

Montana Board of Oil and Gas Conservation
Summary of Bond Activity

1/28/2009 Through 4/1/2009

Approved

Iofina Natural Gas, Inc. Greenwood Village CO	572 T3	Approved	2/5/2009
		Amount:	\$1,500.00
		Purpose:	UIC Single Well Bond
Certificate of Deposit	\$1,500.00	Wells Fargo Bank Montana	
MSC Exploration LP Houston TX	578 G1	Approved	3/26/2009
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$5,000.00	Independence Bank	
MSC Exploration LP Houston TX	578 G2	Approved	3/26/2009
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$5,000.00	Independence Bank	
Panther Energy Company, LLC Tulsa OK	595 G2	Approved	3/5/2009
		Amount:	\$10,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$10,000.00	FIRST INTERSTATE BANK	
Quinque Oil, LLC Kevin MT	598 L1	Approved	2/26/2009
		Amount:	\$13,500.00
		Purpose:	Limited Bond
Certificate of Deposit	\$13,500.00	Wells Fargo Bank Montana	
RC Energy Montana Ltd. Calgary AB	601 G6	Approved	3/10/2009
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$5,000.00	FIRST STATE BANK OF SHELBY	
RC Energy Montana Ltd. Calgary AB	601 G1	Approved	3/10/2009
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$5,000.00	FIRST STATE BANK OF SHELBY	
RC Energy Montana Ltd. Calgary AB	601 G2	Approved	3/10/2009
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$5,000.00	FIRST STATE BANK OF SHELBY	
RC Energy Montana Ltd. Calgary AB	601 G3	Approved	3/10/2009
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$5,000.00	FIRST STATE BANK OF SHELBY	
RC Energy Montana Ltd. Calgary AB	601 G5	Approved	3/10/2009
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$5,000.00	FIRST STATE BANK OF SHELBY	

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RC Energy Montana Ltd. Calgary AB	601 G4	Approved	3/10/2009
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$5,000.00	FIRST STATE BANK OF SHELBY	
Rosetta Resources Operating LP Houston TX	597 M1	Approved	1/28/2009
		Amount:	\$50,000.00
		Purpose:	Multiple Well Bond
Surety Bond	\$50,000.00	RLI INSURANCE COMPANY	
TAQA North USA, Inc. Centennial CO	599 U1	Approved	3/5/2009
		Amount:	\$369,750.00
		Purpose:	UIC Limited Bond
Surety Bond	\$369,750.00	RLI INSURANCE COMPANY	
TAQA North USA, Inc. Centennial CO	599 M1	Approved	3/5/2009
		Amount:	\$50,000.00
		Purpose:	Multiple Well Bond
Surety Bond	\$50,000.00	RLI INSURANCE COMPANY	
Thacker Engine & Compression Shelby MT	571 G2	Approved	2/13/2009
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$5,000.00	FIRST STATE BANK OF SHELBY	

Released

Choctaw II Oil & Gas Ltd. Houston TX	1451 M1	Released	3/3/2009
		Amount:	\$50,000.00
		Purpose:	Multiple Well Bond
Surety Bond	\$50,000.00	RLI INSURANCE COMPANY	
Clayton Williams Energy, Inc. Midland TX	485 M1	Released	3/5/2009
		Amount:	\$50,000.00
		Purpose:	Multiple Well Bond
Surety Bond	\$50,000.00	RLI INSURANCE COMPANY	
Cowry Enterprises, Ltd. Littleton CO	8 M1	Released	1/28/2009
		Amount:	\$25,000.00
		Purpose:	Multiple Well Bond
Surety Bond	\$25,000.00	RLI INSURANCE COMPANY	
Cowry Enterprises, Ltd. Littleton CO	8 U1	Released	1/28/2009
		Amount:	\$30,000.00
		Purpose:	UIC Limited Bond
Surety Bond	\$30,000.00	RLI INSURANCE COMPANY	
MSC Exploration LP Houston TX	578 L1	Released	3/24/2009
		Amount:	\$20,000.00
		Purpose:	Limited Bond
Certificate of Deposit	\$20,000.00	Independence Bank	

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Released

PT Energy, LLC Choteau MT	484 L3	Released	2/24/2009
		Amount:	\$6,500.00
		Purpose:	Limited Bond
Certificate of Deposit	\$6,500.00	FIRST STATE BANK OF SHELBY	
Targe Energy Exploration and Production, LLC Denver CO	541 G4	Released	2/10/2009
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$5,000.00	FIRST STATE BANK OF SHELBY	
Targe Energy Exploration and Production, LLC Denver CO	541 G3	Released	2/10/2009
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$5,000.00	FIRST STATE BANK OF SHELBY	
Tidewater Oil & Gas Co., LLC Denver CO	454 G1	Released	2/17/2009
		Amount:	\$10,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$10,000.00	WELLS FARGO BANK, DENVER	
Wapiti Operating LLC Houston TX	496 G1	Released	3/2/2009
		Amount:	\$1,500.00
		Purpose:	Single Well Bond
Surety Bond	\$1,500.00	RLI INSURANCE COMPANY	

Exhibit 2

FINANCIAL STATEMENT
As of 1/31/09
Percent of Year Elapsed: 58

OIL AND GAS DIVISION
FY 2009 Budget vs. Expenditures

FTE Obj	2009 Regulatory Budget	Expend %	2009 UIC Budget	Expend %	2009 Educ & Outreach Budget*	Expend %	2009 NAPE Budget*	Expend %	2009 Pub Acc Data Budget	Expend %	2009 Temp Relocate	Expend %	TOTAL			
													BUDGET	EXPENSES	% of Budget	
	17.0		3.5						1.0				21.5			
1000 Pay Plan	-		-						-				-			
1100 Salaries	824,059	368,224 0.45	212,609	89,050 0.42					32,500	1,045 0.03	5,686.00		1,074,864	458,328	0.43	
1300 Other Comp	6,890	3,740 0.54	1,510	360 0.24					-	-			8,400	4,100	0.49	
1400 Benefits/Ins	231,614	115,168 0.50	56,087	26,053 0.46					-	-			287,701	141,220	0.49	
1600 Vacancy Svcs	(37,963)	- 0.00	(9,324)	-					-	-			(47,287)	-	0.00	
2100 Contracted Svcs	488,130	184,289 0.38	79,519	5,293 0.07	74,025	(12,941)			180,196	-	5,000		826,870	176,641	0.21	
2200 Supplies	49,619	32,001 0.64	8,928	4,535 0.51					-	-			58,547	36,536	0.62	
2300 Communications	45,607	21,098 0.46	8,148	4,398 0.54			1,000		-	-			54,755	25,496	0.47	
2400 Travel	40,835	20,553 0.50	5,776	4,209 0.73			5,400		-	-			52,011	24,762	0.48	
2500 Rent	29,098	10,242 0.35	3,223	1,333 0.41			1,000		-	-	54,304		87,625	11,574	0.13	
2600 Utilities	13,062	6,648 0.51	987	1,353 3.50			4,680		-	-			18,129	8,001	0.44	
2700 Repair/Maint	19,462	13,361 0.69	4,460	3,362 0.75					-	-			23,922	16,723	0.70	
2800 Other Svcs	19,138	9,929 0.52	10,301	5,558 0.54					-	-			29,439	15,487	0.53	
3000 Equipment	53,345	- 0.00	-	-					-	-			53,345	-	0.00	
6000 Grants	-	-	-	-	7,000	-			-	-			7,000	-		
Total	1,782,896	785,252 0.44	381,624	145,512 0.38	81,025	(12,941)	12,080	-	212,669	1,045 0.00	65,000		2,535,321	918,868	0.36	

*Includes unspent biennial authority from FY08

FUNDING	2009 Regulatory Budget	Expend %	2009 UIC Budget	Expend %	2009 Educ & Outreach Budget*	Expend %	2009 NAPE Budget*	Expend %	2009 Pub Acc Data Budget	Expend %	2009 Temp Relocate	Expend %	TOTAL BUDGET	TOTAL EXPENSES	Expend %
State Special	1,782,896	785,252	381,624	119,288	81,025	(12,941)	12,080	-	212,669	1,045	65,000		2,535,321	892,644	
Federal	-	-	-	26,224	-	-	-	-	-	-	-		-	26,224	
Total Funds	1,782,896	785,252	381,624	145,512	81,025	(12,941)	12,080	-	212,669	1,045	65,000		2,535,321	918,868	

