

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING

CALL TO ORDER

The regular business meeting of the Montana Board of Oil and Gas Conservation was called to order by Chairman Linda Nelson at 2:00 p.m., Wednesday, July 25, 2007 in the conference room of the Petroleum Club on the 22nd floor of the Crowne Plaza Billings in Billings, Montana. Board members present were Chairman Linda Nelson, Vice-Chairman Wayne Smith, Ronald S. Efta, Jack King and Joan Stahl. Staff present were Jim Halvorson, George Hudak, Terri Perrigo, Norman Clyde Peterson, Tom Richmond and Steve Sasaki.

APPROVAL OF MINUTES

MOTION: Ms. Stahl made a motion to approve the minutes of the June 13, 2007 business meeting. The motion was seconded by Mr. King and passed unanimously.

OPPORTUNITY FOR PUBLIC COMMENT

Gail Abercrombie, representing the Montana Petroleum Association (MPA), updated the Board on the sage grouse issue. MPA will have a presentation by Montana Fish, Wildlife and Parks, (FWP) at its annual meeting at the end of August. BLM has also asked that a small group including DNRC and Mr. Richmond meet prior to that to discuss mitigation and other issues. The Western Governors Association has a subcommittee working on sage grouse wildlife corridors and the Governor of Wyoming has a working group to deal with sage grouse and wildlife.

GALE GUSTAFSON CONCERN

Mr. Peterson reported on a concern raised by attorney Gale Gustafson regarding the Fey-Rossmiller 12-27 well. He distributed Exhibit 1, correspondence received from Mr. Gustafson regarding the matter. Mr. Gustafson was told he could request a show-cause hearing but chose not to. Then he was invited to appear before the Board at the business meeting today to discuss his concerns. He did not appear. Mr. Richmond said no Board rules or orders have been violated. Attorney Dick Beatty spoke on behalf of MCR, L.L.C., who is named in Mr. Gale Gustafson's correspondence, and gave a history of the well and the issue. Mr. Peterson said Mr. Gustafson's issue is a private matter between two parties, no Board Order was violated, and there is no need to take any action.

MOTION: Mr. King made a motion, seconded by Mr. Efta and unanimously passed, that in light of the information presented today, no Board Order has been violated and this is a private matter between individuals that needs no Board action.

HYDROSOLUTIONS, INC. – GROUNDWATER VULNERABILITY STUDY RESULTS

Mr. Richmond introduced Shane Bofto and Stephanie Anderson of HydroSolutions, Inc. They were present to report on findings from the Groundwater Vulnerability Study they did in Hill, Blaine and Phillips Counties. The study was commissioned by the Board because of local residents' concerns about the amount of water being produced and discharged into pits from shallow gas wells and whether or not the pit water was seeping into groundwater. The study identified places in the three-county area where groundwater was vulnerable. It also showed that much of the gas produced in the tri-county area occurs in areas where groundwater is not vulnerable. Staff will use this information in permitting pits. If a proposed pit is located in a vulnerable area, additional requirements may be put on the pit operator. The study documents, results and maps are available in the Board's office.

FINANCIAL REPORT

Ms. Perrigo presented the Financial Report attached as Exhibit 2.

BOND REPORT

Mr. Halvorson presented the Bond Report attached as Exhibit 3. Bonding duties formerly performed by Mr. Jacobson are being moved to Nancy Lausch. Billings will need to hire another half or full-time position to do production processing. Mr. King asked the status of digitizing historical records. Mr. Halvorson said there is digital production back to 1986. Everything prior needs to be digitized. There has been discussion about contracting to digitize well logs. Staff continues to get requests for operators to be able to submit electronic logs.

DEFAULT DOCKET

Mr. Halvorson presented the Default Docket. Mr. King asked about the Enerplus royalty payments issue brought up at the last business meeting. Mr. Halvorson said the Board is still getting calls about this, but statute is clear it is a district court matter.

STAFF REPORTS

Mr. Sasaki reported on the Board's emergency clean up of a saltwater spill at Lustre Saltwater Disposal (the Raymond Sonsteng 1-19 well) in Valley County. The Board only has a reclamation bond on this well because it is on the Fort Peck reservation. Lustre Saltwater Disposal did not have the funds to do the clean-up so the Board did it and will place a lien on the property until reimbursement is received.

There was another emergency project in Snyder Creek Field in Big Horn County. A fitting came loose from an orphaned well which created a surface issue. The well was previously operated by Rocky Mountain Operating Company, whose bond was ordered forfeited by the Board. C-Brewer, Inc. did the emergency clean-up work under an existing contract for the 2005 Eastern plugging and reclamation project.

