

Madam Chairman, members of the Board.

For the record my name is Alan Olson, I am the executive director of the Montana Petroleum Association with offices in Helena and representing the oil and gas industry in Montana.

Once again I am coming before you to oppose the proposed notification rule. As this rule has progressed it seems to get farther out of whack at every meeting. What started as notification to households within a quarter of a mile from a proposed well has now morphed into notifying owners of essentially all occupied structures meaning any building suitable for human occupancy.

While I can empathize with the very few people that have been affected by oil and gas exploration within the proposed quarter mile notice, the ultimate decision of where a well will be placed rightfully belongs to the proposed developer in consultation with the affected the surface owner. The Board's willingness to address concerns brought by the public shows their concern to allow public participation in the rule making process. However this rule making process needs more transparency to allow all affected parties to take part in the rule drafting process. Closed door committees working on rule making does cause mistrust and ill will and only allowing comment during the business meetings public comment period does not offer the opportunity for constructive dialog.

I would be happy to answer any questions if clarification is needed.

Thank you.

Drilling Notice Draft Rule

August 10, 2016

Period of review: 1/1/2010 to 8/1/2016

Permits Issued	1520 (excludes tribal permits)
Locations within 1/4 mile of house	79 (based on revenue department records for dwelling)
Same surface owner for house and well pad	44 (home owner already receiving notice)
Different surface owner for house and well pad	35 (new notice)
% of permits effected by new rule	2.3%

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

In the matter of the adoption of New) NOTICE OF PUBLIC HEARING ON
Rule I pertaining to notification of an) PROPOSED ADOPTION
application for a permit to drill)

To: All Concerned Persons

1. On September XX, 2016, at 2:00 p.m., the Department of Natural Resources and Conservation and the Board of Oil and Gas Conservation will hold a public hearing at 2535 St. Johns Avenue, Billings, Montana, to consider the proposed adoption of the above-stated rule.

2. The department will make reasonable accommodations for persons with disabilities who wish to participate in this rulemaking process or need an alternative accessible format of this notice. If you require an accommodation, contact the department no later than September XX, 2016, to advise us of the nature of the accommodation that you need. Please contact Jim Halvorson, Montana Board of Oil and Gas Conservation, 2535 St. Johns Avenue, Billings, MT 59102; telephone (406) 656-0040; fax (406) 655-6015; e-mail jhalvorson@mt.gov.

3. The rule as proposed to be adopted provides as follows:

NEW RULE I. NOTIFICATION OF APPLICATION FOR PERMIT TO DRILL

(1) For the purposes of this section, "occupied structure" means any building suitable for human occupancy or for carrying on business, including a residence, school, office, or hospital, but not including outbuildings such as, but not limited to sheds, barns, or garages.

(2) An applicant for a permit to drill a new well under ARM 36.22.601 must provide reasonable notice of the intent to file an application to all owners of record of an occupied structure within 1 320 feet of the proposed well.

(a) The notice must advise each owner that the application is eligible for administrative approval unless a demand for an opportunity to be heard is filed with the board within 14 days of an owner having received the notice.

(b) The applicant must file proof of the notice required by this section with its application to the board.

(c) The owner may waive, in writing, their opportunity to request a hearing any time within the 14 day period. If waived, the application will be immediately eligible for administrative approval.

(3) The staff of the board shall refer an application for permit to drill to the board for notice and public hearing at the next regularly scheduled hearing if an owner of an occupied structure, as to any application for permit to drill for which the owner received

notice, files a demand for an opportunity to be heard concerning the application in the form set forth in subsection 5.

(4) In those instances where such requests for a permit to drill have been the subject of notice and public hearing, the board shall, after such hearing, either:

(a) Enter its order granting such permit under such conditions as the board shall find proper and necessary; or

(b) Enter its order denying the application for the permit.

(5) A demand for opportunity to be heard concerning an application for permit to drill for which notice is required must:

(a) Be in writing; and

(b) Set forth the name, address, and telephone number of each party making the demand, and demonstrate standing to demand an opportunity to be heard by providing a notarized, written statement declaring ownership of the occupied structure within 1,320 feet from the proposed well, which statement must include the owner's signature, the date of signature, and the declaration "I declare under penalty of perjury and under the laws of the state of Montana that the foregoing is true and correct"; and

(c) Set forth the specific reasons why the party requests a hearing regarding the issuance of the proposed drilling permit; and

(d) Be received by the board no later than 14 days after the date the notice is received by the owner. Service of such demand may be made on the board personally, by mail, by email, or by FAX transmission; and

(e) Be simultaneously served upon the applicant for the permit by written copy mailed or FAX transmitted to the address or number set forth in the published notice. A certificate of such service must accompany the demand as filed with the board.

AUTH: 82-11-111, MCA

IMP: 82-11-122, 82-11-127, 82-11-134, 82-11-141, MCA

REASON: The proposed new rule would require reasonable notice of proposed drilling operations to owners of record of occupied structures. The proposed new rule also would provide a process for those owners to demand a board hearing on the application for a permit to drill. Both the notice requirement and the opportunity for a hearing are proposed in response to public inquiries about the board establishing setback requirements for wells. After consideration of public comment during several board meetings, the board proposes this notification rule, not a specific setback rule. This proposed rule would allow the board to consider establishing conditions for issuance of a drilling permit near an occupied structure.

4. Concerned persons may submit their data, views, or arguments, either orally or in writing, at the hearing. Written data, views, or arguments may also be submitted in writing to Jim Halvorson, Montana Board of Oil and Gas Conservation, 2535 St. Johns Avenue, Billings, MT 59102; telephone (406) 656-0040; fax (406) 655-6015; or e-mail jhalvorson@mt.gov, and must be received no later than 5:00 p.m. on October 7, 2016.