REVENUE INTO STATE SPECIAL REVENUE ACCOUNT 1/31/09			
	FY 09	Total FY 08	Percentage FY09:FY08
Oil Production Tax	2,260,269	2,066,786	1.09
Gas Production Tax	529,218	538,710	0.98
Penalty & Interest			
Drilling Permit Fees	28,475	55,570	0.51
UIC Permit Fees	184,600	204,825	0.90
Enhanced Recovery Filing Fee			
Interest on Investments	168,349	557,235	0.30
Copies of Documents	15,753	11,414	1.38
Miscellaneous Reimbursemts	<u>10,000</u>	<u>17,489</u>	<u>0.57</u>
TOTALS	\$ 3,196,664	\$3,452,029	0.93

REVENUE INTO DAMAGE MITIGATION ACCOUNT as of 1/31/09	
	FY09
Transfer in from Orphan Share	25,000
RIT Interest	0
Bond Forfeitures	15,000
Interest on Investments	<u>3647.33</u>
TOTAL	43,647

REVENUE INTO GENERAL FUND FROM FINES as of 1/31/09	
	FY 09
Sonkar, Inc.	20
Marian Irgens	20
Karie Frydenlund	60
Misc Oil Co	10
Phoenix Energy Inc.	100
Yellowstone Petroleums Inc.	1000
Herco Exploration, LLC	10
Jill Branch	50
Hawley Oil	170
Carrell Oil Company	6,400
Sands Oil Company	2,000
Knaup, Harry and Lucille	20
Quinque Oil	30
Delphi International Inc.	1000
JH Oil	220
Hawley Oil	170
Grey Wolf Production Co.	100
Cynthia Jorgensen	200
Rincon Oil & Gas LLC	20
North American Energy Group	<u>30</u>
TOTAL	11,630

BOND FORFEITURES	
Go into Damage Mitigation Account	
B.C. Jam, Inc.	15,000

INVESTMENT ACCOUNT BALANCES as of 3/2/09	
Damage Mitigation	308,464
Regulatory	16,411,946

GRANT BALANCES - 1/31/09

<u>Name</u>	<u>Authorized Amt</u>	<u>Expended</u>	<u>Balance</u>
EPA Exchange Network Grant	750,000	750,000	0
2007 Southern	322,228	0	322,228
2007 Northern	323,572	0	323,572
2005 Northern	300,000	209,351	90,650
2005 Eastern	<u>300,000</u>	<u>300,000</u>	<u>0</u>
TOTALS	\$1,995,800	\$1,259,350	\$736,450

CONTRACT BALANCES - 1/31/09

HydroSolutions - Tongue River Info Project	618,486	390,064	228,422
Sylvan Petroleum LLC	39,565	-	39,565
GWPC - Mgmt - Exchange Node	131,450	131,450	0
ALL Consulting - IT - Exchange Node	577,825	577,825	0
DNRC Centralized Services Indirect - EPA	40,725	40,725	0
COR Enterprises - Janitorial	17,700	5,773	11,927
Agency Legal Services - Legal*	50,000	16,538	33,462
Liquid Gold Well Service, Inc. - 07 Northern	323,572	0	323,572
Liquid Gold Well Service, Inc. - 05 Northern Part 2	65,000	13,420	51,580
C-Brewer - 07 Southern (og-cb-129)	<u>322,228</u>	<u>0</u>	<u>322,228</u>
TOTALS	2,186,551	1,175,794	1,010,757

Agency Legal Services Expenditures to Date in FY09

Case	Amt Spent	Last Svc Date
Diamond Cross 2	916	10/08
BOGC Duties	14,463	1/09
Tongue & Ylwstone Irri	1,159	1/09
Total	16,538	

Docket Summary

4/2/2009 Hearing

Exhibit 3

23-2009	EOG Resources, Inc.	Exception to drill additional Bakken Formation well in the permanent spacing unit comprised of 25N-53E-6: all and 7: all, 660' setback. Default request. [Additional well authorized by temporary spacing order - 181-2003. Second well was permitted and permit expired. Perm. spacing order authorized only one well.]	Default
24-2009	EOG Resources, Inc.	Exception to drill additional Bakken Formation well in the permanent spacing unit comprised of 25N-53E-17: all and 20: all, 660' setback. Default request. [Additional well authorized by temporary spacing order - 183-2003. Second well was permitted and permit expired. Perm. spacing order authorized only one well.]	Default
25-2009	EOG Resources, Inc.	Exception to drill additional Bakken Formation well in the permanent spacing unit comprised of 26N-53E-30: all and 31: all, 660' setback. Default request. [Additional well authorized by temporary spacing order - 187-2003. Second well was permitted and permit expired. Perm. spacing order authorized only one well.]	Default
26-2009	Chaparral Energy, LLC	Exception to drill additional Bakken Formation well in the permanent spacing unit comprised of 25N-55E-34: all, 660' setback (McVay 3-34H). Default request. [Continued to July, ltr rec'd 3/23/2009.]	Continued
27-2009	Chaparral Energy, LLC	Exception to drill additional Bakken Formation well in the permanent spacing unit comprised of 25N-55E-34: all, 660' setback (McVay 4-34H). Default request. [Continued to July, ltr rec'd 3/23/2009.]	Continued
28-2009	XTO Energy Inc.	Pool, Bakken Formation, 25N-53E-2: all and 11: all, non-consent penalties waived (Childers 24X-11). Default request - no risk penalty to be applied.	Default
29-2009	Enerplus Resources USA Corporation	Pool, Bakken Formation, 24N-57E-6: all and 7: all, non-consent penalties waived (Brutus-Becky 6-3). Default requested, no risk penalty to be applied.	Default
30-2009	Omimex Canada, Ltd.	Permanent spacing unit, Eagle Formation, 35N-21E-33: NE/4 (SE Battle 1-33-35-21).	
31-2009	Crusader Energy Group Inc.	Permanent spacing unit, Bakken/Three Forks Formations, 21N-59E-10: all (Oilers 1H-10). [Continued to May, email rec'd 3/27/2009.]	Continued
32-2009	Continental Resources Inc	Pool, Bakken Formation, 23N-55E-4: all and 24N-55E-33: all, non-joinder/non-consent penalties requested (Dorothy 2-4H). [Spaced by Order 246-2006; pooled by 247-2006.] [Continued to May, email rec'd 3/25/2009.]	Continued
33-2009	Continental Resources Inc	Pool, Bakken Formation, 23N-55E-4: all and 24N-55E-33: all, non-joinder/non-consent penalties requested (Dorothy 3-33H). [See previous application.] [Continued to May, email rec'd 3/25/2009.]	Continued

34-2009	Continental Resources Inc	Pool, Bakken Formation, 23N-56E-8: all and 17: all, non-joinder/non-consent penalties requested (Stoney Butte Farms 2-8H). [Spaced by Order 161-2005; pooled by 156-2005.] [Continued to May, email rec'd 3/25/2009.]	Continued
35-2009	Continental Resources Inc	Pool, Bakken Formation, 23N-56E-8: all and 17: all, non-joinder/non-consent penalties requested (Stoney Butte Farms 3-17H). [See previous application.] [Continued to May, email rec'd 3/25/2009.]	Continued
36-2009	Continental Resources Inc	Pool, Bakken Formation, 23N-55E-9: all and 16: all, non-joinder/non-consent penalties requested (Swendseid 3-9H). [Permanently spaced by Order 242-2006; no prior pooling orders.] [Withdrawn, email rec'd 3/25/2009.]	Withdrawn
37-2009	Zenergy Inc.	Temporary spacing unit, Bakken Formation, 27N-59E-14: all and 23: all, 660' setback. Apply for permanent spacing within 90 days of successful completion. Default request.	Default
38-2009	Zenergy Inc.	Temporary spacing unit, Bakken Formation, 27N-59E-19: all and 30: all, 660' setback. Apply for permanent spacing within 90 days of successful completion. Default request. [Continued to May, fax rec'd 3/18/2009.]	Continued
39-2009	NFR Bear Paw Basin, LLC	Temporary spacing unit, surface through Second White Specks, 34N-16E-4: W/2 and 5: E/2. Well to be located in Sec. 5: 1995' FSL/582' FEL (Pattison 5-9-34-16B). Will apply for permanent spacing within 90 days of successful completion. Default request. [NE/4 of 5 is Judith River, Eagle, and Niobrara spacing unit; Eagle structure map provided. Docket 44-2009 is also an overlapping TSU.]	
40-2009	NFR Bear Paw Basin, LLC	Temporary spacing unit, surface through Second White Specks, 36N-14E-14: S/2 and 23: N/2. Well to be located in Sec. 23: 365' FNL/1775' FWL (Verploegen-Federal 23-3-36-14), 200' topographic tolerance. Will apply for permanent spacing within 90 days of successful completion. Default request. [No issues.]	Default
41-2009	NFR Bear Paw Basin, LLC	Temporary spacing unit, surface through Second White Specks, 35N-16E-6: S/2 and 7: N/2. Well to be located in Sec. 6: 307' FSL/2277' FEL (Shrauger-State 6-15-35-16), 50' topographic tolerance. Will apply for permanent spacing within 90 days of successful completion. Default request. [No issues; Docket 18-2009 withdrawn.]	Default
42-2009	NFR Bear Paw Basin, LLC	Temporary spacing unit, Eagle Formation, 36N-15E-14: N/2. Well to be located 471' FNL/495' FEL (Dusek 14-1-36-15D). Will apply for permanent spacing within 90 days of successful completion. Default request. [Exception setback; overlapping spacing units.]	

