CHECKLIST ENVIRONMENTAL ASSESSMENT

Project Name:	MCR LLC placement of new flow lines and electrical lines to produce three new wells.
Proposed Implementation Date:	Fall 2013
Proponent:	MCR LLC, PO Box 716, Shelby, MT 59474-Lessee & Operator
Location:	Well #15-11, SW4SE4, Section 11, T37N, R4E Well #16-11, SE4SE4, Section 11, T37N, R4E Well #13X-12-2, NW4SW4, Section 12, T37N, R4E
County:	Liberty
Trust:	Common Schools

I. TYPE AND PURPOSE OF ACTION

MCR LLC produces the Whitlash East State Swift Unit. This oil and gas lease and unit operations are currently under a formation water flood to increase secondary recovery of Oil. The water flood has substantially increased oil production from this lease and unit. MCR LLC has drilled three new wells in this unit and now need to place flow lines and electrical lines in order to produce the new wells. Below are the requested new flow lines and electrical lines for each of the three wells.

Well #15-11: 1,200.00' of 3" Driscoe flow line buried 6' deep and 600.00' of underground electrical line buried 3' deep.

Well #16-11: 1,600.00' of 3" Driscoe flow line buried 6' deep and 600.00' of underground electrical line buried 3' deep.

Well #13X-12-2: 1,200.00' of 3" Driscoe flow line buried 6' deep and 300.00' of underground electrical line buried 3' deep.

II. PROJECT DEVELOPMENT

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

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

MCR LLC-Oil and Gas Lessee and Operator, Lease #OG-6423-61A & #OG-6423-61B
DNRC-Surface and Mineral Owner
James Grammar-Surface Lessee, Lease #10214
Montana Board of Oil and Gas Conservation

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

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 MCR LLC permission to place the new flow lines and electrical lines to produce three new wells under the Oil and Gas lease.

Alternative B (the Proposed action) – Grant MCR LLC permission to place the new flow lines and electrical lines to produce three new wells under the Oil and Gas lease using the Conrad Unit Office's recommendations to minimize adverse environmental impacts.

III. IMPACTS ON THE PHYSICAL ENVIRONMENT

- *RESOURCES potentially impacted are listed on the form, followed by common issues that would be considered.*
- *Explain POTENTIAL IMPACTS AND MITIGATIONS following each resource heading.*
- *Enter "NONE" If no impacts are identified or the resource is not present.*

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 to clayey in texture. Topography is flat to gently rolling and suitable for flow line and electrical line installation. Approximately 4,000.00' of flow line and 1,500.00' of electrical line will be placed to bring the three wells into production. The top soil will be removed from flow line and pipeline corridors and used for reclamation purposes. The proposed action will temporarily disturb a small portion of the landscape. Reclamation and returning this site to rangeland production will minimize long-term soil loss. Silt fence and other erosion protection actions will be utilized to minimize soil erosion from impacted areas. 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 are numerous documented and/or recorded water rights associated with the proposed project area. The proponent will be required to protect the surface water by installing silt fence around the disturbed soils and drainage improvements around the well sites to help protect surface water. These actions will mitigate any potential damage to surface and ground water.

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 construction activities will generate airborne dust. No long-term or 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.

Native rangeland areas along flow line and electrical line routes will be temporarily impacted by the removal of vegetation and the manipulation of vehicles on the ground surface. The proponent will be responsible for noxious weeds that may arise from implementing this proposed action. The pipeline routes will be returned to grazing land following installation. 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%, green needle grass, 10%, and Lewis blue flax 5%. The seeding rate will be 7 lbs/acre if drilled and 14 lbs/acre if broadcast seeded.

A review of Natural Heritage data through the NRIS was conducted for T37N, R4E. There was one species of concern and zero potential species of concern noted on the NRIS survey: Flowering Plants-Long-sheath Waterweed. The proposed project areas will avoid any low drainage areas that may contain this species. No cumulative effects to vegetation are expected from either alternative.

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, and pronghorn antelope), predators (coyote, fox, and 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.

There are no threatened or endangered species, sensitive habitat types, or other species of special concern associated with the proposed project area. At this time, no known unique, endangered, fragile or limited environmental resources have been identified within the proposed project area.

