

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION

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JUN 30 2006

Trust Land Management Division

LEGISLATIVE ENVIRONMENTAL
POLICY OFFICE



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DNRC - Trust Land Management Division

June 12, 2006

MEMORANDUM

TO: Clive Rooney, NELO Area Manager
Julie David, MMB

FR: Hoyt Richards, Glasgow Unit

RE: Drilling of Diamond State 1-36
OG -35946-05
NW4, Section 36 Township 29.0 North, Range 56.0 East

Clive:

Previously, I discussed with you the situation where the state holds the subsurface estate and the surface is fee. EOG Resources petitioned the State to drill a horizontal well through the terms and conditions of the referenced mineral estate. EOG Resources was not able to reach a consensus with the fee owner regarding surface damage settlement.

I have discussed environmental issues with both of the surface owners that would be effected by this proposal. The surface owners are:

NW4, Section 36 Township 29.0 North, Range 56.0 East
SW4, Section, 36 Township 29.0 North, Range 56.0 East

John & Laura Beck
Agner & Marie Hofman

I have identified their environmental concerns in the EA.

The well pad is proposed for the NW4; access is through the SW4.

Please approve of this project for the second time and forward it to Julie. I am recommending the following new stipulations:

1. All access to the drilling site will occur on an access road that will be constructed to a width of a maximum of 30' wide.
2. The access road will be constructed in a manner that will allow for its use during all weather conditions.
3. Prior to construction of the well pad, the Oil and Gas Lessee shall arrange an on-site meeting between their appointed representative and a DNRC field staff representative from the Glasgow Unit Office. The DNRC will explain the following construction requirements at this meeting:
 - a. A 3 foot tall Silt fence will be constructed prior to disturbance of the land; the fence will be installed in all areas where soil erosion may take place.
 - b. All disturbed areas will have the topsoil stripped to a depth of 8" and salvaged in stockpiles for reclamation purposes. All topsoil stockpiles will be placed on the uphill side of the drill pad area and the access road.

- c. A plan will be developed to allow water to run through culverts placed in designated locations.
4. The drill pad will have a 1' high, 1.5' wide dirt berm maintained at all times around the perimeter of the pad.
5. All vehicles associated with the drilling operation will be equipped with an all purpose fire extinguisher.
6. The oil and gas lessee shall be responsible for controlling all noxious weeds introduced by their activity and shall prevent or eradicate the spread of those noxious weeds on land adjoining the lease premises.
7. No littering of any type is allowed.
8. No vehicle oil changes or petroleum disposal shall occur on the drill pad area.
9. The reclamation of the well site will be implemented when the well has been shut in.
10. Areas of drill pad no longer needed for normal production activities will be reclaimed as per guidelines by Glasgow Unit Office personnel.
- 11. The lessee shall contact the DNRC's Glasgow Unit Office prior to any performance of any reclamation activities to request a DNRC reclamation plan. The lessee shall follow all terms and conditions of the DNRC reclamation plan.**

CHECKLIST ENVIRONMENTAL ASSESSMENT

Project Name: Diamond 1-36	Proposed Implementation Date: 6/15/06
Proponent: EOG Resources, Inc.	
Type and Purpose of Action: EOG Resources is proposing to drill a Vertical well in the Nisku Formation.	
Location: CNW, 1320' FNL & 1320 FWL, Sec. 36-T29N R56E	County: Roosevelt