43-2009	NFR Bear Paw Basin, LLC	Temporary spacing unit, surface through Second White Specks, 35N-16E-21: S/2 and 28: N/2. Well to be located in Sec. 21: 540' FSL/2000' FWL (Bessette 21-14-35-16), 100' topographic tolerance. Will apply for permanent spacing within 90 days of successful completion. Default request. [Section 28 is a designated statewide TSU for a permitted well in N/2 of Section 28 - appears to be the same pool?]	
44-2009	NFR Bear Paw Basin, LLC	Temporary spacing unit, surface through Second White Specks, 34N-16E-5: SE/4 and 8: NE/4. Well to be located in Sec. 8: 301' FNL/1719' FEL (Pattison 8-2-34-16B). Will apply for permanent spacing within 90 days of successful completion. Default request. [See 39-2009; overlapping TSU's.] [Existing Order 41-1998 - exception to statewide to drill 600 FNL, 990 FEL, 75 tol., of Section 8.]	
45-2009	NFR Bear Paw Basin, LLC	Permanent spacing unit, Eagle Formation, 37N-15E-19: E/2 and 20: W/2, Niobrara and Eagle commingling requested (Federal-Signal Butte 19-37-15).	
46-2009	NFR Bear Paw Basin, LLC	Amend Order 276-2006, create two 320 acre permanent spacing units allowing two wells/formation/spacing unit, 37N-15E-8: N/2 and S/2, 660' setback. [BLM protest.] [Continued to August?]	Continued
47-2009	NFR Bear Paw Basin, LLC	Exception to drill additional Eagle Formation well in the permanent spacing unit comprised of 35N-15E-2: all, 50' topographic tolerance. Well to be located 2417' FNL/2441' FWL (Willow Creek 2-6-35-15B). Default request. [No issues.]	Default
48-2009	NFR Bear Paw Basin, LLC	Commingle, Eagle and Judith River Formations, 23N-19E-28 (Federal A 28-23-19N, 027-21206). (Default Requested) [Hearing may not be necessary except the well is federal.]	Default
49-2009	NFR Bear Paw Basin, LLC	Commingle, Eagle and Judith River Formations, 23N-19E-21 (Federal P 21-23-19N). (Default Requested) [Hearing may not be necessary except the well is federal.]	Default
50-2009	TAQA North USA, Inc.	Vacate Dwyer Field spacing created by Order 25-1960 as it pertains to 32N-59E-17: all. (Default Requested)	Default
51-2009	Wave USA, Inc.	Permanent spacing unit, Madison Formation (gas), 26N-4W-20: E/2 (Alzheimer 8-20-26-4).	
350-2008	Devon Energy Production Co., LP	Temporary spacing unit, Judith River/Eagle Formations, 27N-19E-25: S/2, 36: N/2. Well to be located in Sec. 25: 800' FSL/2500' FWL (State 25-14-27-19), 200' topographic tolerance. Will apply for permanent spacing within 90 days of successful completion. Default request. [Continued to December, fax rec'd 10/23.] [Continued to January, Fax rec'd 12/4/2008.] [Continued to April, ltr fax rec'd 1/16/2009.] [Continued to May, fax rec'd 3/18/2009.]	Continued

390-2008	Burlington Resources Oil & Gas Company LP	Overlapping temporary spacing unit, Bakken Formation, 24N-53E-2: all, 3: all, 10: all and 11: all; well to be located in proximity of boundaries between existing spacing units, 660' from exterior boundaries of overlapping temporary spacing unit. Default request. [Request to continue to December rec'd 10/27.] [Correction sections w/ dual laterals.] [Continued to January, Fax rec'd 12/9/2008.] [Continue to April, fax rec'd 1/26/2009] [Continued to May, email rec'd 3/29/2009.]	Continued
391-2008	Burlington Resources Oil & Gas Company LP	Overlapping temporary spacing unit, Bakken Formation, 24N-53E-3: all, 4: all, 9: all, 10: all; well to be located in proximity of boundaries between existing spacing units, 660' from exterior boundaries of overlapping temporary spacing unit. Default request. [Request to continue to December rec'd 10/27.] [Correction sections w/ dual laterals.] [Continued to January, Fax rec'd 12/9/2008.] [Continue to April, fax rec'd 1/26/2009] [Continued to May, email rec'd 3/29/2009.]	Continued
392-2008	Burlington Resources Oil & Gas Company LP	Overlapping temporary spacing unit, Bakken Formation, 24N-53E-4: all, 5: all, 8: all, 9: all; well to be located in proximity of boundaries between existing spacing units, 660' from exterior boundaries of overlapping temporary spacing unit. Default request. [Request to continue to December rec'd 10/27.] [Continued to January, Fax rec'd 12/4/2008.] [Continue to April, fax rec'd 1/26/2009] [Continued to May, email rec'd 3/29/2009.]	Continued
393-2008	Burlington Resources Oil & Gas Company LP	Overlapping temporary spacing unit, Bakken Formation, 25N-52E-25: all, 26: all, 35: all, 36: all; well to be located in proximity of boundaries between existing spacing units, 660' from exterior boundaries of overlapping temporary spacing unit. Default request. [Request to continue to December rec'd 10/27.] [Two-section, fully developed.] [Continued to January, Fax rec'd 12/9/2008.] [Continue to April, fax rec'd 1/26/2009] [Continued to May, email rec'd 3/29/2009.]	Continued
394-2008	Burlington Resources Oil & Gas Company LP	Overlapping temporary spacing unit, Bakken Formation, 25N-52E-26: all, 27: all, 34: all, 35: all; well to be located in proximity of boundaries between existing spacing units, 660' from exterior boundaries of overlapping temporary spacing unit. Default request. [Request to continue to December rec'd 10/27.] [Two-section SUs, fully developed.] [Continued to January, Fax rec'd 12/9/2008.] [Continue to April, fax rec'd 1/26/2009] [Continued to May, email rec'd 3/29/2009.]	Continued
395-2008	Burlington Resources Oil & Gas Company LP	Overlapping temporary spacing unit, Bakken Formation, 25N-52E-25: all, 36: all and 25N-53E-30: all, 31: all; well to be located in proximity of boundaries between existing spacing units, 660' from exterior boundaries of overlapping temporary spacing unit. Default request. [Request to continue to December rec'd 10/27.] [Continued to January, Fax rec'd 12/4/2008.] [Continue to April, fax rec'd 1/26/2009] [Continued to May, email rec'd 3/29/2009.]	Continued