A review of Natural Heritage data through the NRIS was conducted for T37N, R4E. There were five species of concern and one potential species of concern noted on the NRIS survey: Birds—Sprague's Pipit, Chestnut-collared Longspur, Long-billed Curlew, McCown's Longspur, Sharp-tailed Grouse, and Swainson's hawk. This particular tract of native rangeland does not contain many, if any of these species. If any are present, they will be dispersed into the surrounding permanent cover and return to the project area once it is completed.

10. HISTORICAL AND ARCHAEOLOGICAL SITES:

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

The new flow line and electrical line routes are adjacent to and follow existing pipelines. These corridors have been previously inspected by DNRC for archaeological resources. No cultural resources were found within the project area, and therefore cultural resources will not be impacted by this proposed project. A review of TLMS indicated no cultural resources reports for these tracts.

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. All flow lines and electrical lines will be buried. 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 tracts listed on this EA.

IV. IMPACTS ON THE HUMAN POPULATION

- *RESOURCES potentially impacted are listed on the form, followed by common issues that would be considered.*
- *Explain POTENTIAL IMPACTS AND MITIGATIONS following each resource heading.*
- *Enter "NONE" If no impacts are identified or the resource is not present.*

14. HUMAN HEALTH AND SAFETY:

Identify any health and safety risks posed by the project.

The proposed well will not 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.

Water flood operations have increased oil production on this lease from 20 barrels a day to over 500 barrels a day. The new flow lines and electrical lines will connect 3 new wells recently drilled and increase the production capacity on the lease. This will benefit Common School Trusts. Activities associated with the proposed action will minimally affect the surface use of the land (grazing). All flow line and electrical line routes will be reclaimed and returned to grazing land as soon as practical. All actual damages to the surface have been mitigated between the surface lessee and the proponent. 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 benefit local contractors, laborers 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 significant increases in traffic, no changes in traffic patterns, and no need for additional fire protection, or police services. MCR LLC is working with Liberty County's Road Department to obtain Trucks Entering signs and county road crossing permits.

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.

These tracts of state land are rural and generally have low recreational value. The tracts are legally accessible and the proposed action is not expected to impact general recreational and wilderness activities on these state tracts.

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 proponent has interest in the Whitlash East State Swift Unit and holds State of Montana Oil and Gas Lease OG-6423-61A and OG-6423-61B that is associated with these state tracts. This lease entitles them to reasonable development of oil and gas wells on this tract after DNRC approval. The surface lessee will receive $100.00 for surface damages created from the installation of the flow lines and electrical lines. The Common School trust will be compensated for all oil removed from a producing wells.

	Name: Tony Nickol Tony Nickol	**Date:** October 22, 2013
	Title: Land Use Specialist, Conrad Unit, Central Land Office	

V. FINDING

25. ALTERNATIVE SELECTED:

Alternative B (the Proposed action) – Grant MCR LLC permission to place the new flow lines and electrical line to produce three new wells under the Oil and Gas Lease using the Conrad Unit Office's recommendations to minimize adverse environmental impacts.