Mr. Sasaki said Constitution Gas Transport Co., Inc. (Constitution) wants to appeal the \$500 fine the Board imposed on it for failure to apply for permanent spacing within 60 days of commercial production on the Burlington Resources 1-25 PC well in Pumpkin Creek Field in Powder River County. Mr. Sasaki gave Constitution until today to pay the fine or appear at the business meeting to make its appeal. No one from Constitution is present and the fine has not been received. Mr. Sasaki recommends raising the fine to \$2500 and giving Constitution two weeks from today to pay it or their production will be shut-in.

MOTION: Mr. Smith made a motion, seconded by Mr. Efta and unanimously passed, to raise the fine imposed on Constitution Gas Transport Co., Inc. from \$500 to \$2500; and to shut in Constitution's production if the \$2500 fine is not received by two weeks from today.

Mr. Hudak said EPA from Denver will be coming to Billings for two days in September to do a routine review of the UIC program.

Mr. Richmond presented Exhibit 4, a gas flaring request from Flying J Oil & Gas Inc. (Flying J), to flare 68 mcf more per day than is allowed through the end of 2007. Mr. Richmond recommends approving the request until the December; and if Flying J needs to flare for longer they would docket a hearing for the December 6, 2007 public hearing. Mr. King suggested they be authorized to flare something less than 168 mcf per day. Chairman Nelson and Mr. King wanted to give a more short-term approval to provide more incentive to get a gas pipeline to the well sooner.

MOTION: Mr. King made a motion, seconded by Ms. Stahl and unanimously passed, to approve the Flying J Oil & Gas Inc. flaring request temporarily - until the September 5, 2007 business meeting; and to revisit the flaring request after getting a progress report from Flying J at the September 5, 2007 business meeting.

Mr. Richmond distributed Exhibit 5, a letter from M. Jeff Hagener of Montana Fish, Wildlife and Parks (FWP), which describes FWP's position on sage grouse conservation and energy development. He has concerns about the buffer recommendation because the Board has no authority to make private owners comply. He is also concerned about the management approach to field development because the way it is presented is waste, and the Board has no statutory authority to support this concept. He will attend the meeting called by BLM in Billings on August 7th to discuss the matter further. He does not see very much that the Board can participate in though--other than best management practices or voluntary things to raise public awareness.

Mr. Richmond said there is a Big Sky Carbon Sequestration Partnership annual meeting at Gallatin Gateway Inn on August 22 and 23. The Montana Legislature's Energy Committee is studying carbon sequestration this interim. IOGCC is meeting in September in New Orleans and registration has to be in by August 24. The Environmental Quality Council is not going to study oil and gas this interim, but they are our oversight committee.

Mr. Halvorson has change of operator questions. He distributed Exhibit 6, which lists definitions of owner and operator from statute and rules and contains excerpts from the bonding rule. Mr. Halvorson said the Board doesn't determine ownership; it determines plugging responsibility. He needs direction on what is a bonded operator, what does Board acceptance of a bond mean for ownership, and how does the Board transfer a well when one party doesn't want to. Exhibit 6 also has a copy of a current change of operator for Somont Oil Co., Inc. The change of operator can't be approved because Somont can't get the signature of the other operator. The former operator has died and his daughter doesn't want to sign the change of operator form. Mr. Halvorson recommends the Board accept one-signature change of operator requests and discuss them at business meetings where the Board either approves or disapproves them. He recommends the well(s) in question not be put on both bonds, but that the "transferring" operator be released from plugging responsibility. Probably 99 percent of change of operator requests come in with both signatures, but the one-signature submission has become an issue particularly in the Shelby area where a lot of leases have lapsed due to non-production clauses. New operators take out new leases and tell the old operator they no longer have the authority to produce. The Supreme Court has ruled those lease do in fact expire to non-production. Mr. King is concerned about the Board getting involved in issues where both parties feel they have ownership and the authority to operate/produce. Mr. Peterson said the change of operator form means someone is willing to bond a well for plugging purposes, so it has nothing to do with ownership. Mr. King said companies don't take over wells to plug them—they take them over to operate them. He thinks all one-signature change of operator submissions should be docketed for hearing. Mr. Halvorson asked if orphan wells would also have to go to hearing. Mr. Halvorson also suggested a date the change of operator is effective should be added to the form.

Chairman Nelson asked if the Board wanted to recommend to the Governor that the state join the Energy Council for \$32,000 per year. That would pay for dues. Travel and other expenses for legislators to attend the meetings is not included in that amount.

