# CHECKLIST ENVIRONMENTAL ASSESSMENT

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|---|---|
| **Project Name:** | Proposed New Oil Wells- State 2-16, State 3-16 and State 10-16 |
| **Proposed Implementation Date:** | Summer 2014 |
| **Proponent:** | KeeSun Corporation, PO Box 430, Cut Bank, MT 59427- Operator |
| **Location:** | Section 16, T36N, R1W<br>State 2-16, NW4NE4, 400' FNL, 2310' FEL<br>State 3-16, NE4NW4, 990' FNL, 2200' FWL<br>State 10-16, NW4SE4, 2310' FSL, 1950' FEL |
| **County:** | Toole |
| **Trust:** | Common Schools |

## I. TYPE AND PURPOSE OF ACTION

KeeSun Corporation has requested permission to drill three new oil wells on state land. These wells will be drilled into the Sunburst, Madison, Souris River Formations a total depth of around 4,300.00'. The proposed oil wells are located on land that is classified as agricultural. A small drilling pad will be constructed and a rig will drill a new well bore into the target zone. If sufficient quantities of oil are present, then commercial well sites will be developed. Also, existing roads will be used as available and approximately 5,900.00' of a new access trail will be constructed in existing agricultural land. If the wells are commercially viable, the roads will be improved and flow lines and tank battery will be installed. If tests indicate that commercial quantities of recoverable oil are not present, then the wells 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 areas will be recon toured and the topsoil redistributed over the area. The site will then be returned to agricultural land. The well sites will be accessed by using new and existing trails from the Nine Mile Road.

## II. PROJECT DEVELOPMENT

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

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

KeeSun Corporation-Operator
Tommy C. Craighead-Oil and Gas Lessee
Pacerosa Inc.-Surface Lessee, Lease #8331
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 submitted for approval for these wells. KeeSun Corporation has a farmout agreement on State of Montana Oil and Gas lease #OG-39930-10 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 KeeSun Corporation permission to drill the three new oil wells.

Alternative B (the Proposed action) – Grant KeeSun Corporation permission to drill the three new oil wells 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 oil well drilling and access road use. The top 12 inches of soil will be removed from the well sites and stock piled for reclamation purposes. Access to the well sites will be from the Nine Mile Road, using an existing trail and new access trails through existing agricultural land. The well site pads will require a small amount of dirt work and leveling. Road improvements will be held to a minimum. The proposed action may cause localized areas of soil erosion and compaction from the manipulation of vehicles and equipment on the surface. The proposed action will temporarily disturb a small portion of the landscape. Reclamation and returning these sites to agricultural production will minimize long-term soil loss. No long-term negative impacts on the soil resources are expected.

### 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 three water right associated with the tract of state land. Water right #40F-37143-00 located in the NW4NE4SW4 is for a pit for stock water on an unnamed tributary of a closed basin. Water right #40F-47732-00 located in the SE4SW4NW4 is for a pit for stock water on an unnamed tributary of Rock Coulee. Water right #40F-47733-00 located in the NW4SE4NE4 is for a dam for stock water on an unnamed tributary of Rock Coulee. All three water rights are located outside of the proposed project areas. The drilling process will only require a work over pit, so no impacts are expected to the existing water or water rights. 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 pad building, access road building, well drilling, and vehicle traffic on the access trails 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.*

Each well site will be approximately 100' X 100' area consisting of 0.23 acres of classified agricultural land. These areas will be impacted by the removal of topsoil and the manipulation of vehicles on the ground surface at the well site locations. 3,330.00' of existing access trail and 5,900.00' of new access trails will be minimally improved. Also, existing roads will be used where available. The proponent will be responsible for noxious weeds that may arise from implementing this proposed action. The sites will be returned to agricultural land following reclamation. The proposed action will impact a small portion of the landscape.