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>Board of Oil and Gas received a request to drill. The DNRC/TLMD was petitioned to drill the Diamond State 1-36 Well within the terms and conditions of the State of Montana lease # OG-35946-05. The state holds the mineral estate for the entire section. The NW quarter's, down hole location, surface is owned by John & Laura Beck. The SW quarter, access to the NW, is owned by Agner & Marie Hofman. EOG Resources, Inc. has not settled on surface damages with either of these parties.</p> <p>On June 1, 2006, I discussed surface owner environmental concerns with Laura Beck (406-787-5545). She did not have any concerns but requested that I discuss this issue with Tom Beck, Laura's son. On June 8, 2006, I discussed the environmental concerns with Tom Beck (406-768-3566). Tom had three primary concerns. These concerns are:</p> <ol style="list-style-type: none"> 1. if the well is not successful, or when it is in no longer in production, that the area be reclaimed in a professional manner. He prefers that the reclamation takes place in a manner that would salvage the topsoil, re-contour the area effected, and seeded back to the existing CRP mixture. 2. The East to west access road would be constructed in a manner that allows for the farmland to be continued to be farmed with large equipment. The access road should have a culverts installed in the necessary locations. The access road would be graveled and constructed in a all weather fashion. 3. The East to west access road would be constructed in a manner that allows for the
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	<p>farmland to be continued to be farmed with large equipment. The access road should have a culverts installed in the necessary locations. The access road would be graveled and constructed in a all weather fashion.</p> <p>Additionally, I discussed environmental concerns with Agner and Marie Hofman. Agner deferred any environmental concerns to Tom Beck.</p> <p>On 6/1/06, Ty Stillman, Land Agent for EOG, informed the GUO that EOG was unable to reach on consensus with the surface owner regarding surface damage settlement.</p>
<p>2. OTHER GOVERNMENTAL AGENCIES WITH JURISDICTION, LIST OF PERMITS NEEDED:</p>	<p>Montana Board of Oil and Gas</p>
<p>3. ALTERNATIVES CONSIDERED:</p>	<p>Grant permission for EOG Resources to construct a well pad, access road and drill the well, using mitigation measures to minimize impacts.</p> <p>Deny permission for EOG Resources to construct a well pad, access road and drill the well the well.</p>

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

RESOURCE	[Y/N] 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>N = Not Present or No Impact will occur. Y = Impacts may occur (explain below)</p> <p>General Discussion: The wells location is located on a slightly north facing aspect. Soils are silty to sandy.</p> <p>Action: The action alternative will not effect soil quality, stability or moisture conditions. In order to avoid soil compaction, a permanent all weather road will be construct. All vehicle traffic is restricted to take place on the road or on the well pad area. Prior to construction, all topsoil is to be scraped off of the disturbed areas and safeguarded on the uphill side of the disturbed areas. Designated stockpile areas will be in place. Safeguarded topsoil will be used for reclamation purposes.</p> <p>No-Action: There will be no impacts to these attributes of the landscape.</p>
<p>5. WATER QUALITY, QUANTITY AND DISTRIBUTION: Are important surface or groundwater resources</p>	<p>The area surrounding the well location is considered agriculture land. Surface water runoff takes place,</p>

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

<p>present? Is there potential for violation of ambient water quality standards, drinking water maximum contaminant levels, or degradation of water quality?</p>	<p>especially in the spring during runoff.</p> <p>Action: In order to control soil erosion, the well pad will have a dirt berm constructed and maintained around it perimeter. Silt erosion fences will be installed at any place where dirt may move due to moving water.</p> <p>No-Action: There will be no impacts to these attributes of the landscape</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: Air quality will be temporarily negatively impacted by implementing the proposed action.</p> <p>No-Action: There will be no impacts to these attributes of the landscape</p>
<p>7.VEGETATION COVER, QUANTITY AND QUALITY: Will vegetative communities be permanently altered? Are any rare plants or cover types present?</p>	<p>The area is primarily CRP lands, if CRP were to expire the land would probably be returned to small grain cropland.</p> <p>Action: The CRP land will be significantly disturbed. In order to rehab as much of this land as possible, all topsoil will be scraped and safeguarded from water erosion. Upon instigation of reclamation, the topsoil will be redistributed back across the landscape. All topsoil salvaged will be stored on the uphill side of the disturbed are in order to minimize the potential for erosion or contamination of the salvaged stockpile soil.</p> <p>No-Action: There will be no impacts to these attributes of the landscape</p>
<p>8.TERRESTRIAL, AVIAN AND AQUATIC LIFE AND HABITATS: Is there substantial use of the area by important wildlife, birds or fish?</p>	<p>This area is not known to have substantial use by important wildlife, birds, or fish</p> <p>Action: Implementation of this action will not affect important wildlife, birds or fish.</p> <p>No-Action: There will be no impacts to these attributes of the landscape</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: Implementation of this action will not affect endangered, fragile or limited environmental resources.</p> <p>No-Action: Implementation of this action will not affect unique, endangered or fragile limited resources.</p>
<p>10.HISTORICAL AND ARCHAEOLOGICAL SITES: Are any historical, archaeological or paleontological</p>	<p>The project is being proposed on lands that have been disturbed.</p>

