

CHECKLIST ENVIRONMENTAL ASSESSMENT

Proposed Action: Approve Drilling Permit (Form 22)

Project/Well Name: Kai 16-4 #3H

Operator: Kraken Operating LLC

Location: NE NW Section 21 T26N R59E

County: Richland **MT;** **Field (or Wildcat):** Wildcat

Proposed Project Date: None listed

I. DESCRIPTION OF ACTION

Triple derrick drilling rig to drill a single lateral horizontal Bakken Formation test, 26,151' MD/10,298' TVD.

II. PROJECT DEVELOPMENT

1. PUBLIC INVOLVEMENT, AGENCIES, GROUPS OR INDIVIDUALS CONTACTED

Montana Bureau of Mines and Geology, GWIC website (Richland County Wells).

US Fish and Wildlife, Region 6 website

ENDANGERED, THREATENED, PROPOSED AND CANDIDATE SPECIES MONTANA COUNTIES, Richland County

Montana Natural Heritage Program Website (FWP)

Heritage State Rank= S1, S2, S3, T26N R59E

Montana Cadastral Website

Surface Ownership and surface use Section 21 T26N R59E

Montana Department of Natural Resources MEPA Submittal

2. ALTERNATIVES CONSIDERED

No Action Alternative: The proposed well would not be drilled.

Action Alternative: Kraken Operating LLC would have permission to drill the well.

III. IMPACTS ON THE PHYSICAL ENVIRONMENT

3. AIR QUALITY

Long drilling time: No, 10-15 days.
Unusually deep drilling (high horsepower rig): No

Possible H₂S gas production: Potentially in Mississippian formations.
In/near Class I air quality area: No.
Air quality permit for flaring/venting (if productive): Yes, DEQ air quality permit required under 75-2-211. AQB review.

Comments: No special concerns – Using triple derrick drilling rig to drill a single lateral horizontal Bakken Formation test, 26,151' MD/10,298' TVD. If there are no gas gathering systems nearby, associated gas can be flared under Board Rule 36.22.1220.

4. WATER QUALITY

Salt/oil based mud: Will drill with oil based invert drilling fluids for the intermediate casing hole. Horizontal hole will be drilled with saltwater. Surface casing hole will be drilled with freshwater and freshwater mud system, Rule 36.22.100.1
High water table: No.
Surface drainage leads to live water: The Missouri River is located about 2/5 of a mile to the northeast. An unnamed ephemeral drainage is about 85' to the east. It does not appear the unnamed drainage leads to the Missouri River.
Water well contamination: None, closest water well the Groundwater Information Center lists is a domestic water well about 1/2 a mile to the southwest and is 250' deep. This proposed oil well will be drilled with freshwater and freshwater mud to 1,850' and steel surface casing will be run and cemented to surface to protect groundwater.

Porous/permeable soils: No, sandy silty clay soils.
Class I stream drainage: Closest Class I stream drainage is the Missouri River, about 2/5 of a mile to the northeast from this location.
Groundwater vulnerability area: No.

Mitigation:

- Lined reserve pit
- Adequate surface casing
- Berms/dykes, re-routed drainage
- Closed mud system
- Off-site disposal of **solids/liquids** (in approved facility)
- Other:

Comments: Steel surface casing will be run and cemented to surface to protect ground water. (Rule 36.22.1001).

Comments: 1,850' surface casing will be drilled with freshwater, steel casing will be run to 1,850' and cemented back to surface, to protect freshwater zones in adjacent water wells, Rule 36.22.1001. Also, covering Fox Hills aquifer. Adequate surface casing and BOP equipment to prevent problems, (5,000 psi annular and double ram), Rule 36.22.1014.)

5. SOILS/VEGETATION/LAND USE

Vegetation: Grass land.

Steam crossings: None anticipated.

High erosion potential: Possible high erosion potential on high cut and fill slopes, large cut of up to 31.5' and a large fill of up to 21.7', required.

Loss of soil productivity: No, location will be restored after drilling if unproductive.

Unusually large wellsite (Describe dimensions): A large well site 450'X465' required for a three well pad.

Damage to improvements: Slight.

Conflict with existing land use/values: Area is grass land, slight disturbance.

Mitigation

- Avoid improvements (topographic tolerance)
- Exception location requested
- Stockpile topsoil
- Stream Crossing Permit (other agency review)
- Reclaim unused part of wellsite if productive
- Special construction methods to enhance reclamation

Access Road: Access will be over existing county road, #147. A new access of 1,763' will be built into location.

Drilling fluids/solids: No pit to be utilized, closed loop system. Typically, oil based invert drilling fluids are recycled, completion fluids are hauled to a commercial Class II disposal, and cuttings are disposed of offsite.

6. HEALTH HAZARDS/NOISE

Proximity to public facilities/residences: Closes residences are located about 1 mile to the north and multiple about 1.1 miles to the southeast. The town of Fairview, MT is about 13 road miles to the southeast.

Possibility of H2S: Possibility in Mississippian formations.

Size of rig/length of drilling time: 10-15 days.

Mitigation:

- Proper BOP equipment
- Topographic sound barriers
- H2S contingency and/or evacuation plan
- Special equipment/procedures requirements
- Other:

7. WILDLIFE/RECREATION

Sage Grouse: No.

Proximity to sensitive wildlife areas (DFWP identified): None.

Proximity to recreation sites: None.

Creation of new access to wildlife habitat: No.

Conflict with game range/refuge management: No.

Threatened or endangered Species: Listed threatened or endangered species in Richland County are the Pallid Sturgeon, Interior Least Tern, Whooping Crane, Piping Plover, and the Northern Long-eared Bat. The Montana Natural Heritage Program website lists seventeen (17) species of concern, Northern Myotis, Great Blue Heron, Veery, Piping Plover, Black-billed Cuckoo, Whooping Crane, Red-headed Woodpecker, Least Tern, Northern Redbelly Dace, Blue Sucker, Iowa Darter, Shortnose Gar, Sturgeon Chub, Sicklefin Chub, Paddlefish, Sauger, and the Pallid Sturgeon.

Mitigation:

- Avoidance (topographic tolerance/exception)
- Other agency review (DFWP, federal agencies, DNRC Trust Lands)
- Screening/fencing of pits, drillsite
- Other:

Comments: Private cultivated surface lands. There may be species of concern that maybe impacted by this wellsite. We ask the operator to consult with the surface owner as to what he would like done, if a species of concern is discovered at this location. The Board of Oil & Gas has no jurisdiction over private surface lands. No concerns.

IV. IMPACTS ON THE HUMAN POPULATION

8. HISTORICAL/CULTURAL/PALEONTOLOGICAL

Proximity to known sites:

Mitigation

- avoidance (topographic tolerance, location exception)
- other agency review (SHPO, DNRC Trust Lands, federal agencies)

Other:

9. SOCIAL/ECONOMIC

Substantial effect on tax base

- Create demand for new governmental services
- Population increase or relocation

Comments: No concerns.

IV. SUMMARY

No long term impacts expected. Some short term impacts will occur, but can be mitigated.

I conclude that the approval of the subject Notice of Intent to Drill (does/**does not**) constitute a major action of state government significantly affecting the quality of the human environment, and (does/**does not**) require the preparation of an environmental impact statement.

EA Checklist
Prepared By:

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Title: Compliance Specialist

Date: 07/07/20