MOTION: Ms. Stahl made a motion, seconded by Mr. Smith and unanimously passed, to tell the Governor the Board recommends joining the Energy Council in the 2011 biennium.

Chairman Nelson said Devon Energy would like to host a reception for Board members and staff after the September business meeting. With no objection, it was approved. Chairman Nelson said if an entity wants the Board to have a hearing in their town or they want to host a reception for the Board they need to make a formal request.

With no further business, the business meeting adjourned at 4:10 pm

PUBLIC HEARING

The Board reconvened at 8:00 a.m. Thursday July 26, 2007, in the conference room of the Billings Petroleum Club on the 22nd floor of the Crowne Plaza Billings, to hear the matters docketed for public hearing. As a result of the discussion, testimony and technical data placed before the Board, the following action was taken in each matter.

Docket No. 236-2007 – A motion was made by Mr. Efta, seconded by Mr. Smith to approve the application of Headington Oil, Limited Partnership as set forth in Board Order 181-2007.

Docket No. 237-2007 – A motion was made by Ms. Stahl, seconded by Mr. Efta to approve the application of Headington Oil, Limited Partnership as set forth in Board Order 182-2007.

Docket No. 238-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smith to approve the application of Headington Oil, Limited Partnership as set forth in Board Order 183-2007.

Docket No. 239-2007 – A motion was made by Mr. Smith, seconded by Mr. Efta to approve the application of Headington Oil, Limited Partnership as set forth in Board Order 184-2007.

Docket No. 240-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Enerplus Resources USA Corporation was approved as set forth in Board Order 185-2007.

Docket No. 241-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Enerplus Resources USA Corporation was approved as set forth in Board Order 186-2007.

Docket No. 242-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Enerplus Resources USA Corporation was approved as set forth in Board Order 187-2007.

Docket No. 243-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Enerplus Resources USA Corporation was approved as set forth in Board Order 188-2007.

Docket No. 244-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Enerplus Resources USA Corporation was approved as set forth in Board Order 189-2007.

Docket No. 245-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Enerplus Resources USA Corporation was approved as set forth in Board Order 190-2007.

Docket No. 246-2007 & 7-2007 FED – A motion was made by Mr. King, seconded by Mr. Efta to approve the application of Montana Land & Exploration, Inc. as set forth in Board Order 191-2007.

Docket No. 247-2007 – A motion was made by Ms. Bradshaw, seconded by Mr. Smith to approve the application of Marathon Oil Company as set forth in Board Order 192-2007.

Docket No. 248-2007 – The application of Stone Energy Corporation was continued to the September 2007 hearing.

Docket No. 249-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Stone Energy Corporation was approved as set forth in Board Order 193-2007.

Docket No. 250-2007 – The application of Stone Energy Corporation was continued to the September 2007 hearing.

Docket No. 251-2007 – A motion was made by Mr. Smith, seconded by Ms. Stahl to approve the application of Slawson Exploration Company, Inc. as set forth in Board Order 194-2007.

Docket No. 252-2007 – A motion was made by Mr. Smith, seconded by Mr. Efta to approve the application of Slawson Exploration Company, Inc. as set forth in Board Order 195-2007.

Docket No. 253-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smith to approve the application of Slawson Exploration Company, Inc. as set forth in Board Order 196-2007.

Docket No. 254-2007 – A motion was made by Ms. Stahl, seconded by Mr. Efta to approve the application of Slawson Exploration Company, Inc. as set forth in Board Order 197-2007.

Docket No. 255-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smith to approve the application of Slawson Exploration Company, Inc. as set forth in Board Order 198-2007.

Docket No. 256-2007 – A motion was made by Ms. Stahl, seconded by Mr. Smith to approve the application of Slawson Exploration Company, Inc. as set forth in Board Order 199-2007.

Docket No. 257-2007 – A motion was made by Mr. King, seconded by Mr. Efta to approve the application of Continental Resources, Inc. as set forth in Board Order 200-2007.

Docket No. 258-2007 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 259-2007 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 260-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Continental Resources, Inc. was approved as set forth in Board Order 201-2007.

Docket No. 261-2007 – The application of Continental Resources, Inc. was continued to the September 2007 hearing.

Docket No. 262-2007 – A motion was made by Ms. Stahl, seconded by Mr. King to approve the application of MCR, LLC as set forth in Board Order 202-2007.

Docket No. 263-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of MCR, LLC was approved as set forth in Board Order 203-2007.

Docket No. 264-2007 – A motion was made by Mr. Efta, seconded by Mr. Smith to deny the application of Americana Exploration LLC as set forth in Board Order 204-2007.