396-2008	Burlington Resources Oil & Gas Company LP	Overlapping temporary spacing unit, Bakken Formation, 25N-53E-28: all, 29: all, 32: all, 33: all; well to be located in proximity of boundaries between existing spacing units, 660' from exterior boundaries of overlapping temporary spacing unit. Default request. [Request to continue to December rec'd 10/27.] [Continued to January, Fax rec'd 12/4/2008.] [Continue to April, fax rec'd 1/26/2009] [Continued to May, email rec'd 3/29/2009.]	Continued
397-2008	Burlington Resources Oil & Gas Company LP	Overlapping temporary spacing unit, Bakken Formation, 25N-53E-29: all, 30: all, 31: all, 32: all; well to be located in proximity of boundaries between existing spacing units, 660' from exterior boundaries of overlapping temporary spacing unit. Default request. [Request to continue to December rec'd 10/27.] [Continued to January, Fax rec'd 12/4/2008.] [Continue to April, fax rec'd 1/26/2009] [Continued to May, email rec'd 3/29/2009.]	Continued
398-2008	Burlington Resources Oil & Gas Company LP	Vacate Order 236-2008. Create overlapping temporary spacing unit, Bakken Formation, 24N-53E-1: all, 2: all, 11: all, 12: all; well to be located in proximity of boundaries between existing spacing units, 660' from exterior boundaries of overlapping temporary spacing unit. Default request. [Request to continue to December rec'd 10/27.] [Correction sections, fully developed + overlapping SU to the east.] [Continued to January, Fax rec'd 12/9/2008.] [Continue to April, fax rec'd 1/26/2009] [Continued to May, email rec'd 3/29/2009.]	Continued
425-2008	Crusader Energy Group Inc.	Pool, Bakken Formation, 21N-59E-4: all, non-joinder penalties requested (Flames 1H-4). [Continued to April, ltr rec'd 1/16/2009.] [Continued to May, email rec'd 3/27/2009.]	Continued
437-2008	Chesapeake Operating Inc.	Permanent spacing unit, Mission Canyon Formation, 26N-59E-34: S/2 (Noteboom 1-34). [Continued to January, telephone & Fax 12/4/2008.] [Request to continue, fax rec'd 1/27/2009.]	
15-2009 17-2009 F	Montana Land & Exploration, Inc.	Permanent spacing unit, Eagle Formation, 31N-23E-14: SW/4 and 15: SE/4 (Stephens White Bear 16-15). [Federal only.] [Continued, email rec'd 1/26/2009.] [Continued to May, email rec'd 3/25/2009.]	Continued
16-2009 18-2009 F	Montana Land & Exploration, Inc.	Permanent spacing unit, Eagle Formation, 31N-24E-19: all (Stephens White Bear 10-19 and 10B-19 wells) [According to BLM & email rec'd from Don Lee on 1/13/2009 this application includes fee interests.] [Continued, email rec'd 1/26/2009.]	
18-2009	NFR Energy LLC	Temporary spacing unit, surface through Second White Specks, 35N-16E-6: S/2 and 7: N/2. Well to be located in Sec. 6: 490' FSL/2195' FEL (Shrauger-State 6-15-35-16), 100' topographic tolerance. Will apply for permanent spacing within 90 days of successful completion. Default request. [Continued to April, fax rec'd 1/19/2009.] [Withdrawn, ltr rec'd 3/3/2009; replaced by 41-2009.]	Withdrawn
21-2009	Athena Energy LLC/Red Maple Inc.	Show cause for failure to restore, to reclaim and to file monthly production reports on 14 wells.	

22-2009 ROI Operating/Blackhawk Resources
LLC/Par Investments LLC

Show cause, failure to plug wells.

52-2009 Mountain Pacific General Inc.

Show cause for failure to abandon the Fossom #10-8, 35N-1E-8:
NW/4SE/4 (2310 FSL/1700 FEL; API #101-21912) and the
Copenhaver #1, 27N-2E-32: NW/4NE/4 (990 FNL/1980 FEL; 073-
21195).

FORM NO. 20 R7/99

Submit In Quadruplicate To:

ARM 36.22.307
ARM 36.22.1308

MONTANA BOARD OF OIL AND GAS CONSERVATION
2535 ST. JOHNS AVENUE BILLINGS, MONTANA 59102

Notice of Intent to Change Operator

The undersigned Transferor hereby notifies the Board of Oil and Gas Conservation of its intention to transfer ownership and/or operation of the following wells to the undersigned Transferee:

Lease Name: **Please refer to attached list**

Lease type:(Private, State, Federal, Indian)
Private

County: **Toole**

Field name: **Wildcat**

Description of wells: (Include official well name and number as reflected on Board of Oil and Gas Conservation records, API well number, and exact location of the well including quarter-quarter section, footage measurements, Section, Township, and Range.)

RECEIVED

JAN 13 2009

MONTANA BOARD OF OIL & GAS CONS. BILLINGS

"See attached list"

Transferor's Statement:

I hereby designate the Transferee named herein as the owner and/or operator of record of the above described well(s). I acknowledge that the Transferor continues to be responsible for said well(s) and all associated equipment and facilities until such time as this transfer is approved by the Montana Board of Oil and Gas Conservation. I certify that the information contained herein is true and correct:

Company Carl Johnson Family LLC
Street Address 2905 Blacktail Loop Road
P.O. Box _____
City, State, ZIP Butte, Mt 59701
Signed *Carl Johnson*
Print Name Carl Johnson
Title Managing Member
Telephone (406) 494-8440

Transferee's Statement:

I hereby accept the designation of operator/owner for the above described well(s). I understand that this transfer will not be approved until the Transferee has complied with the Board's bonding requirements. I acknowledge that under Section 82-11-101 MCA, the Transferee herein is responsible for the costs of proper plugging and restoration of the surface of the well(s) described above. I certify that the information contained herein is true and correct:

Company Phoenix Exploration Group Inc.
Street Address Suite 101, 3475 Monroe Ave
P.O. Box _____
City, State, ZIP Butte, Mt 59701
Signed *Carl Johnson*
Print Name Carl Johnson
Title President
Telephone (406) 494-3904

BOARD USE ONLY

Approved _____ Date Mo 07164
Name _____ Title _____

Field Office Review	Date	Initial
Inspection	_____	_____
Records Review	_____	_____
Operations	_____	_____

Oper. No. 285 Bond No. M1

Oper. No. 596 Bond No. 614

62

Instructions for Form 20

This form is used to change the Operator of Record for one or more wells.

To transfer 1 well, complete the front portion of this form as indicated.

To transfer more than 1 well, please type: "See attached list" in the **Description of Wells** area. The attached list of wells should be separated by lease and sorted by Township, Range, and Section. Wells should be identified as F)ederal/ Indian, or P)ivate/State under lease type. Injection/SWD wells should be identified as such. Plugged and Abandoned wells should not be included for transfer. The list should be in the following format:

<u>Lease Name</u>	<u>Twp. Rge. Sec.</u>	<u>QtrQtr</u>	<u>Footage</u>	<u>Well name/number</u>	<u>Lease Type</u>	<u>API Number</u>
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The form must be signed by both the current owner/operator (transferor) and the proposed new owner/operator (transferee). The current operator of record will continue to be fully responsible for any wells and associated equipment or facilities until the transfer is approved by an authorized agent of the Montana Board of Oil and Gas Conservation. Until the transfer is approved, all reports of production, well work, or other required reports must be filed in the name of the current operator of record. **For large change of operator submissions, please include a diskette containing the data list (if possible).**

The Montana Board of Oil and Gas Conservation may withhold approval of the transfer until the well(s) made the subject of this form is (are) in substantial compliance with all applicable Board laws and rules. All production reports, notices, forms, logs, samples, or other information required by Board law, rule, or order must be on file with the Board. The transferee must be in compliance with the Board's bonding requirements, as provided in Rules 36.22.1308 and 1408 ARM, before the transfer can be approved. A copy of the approved or disapproved Form 20 will be returned to each party. The Board may withhold approval of this transfer until all of the transferee's current wells and operations, if any, are in substantial compliance with Montana laws and Board rules.

Parties transferring wells are advised that the identity of responsible persons as defined by Section 82-11-101, MCA, will be determined by the Board's records.

If this form relates to a proposed change in the operator of record for a State of Montana oil and gas lease issued by the Montana Board of Land Commissioners, the parties should send a separate copy of this form to the Montana Department of Natural Resources and Conservation, Trust Lands Management Division, Minerals Management Bureau, 1625 Eleventh Avenue, P.O. Box 201601, Helena Montana 59620-1601.

The proposed new operator should have a current copy of the rules and laws of the Montana Board of Oil and Gas Conservation. Copies of the rules and laws may be obtained from any Board office, or are available on the Internet at <http://www.bogc.dnrc.state.mt.us>.

NOTICE: False or inaccurate information can void the transfer of a well or wells to another operator's bond. Be sure to verify the accuracy of all well descriptions and other information supplied with this form.

