

SUMMARY

Fidelity Exploration & Production Company (Fidelity) is the operator of the CX Field, which produces coal bed natural gas (CBNG) from 3 separate coal seams. Fidelity proposes to develop CBNG in its Tongue River-Dry Creek Project area located in Big Horn County of southeastern Montana. The Project area is located in T. 9 S., R. 39 and 40 E. The Project consists of drilling wells and adding certain infrastructure facilities within the existing CX Field and is not an expansion of the Field.

On March 4, 2004, Fidelity filed the Dry Creek Project Plan of Development (POD) and Applications for Permit to Drill (APDs) for 24 federal wells with BLM. The Project proposed by Fidelity includes the drilling, completing and producing of 24 federal wells, 11 state wells and 3 private (fee) wells on 15 well sites, completing and producing 1 previously drilled federal well and constructing and installing the associated infrastructure of access roads, flowlines, power lines, meter and pumping facilities, using existing infrastructure and reclaiming disturbed areas. The wells would be completed in the Carney, Monarch, and Dietz coal seams in the Tongue River Member of the Fort Union Formation. 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 and removal of production facilities.

The project area is located in the producing CX Field, primarily Sections 13, 15, 23, 26, and 36, T. 9 S., R. 39 E., Sections 18 and 19, T. 9 S., R. 40 E., in Big Horn County, southeastern Montana. BLM conducted field on-site inspections (on-sites) of the proposed federal well locations and associated infrastructure on April 21, 2004 and June 9, 2004. During these on-sites, all areas of proposed surface disturbance were inspected to determine whether adjustments were necessary to reduce potential impacts to natural resources. As a result, location 44C,M-1399 was abandoned, access through section 13, 18 and 19 required an engineering design, two track access to 24C-2399 was relocated, and the well configuration on 44C,M,D-2699 was modified. Existing unauthorized "off-lease" facilities located on two tracts of federal surface were also inventoried during the on-sites.

The Montana Board of Oil & Gas Conservation (MBOGC) and the MT Department of Natural Resources Conservation (DNRC) reviewed the POD and completed environmental analyses for the proposed actions on private and state leases. MBOGC approved the POD and drilling permits for the private and state wells after completion of the environmental analyses. As a result, the state and fee wells for the Dry Creek POD have been drilled and completed and become part of the existing situation for this analysis. Fidelity needs BLM approval for proposed actions on or related to federal leases, which includes the drilling, completing and producing of 24 federal wells on 11 well sites, completing and producing 1 previously drilled federal well, and constructing or installing the associated infrastructure. Fidelity would begin the federal undertaking after receiving necessary approvals, and would plan to complete operations late 2004 or early 2005.

This analysis focuses on wildlife habitat fragmentation and disturbance, effects to cultural resources, reclamation of disturbed areas associated with construction activities, development of new two-track roads, effects of drilling and construction activities on soils, cumulative impacts (the impacts of the proposed action in combination with past, present and reasonably foreseeable actions) of CBNG exploration and development, surface water quality, impacts to springs and wells from ground water drawdown, and air quality.

The environmental analysis documented in this Environmental Assessment (EA) and other referenced environmental analyses, provides the basis for BLM decisions. Based on this information, BLM must determine whether or not to approve the individual federal wells (APDs), infrastructure and water management on or for the benefit of federal leases associated with the proposed project.

Various actions and management options were analyzed in two alternatives; the no action alternative (Alternative A) and approval of Fidelity's proposed POD/APDs with additional mitigation (Alternative B). The agency has identified Alternative B as the 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.

BENEFICIAL USES: Beneficial uses of the Tongue River include agriculture, aquatic life, drinking water, and industrial and recreational uses.

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 reducing the hydrostatic pressure on the coal by producing the groundwater thus releasing the gas.

CRITERIA POLLUTANTS: carbon monoxide, lead, nitrogen dioxide, ozone, particulate matter, fine particulate matter and sulfur dioxide.

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 an Application for a Permit to Drill (APD) or Sundry Notice is approved.

