

DEPARTMENT OF NATURAL
RESOURCES AND CONSERVATION
NORTHEASTERN LAND OFFICE



STATE OF MONTANA

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JUN 30 2006

May 25, 2006

MEMORANDUM

LEGISLATIVE ENVIRONMENTAL
POLICY OFFICE

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: Cody Oil & Gas Corporation - Lessee
Devon Energy Production Company, LP - Operator
State of Montana Oil & Gas Lease #36,265-05
Township 37 North, Range 24 East, M.P.M.
Section 16: All
Blaine County, Montana
State #16-11 Well (NE $\frac{1}{4}$ SW $\frac{1}{4}$)

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DNRC NELO

Devon Energy Production Company, LP is proposing to drill and exploratory natural gas well on the above referenced tract of state land. Devon Energy has been hired on behalf of Cody Oil & Gas Corporation to conduct the drilling operations for this project. I conducted an on-site inspection of the proposed natural gas well with Brent Sande, Landman for Devon Energy Production. Snider Ranch Company - C/o Jay Snider is the state's surface lessee on this tract of state grazing land. Brent and I met at the proposed well site to discuss any environmental concerns or livestock management issues that we may have had for this project. There is an existing two-track trail located on this tract that ties in with the well pad for this proposed natural gas well. The State #16-11 well is a wildcat well located several miles from the nearest gathering pipeline. I have outlined my concerns and listed the mitigation measures that will be implemented for this project within the drilling stipulations listed on the attached page.

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 Devon Energy follows the stipulations that I have set in place for drilling this natural gas well. If the natural gas well is capable of commercial production, Devon Energy will have to bury a pipeline to transport the natural gas off this tract of state land. 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 on this tract of state land. Enclosed you will find two GIS maps with the drill pad areas plotted in. I am recommending that the Department issue Devon Energy Production Company, LP a permit to drill a 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 Maps

CHECKLIST ENVIRONMENTAL ASSESSMENT

Project Name: State #16-11 Natural Gas Well (NE $\frac{1}{4}$ SW $\frac{1}{4}$)

Proposed Implementation Date: July 25, 2006

Proponent: State of Montana Oil & Gas Lessee - Cody Oil & Gas Corporation, PO Box 597, Bismarck, ND 58502-0597
Operator – Devon Energy Production Company, LP, C/o Brent Sande, PO Box 1644, Havre, MT 59501

Type and Purpose of Action: Devon Energy Production Company, LP is proposing to drill a natural gas well on a tract of state grazing land in northern Blaine County. Cody Oil & Gas Corporation is the State of Montana's oil and gas lessee on this tract and they have hired Devon Energy to conduct the drilling operations for this project. The Montana Department of Natural Resources and Conservation (DNRC), Trust Land Management Division (TLMD) is the agency responsible for administrating all mineral activity on State School Trust lands. The State of Montana owns the mineral rights and the surface on this entire section of land. If the natural gas well is capable of commercial production, Devon Energy will have to bury a pipeline across this tract of grazing land to transport it off to market. The State of Montana's School Trust Fund, Cody Oil & Gas Corporation, and Devon Energy Production Company will receive royalty payments from the sale of the natural gas, if the well is successful. Devon Energy will settle all surface damages with the State of Montana and state surface lessee, Jay Snider within a reasonable time period following the completion of the natural gas well.

Location: NE $\frac{1}{4}$ SW $\frac{1}{4}$; Sec. 16, T37N, R24E

County: Blaine County, Montana

I. PROJECT DEVELOPMENT

1. PUBLIC INVOLVEMENT, AGENCIES, GROUPS OR INDIVIDUALS CONTACTED: Provide a brief chronology of the scoping and ongoing involvement for this project.

