

CHECKLIST ENVIRONMENTAL ASSESSMENT

Project Name:	Proposed Oil Wells- State 56, 57, 58, 59, and 61
Proposed Implementation Date:	Summer/ Fall 2010
Proponent:	Aladdin Oil Company, Inc., 16126 Chasemore Drive, Spring, TX 77379-Lessee Somont Oil Company, Inc., 419 Ferdig Road, Oilmont, MT 59466-Operator
Location:	Section 36, T35N, R2W State #56-NENE 975' FNL, 950' FEL State #57-E2SW4NW4 1980' FNL, 1540' FEL State #58-SENE 2190' FNL, 660' FEL State #59-SWNE 2420' FNL, 1970' FEL State #61-NESW 1545' FSL, 1990' FWL
County:	Toole
Trust:	Common Schools

I. TYPE AND PURPOSE OF ACTION

Aladdin Oil Company, Inc.-lessee and Somont Oil Company, Inc.-operator have requested permission to drill five oil wells on state land. State wells 56 and 57 are reentries and will be drilled into the Swift formation to a total depth of 1,375' and 1,400'. State wells 58, 59, and 61 will be drilled into the Swift SS formation to a total depth of 1,340', 1,340', and 1,400'. State wells 56, 57, 58, and 59 are located on land that is classified grazing. State well 61 is located on land that is classified agricultural. A drilling pad will be constructed and a rig will drill the well. If sufficient quantities of oil are present, then a commercial well site will be developed. If tests indicate that commercial quantities of recoverable oil are not present, then the well will be plugged in conformance with standards approved by the Montana Board of Oil and Gas Conservation. After drilling operations have been completed, the disturbed areas will be reclaimed. The area will be recontoured and the topsoil redistributed over the area. The site will then be returned to native rangeland or agricultural land. The well sites will be accessed by using existing 2 track roads with a limited amount of cross country travel, (see attached map). The proposed action will temporarily disturb a small portion of the landscape. Negative impacts to the soil resources are expected in the short-term. Long-term, cumulative, and/or irreversible impacts to the ecosystem are not expected.

II. PROJECT DEVELOPMENT

1. PUBLIC INVOLVEMENT, AGENCIES, GROUPS OR INDIVIDUALS CONTACTED:

Provide a brief chronology of the scoping and ongoing involvement for this project.

Aladdin Oil Company, Inc.-Lessee
Somont Oil Company, Inc.-Operator
DNRC-Surface and Mineral Owner
Montana Board of Oil and Gas Conservation

2. OTHER GOVERNMENTAL AGENCIES WITH JURISDICTION, LIST OF PERMITS NEEDED:

Montana Board of Oil and Gas Conservation permit form 22 has been approved for each of the wells. The API numbers for each well are as follows: 25-101-07760-well #56, 25-101-22365-well #57, 25-101-24164-well #58, 25-101-24165-well #59, 25-101-24166-well #61. Aladdin Oil Company, Inc. has the State of Montana Oil and Gas lease #OG-39088-09 associated with this state land. DNRC is not aware of any other agencies with jurisdiction or other permits needed to complete this project.

3. ALTERNATIVES CONSIDERED:

Alternative A (No Action) – Deny Aladdin Oil Company, Inc.-Lessee and Somont Oil Company, Inc.-Operator permission to drill the 5 oil wells.

Alternative B (the Proposed action) – Grant Aladdin Oil Company, Inc.-Lessee and Somont Oil Company, Inc.-Operator permission to drill the 5 oil wells using the Conrad Unit Office’s recommendations to minimize adverse environmental impacts.

III. IMPACTS ON THE PHYSICAL ENVIRONMENT
<ul style="list-style-type: none">• <i>RESOURCES potentially impacted are listed on the form, followed by common issues that would be considered.</i>• <i>Explain POTENTIAL IMPACTS AND MITIGATIONS following each resource heading.</i>• <i>Enter “NONE” If no impacts are identified or the resource is not present.</i>

4. GEOLOGY AND SOIL QUALITY, STABILITY AND MOISTURE:

Consider the presence of fragile, compactable or unstable soils. Identify unusual geologic features. Specify any special reclamation considerations. Identify any cumulative impacts to soils.