LEASE: 1) An oil and gas lease is a contract that 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.

MINERAL DRAINAGE: An offsetting producing well that removes oil or gas from a federal or Indian lease.

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.

PRIMARY STANDARDS: NAAQS standards designed to protect human health, including "sensitive" populations, such as people with asthma and emphysema, children, and senior citizens. Primary standards are designed for the immediate protection of public health, with an adequate margin of safety, regardless of cost.

PREVENTION OF SIGNIFICANT DETERIORATION (PSD) PROGRAM: Incremental increases in the ambient concentration of criteria pollutants are regulated under the New Source Review - Prevention of Significant Deterioration (PSD) program. The program is designed to limit the incremental increase of specific air pollutants from major sources of air pollution above a legally defined baseline level, depending on the classification of a location. Incremental increases in PSD Class I areas are strictly limited, while increases allowed in Class II areas are less strict.

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

SECONDARY STANDARDS: NAAQS standards designed to protect public welfare, including soils, water, crops, vegetation, buildings, property, animals, wildlife, weather, visibility and other economic, aesthetic, and ecological values, as well as personal comfort and well-being. Secondary standards were established to protect the public from known or anticipated effects of air pollution.

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

ABBREVIATIONS/ACRONYMS

AO	Authorized Officer
APD	Application for Permit to Drill
APE	Area of Potential Effect
APLIC	Avian Power Line Interaction Committee
ARM	Administrative Rules of Montana
AUM	Animal Unit Month
BACT	Best Available Control Technology
BGS	Below Ground Surface
BLM	Bureau of Land Management
BMPs	Best Management Practices
CBNG	Coal Bed Natural Gas
Cfs	Cubic feet per second
COA	Conditions of Approval
CWA	Federal Clean Water Act
DNRC	Montana Department of Natural Resources and Conservation
EA	Environmental Assessment
EC	Electrical Conductivity
EPA	United States Environmental Protection Agency
FLPMA	Federal Land Policy Management Act
ft-amsl	Feet Above Mean Sea Level
FWS	Fish and Wildlife Service
GPM	Gallons Per Minute
GWIC	Groundwater Information Center
HMM	High Mean Monthly
KCLA	Known Coal Leasing Area
LMM	Low Mean Monthly
MAAQs	Montana Ambient Air Quality Standards
MAQP	Montana Air Quality Permit
MBOGC	Montana Board of Oil and Gas Conservation
MBMG	Montana Bureau of Mines and Geology
MCA	Montana Codes Annotated
MEPA	Montana Environmental Policy Act
MDEQ	Montana Department of Environmental Quality
MLA	Mineral Leasing Act
MPDES	Montana Pollutant Discharge Elimination System
MT FEIS	Montana Statewide Final Environmental Impact Statement (2003)
NAAQS	National Ambient Air Quality Standards
NASIS	National Soils Information System
NEPA	National Environmental Policy Act
NRHP	National Register of Historic Places
POD	Project Plan of Development
PSD	Prevention of Significant Deterioration
RFD	Reasonably Foreseeable Development
RFFA	Reasonable Foreseeable Future Actions
RMP	Resource Management Plan
SAR	Sodium Adsorption Ratio
7Q10	The lowest flow expected to occur for seven consecutive days over any 10 year period
SHPO	State Historic Preservation Office
SSS	Special Status Species
SWPPP	Storm Water Pollution Prevention Plan
SWQATR	Surface Water Quality Analysis Technical Report
T/AC/YR	Tons per acre per year
TCP	Traditional Cultural Property
T/E	Threatened/Endangered
TDS	Total Dissolved Solids

THPO	Tribal Historic Preservation Office
TMDL	Total Maximum Daily Load
uS/cm	Micro seimens per centimeter
USGS	United States Geological Survey
WMP	Water Management Plan
WMPP	Wildlife Monitoring Protection Plan
WNV	West Nile Virus
WQA	Montana Water Quality Act (75-5-101 et seq, MCA)
WY FEIS	Wyoming Environmental Impact Statement (2003)