The Montana Department of Natural Resources and Conservation has been petitioned by Devon Energy Production Company, LP to drill a natural gas well on the above referenced tract of state land. Cody Oil & Gas Corporation is the State of Montana's oil and gas lessee on this tract of state land and they have hired Devon Energy to conduct the drilling operations for this proposed natural gas well. The State of Montana owns the mineral rights and the surface on this entire section of land. Brent Sande, Landman for Devon Energy has contacted the state's surface lessee, Snider Ranch Co. - C/o Jay Snider, regarding their intentions to drill a natural gas well on this tract of state grazing land. There is an existing two-track trail that runs across this tract of state land that will tie in with the proposed natural gas well pad. If the natural gas well is capable of commercial production, Devon Energy will bury a pipeline to transport the natural gas off this tract of state grazing land. Damages to the native rangeland resource will be settled with the State of Montana and Snider Ranch Co. within a reasonable time period following the completion of the natural gas well. If successful, the natural gas well will generate additional revenue for the State of Montana's School Trust Fund, Cody Oil and Gas Corporation, and Devon Energy Production Company, LP in the form of royalties from the sale of natural gas.

2. OTHER GOVERNMENTAL AGENCIES WITH JURISDICTION, LIST OF PERMITS NEEDED:	The Montana DNRC/TLMD's; Havre Unit Office, Minerals Management Bureau, and the Montana Board of Oil and Gas are the only governmental agencies that have jurisdiction for this type of activity on State School Trust Land. Devon Energy Production Company, LP will need to obtain a permit from the Montana DNRC to drill the natural gas well, prior to conducting any surface activities on this tract of state grazing land.
3. ALTERNATIVES CONSIDERED:	<p>Action Alternative: Grant Devon Energy Production Company, LP permission to drill natural gas well on this tract of State School Trust Land. Mitigation measures will be used to limit the impact to the native rangeland resource.</p> <p>No Action Alternative: Deny Devon Energy Production Company, LP permission to drill a natural gas well on this tract of State School Trust Land. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land.</p>

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

RESOURCE	POTENTIAL IMPACTS
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>Action Alternative: The proposed natural gas well is located approximately 8 miles northeast of Hogeland, Montana near the US-Canadian border. Devon Energy Production Company will disturb the soils on this tract of state grazing land by constructing a well pad and drilling a natural gas well. The proposed natural gas well is located on a gently rolling, 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 stockpiled in a separate pile, down-slope from the project and used first for fill. The topsoil will be scraped off and located upslope of the road to control erosion. There are no special reclamation considerations for the proposed project. No unusual geologic features are present in the area of the proposed disturbance. The Montana DNRC will issue Devon Energy a reclamation plan for reclaiming the well site and surrounding area, if the natural gas well is not successful.</p> <p style="text-align: right;">(Continued on Next Page)</p>

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

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?

(Continued from Previous Page)

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 Devon Energy Production Company. Devon Energy will not be required to reclaim the areas that would otherwise have been disturbed by drilling a natural gas well. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land. Cody Oil and Gas Corporation, Devon Energy, and the State of Montana's School Trust Fund will not receive potential royalty payments from the natural gas well.

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?

Action Alternative: The project will have a minimal impact on surface and groundwater resources in the surrounding area. Drilling a 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. Devon Energy Production Company's subcontractors will use water from an adjacent reservoir on this tract of state land for drilling the natural gas well.

No Action Alternative: The water quality, quantity, and distribution currently found on this tract of state land will not be altered. Devon Energy's subcontractors will not use water from the reservoir on this tract of state land to drill the natural gas well. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-7 well on this tract of state grazing land. Cody Oil and Gas Corporation, Devon Energy, and the State of Montana's School Trust Fund will not receive potential royalty payments from the natural gas well.

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

<p>6. AIR QUALITY: Will pollutants or particulate be produced? Is the project influenced by air quality regulations or zones (Class I airshed)?</p>	<p>Action Alternative: Drilling a natural gas well and constructing a well pad will produce some dust particulates, throughout the entire process of building the well site and drilling the natural gas well. 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 from the drilling crew.</p> <p>No Action Alternative: The air quality will not be impacted in this area. No dust particulates will be produced from the substantial traffic in and out of this tract of state land. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land. Cody Oil and Gas Corporation, Devon Energy, and the State of Montana's School Trust Fund will not receive potential royalty payments from the natural gas well.</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 vegetative communities found within the immediate area of the disturbance include the following plant species: 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>), and woods rose (<i>Rosa woodsii</i>).</p> <p>Action Alternative: The vegetative communities found within the immediate area of the disturbance will be permanently 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 and wildlife habitat. 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. The reclamation plan will be incorporated as a stipulation for the well drilling permit.</p> <p style="text-align: right;">(Continued on Next Page)</p>

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

7. VEGETATION COVER, QUANTITY AND QUALITY: Will vegetative communities be permanently altered? Are any rare plants or cover types present?