Docket No. 265-2007 – A motion was made by Mr. King, seconded by Ms. Stahl to approve the application of Americana Exploration LLC as set forth in Board Order 205-2007.

Docket No. 266-2007 – A motion was made by Mr. King, seconded by Mr. Efta to approve the application of Americana Exploration LLC as set forth in Board Order 206-2007.

Docket No. 267-2007 – A motion was made by Mr. King, seconded by Ms. Stahl to approve the application of Americana Exploration LLC as set forth in Board Order 207-2007.

Docket No. 268-2007 – A motion was made by Mr. King, seconded by Ms. Stahl to approve the application of Americana Exploration LLC as set forth in Board Order 208-2007.

Docket No. 269-2007 – The application of Chesapeake Operating, Inc. was continued to the September 2007 hearing.

Docket No. 270-2007 – The application of Chesapeake Operating, Inc. was continued to the September 2007 hearing.

Docket No. 271-2007 – A motion was made by Mr. Smith, seconded by Mr. Efta to approve the application of Saga Petroleum Corp. as set forth in Board Order 209-2007.

Docket No. 272-2007 – A motion was made by Ms. Stahl, seconded by Mr. King to approve the application of Devon Energy Production Company, L.P. as set forth in Board Order 210-2007.

Docket No. 273-2007 – A motion was made by Mr. Efta, seconded by Ms. Stahl to approve the application of Devon Energy Production Company, L.P. as set forth in Board Order 211-2007.

Docket No. 274-2007 – A motion was made by Mr. King, seconded by Mr. Efta to approve the application of Devon Energy Production Company, L.P. as set forth in Board Order 212-2007.

Docket No. 275-2007 – A motion was made by Ms. Stahl, seconded by Mr. Efta to approve the application of Devon Energy Production Company, L.P. as set forth in Board Order 213-2007.

Docket No. 276-2007 – A motion was made by Mr. King, seconded by Mr. Smith to approve the application of Devon Energy Production Company, L.P. as set forth in Board Order 214-2007.

Docket No. 277-2007 – The application of Devon Energy Production Company, L.P. was withdrawn.

Docket No. 278-2007 – A motion was made by Ms. Stahl, seconded by Mr. Efta to approve the application of Devon Energy Production Company, L.P. as set forth in Board Order 215-2007.

Docket No. 279-2007 – A motion was made by Mr. Smith, seconded by Mr. King to approve the application of Devon Energy Production Company, L.P. as set forth in Board Order 216-2007.

Docket No. 280-2007 – A motion was made by Mr. Smith, seconded by Mr. Efta to approve the application of Devon Energy Production Company, L.P. as set forth in Board Order 217-2007.

Docket No. 281-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Klabzuba Oil & Gas, Inc. was approved as set forth in Board Order 218-2007.

Docket No. 282-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Klabzuba Oil & Gas, Inc. was approved as set forth in Board Order 219-2007.

Docket No. 283-2007 – A motion was made by Mr. King, seconded by Ms. Stahl to approve the application of Fidelity Exploration & Production Company as set forth in Board Order 220-2007.

Docket No. 284-2007 – The application of North American Technical Trading Company, Inc. was continued to the September 2007 hearing.

Docket No. 285-2007 – The application of J. Burns Brown Operating Company was withdrawn.

Docket No. 41-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 42-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 78-2007 – The application of PrimeWest Petroleum, Inc. was withdrawn.

Docket No. 132-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 133-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 134-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 135-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 136-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 137-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 138-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 139-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 140-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 141-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 142-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 143-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 144-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 145-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 146-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 147-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 148-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 154-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Encore Operating, L.P. was approved as set forth in Board Order 221-2007.

Docket No. 171-2007 – The application of Burlington Resources Oil & Gas Company LP was continued to the September 2007 hearing.

Docket No. 179-2007 – A motion was made by Mr. Efta, seconded by Ms. Stahl to approve the application of Petro-Hunt, LLC as set forth in Board Order 222-2007.

Docket No. 192-2007 – The application of McMinn Operating Company was continued to the September 2007 hearing.

Docket No. 195-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Nance Petroleum Corporation was approved as set forth and modified in Board Order 223-2007.

Docket No. 199-2007 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 203-2007 – Board staff placed this application on the Default Docket for approval without hearing if no protests were received by 11:30 a.m. on the day of the hearing. No protests were received. The application of Continental Resources, Inc. was approved as set forth in Board Order 224-2007.

Docket No. 208-2007 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 209-2007 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 210-2007 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 211-2007 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 212-2007 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 216-2007 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 217-2007 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 221-2007 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 224-2007 – The application of Continental Resources, Inc. was withdrawn.