A review of Natural Heritage data through the NRIS was conducted for T36N, R1W. There was zero species of concern and zero 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. 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 and Hungarian partridge), other non-game mammals, raptors, and various songbirds. The proposal does not include any major 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 T36N, R1W. There were two species of concern and zero potential species of concern noted on the NRIS survey: Birds—Sprague's Pipit and Baird's Sparrow. This particular tract of agricultural and 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.*

A cultural resource inventory was completed by the Conrad Unit Office on June 10, 2014. No cultural resources were found within the project area, so it is assumed that cultural resources will not be impacted by this proposed project.

**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 producing wells are 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.*

The proposed wells are located in a wildcat field. There are no other projects or plans being considered on the tract 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 wells 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.*

The intent of the proponent's action is too locate 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 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 create 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 proponent has interest in the State of Montana Oil and Gas Lease #OG-39930-10 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 producing wells. The surface lessee will receive $100.00 (per well) for surface damages on the well.

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| | **Name:** | Tony Nickol | **Date:** | June 11, 2014 |
| | **Title:** | Land Use Specialist, Conrad Unit, Central Land Office | | |

## V. FINDING

### 25. ALTERNATIVE SELECTED:

Alternative B (the Proposed action) – Grant KeeSun Corporation, Operator, permission to drill the three new oil wells using the Conrad Unit Office's recommendations to minimize adverse environmental impacts.

### 26. SIGNIFICANCE OF POTENTIAL IMPACTS:

Significant impacts are not expected to occur as a result of the proposed oil wells on state land. Following drilling operations, 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 the wells are not developed for production, they will be plugged and abandoned in accordance with BOOG regulations. Other mitigation measures which are common and effective have been incorporated into the proposed action to minimize the potential for environment impact.

### 27. NEED FOR FURTHER ENVIRONMENTAL ANALYSIS:

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

| | |
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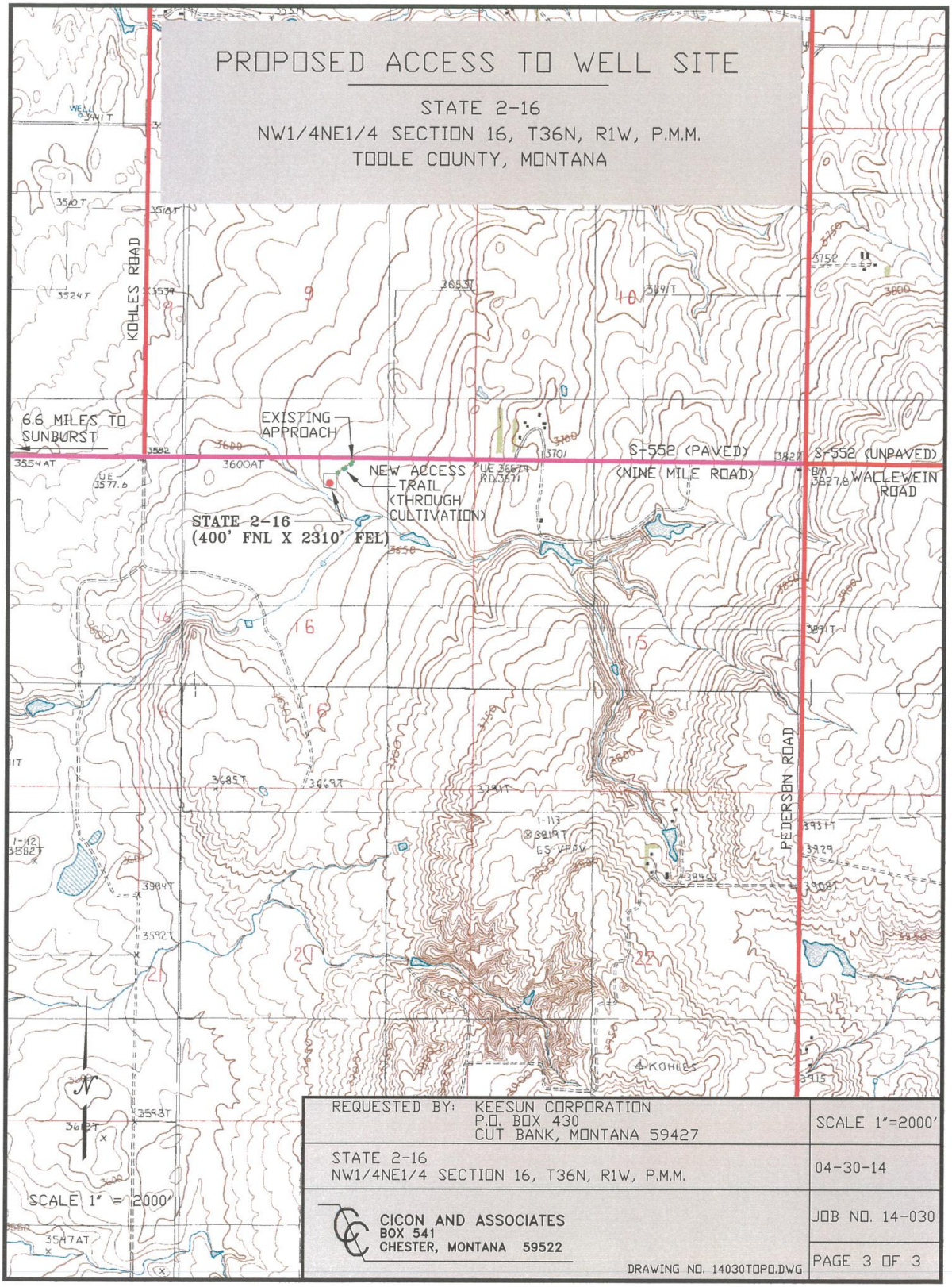
| **EA Checklist Approved By**: | **Name:** Erik Eneboe<br>**Title:** Conrad Unit Manager, CLO |
| **Signature:** | **Date**: June 13, 2014 |