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No Action Alternative: The vegetative communities currently found on this tract of state grazing land will not be altered. Native grasses, forbs, and shrubs will not be disturbed. Wildlife habitat will not be degraded in this area. The vegetative cover, quantity, and quality will remain in its natural state on this tract of state land. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land.

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 drill pad. The area of disturbance will be small in scope and shall be reclaimed with the terms and conditions outlined within the well drilling stipulations provided by the Montana DNRC. The disturbed area will be reclaimed with a mixture of native grasses and yellow sweetclover. The geography of the proposed project area 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 wildlife species or their associated habitats that currently exist on this tract of state land.

No Action Alternative: The terrestrial and avian life and their associated habitats found within this area will not be disturbed. Wildlife and birds species will continue to use this area as they have in the past. These species will not be temporarily displaced by drilling a natural gas well. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land. Cody Oil and Gas Corporation, Devon Energy, and the State of Montana's School Trust Fund will not receive potential royalty payments from the natural gas well.

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 natural gas well will have a minimal impact on the unique, endangered, fragile, and limited environmental resources present in this area. There are wetlands located on this tract of state land. However, there are no wetlands 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. Listed, threatened, or endangered species that may use this area will not be impacted by this project. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land. Cody Oil and Gas Corporation, Devon Energy, and the State of Montana's School Trust Fund will not receive potential royalty payments from the natural gas well.</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 is located on native rangeland. No visual surface features were identified in the immediate area of the proposed disturbance, during the on-site inspection that was conducted by the Havre Unit Manager. If historical or archaeological resources are discovered at any time during construction of the access road or the well site, the proponent will cease all activity and contact the MT DNRC's, Havre Unit Office (406)-265-5236.</p> <p>No Action Alternative: There are no known historical or archaeological resources present in the area of the proposed project. Unknown historical or archaeological features under the surface will not be altered. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land. Cody Oil and Gas Corporation, Devon Energy, and the State of Montana's School Trust Fund will not receive potential royalty payments from the natural gas well.</p>

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

11. AESTHETICS: Is the project on a prominent topographic feature? Will it be visible from populated or scenic areas? Will there be excessive noise or light?

Action Alternative: If successful, the natural gas well will become a prominent topographic feature. The shed that houses the well head and natural gas meters will not be visible to the public. The project is located approximately 8 miles northeast of Hogeland, Montana near the US-Canadian border. The land is primarily used for livestock grazing purposes and wildlife habitat. The project will produce some excessive noise during the entire stages of drilling the natural gas well. Once the well is completed, the noise levels will return to normal.

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 and wildlife habitat. No excessive noise will be produced by the drilling rig and its crew. Wildlife species will not be temporarily displaced. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land.

12. DEMANDS ON ENVIRONMENTAL RESOURCES OF LAND, WATER, AIR OR ENERGY: Will the project use resources that are limited in the area? Are there other activities nearby that will affect the project?

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

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 land. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land. Cody Oil and Gas Corporation, Devon Energy, and the State of Montana's School Trust Fund will not receive potential royalty payments from the natural gas well.

