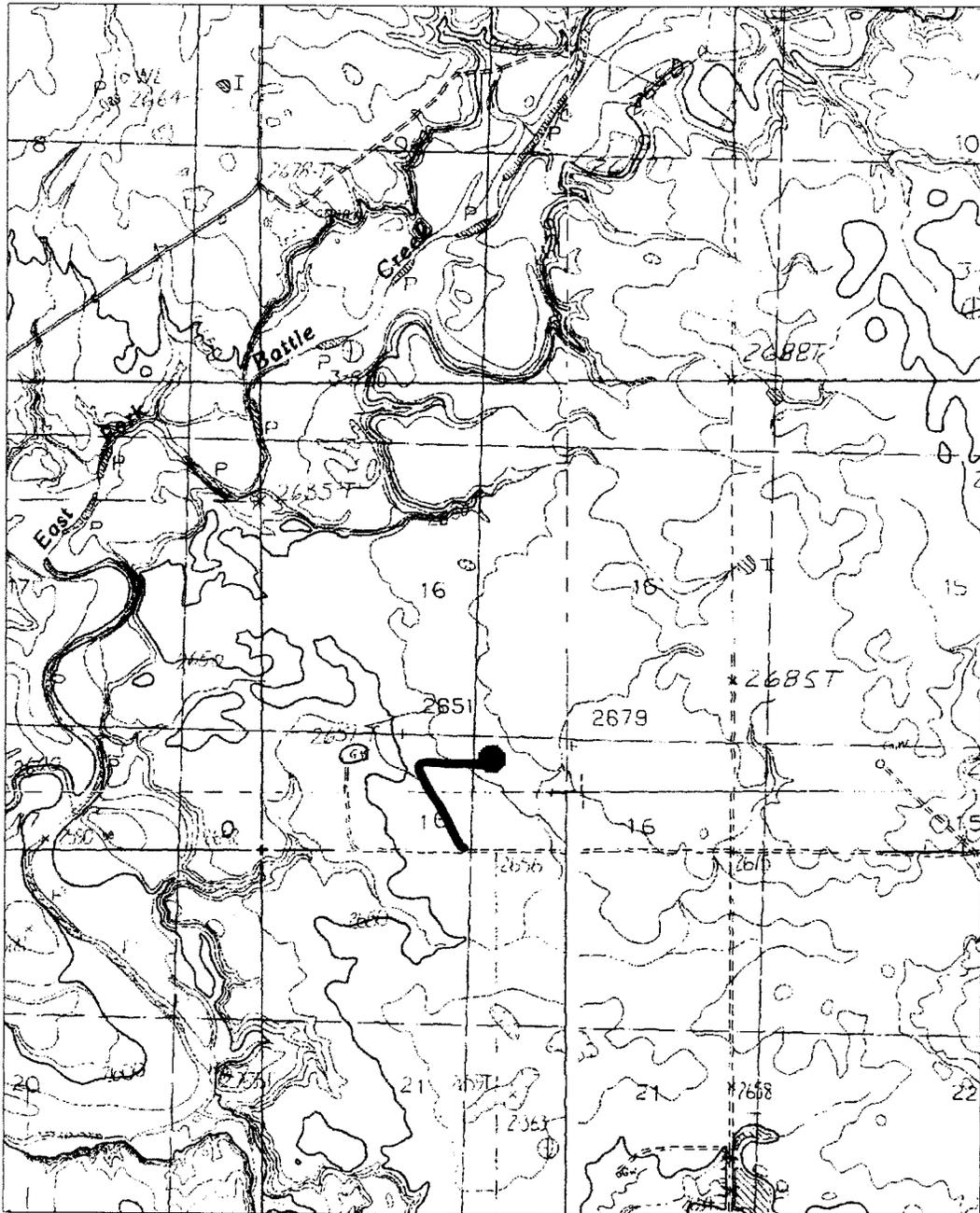
Natural Gas Exploratory Well Drilling Stipulations for Oil & Gas Lease #10,858-68

Proposed Natural Gas Well – Battle Creek #14-16 (SESW) - Blaine County

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, S Bar B Ranch Corp., C/o Jack Davies, PO Box 699, Chinook, MT 59523, (406) 357-3572, 48 hours prior to any drilling activity.
3. The permittee shall settle all surface damages with the State of Montana and S Bar B Ranch Corporation, prior to drilling the natural gas well.
4. 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 federal and deeded land adjoining the premises. The permittee shall be responsible for controlling all annual weeds around the well site, access road, and pipeline route on this tract of state grazing 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 within the area of the proposed disturbance, 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 activity and service 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 drilling of the natural gas well. The permittee will not be allowed to conduct any type of road construction activities, without prior approval from the Havre Unit Office. Attached is a GIS map showing the route the Department would like you to use to access the well site.

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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 area and used first for fill. This practice shall also be used for installing a pipeline, if the well is successful and capable for commercial production.
11. The access road must be kept to its initial size in order to minimize the impact to the native rangeland resource. 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.
12. 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 4 lbs. PLS/acre 'Rosana' western wheatgrass, 4 lbs. PLS/acre 'Pryor' slender wheatgrass, 5 lbs. PLS/acre 'Lodorm' green needlegrass, and 1 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.

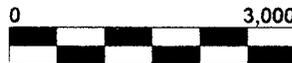


Helis Oil & Gas Company, LLC
 Battle Creek #14-16 Well (SESW)

US State Plane 1983
 Montana 2500
 NAD 1983 (Conus)



Scale 1:24,000



Feet

D-BATTLE CREEK 14-16.cor

5/8/2006

GPS Pathfinder® Office

