

Montana Board of Oil and Gas Conservation

Finding of No Significant Impact and Notice of Decision

Pinnacle Gas Resources Inc.
Dietz Plan of Development Project
Townships 8 and 9 South, Ranges 41 and 42 East
Big Horn County, Montana

Proposed Action

Pinnacle Gas Resources Inc. (Pinnacle) proposes to drill, complete and produce 132 new wells in this expansion of the existing Coal Creek CBNG Field. Pinnacle submitted its Dietz POD to the MBOGC on May 19, 2005 as Docket No. 307-2005. The Dietz POD was approved by the MBOGC on July 21, 2005 by Order 276-2005. Pinnacle further submitted Docket No. 308-2005 to change spacing for Fort Union coals to one well per seam per 80-acres; the docket was heard and approved on July 21, 2005 by Order 277-2005. The MBOGC 2003 Record of Decision (ROD) and MBOGC Order 99-99 apply to this proposed action. The Dietz project totals approximately 4,880 acres of mineral lease. Development will involve the Smith through Wall coals. Water produced by CBNG development will be stored in evaporation ponds, used for irrigation, or treated at the existing Coal Creek treatment plant operated by Pinnacle; treated water may be discharged under an existing MPDES permit. Any well(s) would be plugged and abandoned and surface restored if commercial quantities of gas are not discovered; partial reclamation of unused disturbed areas and utility disturbed areas would be required during the project life. The project area is composed of fee minerals. Surface is owned by both private entities and the State of Montana.

Decision

The decision to approve the Dietz project plan of development includes approval of the drilling, completion, and production of 132 CBNG wells located on fee minerals as well as the installation of roads, pipelines and associated infrastructure needed to produce the wells. 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 generally apply to the proposed action. The operator has agreed to implement other actions to mitigate any significant impacts of its activities. Those mitigating measures include implementation of lease road speed limits to reduce wildlife mortality and dust emissions, 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 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. Surface owners of

record include the State Trust Land Management Division (TLMD). The MBOGC cannot require the surface owner to manage property for wildlife mitigation or to require the owner to provide access to those seeking to survey the property for cultural or wildlife resources. 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. TLMD manages cultural and paleontological, wildlife, and recreation resources on their lands including those in the Dietz project.

Finding of No Significant Impact

Based upon this Environmental Assessment prepared for the Dietz project, the mitigation voluntarily proposed by the operator, compliance with the requirements for monitoring and reporting associated with MDEQ's issuance of a MPDES discharge permit, 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.

Original Signed
Thomas P. Richmond
Administrator, Board of Oil and Gas Conservation

September 6, 2005