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 on this tract of land are owned by the State of Montana's, School Trust Fund and revenue brought in from these developments will continue to be used for educational purposes by the beneficiaries of the School Trust. The MT DNRC will continue to explore and develop natural gas facilities as long as they are environmentally safe. The goal of the Montana DNRC/TLMD is to manage the State of Montana's trust land resources to produce revenue for the trust beneficiaries, while considering environmental factors and protecting the future income-generating capacity of the land. The Montana DNRC/TLMD will continue to administer and monitor the licensed grazing activity and set stocking rates on this tract of 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 has for this tract of land. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land. Cody Oil and Gas Corporation, Devon Energy, and the State of Montana's School Trust Fund will not receive potential royalty payments from the natural gas well.</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: Devon Energy Production Company, its subcontractors, and/or their employees understand the risks associated with drilling a natural gas well. Devon Energy Production Company, its subcontractors, and their employees assume these risks as occupational hazards. This project will not add to the human health and safety risks found in this area.</p> <p>No Action Alternative: The project will not add to the health or human safety risks found in this area. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 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 a natural gas well will create new industrial activity on this tract of state land. If Devon Energy Production Company, LP 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 productivity and enhance erosion control on these soils.</p> <p>No Action Alternative: The industrial, commercial, and agricultural activities will not be altered on this tract of state land. There will be no additional revenue generated from royalties to the School Trust Fund or Devon Energy Production Company, LP. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land. Cody Oil and Gas Corporation, Devon Energy, and the State of Montana's School Trust Fund will not receive potential royalty payments from the natural gas well.</p>
<p>16. QUANTITY AND DISTRIBUTION OF EMPLOYMENT: Will the project create, move or eliminate jobs? If so, estimated number.</p>	<p>Action Alternative: The project will provide Devon Energy with revenue generated by the sale of natural gas. The State of Montana's, School Trust Fund will benefit from royalties, through the sale of natural gas. This project will not move or eliminate jobs within the surrounding area. The project will provide Devon Energy's employees with additional work and income.</p> <p>No Action Alternative: The quality and distribution of employment will not be impacted in this area. Devon Energy is scheduled to drill several natural gas wells in this area. If they are not allowed to drill this well on the state land, they will simply move on to the next well on the drilling schedule. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land. Cody Oil and Gas Corporation, Devon Energy, and the State of Montana's School Trust Fund will not receive potential royalty payments from the natural gas well.</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. The impact will be a beneficial one because it will increase tax revenue into the county.</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 the natural gas well. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land. Cody Oil and Gas Corporation, Devon Energy, and the State of Montana's School Trust Fund will not receive potential royalty payments from the natural gas well.</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 phase of drilling the natural gas well and constructing an access road. 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 grazing management activity and set stocking rates for this tract of grazing land owned by the State of Montana. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land. Cody Oil and Gas Corporation, Devon Energy, and the State of Montana's School Trust Fund will not receive potential royalty payments from the natural gas well.</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 grazing land. No zoning plans will be in effect for the development 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.</p> <p style="text-align: center;"><u>(Continued on Next Page)</u></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>(Continued from Previous Page)</p> <p><u>No Action Alternative:</u> There are no other known locally adopted environmental plans or goals for this tract of state land. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land. Cody Oil and Gas Corporation, Devon Energy, and the State of Montana's School Trust Fund will not receive potential royalty payments from the natural gas well.</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><u>Action Alternative:</u> The proposed natural gas well is not located on a legally accessible tract of state land. The proposed project area is not accessible to the general public for recreational purposes. This tract of state land does have recreational potential for hunting, hiking, and bird watching. The main recreational activities that occur here are hunting and hiking. The proposed natural gas well will have a minimal impact on the recreational activities that may occur on this tract of state land in the future.</p> <p><u>No Action Alternative:</u> This tract of state land will continue to remain not legally accessible to the public for recreational purposes. The recreational potential for this tract of land will continue to be low to 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 Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land. Cody Oil and Gas Corporation, Devon Energy, and the State of Montana's School Trust Fund will not receive potential royalty payments from the natural gas well.</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, Devon Energy will have to bury a pipeline to transport the natural gas off to market. This activity may require the presence of Devon employees for an additional day or two.</p> <p>No Action Alternative: The density and distribution of population and housing will continue to be low in this rural ranching and farming community. The Montana DNRC/TLMD is the agency responsible for any surface and subsurface activity on this tract of state land. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land. Cody Oil and Gas Corporation, Devon Energy, and the State of Montana's School Trust Fund will not receive potential royalty payments from the natural gas well.</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 structures and mores found in this area. Natural gas exploration, development, and production are becoming somewhat high in this area. Devon Energy Production Company, LP has been really responsible for their actions and they are willing to do whatever it takes to make people happy and get the job done right.</p> <p>No Action Alternative: The native and traditional lifestyles will not be impacted in this rural ranching and farming community. The people who live in this area have natural gas wells on their own lands and collect royalties as well. The native and traditional lifestyles found in this area will continue to remain the same. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land. Cody Oil and Gas Corporation, Devon Energy, and the State of Montana's School Trust Fund will not receive potential royalty payments from the natural gas well.</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 will not cause a shift in any of the unique qualities found in this area. No cultural artifacts or surface features were observed or noted in the area of the proposed disturbance. Natural gas production is important to the people in this area, because it provides jobs and additional income for the people who live and work in this area. This area is currently in a hot zone, where future natural gas development is looking really good.</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 and livestock grazing purposes. Livestock grazing on this tract is authorized through a surface grazing lease issued by the Montana DNRC. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 well on this tract of state grazing land.</p>
<p>24. OTHER APPROPRIATE SOCIAL AND ECONOMIC CIRCUMSTANCES:</p>	<p>Action Alternative: The project will generate additional revenue for the State of Montana's School Trust Fund, Cody Oil & Gas Corporation, and Devon Energy Production Company, LP 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 Devon employees.</p> <p>No Action Alternative: The potential for additional revenue for the State of Montana's School Trust Fund, Cody Oil & Gas Corporation, and Devon Energy Production Company, LP and the people in the surrounding area will be lost. The Montana DNRC will not issue Devon Energy Production Company, LP a permit to drill the State #16-11 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.</p>