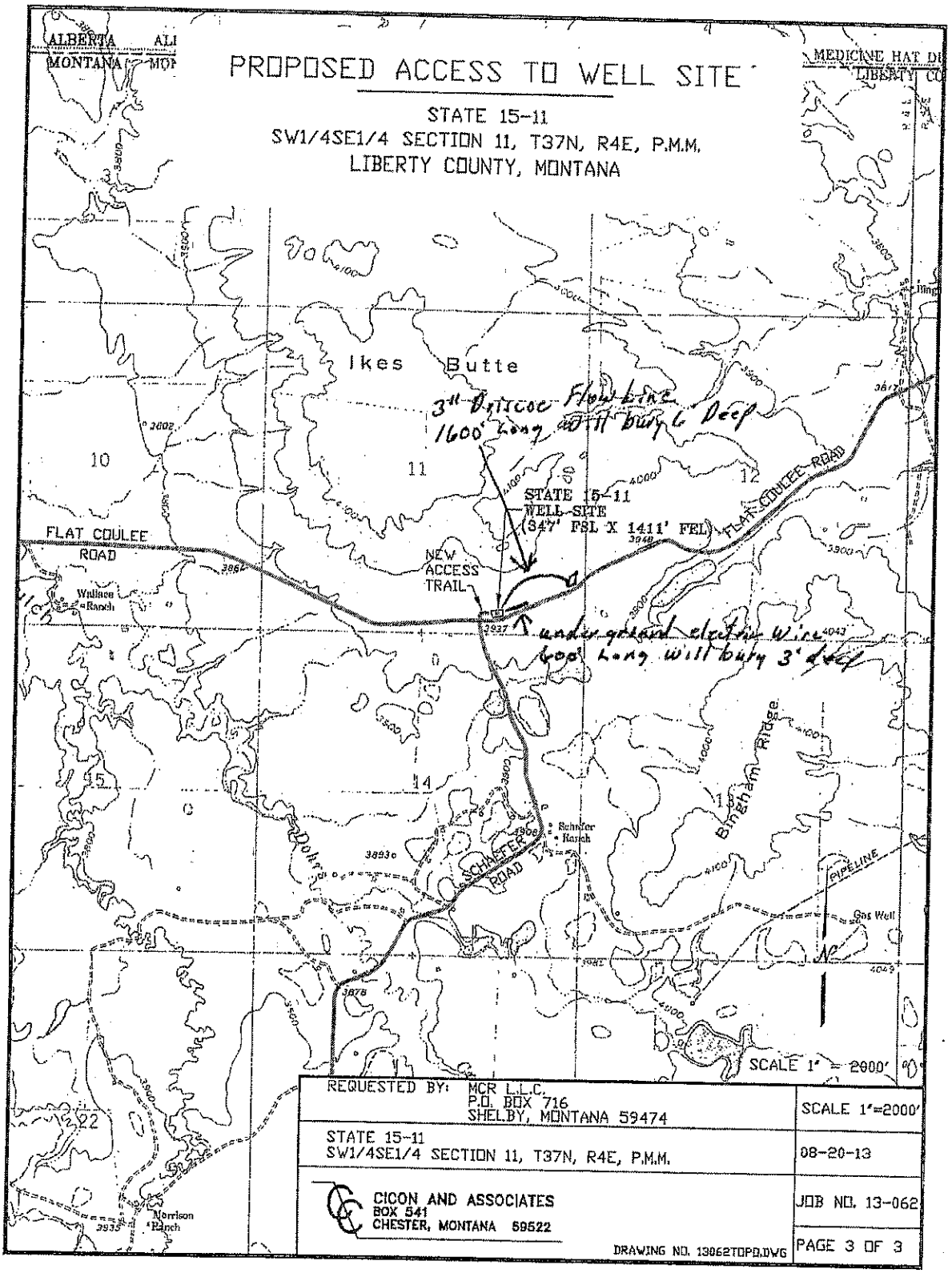
26. SIGNIFICANCE OF POTENTIAL IMPACTS:

The proposed actions are within the Whitlash East State Unit – Water Flood. This oil field is well developed with active oil production present on adjacent state lands. The buried flow lines and electrical line will allow the 15-11, 16-11, and 13X-12-2 oil wells to be brought online to produce revenues for the school trust. Localized and Small-scale impacts to the surface are expected. No archaeological sites were observed within the project area. Actual surface damages have been settled with our surface lessee. Flow lines and electrical lines will be buried and all disturbed areas will be recontoured and reseeded to the seed mixture outlined in this EA. No significant impacts are expected.