Soils at the proposed well sites are silty in texture. Topography is gently rolling hills and suitable for oil production and access road use. The proposed action may cause localized areas of soil erosion and compaction from the manipulation of vehicles and equipment on the surface. The top 12 inches of soil will be removed from the well site and stock piled for reclamation purposes. Existing roads will be used to access well sites. A small amount of cross country travel will occur. Road improvements will be held to a minimum. Access roads may only be used when the topsoil is dry or frozen to minimize soil erosion and compaction. The proposed action will temporarily disturb a small portion of the landscape. Reclamation and returning these sites to rangeland production, wells 56, 57, 58, and 59, and agricultural production, well 61, will minimize long-term soil loss. No long-term negative impacts on the soil resources are expected. The rangeland areas will be reseeded per the seeding recommendations included in item #7.

5. WATER QUALITY, QUANTITY AND DISTRIBUTION:

Identify important surface or groundwater resources. Consider the potential for violation of ambient water quality standards, drinking water maximum contaminant levels, or degradation of water quality. Identify cumulative effects to water resources.

There is one documented and/or recorded water rights associated with the proposed tract. Water right 41N-240600 located in the NWSWNE, Section 36, T35N, R2W for an unnamed tributary of closed basin for stock and wildlife/waterfowl has been filed by the Montana State Board of Land Commissioners. Well #57 is in the vicinity of this water right, but since it is a reentry into a plugged well, damage to this closed basin is not anticipated. Other water quality and/or quantity issues will not be impacted by the proposed action.

6. AIR QUALITY:

What pollutants or particulate would be produced? Identify air quality regulations or zones (e.g. Class I air shed) the project would influence. Identify cumulative effects to air quality.

Dirt work associated with pad building, access road building, well drilling, and vehicle traffic on the access roads will generate airborne dust. These activities will minimally affect air quality for a very limited amount of time. No cumulative effects to air quality are anticipated.

7. VEGETATION COVER, QUANTITY AND QUALITY:

What changes would the action cause to vegetative communities? Consider rare plants or cover types that would be affected. Identify cumulative effects to vegetation.

About 2 acres (per well) of classified grazing land (wells-56, 57, 58, 59), and agricultural land (well-61) will be impacted by the removal of topsoil and the manipulation of vehicles on the ground surface at the well site locations and the access roads. The proponents will be responsible for noxious weeds that may arise from implementing this proposed action. The sites will either be returned to grazing land or agricultural land following

site reclamation. The proposed action will impact a small portion of the landscape. The grazing land will be reclaimed and reseeded with the following species: western wheatgrass 35%, slender wheatgrass 35%, blue bunch wheatgrass 15%, Indian rice grass, 10%, and Lewis blue flax 5%. The agricultural land will be returned to small grain production.

A review of Natural Heritage data through the NRIS was conducted and there were no plant species of concern noted or potential species of concern noted on the NRIS survey.

8. TERRESTRIAL, AVIAN AND AQUATIC LIFE AND HABITATS:

Consider substantial habitat values and use of the area by wildlife, birds or fish. Identify cumulative effects to fish and wildlife.

The area is not considered critical wildlife habitat. However, this tract provides habitat for a variety of big game species (mule deer, whitetail deer, pronghorn antelope), predators (coyote, fox, badger), upland game birds (sharp tail grouse, Hungarian partridge), other non-game mammals, raptors and various songbirds. The proposal does not include any land use change which would yield changes to the wildlife habitat. The proposed action will not impact wildlife forage, cover, or traveling corridors. Nor will this action change the juxtaposition of wildlife forage, water, or hiding and thermal cover. Wildlife usage is expected to return to "normal" (pre-action usage) following the drilling operations. The proposed action will not have long-term negative effects on existing wildlife species and/or wildlife habitat.

9. UNIQUE, ENDANGERED, FRAGILE OR LIMITED ENVIRONMENTAL RESOURCES:

Consider any federally listed threatened or endangered species or habitat identified in the project area. Determine effects to wetlands. Consider Sensitive Species or Species of special concern. Identify cumulative effects to these species and their habitat.

A review of Natural Heritage data through the NRIS was conducted. There were five animal species of concern and two potential species of concern noted on the NRIS survey.

The chestnut-collared longspur, McCown's longspur, Brewer's sparrow, and silver-haired bat were found to be potentially located in this area. All of these species are generally associated with habitat consisting of native rangeland. This tract contains features that may allow for use by these species, but given the fact the proposal does not include any activities which would permanently alter any habitat, any effects are not expected in either alternative.