BOARD USE ONLY

CONDITIONS OF APPROVAL

RECEIVED

JAN 13 2009

**MONTANA BOARD OF OIL
& GAS CONS. BILLINGS**

<u>Lease Name</u>	<u>Twp.Rge.Sec.</u>	<u>QtrQtr</u>	<u>Footage</u>	<u>Well Name/Number</u>	<u>Lease Type</u>	<u>API Number</u>
Lerum	T35N-R2E-Sec 12	SESE	990' FSL & 1,250 FEL	Lerum 44-12	Private	25-101-24065
Lee	T35N-R3E-Sec 07	SWSW	871' FSL & 915' FWL	Lee 14-7	Private	25-101-24061

RECEIVED

JAN 13 2009

MONTANA BOARD OF OIL
& GAS CONS. BILLINGS

MONTANA BOARD OF OIL AND GAS CONSERVATION
2535 ST. JOHNS AVENUE BILLINGS, MONTANA 59102

Notice of Intent to Change Operator

The undersigned Transferor hereby notifies the Board of Oil and Gas Conservation of its intention to transfer ownership and/or operation of the following wells to the undersigned Transferee:

Lease Name: **Please refer to attached list**

Lease type:(Private, State, Federal, Indian)
Private

County: **Toole**

Field name: **Wildcat**

Description of wells: (Include official well name and number as reflected on Board of Oil and Gas Conservation records, API well number, and exact location of the well including quarter-quarter section, footage measurements, Section, Township, and Range.)

"See attached list"

Transferor's Statement:

I hereby designate the Transferee named herein as the owner and/or operator of record of the above described well(s). I acknowledge that the Transferor continues to be responsible for said well(s) and all associated equipment and facilities until such time as this transfer is approved by the Montana Board of Oil and Gas Conservation. I certify that the information contained herein is true and correct:

Company **Athena Energy, LLC**
Street Address **305 West Mercury, Suite 411**
P.O. Box **4247**
City, State, ZIP **Butte, MT 59701**
Signed *[Signature]*
Print Name **Ronnie Bittman**
Title **Chairman & CEO**
Telephone **(416) 567-1467**

Transferee's Statement:

I hereby accept the designation of operator/owner for the above described well(s). I understand that this transfer will not be approved until the Transferee has complied with the Board's bonding requirements. I acknowledge that under Section 82-11-101 MCA, the Transferee herein is responsible for the costs of proper plugging and restoration of the surface of the well(s) described above. I certify that the information contained herein is true and correct:

Company **Carl Johnson Family, LLC**
Street Address **2905 Blacktail Loop Road**
P.O. Box _____
City, State, ZIP **Butte, MT 59701**
Signed *[Signature]*
Print Name **Carl Johnson**
Title **Managing Member**
Telephone **(406) 494-8440**

BOARD USE ONLY

Approved _____ Date _____ **07164**
Name _____ Title _____
Oper. No. _____ Bond No. _____

Field Office Review Date Initial
Inspection _____
Records Review _____
Operations _____
Oper No. _____ Bond No. _____

Instructions for Form 20

This form is used to change the Operator of Record for one or more wells.

To transfer 1 well, complete the front portion of this form as indicated.

To transfer more than 1 well, please type: "See attached list" in the **Description of Wells** area. The attached list of wells should be separated by lease and sorted by Township, Range, and Section. Wells should be identified as F)ederal/ Indian, or P)ivate/State under lease type. Injection/SWD wells should be identified as such. Plugged and Abandoned wells should not be included for transfer. The list should be in the following format:

<u>Lease Name</u>	<u>Twp. Rge. Sec.</u>	<u>QtrQtr</u>	<u>Footage</u>	<u>Well name/number</u>	<u>Lease Type</u>	<u>API Number</u>
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The form must be signed by both the current owner/operator (transferor) and the proposed new owner/operator (transferee). The current operator of record will continue to be fully responsible for any wells and associated equipment or facilities until the transfer is approved by an authorized agent of the Montana Board of Oil and Gas Conservation. Until the transfer is approved, all reports of production, well work, or other required reports must be filed in the name of the current operator of record. **For large change of operator submissions, please include a diskette containing the data list (if possible).**

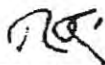
The Montana Board of Oil and Gas Conservation may withhold approval of the transfer until the well(s) made the subject of this form is (are) in substantial compliance with all applicable Board laws and rules. All production reports, notices, forms, logs, samples, or other information required by Board law, rule, or order must be on file with the Board. The transferee must be in compliance with the Board's bonding requirements, as provided in Rules 36.22.1308 and 1408 ARM, before the transfer can be approved. A copy of the approved or disapproved Form 20 will be returned to each party. The Board may withhold approval of this transfer until all of the transferee's current wells and operations, if any, are in substantial compliance with Montana laws and Board rules.

Parties transferring wells are advised that the identity of responsible persons as defined by Section 82-11-101, MCA, will be determined by the Board's records.

If this form relates to a proposed change in the operator of record for a State of Montana oil and gas lease issued by the Montana Board of Land Commissioners, the parties should send a separate copy of this form to the Montana Department of Natural Resources and Conservation, Trust Lands Management Division, Minerals Management Bureau, 1625 Eleventh Avenue, P.O. Box 201601, Helena Montana 59620-1601.

The proposed new operator should have a current copy of the rules and laws of the Montana Board of Oil and Gas Conservation. Copies of the rules and laws may be obtained from any Board office, or are available on the Internet at <http://www.bogc.dnrc.state.mt.us>.

NOTICE: False or inaccurate information can void the transfer of a well or wells to another operator's bond. Be sure to verify the accuracy of all well descriptions and other information supplied with this form.

BOARD USE ONLY	CONDITIONS OF APPROVAL
	

<u>Lease Name</u>	<u>Twp. Rge. Sec.</u>	<u>QtrQtr</u>	<u>Footage</u>	<u>Well Name/number</u>	<u>Lease Type</u>	<u>API Number</u>
Lerum	T35N-R2E-Sec 12	SESE	990' FSL & 1,250' FEL	Lerum 44-12	Private	25-101-24065
Lee	T35N-R3E-Sec 07	SWSW	871' FSL & 915' FWL	Lee 14-7	Private	25-101-24061

RB

36.22.1308 PLUGGING AND RESTORATION BOND

(1) Except as otherwise provided in these rules, the following bonds are required for wells within the board's jurisdiction:

(a) the owner or operator of a single well to be drilled, or of a single existing oil, gas, or Class II injection well to be acquired, must provide a one well bond:

(i) in the sum of \$1500, where the permitted total depth of a drilling well, or the actual, or plugged-back, total depth of an existing well, is 2000 feet or less; or

(ii) in the sum of \$5000, where the permitted total depth of drilling well, or the actual, or plugged-back, total depth of an existing well, is greater than 2000 feet and less than 3501 feet; or

(iii) in the sum of \$10,000 where the permitted total depth of a drilling well, or the actual, or plugged-back, total depth of an existing well, is 3501 feet or more.

(b) the owner or operator of multiple wells to be drilled, of existing wells to be acquired, or any combination thereof, must provide a multiple well bond in the sum of \$50,000. A one-time consolidation of companies will not be considered an acquisition requiring a \$50,000 bond if the consolidation does not change the party or parties responsible for the ultimate plugging of the wells and the resulting consolidated company provides a bond not less than the aggregate amount of the existing bonds covering wells prior to consolidation;

(c) the owner or operator of existing wells covered by a multiple well bond in an amount less than \$25,000 must provide a new bond, or a supplemental bond, or rider to an existing bond to increase coverage to \$25,000.

(2) All bonds must be executed on board Form No. 3 or board Form No. 14, must be payable to the state of Montana, and must be conditioned for the performance of the duty to properly plug each dry or abandoned well, and to restore the surface of the location as required by board rules.

(3) The board may require an increase by appropriate rider of any bond from \$1500 to \$3000, \$5000 to \$10,000, or from \$10,000 to \$20,000 for a single well bond, and from \$50,000 to \$100,000 for a multiple well bond, when in the opinion of the board the factual situation warrants such an increase in order for any owner or operator to be in compliance with this rule. In addition to, or in lieu of, an increase in the bond amount as provided above, the board may limit the number of wells that may be covered by any multiple well bond.

(4) No new or additional wells shall be added or substituted to any bond existing prior to the effective date of this rule.

(5) The staff may refer approval of any proposed bond to the board for consideration at its next regularly scheduled business meeting. The staff will promptly notify the applicant of the reason(s) approval has been deferred to the board and will advise the applicant of the time and place for the business meeting. The board may approve, require modification, or reject a proposed bond.

(6) The bond referred to in this rule must be in one of the following forms:

(a) a good and sufficient surety bond secured from a bonding company licensed to do business in the state of Montana;

(b) a federally insured certificate of deposit issued and held by a Montana bank; or

(c) a letter of credit issued by an FDIC-insured, Montana commercial bank.

(7) Out-of-state bank bonds previously approved by the board remain in effect.