27. NEED FOR FURTHER ENVIRONMENTAL ANALYSIS:

[ ] EIS [ ] More Detailed EA [X] No Further Analysis

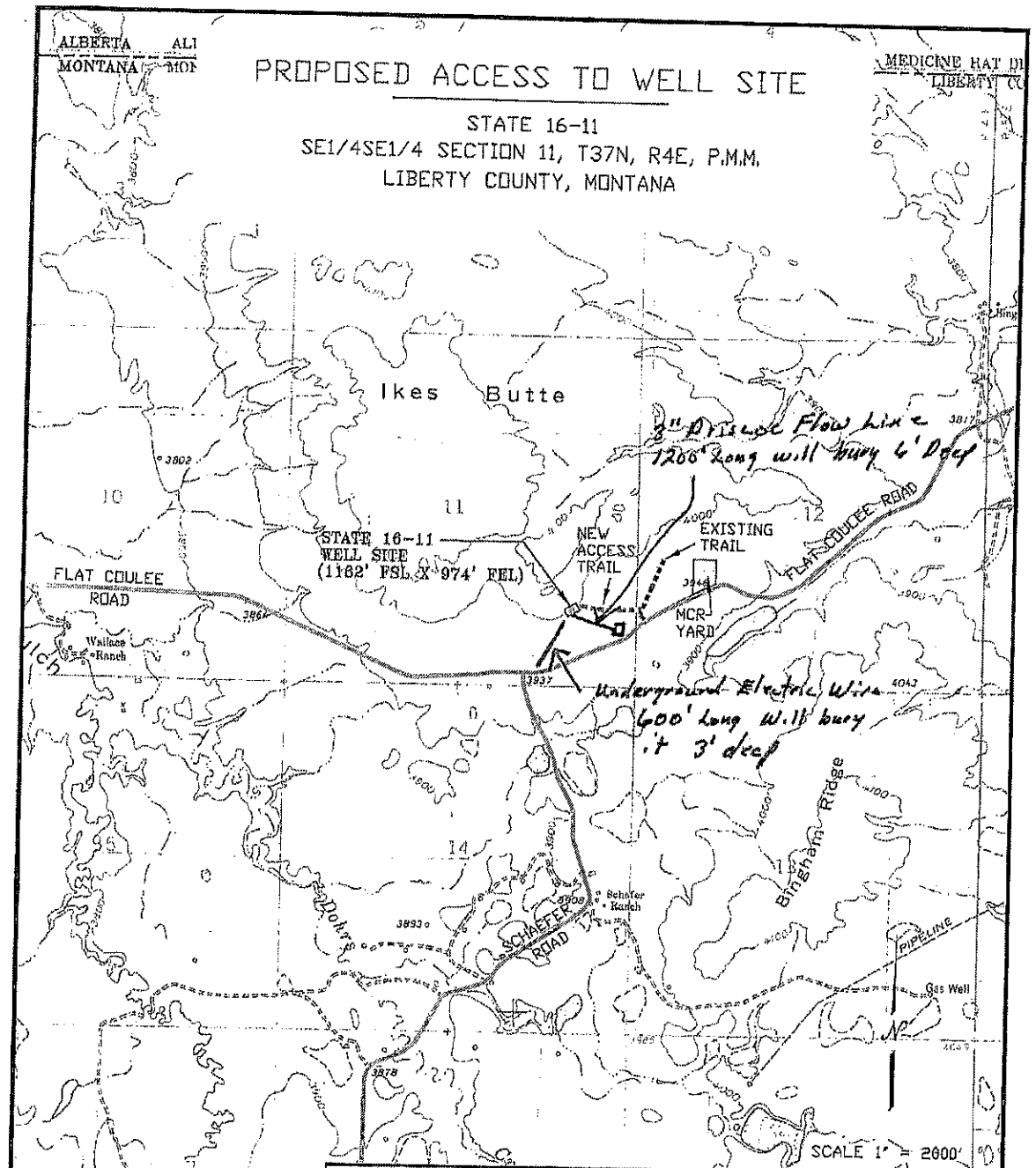
EA Checklist Approved By:	**Name:**	Erik Eneboe
	Title:	Conrad Unit Manager, CLO, DNRC
Signature:		**Date:** October 22, 3013



REQUESTED BY: MCR L.L.C. P.O. BOX 716 SHELBY, MONTANA 59474	SCALE 1"=2000'
STATE 15-11 SW1/4SE1/4 SECTION 11, T37N, R4E, P.M.M.	08-20-13
CICON AND ASSOCIATES BOX 541 CHESTER, MONTANA 59522	JOB NO. 13-062
DRAWING NO. 13062TOPO.DWG	PAGE 3 OF 3

