

**United States Department of the Interior
Bureau of Land Management**

**KRAKEN APD
DOI-BLM-MT-C020-2016-0017-DNA**

DECISION RECORD

***Location:* Richland Co, MT**

T. 26 N., R. 59 E., Sec. 21, NW¼ NW¼

U.S. Department of the Interior
Bureau of Land Management
Miles City Field Office
111 Garryowen Road
Miles City, MT 59301
Phone: 406-233-2800
FAX: 406-233-2921



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DECISION: I have reviewed this Documentation of Land Use Plan Conformance and NEPA Adequacy **DOI-BLM-MT-C020-2016-0017-DNA** and have determined that the proposed action is in conformance with the approved land use plan and that no further environmental analysis is required. The proposed action has been reviewed by Specialists and appropriate project Design Features applied. EA DOI-BLM-MT-C020-2012-0205-EA, analyzed these same actions and will be incorporated into the proposal. Based on the Documentation of NEPA Adequacy, I have determined that the proposed action involves no significant impact to the human environment and no further analysis is required.

The Proposed Action is in conformance with the 2015 Miles City Approved Resource Management Plan.

The proposed project includes the construction of a well pad, drilling, completion, production, and abandonment of two federal directional oil well and associated production facilities. The operator proposes to begin the drilling operations about November 11, 2015, with drilling operations lasting approximately 30 days.

Table 1. Surface and Bottom Location of Proposed Well.

Well Name and Number/Lease No.	Surface and Bottom Locations of Proposed Well		Surface Owner
	Surface Hole	Bottom	
Rowin 17-8 1H MTM67971	T. 26 N., R. 59 E., Sec. 21, NW ¼ NW ¼	T. 26 N., R. 59 E., Sec. 8, NE ¼ NE ¼	FEE
Dagney 21-28 1H MTM99449	T. 26 N., R. 59 E., Sec. 21, NW ¼ NW ¼	T. 26 N., R. 59 E., Sec 28, SW ¼ SW ¼	FEE

Conformance with the Land Use Plan

This decision is in conformance with the 2015 Miles City Record of Decision/Approved Resource Management Plan.

Rationale

The BLM has been mandated by Congress and the President to manage public lands for multiple uses. One of these legitimate uses is energy production. The purpose of the action is to allow Kraken Operating LLC to drill and produce the Rowin 17-8 1H and Dagney 21-28 1H, in Richland County Montana, to provide for the continued orderly, efficient and environmentally responsible development of Federal lease MTM67971 and MTM99449, consistent with the goals, objectives, and decisions of the 2015 Miles City Approved Resource Management Plan which was prepared with extensive public involvement. Oil and gas lease stipulations and potential, but not all, conditions of approval designed to protect sensitive resources were identified at that time. This action is in conformance with the 2015 Miles City ARMP, which was analyzed in an environmental impact statement.

Compliance and Monitoring: BLM would conduct compliance and monitoring inspections during the different phases of operations. Inspections would be conducted to determine whether or not operations are being conducted in compliance with the approved permit. Monitoring inspections would be conducted to determine the effectiveness of mitigation measures, results of reclamation work, and impacts to other resources. Based upon the results of inspections, BLM would impose requirements to modify operations to minimize or eliminate adverse impacts to other resources.

/s/ Todd D Yeager
Todd D. Yeager
Field Manager

10/23/2015
Date

CONDITIONS OF APPROVAL

1. Site Specific:

The following requirements will apply to ensure compliance with the MBTA for non-raptor species. The operator is responsible for compliance with provisions of the this act by implementing one of the following measures; a) avoidance by timing; ground disturbing activities will not occur from April 15 to July 15, b) habitat manipulation; render proposed project footprints unsuitable for nesting prior to the arrival of migratory birds (blading or preclearing of vegetation must occur prior to April 15 within the area scheduled for activities between April 15 and July 15 of that year to deter nesting), or c) survey-buffer-monitor; surveys will be conducted by an operator funded, BLM-approved biologist within the area of the proposed action and a 300 foot buffer from the proposed project footprint between April 15 to July 15 if activities are proposed within this timeframe. If nesting birds are found, activities would not be allowed within 0.1 miles of nests until after the birds have fledged. If active nests are not found, construction activities must occur within 7 days of the survey. If this does not occur, new surveys must be conducted. Survey reports will be submitted to the BLM-Miles City Field Office.

