

Montana Board of Oil and Gas Conservation

Finding of No Significant Impact and Notice of Decision

Powder River Gas, LLC - Castle Rock-Stevens Plan of Development (2005)

Sections 5-8, 18 and 19, Township 6 South, Range 48 East, and Sections 1,12,13, and 24,
Township 6 South, Range 47 East, Powder River County, Montana

Proposed Action

Powder River Gas, LLC proposes to drill, complete and produce 284 new CBM wells on privately owned surface and minerals located in Powder River County, Montana. PRG submitted its Castle Rock-Stevens POD to the MBOGC on April 7, 2005 as Docket No. 184-2005. The Castle Rock-Stevens POD was approved by the MBOGC on April 28, 2005 by Order 151-2005. Also approved in this order was the change of spacing for the coal seams to one well per seam per 80-acres. Water produced would be managed using a combination of options: total containment/evaporation, storage retrieval/injection and storage/treatment/managed irrigation. PRG does not propose to discharge any of the produced water to surface streams. Any well(s) would be plugged and abandoned and surface restored if commercial quantities of gas is not discovered; partial reclamation of unused disturbed areas and utilities/flow line disturbed areas would be required during the project life. Surface is managed by private owners.

Decision

The decision to approve the project plan of development includes adoption of the Environmental Analysis prepared by the Montana Board of Oil and Gas Conservation (MBOGC)- *Environmental Assessment for Powder River Gas, LLC, Castle Rock-Stevens Plan of Development (2005)*; approval of the drilling, completion, and production of 284 wells located on fee minerals; installation of roads, pipelines and associated infrastructure needed to produce the wells; and the location construction and operation of up to four field compressor sites. The decision is effective immediately; drilling permits (Form No. 22) will be approved in the ordinary course of business following this decision.

The Board of Oil and Gas Conservation's General Rules and Regulations, as well as the statutory requirements under which the Rules are adopted apply to the proposed action. The operator has agreed to implement other actions to mitigate impacts of its activities. Those mitigating measures include implementation of lease road speed limits to reduce wildlife mortality and dust emissions, avoiding construction or drilling activities within a quarter-mile of sage grouse or sharp tail grouse leks during the nesting season, and monitoring of the quantity of produced fluids and monitoring of any domestic wells or springs within the one-mile statutory radius as needed to determine potential impairment from the project. Monitoring of reclamation and potential noxious weed invasion are also required and agreed to by the operator. Cultural and paleontological resources are the property of the private surface owner and MBOGC does not assert any right to determine the disposition of any resources found; the operator however has agreed to notify and consult with the surface owner if any such resources are discovered during construction.

MBOGC defers to the surface owner for use of pesticides/herbicide on the property and does not regulate the use or possession of firearms on private property. Private owners retain the right to manage (or prohibit) general public access to the property.

Finding of No Significant Impact

Based upon a review of the Environmental Assessment prepared for the project, the voluntary mitigation proposed by the operator, compliance with the requirements for monitoring and reporting associated MBOGC Order 99-99, and considering the scope and effect of the MBOGC's statutory and regulatory requirements, I determine that approval of the proposed action does not constitute a major state action significantly affecting the quality of the human environment, and does not require the preparation of an environmental impact statement.

_____/s/
Thomas P. Richmond
Administrator, Board of Oil and Gas Conservation

November 30, 2005