

Summary

Fidelity Exploration & Production Company (Fidelity) is the operator of the CX Field, which produces coal bed natural gas (CBNG) from 5 separate coal seams. Fidelity proposes to develop CBNG in its Tongue River-Badger Hills Project area located in Big Horn County of southeastern Montana. The Project area is located in T. 9 S., R. 40 and 41 E. and is part of an expansion of approximately 5500 acres approved by the Montana Board of Oil & Gas Conservation (MBOGC) to the CX Field.

The Project proposed by Fidelity includes the drilling, completing and producing of 178 wells, constructing and installing the associated infrastructure of access roads, flowlines, power lines, meter and compressor facilities, produced water impoundments and outfalls and reclaiming disturbed areas. The total of 178 proposed wells includes 85 federal wells, completing and producing 1 previously drilled well, 72 private wells and 20 state wells located on 37 new well sites. The production life of the Project wells is expected to be 10-15 years with final reclamation to be completed approximately two to three years following plugging of the wells.

Fidelity proposes to begin these operations after receipt of necessary approvals, with completion of these operations in 2005. Approval is needed from MBOGC for drilling the private and state wells while approval is needed from BLM for drilling the federal wells. Fidelity received approval from MBOGC in August, 2003 after completion of an Environmental Assessment for the private and state wells.

Fidelity filed the Tongue River-Badger Hills Project Plan of Development (POD) in June, 2003, with the Miles City Field Office of the Bureau of Land Management (BLM). BLM prepared an environmental assessment for the POD. A Decision Record and Finding of No Significant Impact were signed on September 16, 2003 and the 85 federal drilling applications (APDs) were also approved on that date.

On October 15 and 17, 2003, four requests for State Director Review of the Decision Record and Finding of No Significant Impact were submitted in accordance with 43 CFR 3165.3(b). As a result of reviewing the four requests, on December 9, 2003, the BLM State Director directed MCFO to rewrite the document and to specifically address some of the points raised in the four requests, such as impacts to ground and surface waters and air quality.

The State Director also issued a stay order when the environmental assessment was remanded to MCFO. The stay order prohibits Fidelity from conducting any operations on federal leases covered by the environmental assessment and remains in effect until a new Decision Record (DR) is signed. The stay order does not apply to operations on state and private leases.

The environmental analysis documented in this Environmental Assessment (EA) addresses the State Director's remand and, along with other referenced environmental analyses, provides the basis for BLM decisions. BLM must decide whether or not to approve the individual components proposed on or for the benefit of federal leases associated with the proposed Project. Different actions and management options were analyzed in three alternatives. BLM has identified Alternative C, Fidelity's proposed Plan of Development with additional mitigating measures, as its Preferred Alternative.

Glossary

APPLICATION FOR PERMIT TO DRILL, DEEPEN OR PLUG BACK (APD): The Department of Interior permit application form needed to authorize oil and gas drilling activities on federal minerals.

COAL BED NATURAL GAS (aka COAL BED METHANE): A clean-burning natural gas found inside and around coal seams. The gas has an affinity to coal and is held in place by pressure from groundwater. Producing coal bed natural gas involves drilling into coal seams and discharging groundwater to release the gas.

CUMULATIVE IMPACT: The impact on the environment that results from the positive or negative impacts of an action when added to other past, present and reasonable foreseeable future actions, regardless of what agency or person performed such action(s).

CONDITION OF APPROVAL (COA): Requirements imposed on the applicant under which condition the approval of an Application for a Permit to Drill or a Sundry Notice is approved.

CORRIDOR: A strip of land through which one or more existing or potential facilities may be located.

FLOW LINE: A small diameter pipeline through which fluids move.

LEASE:

1. An oil and gas lease is a contract which grants the lessee the rights to drill for and remove oil and gas deposits in the leased lands, subject to the terms and conditions incorporated in the lease.
2. The tract of land, on which a lease has been obtained, where producing wells and production equipment are located.

MITIGATION MEASURES: Methods or procedures developed for the purpose of reducing or eliminating the impacts of an action. Mitigation may be built into the proposed project or required in an alternative as a condition of approval.

PLAN OF DEVELOPMENT (POD): A comprehensive plan prepared by the company which describes the entire proposed project and all of the individual components, including proposed actions on federal, state and private leases.

PROJECT: The entire project, including proposed actions on federal, state and private leases, as described in the POD.

PROPOSED ACTION: An individual action or a combination of actions proposed on or to benefit federal leases.

SPLIT ESTATE: Surface and minerals of a given area in different ownerships. Frequently, the surface is privately-owned while the minerals are federally-owned.

ABBREVIATION AND ACRONYMS

AO	Authorized Officer
APD	Application for Permit to Drill
BACT	best available control technology
BLM	Bureau of Land Management
CBNG	Coal bed Natural Gas
COA	conditions of approval
DNRC	Montana Department of Natural Resources and Conservation
EA	Environmental Assessment
EC	Electrical Conductivity
FAAQS	National Ambient Air Quality Standards
FLPMA	Federal Land Policy Management Act
FWS	Fish and Wildlife Service
gpm	gallons per minute
MAAQS	Montana Ambient Air Quality Standards
MBOGC	Montana Board of Oil and Gas Conservation
MDEQ	Montana Department of Environmental Quality
MLA	Mineral Leasing Act
MPDES	Montana Pollution Discharge Elimination System
MT EIS	Montana Statewide Final Environmental Impact Statement (2003)
NEPA	National Environmental Policy Act
POD	Project Plan of Development
PSD	Prevention of Significant Deterioration
SAR	sodium adsorption ratio
SHPO	State Historic Preservation Office
T/E	Threatened/Endangered
TDS	total dissolved solids
USGS	United States Geological Survey
WMP	Water Management Plan
WMPP	Wildlife Monitoring Protection Plan
WNV	West Nile Virus
WY EIS	Wyoming Environmental Impact Statement (2003)