II. IMPACTS ON THE PHYSICAL ENVIRONMENT	
resources present?	<p>Action: No known archaeological sites are known to exist. If a surface feature were to exist, ownership of this feature would adhere to the fee owner.</p> <p>No-Action: Implementation of this action will not affect archeological or historical sites.</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>Action: The project will be adjacent to a county gravel road. Visual Resources will be affected during the drilling of the well.</p> <p>No-Action: Implementation of this action will not affect the aesthetics.</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>Action: The project will not use resources that are limited in this area.</p> <p>No-Action: Implementation of this action will not affect the demands on environmental resources of the land.</p>
13.OTHER ENVIRONMENTAL DOCUMENTS PERTINENT TO THE AREA: Are there other studies, plans or projects on this tract?	<p>No documents are known to exist</p> <p>Action: Implementation will not effect other environment plans or studies.</p> <p>No-Action: No action will take place.</p>

III. IMPACTS ON THE HUMAN POPULATION	
RESOURCE	[Y/N] POTENTIAL IMPACTS AND MITIGATION MEASURES
14.HUMAN HEALTH AND SAFETY: Will this project add to health and safety risks in the area?	<p>Action: Temporary human health and safety risks will be added by the implementation of this project.</p> <p>No-Action: No human health or safety risk will be added because no action will be taking place.</p>
15.INDUSTRIAL, COMMERCIAL AND AGRICULTURAL ACTIVITIES AND PRODUCTION: Will the project add to or alter these activities?	<p>Action: Implementation will add to industrial activities while decreasing the agricultural value activities of this land.</p> <p>No-Action: By not implementing this action, the industrial production of the land will not be increased while the agricultural activities will remain the same.</p>
16.QUANTITY AND DISTRIBUTION OF EMPLOYMENT: Will the project create, move or eliminate jobs? If so, estimated number.	<p>Action: the Quantity of employment opportunities will increase.</p> <p>No-Action: Employment opportunities will not be created.</p>

<p>17.LOCAL AND STATE TAX BASE AND TAX REVENUES: Will the project create or eliminate tax revenue?</p>	<p>Action: Implementation of the project will increase the State and local tax base and will also increase trust lands revenue if the well goes into production.</p> <p>No-Action: By not implementing this project, State, local, and Trust revenues will not be increase.</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: No demands on government services will be required by this project.</p> <p>No-Action: Government services will not be enhanced.</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: The zoning regulations for this area will not be impacted.</p> <p>No-Action: The zoning regulations for this area will not be impacted.</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: There are no wilderness areas in this vicinity. The recreational opportunities will not be impacted due to the fact that the surface owner (fee lands) controls recreational opportunities.</p> <p>No-Action: No impacts to the quality of recreation and wilderness activities will take place.</p>
<p>21.DENSITY AND DISTRIBUTION OF POPULATION AND HOUSING: Will the project add to the population and require additional housing?</p>	<p>Action: No additional housing demands are anticipated.</p> <p>No-Action: No additional housing demands are anticipated.</p>
<p>22.SOCIAL STRUCTURES AND MORES: Is some disruption of native or traditional lifestyles or communities possible?</p>	<p>Action: No disruption of native or traditional lifestyles is anticipated.</p> <p>No-Action: No disruption of native or traditional lifestyles is anticipated.</p>
<p>23.CULTURAL UNIQUENESS AND DIVERSITY: Will the action cause a shift in some unique quality of the area?</p>	<p>Action: No cultural uniqueness or diversity quality shift is anticipated.</p> <p>No-Action: No cultural uniqueness or diversity quality shift is anticipated.</p>
<p>24.OTHER APPROPRIATE SOCIAL AND ECONOMIC CIRCUMSTANCES:</p>	<p>Action: None</p> <p>No-Action: None.</p>

EA Checklist Prepared By:

R. Hoyt Richards

6-12-06

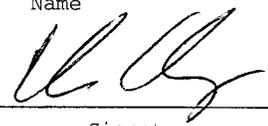
Date: June 12, 2006

IV. FINDING	
25. ALTERNATIVE SELECTED:	Action There is dispute over monetary damages to surface use but there
26. SIGNIFICANCE OF POTENTIAL IMPACTS:	N.S.I. are no environmental issues that can not be mitigated.
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:

Name

Title



Signature

6-14-6

Date: June 12, 2006