PROPOSED ACCESS TO WELL SITE

STATE 16-11
SE1/4SE1/4 SECTION 11, T37N, R4E, P.M.M.
LIBERTY COUNTY, MONTANA



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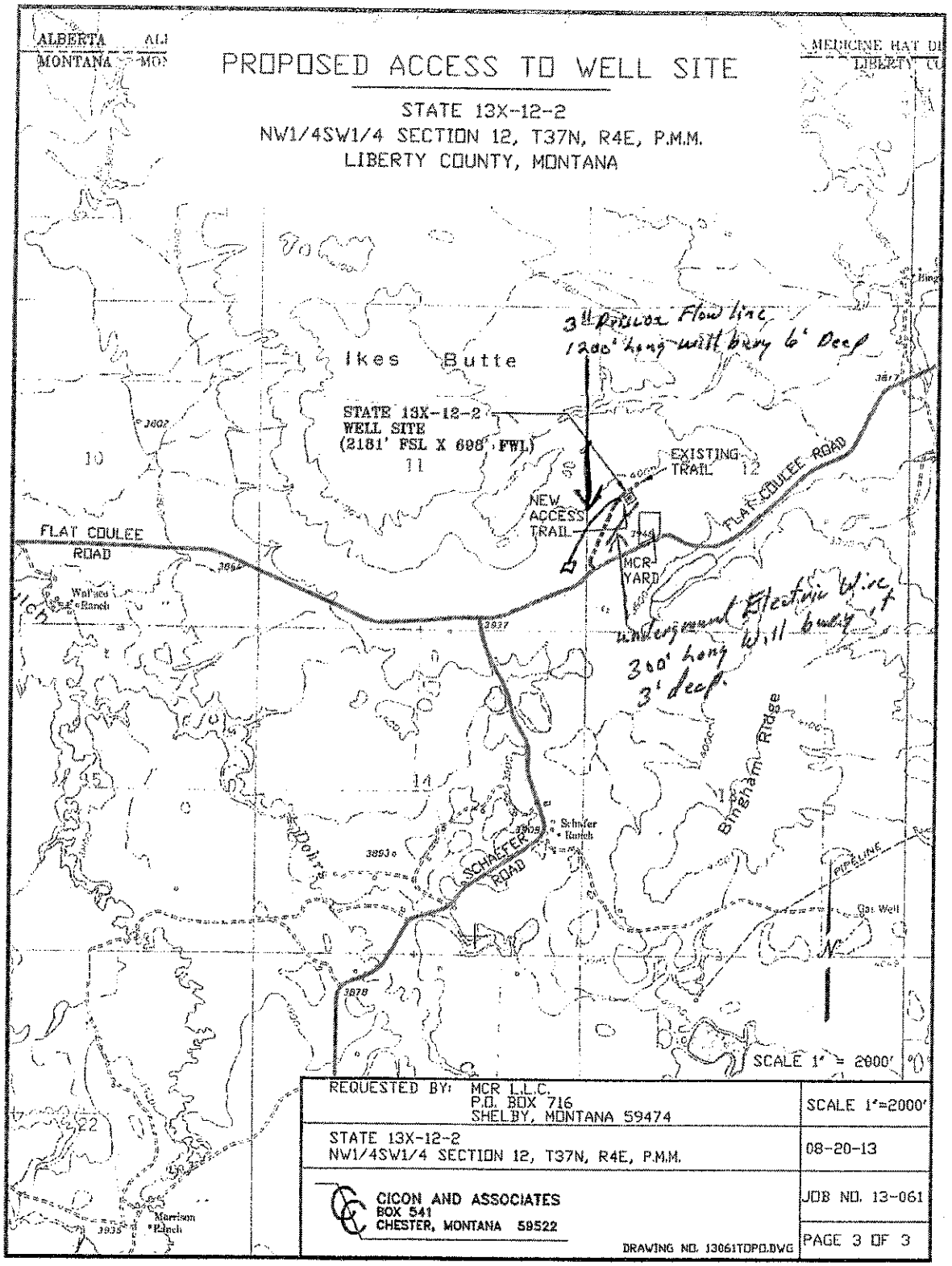
STATE 16-11 SE1/4SE1/4 SECTION 11, T37N, R4E, P.M.M.	09-10-13
CICON AND ASSOCIATES BOX 541 CHESTER, MONTANA 59522	JOB NO. 13-063
DRAWING NO. 13063aTOPO.DWG	PAGE 3 OF 3

PROPOSED ACCESS TO WELL SITE

STATE 13X-12-2
NW1/4SW1/4 SECTION 12, T37N, R4E, P.M.M.
LIBERTY COUNTY, MONTANA



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STATE 13X-12-2 NW1/4SW1/4 SECTION 12, T37N, R4E, P.M.M.	08-20-13
CICON AND ASSOCIATES BOX 541 CHESTER, MONTANA 59522 DRAWING NO. 13061TOPO.DWG	JOB NO. 13-061 PAGE 3 OF 3