As per the USFWS Standard Conditions and Recommendations, work would cease if whooping crane sightings occur within one mile of the proposed project area. In coordination of the Service, work may resume when the crane(s) have left the area.

A. Production Facilities:

1. If a tank battery is constructed on location, each tank setting, treater and separator must be surrounded on all sides by an impermeable dike of sufficient capacity to adequately contain 110% of the contents of the largest vessel within it, plus one (1) day's production.
2. Any portion of the tank battery, or other semi-permanent production facilities built on the well pad that is formed of backfill and not part of the cut shall be placed in 6 to 8 inch lifts and compacted using generally approved compaction equipment to about 90 percent proctor density (American Society for Testing and Materials (ASTM) D 1557- 70).

B. Drilling Operations:

1. Storage tanks must be on the pad and surrounded with a dike and trench sloped to the reserve pit.
2. All well control equipment shall comply with the minimum standards in Onshore Order #2 for a 5M system.
3. At a minimum, a cement bond log must be run from the deepest point of free fall in the intermediate casing to the base of the surface casing (or the TOC).
4. If H₂S is encountered in excess of 100 ppm in the gas stream, the operator shall immediately ensure control of the well, suspend drilling ahead operations (unless detrimental to well control), and obtain materials and safety equipment to bring the operations into compliance with applicable provisions of Onshore Order No. 6. The operator shall notify the authorized officer of the event and the mitigating steps that have or are being taken as soon as possible, but no later than the next business day.
5. Use of Flex Hose choke line is allowed with the following conditions:
 1. Manufacturer's technical specification must be kept on site and available for

inspection at all times. Flexible hoses once approved and installed must match the original manufacturer's technical specifications regarding all stated dimensions and ratings. Flexible hoses which have been altered, repaired, or remanufactured in any way from their original specification without approval or certification from the original manufacturer will not be allowed.

2. Each flexible hose must be marked/stamped by the manufacturer with the following information clearly legible and accessible on the steel sections of each end of the flexible hose (end fittings, couplers, flanges, stiffeners, etc.):
 - a. Name or identification of the manufacturer.
 - b. Serial number.
 - c. The internal diameter of the flexible hose assembly.
 - d. The rated working pressure of the flexible hose assembly.

C. Waste Disposal:

1. Any materials classified as nonexempt hazardous wastes shall be disposed of in an EPA approved facility.
2. Burning of materials or oil is not allowed.

2. Verbal Notifications

The following notifications shall be made to the BLM, Miles City Field Office (MCFO) and to the appropriate individual's phone shown on the list attached.

- A. Notify this office verbally at least 12 hours prior to spudding the well (to be followed up in writing within 5 days).
 - B. Notify this office verbally at least 12 hours prior to running any casing or conducting any BOP tests (to be followed up in writing within 5 days).
 - C. Notify this office verbally at least 6 hours prior to commencing any DST test.
 - D. Notify this office verbally at least 24 hours prior to plugging the well to receive verbal plugging orders.
 - E. Notify this office verbally at least 24 hours prior to removal of fluids from the reserve pit.
3. A complete copy of the approved Application for Permit to Drill (APD), including conditions, stipulations, and the H2S contingency plan (if required) shall be available for reference at the well site during the drilling phases. **A copy of the approved Surface Use Plan of Operations and Conditions of Approval (COAs) shall be provided to the surface owner(s) prior to initiating construction.**
 4. This drilling permit is valid for either two years from the approval date or until lease expiration, whichever occurs first.
 5. The abandonment marker shall exhibit the same information required for the well sign. The abandonment marker (steel plate welded to surface casing 4' below ground level) shall be installed when the well is plugged.

6. The operator shall be responsible for obtaining all necessary authorizations and permits related to conducting operations for the proposed well.
7. Additional requirements may be imposed if changes in operational and/or environmental conditions dictate.
8. This office shall be notified in writing if the well pad has been constructed but no drilling operations have been initiated within 6 months of the construction.
9. If any cultural values (sites, artifacts, human remains, etc.) are observed during operation of this lease/permit/right-of-way, they are to be left intact and the Miles City Field Office notified. The authorized officer will conduct an evaluation of the cultural values to establish appropriate mitigation, salvage or treatment. The operator is responsible for informing all persons in the area who are associated with this project that they will be subject to prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are uncovered during construction, the operator is immediately to stop work that might further disturb such materials, and contact the authorized officer (AO). Within five working days, the AO will inform the operator as to:
 - A. whether the materials appear eligible for the National Register of Historic Places;
 - B. the mitigation measures the operator will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and,
 - C. a timeframe for the AO to complete an expedited review under 35 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that mitigation is appropriate.