(8) A well must remain covered by a bond, and such bond must remain in full force and effect until:

(a) the plugging and restoration of the surface of the well is approved by the board; or

(b) a new bond is filed by a successor in interest and such bond is approved by the board.

(9) A notice of intent to change operator must be filed on Form No. 20 by a proposed new owner or operator of a well within 30 days of the acquisition of the well. Said notice shall include all information required thereon and must contain the endorsement of both the transferor and

the transferee. The board administrator may delay or deny any change of operator request if he determines that either the transferor or the transferee is not in substantial compliance with the board's statutes, rules, or orders. The board may require an increase in any bond up to the maximum amount specified in (3) as a condition of approval for any change of operator request. The transferor of a well is released from the responsibility of plugging and restoring the surface of the well under board rules after the transfer is approved by the board.

(10) Where the owner of the surface of the land upon which one or more noncommercial wells have been drilled wishes to acquire a well for domestic purposes, the bond provided by the person who drilled or operated the well will be released if the surface of the location is restored as required by board rules, and if said surface owner furnishes:

(a) proof of ownership of the surface of the land on which the well is located; and

(b) for actual beneficial water uses of 35 gallons or less per minute, not to exceed ten acre-feet per year, a copy of the Notice of Completion of Groundwater Development (Water Rights Form 602) filed with the Department of Natural Resources and Conservation (DNRC); or

(c) for actual beneficial water uses of more than 35 gallons per minute, or in excess of ten acre-feet per year, a copy of the Beneficial Water Use Permit (Water Rights Bureau Form 600) received from the DNRC; or

(d) for a domestic gas well, a written and signed inspection report from one of the board's field inspectors stating that the well is presently being beneficially used as a source of domestic natural gas; and

(e) for a domestic gas well:

(i) a federally insured certificate of deposit in the amount of \$5000 for a single well or in the amount of \$10,000 for more than one well; or

(ii) a real property bond in the amount of two times the amount of the required federally insured certificate of deposit.

(11) The real property bond required in (10)(e)(ii) must be:

(a) provided on a board-approved form; and

(b) accompanied by a certified real property appraisal and abstract of title which evidence unencumbered owner equity in an amount equal to or greater than the amount of the bond required.

(12) A domestic well must be plugged, abandoned, and restored in accordance with ARM 36.22.1301 through 36.22.1304, 36.22.1306, 36.22.1307, and 36.22.1309, or transferred to a bonded operator in accordance with (9), after the well ceases to be used for domestic purposes. History: 82-11-111, MCA; IMP, 82-11-123, MCA; Eff. 12/31/72; AMD, 1977 MAR p. 549, Eff. 9/24/77; AMD, 1982, MAR p. 855, Eff. 4/30/82; AMD, 1982 MAR p. 1398, Eff. 7/16/82; AMD, 1990 MAR p. 305, Eff. 2/9/90; AMD, 1993 MAR p. 152, Eff. 7/1/93; AMD, 1998 MAR p. 482, Eff. 2/13/98; AMD, 1998 MAR p. 1745, Eff. 6/26/98; AMD, 2000 MAR p. 3542, Eff. 12/22/00; AMD, 2007 MAR p. 350, Eff. 3/23/07.

82-11-123. Requirements for oil and gas operations. Subject to the administrative control of the department under 2-15-121, the board shall require:

- (1) identification of ownership of oil or gas wells, producing properties, and tanks;
- (2) the making and filing of acceptable well logs, including bottom-hole temperatures (in order to facilitate the discovery of potential geothermal energy sources), the making and filing of reports on well locations, and the filing of directional surveys, geological sample logs, mud logs, core descriptions, and ordinary core analysis, if made; however, logs of exploratory or wildcat wells need not be filed for a period of 6 months following completion of those wells;
- (3) the drilling, casing, producing, and plugging of wells and class II injection wells in a manner that prevents the escape of oil or gas out of one stratum into another, the intrusion of water into oil or gas strata, blowouts, cave-ins, seepages, and fires and the pollution of fresh water supplies by oil, gas, salt, or brackish water;
- (4) the restoration of surface lands to their previous grade and productive capability after a well is plugged or a seismographic shot hole has been utilized and necessary measures to prevent adverse hydrological effects from the well or hole, unless the surface owner agrees in writing, with the approval of the board or its representatives, to a different plan of restoration;
- (5) the furnishing of a reasonable bond with good and sufficient surety, conditioned for performance of the duty to properly plug each dry or abandoned well. The bond may be forfeited in its entirety by the board for failure to perform the duty to properly plug each dry or abandoned well and may not be canceled or absolved if the well fails to produce oil or gas in commercial quantities, until:
 - (a) the board determines the well is properly plugged and abandoned as provided in the board's rules;
 - or
 - (b) the requirements of 82-11-163 are met.
- (6) proper gauging or other measuring of oil and gas produced and saved to determine the quantity and quality of oil and gas;
- (7) that every person who produces, transports, or stores oil or gas or injects or disposes of water in this state shall make available within this state for a period of 5 years complete and accurate records of the quantities. The records must be available for examination by the board or its employees at all reasonable times. The person shall file with the board reports as it may prescribe with respect to quantities, transportations, and storages of the oil, gas, or water.
- (8) the installation, use, and maintenance of monitoring equipment or methods in the operation of class II injection wells.

History: En. Sec. 4, Ch. 238, L. 1953; amd. Sec. 16, Ch. 93, L. 1969; amd. Sec. 56, Ch. 253, L. 1974; amd. Sec. 1, Ch. 260, L. 1974; amd. Sec. 1, Ch. 222, L. 1975; R.C.M. 1947, 60-127(part); amd. Sec. 4, Ch. 503, L. 1987; amd. Sec. 78, Ch. 83, L. 1989; amd. Sec. 5, Ch. 530, L. 1989; amd. Sec. 1, Ch. 376, L. 1993; amd. Sec. 6, Ch. 34, L. 1997.

82-11-101. Definitions. As used in this chapter, unless the context requires otherwise, the following definitions apply:

(1) "Administrator" means the administrator of the division of oil and gas conservation.

(2) "Board" means the board of oil and gas conservation provided for in 2-15-3303.

(3) "Class II injection well" means a well, as defined by the federal environmental protection agency or any successor agency, that injects fluids:

(a) that have been brought to the surface in connection with oil or natural gas production;

(b) for purposes of enhancing the ultimate recovery of oil or natural gas; or

(c) for purposes of storing liquid hydrocarbons.

(4) "Department" means the department of natural resources and conservation provided for in Title 2, chapter 15, part 33.

(5) "Determinations" means those decisions delegated to the state by or under authority of the Natural Gas Policy Act of 1978 or any successor or similar legislation relating to oil and gas.

(6) "Enhanced recovery" means the increased recovery from a pool achieved by artificial means or by the application of energy extrinsic to the pool; such artificial means or application includes pressuring, cycling, pressure maintenance, or injection into the pool of any substance or form of energy as is contemplated in secondary recovery and tertiary programs but does not include the injection in a well of a substance or form of energy for the sole purpose of aiding in the lifting of fluids in the well or stimulating of the reservoir at or near the well by mechanical, chemical, thermal, or explosive means.

(7) "Field" means the general area underlaid by one or more pools.

(8) "Fluid" means any material or substance that flows or moves, whether in a semisolid, liquid, sludge, gas, or any other form or state.

(9) "Owner" means the person who has the right to drill into and produce from a pool and to appropriate the oil or gas the person produces from a pool either for the person or others or for the person and others, and the term includes all persons holding that authority by or through the person with the right to drill.

(10) "Person" means any natural person, corporation, association, partnership, receiver, trustee, executor, administrator, guardian, fiduciary, or other representative of any kind and includes any agency or instrumentality of the state or any governmental subdivision of the state.

(11) "Pollution" means contamination or other alteration of the physical, chemical, or biological properties of any state waters that exceeds that permitted by state water quality standards or standards adopted by the board, including but not limited to the disposal, discharge, seepage, drainage, infiltration, flow, or injection of any liquid, gaseous, solid, or other substance into any state waters that will or is likely to create a nuisance or render the waters harmful, detrimental, or injurious to public health, recreation, safety, welfare, livestock, wild animals, birds, fish, or other wildlife. A disposal, discharge, seepage, drainage, infiltration, flow, or injection of fluid that is authorized under a rule, permit, or order of the board is not pollution under this chapter.