PROPOSED ACCESS TO WELL SITE
STATE 2-16
NW1/4NE1/4 SECTION 16, T36N, R1W, P.M.M.
TOOLE COUNTY, MONTANA
KOHLES ROAD
6.6 MILES TO SUNBURST
EXISTING APPROACH
NEW ACCESS TRAIL (THROUGH CULTIVATION)
STATE 2-16
(400' FNL X 2310' FEL)
S-552 (PAVED)
(NINE MILE ROAD)
S-552 (UNPAVED)
WACLEWEIN ROAD
PEDERSON ROAD
SCALE 1" = 2000'
REQUESTED BY: KEESUN CORPORATION
P.O. BOX 430
CUT BANK, MONTANA 59427
SCALE 1"=2000'
STATE 2-16
NW1/4NE1/4 SECTION 16, T36N, R1W, P.M.M.
04-30-14
CICON AND ASSOCIATES
BOX 541
CHESTER, MONTANA 59522
JOB NO. 14-030
DRAWING NO. 14030TOPO.DWG
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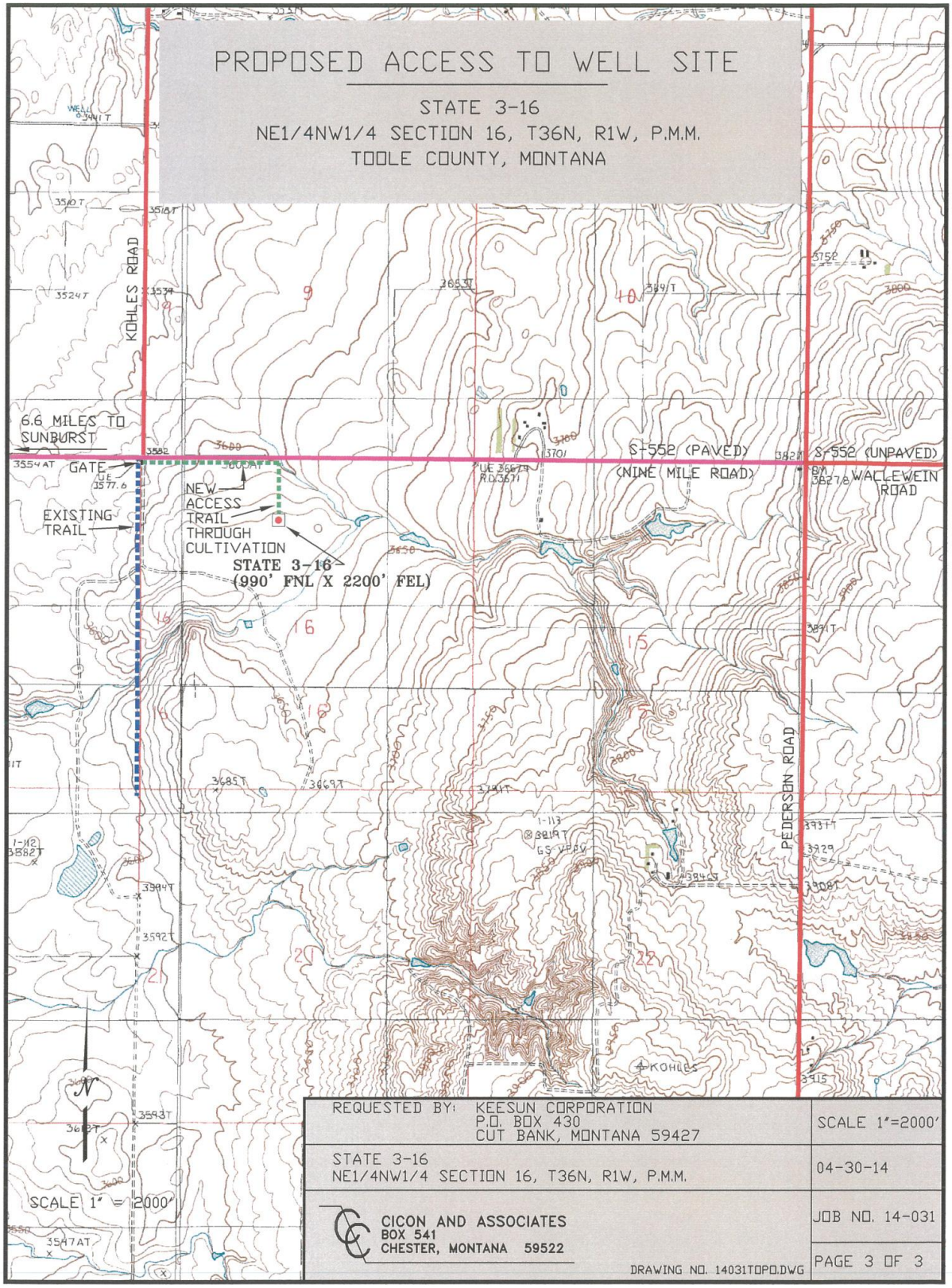
PROPOSED ACCESS TO WELL SITE
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NE1/4NW1/4 SECTION 16, T36N, R1W, P.M.M.
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(990' FNL X 2200' FEL)
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CHESTER, MONTANA 59522
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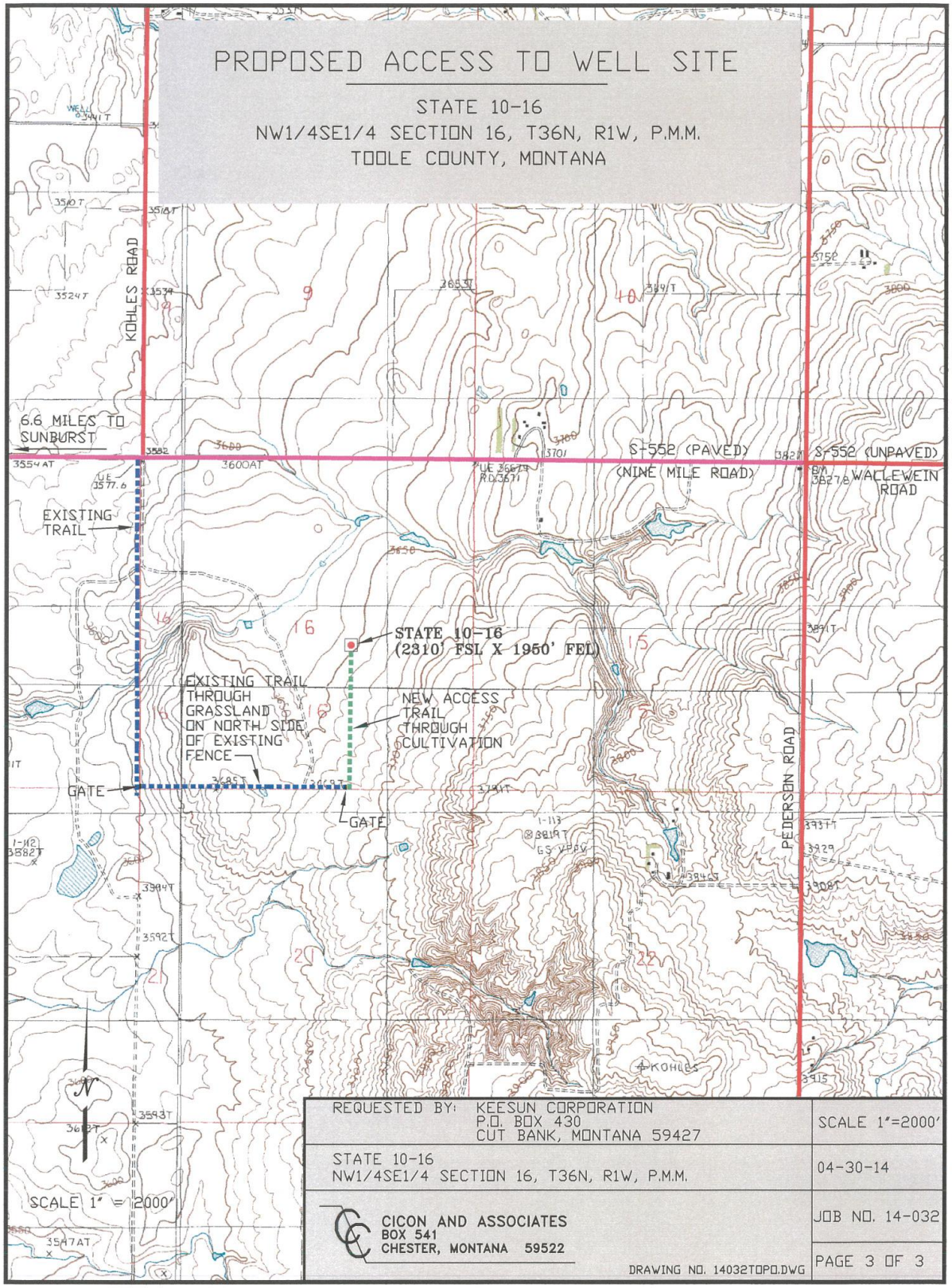
PROPOSED ACCESS TO WELL SITE
STATE 10-16
NW1/4SE1/4 SECTION 16, T36N, R1W, P.M.M.
TOOLE COUNTY, MONTANA
KOHLES ROAD
6.6 MILES TO SUNBURST
S-552 (PAVED)
(NINE MILE ROAD)
S-552 (UNPAVED)
WALLEWEIN ROAD
EXISTING TRAIL
STATE 10-16
(2310' FSL X 1950' FEL)
EXISTING TRAIL THROUGH GRASSLAND ON NORTH SIDE OF EXISTING FENCE
NEW ACCESS TRAIL THROUGH CULTIVATION
GATE
GATE
PEDERSON ROAD
SCALE 1" = 2000'
REQUESTED BY: KEESUN CORPORATION
P.O. BOX 430
CUT BANK, MONTANA 59427
SCALE 1"=2000'
STATE 10-16
NW1/4SE1/4 SECTION 16, T36N, R1W, P.M.M.
04-30-14
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