If the operator wishes, at any time, to relocate activities to avoid the expense of mitigation and/or the delays associated with this process, the AO will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, the operator will be responsible for mitigation costs. The AO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the AO that the required mitigation has been completed, the operator will then be allowed to resume construction.

You have the right to request a State Director Review of this decision and these Conditions of Approval pursuant to 43 CFR 3165.3(b). An SDR request, including all supporting documentation must be filed with the Montana State Office, State Director (MT-920) at 5001 Southgate Drive, Billings, Montana 59101-4669 within 20 business days of your receipt of this decision. If adversely affected by the State Director's decision, it can be further appealed to the Interior Board of Land Appeals (IBLA) pursuant to 43 CFR 3165.4, 43 CFR 4.411, and 43 CFR 4.413. Should you fail to timely request an SDR, or after receiving the State Director's decision, fail to timely file an appeal with IBLA, no further administrative review of this decision will be possible.

INFORMATIONAL NOTICE

This is not a complete list of requirements, but is an abstract of some major requirements.

1. General Requirements

- a. The lessee or designated operator shall comply with applicable laws and regulations; with the lease terms, Onshore Oil and Gas Orders; NTL's; and with other orders and instructions of the authorized officer. Any deviation from the terms of the approved APD require prior approval from BLM (43 CFR 3162.1(a)).
- b. If at any time the facilities located on public lands authorized by the terms of the lease are no longer included in the lease due to a lease or unit boundary change) the BLM will process a change in authorization to the appropriate statute. The authorization will be subject to appropriate rental, or other financial obligation determined by the authorized officer.

2. Drilling Operations (Onshore Order No. 2)

- a. If DSTs are run, all applicable safety precautions outlined in Onshore Order No. 2 shall be observed.
- b. All indications of usable water (10,000 ppm or less TDS) shall be reported to the Miles City Field Office prior to running the next string of casing or before plugging orders are requested, whichever occurs first.

3. Well Abandonment (43 CFR 3162.3-4, Onshore Order No. 1 - Sec. V)

Approval for abandonment shall be obtained prior to beginning plugging operations. Initial approval for plugging operations may be verbal, but shall be followed-up in writing within 30 days. Subsequent and final abandonment notifications are required and shall be submitted on Sundry Notice (Form 3160-5), in triplicate.

4. Reports and Notifications (43 CFR 3162.4-1, 3162.4-3)

- a. Within 30 days of completion of the well as a dry hole or producer, a copy of all logs, core descriptions, core analyses, well-test data, geologic summaries, sample descriptions or data obtained and compiled during the drilling, workover, and/or completion operations shall be filed with a Completion Report (Form 3160-4), in duplicate.
- b. In accordance with 43 CFR 3162.4-3, this well shall be reported on the Oil and Gas Operations Report (OGOR, MMS-4054), starting with the month in which drilling operations commence, and continuing each month until the well is physically plugged and abandoned.
- c. Notify this office within 5 business days of production start-up if either of the following two conditions occur:
 - (1) The well is placed on production.
 - (2) The well resumes production after being off of production for more than 90 days. "Placed on production" means shipment or sales of hydrocarbons from temporary tanks, production into permanent facilities or measurement through permanent facilities.