(12) "Pool" means an underground reservoir containing a common accumulation of oil or gas or both; each zone of a structure which is completely separated from any other zone in the same structure is a pool, as that term is used in this chapter.

(13) "Producer" means the owner of a well or wells capable of producing oil or gas or both.

(14) "Responsible person" means a person who is determined by the board under 82-10-402 to have abandoned an oil or gas well, injection well, disposal well, water source well, drill site, sump, seismographic shot hole, or other area where oil and gas drilling and production operations were conducted.

(15) "State waters" means any body of water, either surface or underground.

(16) (a) "Waste" means:

(i) physical waste, as that term is generally understood in the oil and gas industry;

(ii) the inefficient, excessive, or improper use of or the unnecessary dissipation of reservoir energy;

(iii) the location, spacing, drilling, equipping, operating, or producing of any oil or gas well or wells in a manner which causes or tends to cause reduction in the quantity of oil or gas ultimately recoverable

FEB - 5 2009

BEFORE THE BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANAMONTANA BOARD OF OIL
& GAS CONSERVATION BILLINGS

In the matter of Athena Energy, LLC's
and Carl Johnson Family, LLC's *Notice of
Intent to Change Operator.*

PETITION FOR DECLARATORY
RULING

Pursuant to ¶ 1.3.226, A.R.M., Petitioner, Knox, LLC, requests the Board of Oil and Gas for a declaratory ruling in the matter of Athena Energy, LLC's *Notice of Intent to Change Operator.*

1. **Petitioner's Name and Address.**

Knox, LLC, a Nevada Limited Liability Company
c/o Crowley Fleck Attorneys, PLLP
Transwestern Plaza II
490 N 31ST ST., Suite 500
Billings, MT 59101

2. **Facts.**

Pursuant to several contracts between Knox and Athena, Knox owns a 59% interest in the well known as Lee 14-7. Those contracts include a Joint Operating Agreement by which Athena was authorized as the only operator for wells covered by the contracts. Under the terms of the JOA, in the event Athena resigned or was removed as operator, a successor operator was to be selected by "the affirmative vote of two (2) or more parties owning a majority interest."

At the time the above mentioned contracts were executed, and for several years thereafter, Harold Carl Johnson was the President and owner of Athena.

Under Johnson's direction and control, Athena has consistently failed to report well status and production to both the Board of Oil and Gas and to Knox. Similarly, Athena has failed to remediate or reclaim workover pits and drilling pits on several wells it operates. Likewise, in violation of the relevant contracts with Knox Athena has permitted relevant oil and gas leases to expire without consulting Knox.

On January 13, 2009, Athena filed a *Notice of Intent to Change Operator* for Lee 14-7. The *Notice of Intent to Change Operator* is actually comprised of two such notices of the same date. In the first notice Athena seeks to resign as operator and appoint Carl Johnson Family, LLC, as such. In the second notice, Carl Johnson Family, LLC, seeks to resign and appoint Phoenix Exploration Group, Inc. as operator.

Johnson is President and owner of Carl Johnson Family, LLC and Phoenix.

Prior to filing its *Notice of Intent to Change Operator*, Athena did not advise Knox of such intent nor did it seek to have either Carl Johnson Family, LLC or Phoenix Exploration

from a pool under prudent and proper operations or which causes or tends to cause unnecessary or excessive surface loss or destruction of oil or gas; and

(iv) the inefficient storing of oil or gas. (The production of oil or gas from any pool or by any well to the full extent that the well or pool can be produced in accordance with methods designed to result in maximum ultimate recovery, as determined by the board, is not waste within the meaning of this definition.)

(b) The loss of gas to the atmosphere during coal mining operations is not waste within the meaning of this definition.

History: En. Sec. 3, Ch. 238, L. 1953; amd. Sec. 55, Ch. 253, L. 1974; amd. Sec. 1, Ch. 336, L. 1977; R.C.M. 1947, 60-126(part); amd. Sec. 1, Ch. 19, L. 1979; amd. Sec. 5, Ch. 239, L. 1983; amd. Sec. 1, Ch. 503, L. 1987; amd. Sec. 10, Ch. 530, L. 1989; amd. Sec. 1, Ch. 734, L. 1991; amd. Sec. 3, Ch. 379, L. 1993.

Group, Inc. approved as operator pursuant to the procedures set forth in the JOA for selection of successor operators.

Prior to the notices of intent at issue here, disputes between Knox, Athena and Johnson arose with respect to Athena's and Johnson's duties under the JOA and other contracts between the parties. As a result of such disputes, on June 25, 2007, Knox filed an action in Montana's 12th Judicial District Court alleging that Athena breached the terms of the various contracts between the parties and requesting an order compelling Athena to; 1) comply with the accounting procedures in the JOAs and account for Knox's cash advances and all other amounts owed to Knox under the JOAs; 2) comply with the JOAs' audit procedures and to permit Knox to audit Athena's joint accounts and records as operator under the JOAs; 3) comply with the JOAs' requirements to give Knox notice of proposed surrender of leases and assignment of leases; 4) convey and establish Knox's ownership under the Grandview Pipeline Agreement and; 5) account for charges and net revenues to Knox under the subject agreements.

On January 23, 2008, Knox amended its complaint to name Johnson as a defendant under theories of piercing the corporate veil, breach of contract, actual fraud, unjust enrichment, and punitive damages. As a factual basis for its claims against Johnson Knox relied on Johnson's use of Athena as an alto ego to perpetuate a fraud or other wrong doing.

In the event that Carl Johnson Family Trust, LLC, or Phoenix Exploration Group, Inc., are permitted to become operators for Lee 14-7, Knox will incur substantial damages. First, Knox will be forced to accept as operators entities with which it has no contractual relationship and thus no means of enforcing the contractual duties owed to Knox under the JOA. Such obligations include, without limitation, an accounting for revenues and expenses from Lee 14-7, an accounting for revenues advanced by Knox to Athena with respect to Lee 14-7, an obligation to permit Knox to conduct audits of the Operator of Lee 14-7, and the obligation to give Knox notice of the assignment or surrender of any leases relevant to Lee 14-7.

Second, in the event that Carl Johnson Family Trust, LLC, or Phoenix Exploration Group, Inc., are permitted to become operators for Lee 14-7, Knox would be forced to acquiesce to a successor operator that it would not have authorized had the procedures for selecting a successor under the JOA been complied with. As shown above, Athena, an entity controlled by Johnson, has failed to report well status to Knox or the Board, has failed to reclaim well sites and has permitted relevant leases to expire. Accordingly, Knox has concluded that entities controlled by Johnson are either unwilling or incapable of developing, maintaining and administering wells in a workmanlike fashion. Moreover, the current litigation between Knox and Johnson, place Johnson, and entities which he controls, in an adverse position to Knox. Thus, Carl Johnson Family, LLC and Phoenix Exploration Group, Inc., are adverse to Knox's interest. Accordingly, pursuant to its rights under the JOA, Knox would decline to authorize those entities to be operators for Lee 14-7.

3. **Regulation Upon Which Knox Requests a Ruling.**

§ 36.22.302(52), A.R.M., which states as follows:

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“Operator” means any person who, duly authorized, is in charge of development and/or producing operations.

4. **The Question Presented.**

Whether Carl Johnson Family, LLC or Phoenix Exploration Group, Inc. may succeed Athena as the Operator for Lee 14-7?

5. **Proposition of Law Asserted by Knox.**

By the definition set forth § 36.22.302(52), A.R.M. an operator may not be any person or entity not duly authorized to be in charge of development and/or producing operations. The JOA sets forth explicit procedures by which a successor operator to Athena may be selected. As those procedures were never complied with, Knox, as the majority interest owner in Lee 14-7, has not authorized Carl Johnson Family, LLC or Phoenix Exploration Group, Inc. to be the operator for that well. Accordingly, as neither of those two entities can meet the definition of an Operator, the notices of intent to change operator must be stricken from the record and Carl Johnson Family, LLC and Phoenix Exploration Group, Inc. must be prohibited from acting as operators for Lee 14-7.

6. **The Specific Relief Requested by Knox.**

Knox respectfully requests the Board of Oil and Gas to issue an order, striking Athena's and Carl Johnson Family, LLC's *Notices of Intent to Change Operator* and ruling that neither Carl Johnson Family, LLC nor Phoenix Exploration Group, Inc. may act as Operator for Lee 14-7 unless and until Knox approves them as such pursuant to the terms of the JOA. Knox further request that, to the extent that Athena has resigned or been removed as Operator, as contemplated by the JOA, that any successor operator be selected pursuant to the procedures set forth in the JOA.