The ferruginous hawk and Swainson's hawk were found to be potential located in the general area. The hawks are generally associated with needing cliffs, trees, or mid-elevation slopes for nesting. The tract contains none of these features, so these species of concern will likely be transient on this tract. No direct, indirect, or cumulative effects are expected to these species of concern.

The sharp-tailed grouse is generally associated with habitat consisting of grasslands interspersed with shrubs and brush filled coulees. The tract contains none of these features, so this species of concern will likely be transient on this tract. No direct, indirect, or cumulative effects are expected to this species of concern.

There are no threatened or endangered species, sensitive habitat types, or other species of special concern associated with the proposed project area.

10. HISTORICAL AND ARCHAEOLOGICAL SITES:

Identify and determine effects to historical, archaeological or paleontological resources.

A cultural resource inventory was completed by the Conrad Unit Office on August 11, 2010. No cultural resources were found within the project area, so it is assumed that cultural resources will not be impacted by this proposed project. Also, Patrick Rennie, DNRC archeologist, was contacted and did not see any cultural resources concerns with the proposed project area.

Discovery of new cultural resources is also addressed in the Special Stipulations attached to the permit.

11. AESTHETICS:

Determine if the project is located on a prominent topographic feature, or may be visible from populated or scenic areas. What level of noise, light or visual change would be produced? Identify cumulative effects to aesthetics.

The proposed action will occur in a remote area and will not cause a large change in the aesthetic character of the land. The main industries in this area are agricultural, grazing, and oil and gas production. If a producing well is developed, a small portion of the lands aesthetic character will be changed. Daytime noise levels may slightly increase during the time of the project, but noise levels will return to "normal" (pre-action conditions) after the project is completed. No other changes to the aesthetics character of the land area are expected.

12. DEMANDS ON ENVIRONMENTAL RESOURCES OF LAND, WATER, AIR OR ENERGY:

Determine the amount of limited resources the project would require. Identify other activities nearby that the project would affect. Identify cumulative effects to environmental resources.

The demand on environmental resources such as land, water, air, or energy will not be affected by the proposed action. The proposed action will not consume resources that are limited in the area. There are no other projects in the area that will affect the proposed project.

13. OTHER ENVIRONMENTAL DOCUMENTS PERTINENT TO THE AREA:

List other studies, plans or projects on this tract. Determine cumulative impacts likely to occur as a result of current private, state or federal actions in the analysis area, and from future proposed state actions in the analysis area that are under MEPA review (scoped) or permitting review by any state agency.

There are no other projects or plans being considered on the tract listed on this EA.

IV. IMPACTS ON THE HUMAN POPULATION
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| <ul style="list-style-type: none">• <i>RESOURCES potentially impacted are listed on the form, followed by common issues that would be considered.</i>• <i>Explain POTENTIAL IMPACTS AND MITIGATIONS following each resource heading.</i>• <i>Enter "NONE" if no impacts are identified or the resource is not present.</i> |
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14. HUMAN HEALTH AND SAFETY:

Identify any health and safety risks posed by the project.

The proposed wells will no change human safety in the area.

15. INDUSTRIAL, COMMERCIAL AND AGRICULTURE ACTIVITIES AND PRODUCTION:

Identify how the project would add to or alter these activities.

The intent of the proponent's action is too located and remove oil for commercial sale. If tests indicate the existence of economically recoverable quantities of oil, producing wells will be established, and extraction will follow. If producing wells are developed, the Common School Trust will receive royalty payments at current market rate for all oil produced by the wells. Activities associated with the proposed action will minimally affect the surface use of the land (agricultural and grazing). A minimal amount of acreage will be taken out of production if producing wells are developed. All actual damages to the surface have been mitigated between the surface lessee and the proponents. The project will not add to or deter from other industrial, commercial, or agricultural activities in the area.

No direct or cumulative impacts are anticipated as a result of the proposal.

16. QUANTITY AND DISTRIBUTION OF EMPLOYMENT:

Estimate the number of jobs the project would create, move or eliminate. Identify cumulative effects to the employment market.

The proposed action will create several well drilling jobs and generally add to the economy of surrounding communities.

17. LOCAL AND STATE TAX BASE AND TAX REVENUES:

Estimate tax revenue the project would create or eliminate. Identify cumulative effects to taxes and revenue.