Notification may be written or verbal with written follow-up within 15 days, and must include the following information:

1. Operator name, address, and telephone number.
 2. Well name and number, county and state.
 3. Well location, "1/4", Section, Township, Range, P.M."
 4. Date well begins or resumes production.
 5. The nature of the well's production; that is crude oil, or crude oil casing gas, or natural gas and entrained liquid hydrocarbons.
 6. The Federal or Indian lease number.
 7. As appropriate, the Unit Agreement name, number and Participating Area name.
 8. As appropriate, the Communitization Agreement number.
- d. As per Onshore Order No. 6, A.2.b., the "operator shall initially test the H₂S concentration of the gas stream for each well or production facility..." Submit the results of this test within 30 days of filing Form 3160-4, "Well Completion or Recompletion Report and Log".
5. Environmental Obligations and Disposition of Production (43 CFR 3162.5-1, 3162.7-1 and 40 CFR 302-4)
- a. With BLM approval, water produced from newly completed well may be temporarily stored in reserve pits up to 90 days. During this initial period, application for the permanent disposal method shall be made to this office in accordance with Onshore Order No. 7. If underground injection is proposed, an EPA or State permit shall also be obtained. If surface discharge of produced water is proposed, an MPDES permit shall also be required.
 - b. Spills, accidents, fires, injuries, blowout and other undesirable events shall be reported to this office within the timeframes in NTL-3A.
 - c. You are required to take all necessary steps to prevent any death of a migratory bird in pits or open vessels associated with the drilling, testing, completion, or production of this well. The death of any migratory bird found in such a pit or open vessel is a violation of the Migratory Bird Treaty Act and is considered a criminal act. Any deaths of migratory birds attributable to pits or open vessels associated with drilling, testing, completing or production operations must be reported to this office and the United States Fish and Wildlife Service within 24 hours.

We may require that the pit be designed or the open vessel be covered to deter the entry of birds in any facility associated with drilling, testing, completion or production of this well. Fencing, screening and netting of pits may be required as a means to deter bird entry. These conditions would most likely be imposed to prevent the entry of migratory birds if oil is left in pits or open vessels after the cessation of drilling or completion of operations, if water disposal pits consistently receive oil, or if pits or open vessels are used repeatedly for emergency situations which result in the accumulation of oil.

Voluntary pit fencing, screening and netting, or sealing vessels, is encouraged to avoid potential instances that may result in the death of a migratory bird.

- d. Gas produced from this well may not be vented or flared beyond an initial, authorized test period of 30 days or 50 MMCF following its completion, whichever first occurs, without the prior, written approval of the authorized officer. Should gas be vented or flared without approval beyond the test period authorized above, you may be directed to shut-in the well until the gas can

be captured or approval to continue the venting or flaring as uneconomic is granted, and you shall be required to compensate the lessor for that portion of the gas vented or flared without approval which is determined to have been avoidably lost.

6. Well Identification (43 CFR 3162.6)

Each drilling, producing or abandoned well shall be identified with the operator's name, the lease serial number, the well number, and the surveyed description of the well (either footages or the quarter-quarter section, the section, township and range). The Indian lessor's name may also be required. All markings shall be legible, and in a conspicuous place.

7. Site Security (43 CFR 3162.7.5)

- a. Oil storage facilities shall be clearly identified with a sign, and tanks must be individually identified (43 CFR 3162.6(c)).
- b. Site security plans shall be completed within 60 days of production startup (43 CFR 3162.7-5(c)).
- c. Site facility diagrams shall be filed in this office within 60 days after facilities are installed or modified (43 CFR 3162.7-5(d)(1)).

8. Public Availability of Information (43 CFR 3100.4)

All submitted information not marked "CONFIDENTIAL INFORMATION" will be available for public inspection upon request.

**BUREAU OF LAND MANAGEMENT, MILES CITY FIELD OFFICE
ADDRESS AND CONTACTS**

ADDRESS: 111 Garryowen Road, Miles City, Montana 59301
BUSINESS HOURS: 8:00 A.M. to 4:30 P.M. (Mountain Time)

For SPUD notices, running surface casing, and BOP notifications or any other drilling activities, please call the following:

<u>Title</u>	<u>Name</u>	<u>Phone Number</u>
** (Primary contact) Supervisory Petroleum Engineering Technician	Brian Nansel	(406) 853-2840
(Secondary contact) Petroleum Engineering Technician	Brian Hubbell	(406) 852-0078
Petroleum Engineer	Paul Helland	(406) 233-3668

For construction notice, Major Undesirable Events (MUE) or any other surface related questions, please call the following:

<u>Title</u>	<u>Name</u>	<u>Phone Number</u>
Natural Resource Specialist	Rick Lang	(406) 233-3667
Natural Resource Specialist	Dan Fox	(406) 233-3664

****For all notifications after normal business hours, please call the Primary Contact listed above.**