EA Checklist Prepared By: Dan Dobler
Name

Havre Unit Manager
Title

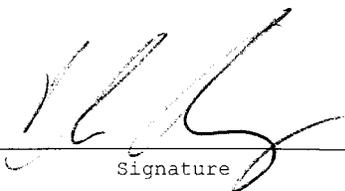
Dan Dobler
Signature

May 25th 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

5/26/16
Date

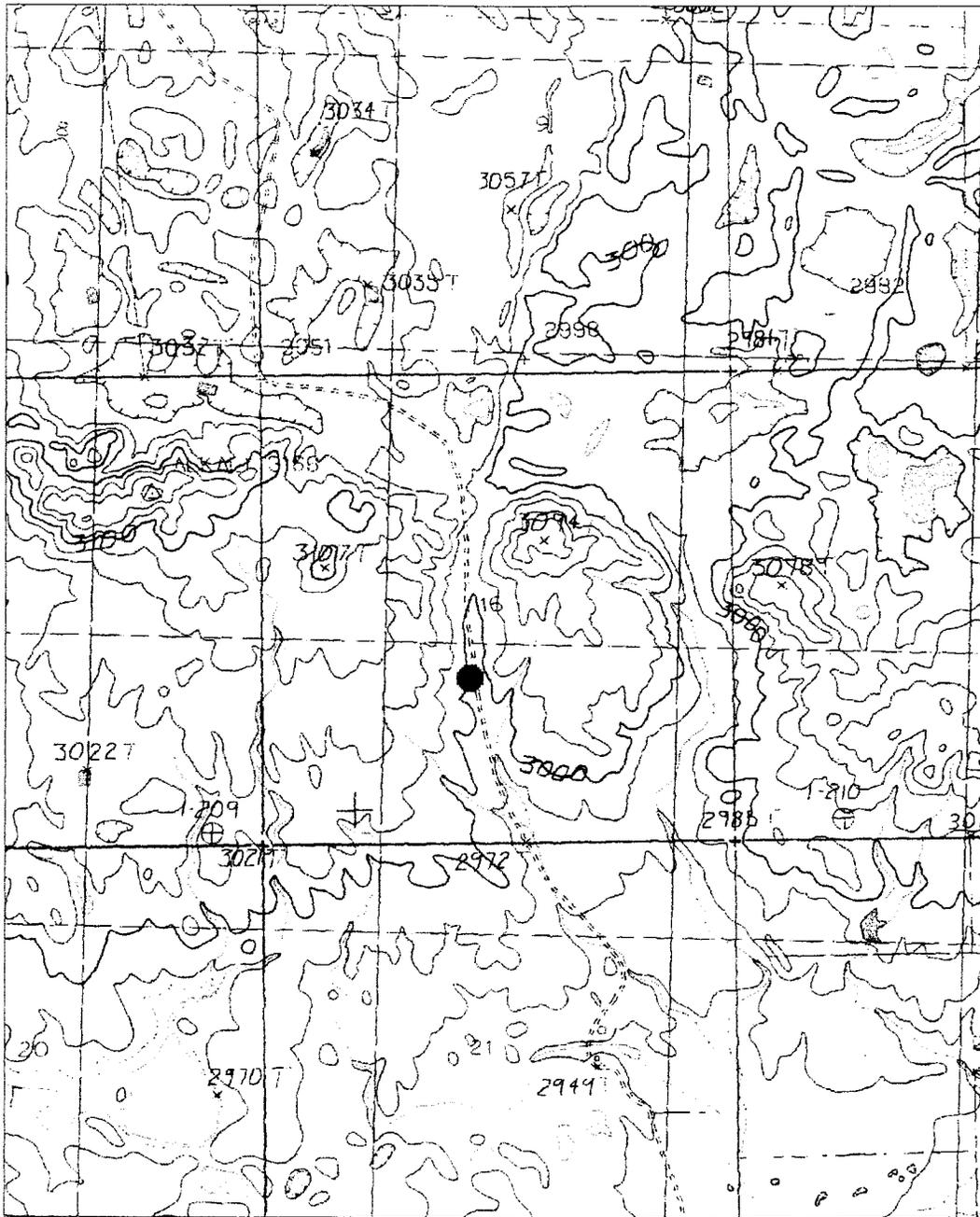
State of Montana

Natural Gas Exploratory Well Drilling Stipulations for Oil & Gas Lease #36,265-05

Proposed Natural Gas Well – State #16-11 (NE¼SW¼) - Blaine County, Montana

1. The permittee shall contact the Havre Unit Office, PO Box 868, Havre, MT 59501, (406) 265-5236, 48 hours prior to any surface activity.
2. The permittee shall contact the State's surface lessee, Snider Ranch Co., C/o Jay Snider, 13190 Hogeland Road, Hogeland, MT 59529, 48 hours prior to any drilling activity.
3. The permittee shall settle all surface damages with the State of Montana and Snider Ranch Co. within a reasonable time period following the completion of 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 deeded land adjoining the premises.
5. 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.
6. This tract of state land does contain known archaeological, historical, or paleontological resources in the area of the proposed disturbance. However, if any of these resources are located in 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.
7. 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.