The proposed action will add to the tax revenue.

18. DEMAND FOR GOVERNMENT SERVICES:

Estimate increases in traffic and changes to traffic patterns. What changes would be needed to fire protection, police, schools, etc.? Identify cumulative effects of this and other projects on government services

There will be no increases in traffic, no changes in traffic patterns, and no need for additional fire protection, or police services.

There will be no direct or cumulative effects on government services.

19. LOCALLY ADOPTED ENVIRONMENTAL PLANS AND GOALS:

List State, County, City, USFS, BLM, Tribal, and other zoning or management plans, and identify how they would affect this project.

The proposed action is in compliance with State and County laws. No other management plans are in effect for the area.

20. ACCESS TO AND QUALITY OF RECREATIONAL AND WILDERNESS ACTIVITIES:

Identify any wilderness or recreational areas nearby or access routes through this tract. Determine the effects of the project on recreational potential within the tract. Identify cumulative effects to recreational and wilderness activities.

This tract of state land is rural and generally has low recreational value. The tract is legally accessible and the proposed action is not expected to impact general recreational and wilderness activities on this state tract.

21. DENSITY AND DISTRIBUTION OF POPULATION AND HOUSING:

Estimate population changes and additional housing the project would require. Identify cumulative effects to population and housing

The proposal does not include any changes to housing or developments.

No direct or cumulative effects to population or housing are anticipated.

22. SOCIAL STRUCTURES AND MORES:

Identify potential disruption of native or traditional lifestyles or communities.

There are no native, unique or traditional lifestyles or communities in the vicinity that would be impacted by the proposal.

23. CULTURAL UNIQUENESS AND DIVERSITY:

How would the action affect any unique quality of the area?

The proposed action will not impact the cultural uniqueness or diversity of the area.

24. OTHER APPROPRIATE SOCIAL AND ECONOMIC CIRCUMSTANCES:

Estimate the return to the trust. Include appropriate economic analysis. Identify potential future uses for the analysis area other than existing management. Identify cumulative economic and social effects likely to occur as a result of the proposed action.

The proponents have interest in the State of Montana Oil and Gas Lease #OG-39088-09 that is associated with this state tract. This lease entitles them to reasonable development of oil and gas wells on this tract after DNRC approval. The Common School trust will be compensated for all oil removed from a producing well. The Common School trust will receive \$1,000.00 per well for surface damages on the four wells located on grazing land for a total of \$4,000.00. The Common School trust will receive \$1,250.00 per well for surface damages on the well located on agricultural land for a total of \$1,250.00. The total return to the Common Schools trust will be \$5,250.00. The surface lessee for the grazing portion of the tract will receive \$250.00 per well for surface damages on the four wells for a total of \$1,000.00. The surface lessee for the agricultural portion of the tract will receive \$250.00 per well for surface damages on the one well for a total of \$250.00.

EA Checklist Prepared By:	Name: Tony Nickol	Date: August 12, 2010
	Title: Land Use Specialist, Conrad Unit, Central Land Office	

V. FINDING

25. ALTERNATIVE SELECTED:

Grant Aladdin Oil Company and Somont Oil Company authorization to drill 5 oil wells.

26. SIGNIFICANCE OF POTENTIAL IMPACTS:

The proposed wells are located in the heart of the Kevin / Sunburst oil and gas field. This field is well developed with active oil and gas production present on adjacent lands. Approximately 10 acres will be disturbed (8 acres of native rangeland and 2 acres of crop land). Small-scale impacts to the surface on the drill locations are expected. Existing access roads will be used and a limited amount of road improvements will occur. No archaeological sites were observed within the project area. Surface damages have been settled with the DNRC. Actual surface damages have been settled with our surface lessee. All disturbed areas will be recontoured and reseeded to the seed mixture outlined in this EA. If the wells are economical to produce, the common school trust will receive royalty payments. If wells are not developed for production, they will be plugged and abandoned in accordance with BOOG regulations.

27. NEED FOR FURTHER ENVIRONMENTAL ANALYSIS:

EIS More Detailed EA No Further Analysis

EA Checklist Approved By:	Name: Erik Eneboe
	Title: Conrad Unit Manger, CLO, DNRC
Signature: /S/ ERIK ENEBOE	
Date: August 13, 2010	