Further, Knox requests a hearing on the above issues at a time and place convenient to the Board.

7. **Names and addresses of persons known by Knox to have a likely interest in the requested declaratory ruling.**

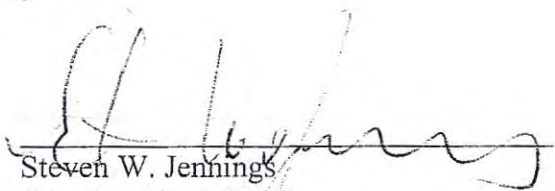
Red Maple Energy, Inc.
Suite 1801 – 1 Yonge Street
Toronto, Ontario, Canada
M5W 1W7

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& GAS COM. BILLINGS**

Dated this 26 day of February 2009.



Steven W. Jennings
Crowley Fleck PLLP
P.O. Box 2529
Billings, MT 59103-3322
(406) 252-3441
Fax (406) 252-5292
Attorneys for Knox, LLC

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PHOENIX EXPLORATION GROUP, INC.
3475 Monroe Avenue, Suite 101
Butte, Montana 59701

February 23, 2009

Mr. Jim Halvorson
Department of Natural Resources & Conservation
Board of Oil & Gas Conservation
2535 St. Johns Avenue
Billings, Montana 59102 - 0040

**RE: RECONSIDERATION OF PHOENIX EXPLORATION GROUPS INC'S REQUEST FOR
CHANGE OF OPERATOR ON THE LEE 14 - 7, API# 25-101-24061.**

Dear Jim,

I write in response to your letter dated February 11, 2009. Phoenix Exploration Group Inc. ("Phoenix") respectfully requests that the Board of Oil and Gas Conservation ("Board") reconsider its decision in which they failed to approve a request for a change of operator from Athena Energy LLC ("Athena") to Phoenix on the above referenced well.

From my telephone conversations with you, it is my understanding that the Board based its decision to not approve Phoenix's request for change of operator on the Lee 14-7 on the fact that Knox's attorneys claimed during the Board hearing on January 29, 2009 that their client had an ownership position in the Lee 14-7 well. Because Athena did not respond to Knox's attorneys claim one way or the other, Athena's silence was interpreted by the Board as a form of confirmation of Knox's attorneys claim. As we discussed, this could not be further from the truth. Athena and Knox are embroiled in a legal dispute and Athena did not feel that it was advisable to respond to Knox's claim at this particular venue or time given the ongoing legal action. Furthermore, it was Athena's understanding that the purpose of Athena's appearance before the Board was to discuss whether or not the Board should revoke Athena's well bonds; therefore, Athena was understandably not prepared to discuss matters outside those listed in the Board's notification.

I understand that Knox's attorneys never provided the Board with any evidence supporting their claim further supporting Athena's position. I hope you would agree that just because someone claims something doesn't make it so, no matter how much noise they make or how much mud they sling. Although this claim might be considered by some to be amusing, it none the less remains false.

As we discussed, Phoenix does not clearly understand how a claim by Knox regarding ownership in the Lee 14-7 ultimately led the Board to the decision it did regarding operatorship of the well, especially since a.) I understand that neither Knox nor Athena, the party who is attempting to transfer operations to Phoenix, stated any objection to Phoenix becoming Operator of the well, and b.) Knox's claim to an ownership position in the well is assumed to be through their relationship with Athena who has never claimed that they have an ownership position in the well. Furthermore, as it relates to the ownership issue, the minerals held by the lease under the Lee 14-7 are controlled entirely by Phoenix as recorded in the Toole County Courthouse, Book 92, Assignments O&G Page 530. A complete inspection of the lease records will further substantiate Phoenix's claim that neither Red Maple Energy, as the parent of Athena, Athena or Knox ever owned a position in the lease under the Lee 14-7 well.

In closing, I would like to apologize to the Board for their having been somewhat dragged into the dispute between Athena and Knox. If I can provide any further information that the Board might deem as beneficial while revisiting this issue, please let me know at your earliest convenience.

I look forward to hearing back from the Board in the near future.

Respectfully,



H. Carl Johnson

Cc: Athena Energy LLC.

ATHENA ENERGY, LLC

305 W Mercury, Suite 404 · Butte, MT 59701 · Office: 406-221-7004 · Fax: 406-221-7005



February 23, 2009

Mr. Jim Halvorson
Department of Natural Resources & Conservation
Board of Oil & Gas Conservation
2535 St. Johns Avenue
Billings, Montana 59102 - 0040

RE: RECONSIDERATION OF ATHENA ENERGY LLC's REQUEST TO CHANGE OPERATOR ON THE LEE 14 - 7 TO PHOENIX EXPLORATION GROUP, INC., API# 25-101-24061.

Dear Mr. Halvorson,

I write in response to your letter dated February 11, 2009 that was sent to Phoenix Exploration Group Inc. ("Phoenix"). Athena Energy LLC. ("Athena") respectfully requests that the Board of Oil and Gas Conservation ("Board") reconsider its decision in which they failed to approve a request for a change of operator from Athena to Phoenix on the above referenced well.

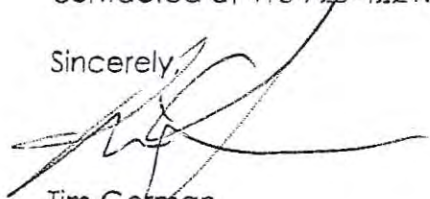
After speaking with Phoenix regarding this matter, I understand that the Board based its decision to not approve Phoenix's request for change of operator on the Lee 14-7 because Knox's attorneys claimed during the Board hearing on January 29, 2009 that their client had an ownership position in the Lee 14-7 well. Because Athena did not respond to Knox's attorneys claim, Athena's silence was incorrectly interpreted by the Board as a form of confirmation of Knox's attorneys claim. As I told Phoenix, Athena and Knox are embroiled in a legal dispute and Athena did not feel that it was advisable to respond to Knox's claims at this time given the ongoing legal action. Furthermore, I told Phoenix that I thought the purpose of Athena's appearance before the Board was to discuss whether or not the Board should revoke Athena's well bonds and not to get into discussions about matters that were outside the Board's scope and/that were not placed on the hearing's docket.

Furthermore, Knox's attorneys never provided the Board with any supporting evidence that substantiates their claim of an ownership position in the Lee 14-7 while I was in the Board's presence for what can only be obvious reasons, they have none. It appeared to me that Knox's attorneys sole purpose for speaking before the Board was to ultimately use the Board and the forum that the Board afforded them to further Knox's past practice of maliciously defaming and smearing Athena and its members reputations, both past and present.

As ownership in the Lee 14-7 seems to be of primary importance to the Board in their decision making process, let me clarify Athena's ownership position in the Lee 14-7. Please be advised that neither Red Maple Energy Inc. ("Red Maple"), the parent company of Athena, or Athena has ever had an ownership position in the Lee 14-7 well. Red Maple entered into a drill to earn agreement on the Lee 14-7 and utilized Athena as a contract operator on Red Maple's behalf because Athena was set up to conduct operations in Montana. Unfortunately, Red Maple fell into financial difficulties and as a result failed to meet the terms and conditions of the drill to earn agreement. Ultimately this led to Red Maple not earning any ownership position in the Lee 14-7.

In closing, I would like to apologize to the Board for their having been unwittingly dragged into the dispute between Athena and Knox through what I consider as poor professional conduct on the part of Knox's attorneys. If I can provide any further information to the Board that they feel would further support Athena's request, I can be contacted at 416-728-4221.

Sincerely,



Tim Getman

Cc: Phoenix Exploration Group, Inc.
File

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION

BRIAN SCHWEITZER, GOVERNOR

OIL AND GAS CONSERVATION DIVISION



STATE OF MONTANA

March 12, 2009

Athena Energy, LLC
305 W. Mercury, Suite 404
Butte, MT 59701

And

Phoenix Exploration Group, Inc.
3475 Monroe Avenue, Suite 101
Butte, MT 59701

Re: Change of operator request for the Lee 14-7 well, T 35 N, R 3 E, Section 7

Gentlemen:

Upon the advice of the Board's attorney the pending change of operator request for the Lee 14-7 well, API # 25-101-24061, has been referred to the board for its consideration at the April 1, 2009 business meeting.

Sincerely,

A handwritten signature in cursive script that reads "Nancy Lausch".

Nancy Lausch
Statistical Technician

cc: Steven W. Jennings, Crowley Fleck PLLP