8. Natural gas drilling and service activity may occur on dry or frozen ground only. No activity will be allowed during muddy conditions.
9. No vehicle oil changes or petroleum disposal shall occur on this tract of state land.
10. There will be no off-road traffic other than that necessary to accomplish the gas well drilling.

11. All gates will be closed and all fences that are taken down will be repaired as soon as possible.
12. The topsoil removed from the site must be located upslope from the project and used for covering the subsoil. Subsoil and excessive dirt must be located downslope from the project and used first for fill. This practice shall be used for installing the pipeline, if the well is successful and capable for commercial production.
12. 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.
13. 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 5 lbs. PLS/acre 'Rosana' western wheatgrass, 5 lbs. PLS/acre 'Pryor' slender wheatgrass, 4 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.

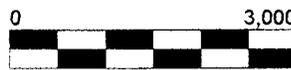


Devon Energy Production Company, LP
 State #16-11 Well (NESW)

US State Plane 1983
 Montana 2500
 NAD 1983 (Conus)

Scale 1:24,000

D-State 16-11-37-24.cor
 5/16/2006



Feet

GPS Pathfinder[®] Office
Trimble.



Devon Energy Production Company, LP
State #16-11 Well (NESW)

US State Plane 1983
Montana 2500
NAD 1983 (Conus)

N

Scale 1:24,000



Feet

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