Docket No. 286-2007 – A motion was made by Mr. King, seconded by Mr. Smith to take the following action regarding the Show-Cause hearing of B.W.O.C., Inc., as set forth in Board Order 225-2007:

a) B.W.O.C. Inc. has until close of business on Monday, August 6, 2007 to secure a \$5000 replacement bond; and b) if the replacement bond is not in place by Monday, August 6, 2007, B.W.O.C. Inc.'s \$50,000 multiple well bond letter of credit # NTS552083 with Wells Fargo Bank shall be forfeited.

Docket No. 287-2007 – A motion was made by Mr. Smith, seconded by Mr. Efta to take the following action regarding the Show-Cause hearing of Hi-Dezert/Wes Miller, as set forth in Board Order 226-2007:

a) that the \$10,000 surety bond of Hi-Dezert Petroleum covering the Heringer 11-21 well is hereby forfeited; and b) that Zimco shall report to the Board at its October 24, 2007 business meeting and shall have until that time to get the wellsite cleaned up, the well online and all delinquent production reports filed.

Docket No. 288-2007 – A motion was made by Mr. King, seconded by Mr. Efta to take the following action regarding the Show-Cause hearing of Brandon Oil Company, as set forth in Board Order 227-2007:

a) since all fines and delinquent production reports were received the Show-Cause hearing is dismissed; and b) if Brandon Oil Company is delinquent filing production reports in the future, their fine amount will be increased from \$10 per month per lease to \$100 per month per lease.

Docket No. 289-2007 – A motion was made by Mr. Smith, seconded by Ms. Stahl to take the following action regarding the Show-Cause hearing of Delphi International Inc., as set forth in Board Order

228-2007: a) all Delphi International Inc. delinquent production reports were received by the deadline; and b) if Delphi International, Inc. is delinquent filing production reports in the future, their fine will increase from \$10 per lease per month to \$100 per lease per month.

Docket No. 290-2007 – A motion was made by Mr. Smith, seconded by Mr. Efta to take the following action regarding the Show-Cause hearing of Yellowstone Petroleums, Inc. as set forth in Board Order

229-2007: a) Yellowstone Petroleums, Inc. is assessed a \$1,000 penalty for failure to appear at today's hearing, which is in addition to the \$400 fine already assessed, but not received, for delinquent 2006 production reports; b) if the \$1,400 penalty/fine and delinquent production reports are not received by the Board's September 6, 2007 hearing, the Board will consider shutting-in Yellowstone Petroleum Inc.'s production, and a show-cause hearing will be scheduled for October 2007 to declare Yellowstone Petroleum Inc.'s production illegal; and c) if Yellowstone Petroleum, Inc. becomes delinquent filing production reports in the future, its fine will be increased from \$10 per month per lease to \$100 per month per lease.

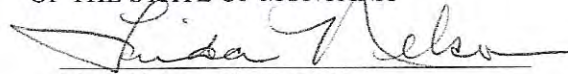
Docket No. 291-2007 – A motion was made by Mr. Smith, seconded by Mr. King to take the following action regarding the Show-Cause hearing of Rocky Mountain Gas, Inc. as set forth in Board Order

230-2007: a) Rocky Mountain Gas, Inc. is assessed a \$1,000 fine for failure to appear at today's hearing, which in addition to the \$480 fine already assessed but not received for delinquent production reports; b) if the \$1,480 penalty/fine and delinquent reports are not received by the Board's September 5, 2007 business meeting, a show-cause hearing for October 2007 will be scheduled to consider additional penalties and/or fines; and c) if Rocky Mountain Gas, Inc. becomes delinquent filing production reports in the future their fine will be increased from \$10 per lease per month to \$100 per lease per month.

NEXT MEETING

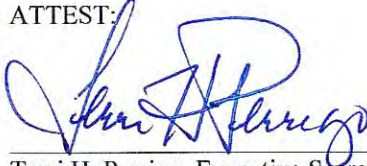
The next business meeting of the Board will be Wednesday, September 5, 2007 at 2:00 p.m. in the Billings Petroleum Club in the Crowne Plaza Billings in Billings, Montana. The next regular public hearing will be Thursday, September 6, 2007, beginning at 8:00 a.m. in the conference room of the Billings Petroleum Club in the Crowne Plaza Billings, in Billings, Montana. The filing deadline for the September 6, 2007 public hearing is August 9, 2007.

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA



Linda Nelson, Chairwoman
Wayne Smith, Vice-Chairman
Ronald S. Efta
Jack King
Joan Stahl

ATTEST:



Terri H. Perrigo, Executive Secretary