5. Jim Halvorson, Board of Oil and Gas Conservation, has been designated to preside over and conduct the public hearing.

6. The department maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this agency. Persons who wish to have their name added to the list shall make a written request that includes the name, e-mail, and mailing address of the person to receive notices and specifies that the person wishes to receive notices regarding conservation districts and resource development, forestry, oil and gas conservation, trust land management, water resources, or a combination thereof. Notices will be sent by e-mail unless a mailing preference is noted in the request. Such written request may be mailed or delivered to **Lucy Richards**, P.O. Box 201601, 1625 Eleventh Avenue, Helena, MT 59620; fax (406) 444-2684; e-mail lrichards@mt.gov; or may be made by completing a request form at any rules hearing held by the department.

7. An electronic copy of this proposal notice is available through the department's web site at <http://www.dnrc.mt.gov>. The department strives to make the electronic copy of the notice conform to the official version of the notice, as printed in the Montana Administrative Register, but advises all concerned persons that in the event of a discrepancy between the official printed text of the notice and the electronic version of the notice, only the official printed text will be considered.

8. With regard to the requirements of 2-4-111, MCA, the department has determined that the adoption of the above-referenced rule will not significantly and directly impact small businesses.

/s/
LINDA NELSON
Board Chair
Montana Board of Oil and Gas Conservation

/s/
ROB STUTZ
Rule Reviewer

Certified to the Secretary of State **August 22, 2016**.

Montana Board of Oil & Gas Conservation
 PROPOSED Meeting Schedule



2017




JANUARY							FEBRUARY							MARCH						
S	M	T	W	TH	F	S	S	M	T	W	TH	F	S	S	M	T	W	TH	F	S
1	2	3	4	5	6	7			1	2	3	4				1	2	3	4	
8	9	10	11	12	13	14	5	6	7	8	9	10	11	5	6	7	8	9	10	11
15	16	17	18	19	20	21	12	13	14	15	16	17	18	12	13	14	15	16	17	18
22	23	24	25	26	27	28	19	20	21	22	23	24	25	19	20	21	22	23	24	25
29	30	31	26	27	28	26	27	28	29	30	31									

APRIL							MAY							JUNE						
S	M	T	W	TH	F	S	S	M	T	W	TH	F	S	S	M	T	W	TH	F	S
						1	1	2	3	4	5	6				1	2	3		
2	3	4	5	6	7	8	7	8	9	10	11	12	13	4	5	6	7	8	9	10
9	10	11	12	13	14	15	14	15	16	17	18	19	20	11	12	13	14	15	16	17
16	17	18	19	20	21	22	21	22	23	24	25	26	27	18	19	20	21	22	23	24
²³ / ₃₀	24	25	26	27	28	29	28	29	30	31	25	26	27	28	29	30				

JULY							AUGUST							SEPTEMBER						
S	M	T	W	TH	F	S	S	M	T	W	TH	F	S	S	M	T	W	TH	F	S
						1	1	2	3	4	5						1	2		
2	3	4	5	6	7	8	6	7	8	9	10	11	12	3	4	5	6	7	8	9
9	10	11	12	13	14	15	13	14	15	16	17	18	19	10	11	12	13	14	15	16
16	17	18	19	20	21	22	20	21	22	23	24	25	26	17	18	19	20	21	22	23
²³ / ₃₀	²⁴ / ₃₁	25	26	27	28	29	27	28	29	30	31	24	25	26	27	28	29	30		

OCTOBER							NOVEMBER							DECEMBER						
S	M	T	W	TH	F	S	S	M	T	W	TH	F	S	S	M	T	W	TH	F	S
1	2	3	4	5	6	7				1	2	3	4						1	2
8	9	10	11	12	13	14	5	6	7	8	9	10	11	3	4	5	6	7	8	9
15	16	17	18	19	20	21	12	13	14	15	16	17	18	10	11	12	13	14	15	16
22	23	24	25	26	27	28	19	20	21	22	23	24	25	17	18	19	20	21	22	23
29	30	31	26	27	28	29	30	²⁴ / ₃₁	25	26	27	28	29	30						

SCHEDULING CONFLICT  GWPC  IOGCC - UNKNOWN

FILING DEADLINE  MEETING/HEARING  HOLIDAY 

**MONTANA BOARD OF OIL AND GAS CONSERVATION
FINANCIAL STATEMENT**

As of 6/30/2016

Fiscal Year 2016: Percent of Year Elapsed - 100%

		Budget	Expends	Remaining	%
Regulatory	Personal Services	1,288,795	1,091,478	197,317	0.85
UIC	Personal Services	191,043	189,015	2,028	0.99
	Total Expends	1,479,838	1,280,493	199,345	0.87
Regulatory	Equipment & Assets	39,477	24,586	14,891	0.62
UIC	Equipment & Assets	17,073	5,397	11,676	0.32
	Total Expends	56,550	29,983	26,567	0.53
Regulatory	Contracted Services	175,279	99,398	75,881	0.57
	Supplies & Materials	48,500	43,197	5,303	0.89
	Communication	71,819	49,553	22,266	0.69
	Travel	38,000	30,847	7,153	0.81
	Rent	33,000	30,988	2,012	0.94
	Utilities	15,000	18,303	(3,303)	1.22
	Repair/Maintenance	15,620	30,053	(14,433)	1.92
	Other Expenses	20,000	18,095	1,905	0.90
	Total Operating Expenses	417,218	320,434	96,784	0.77
UIC	Contracted Services	14,976	12,085	2,891	0.81
	Supplies & Materials	12,561	7,099	5,462	0.57
	Communication	12,000	7,133	4,867	0.59
	Travel	9,213	4,700	4,513	0.51
	Rent	3,000	2,596	404	0.87
	Utilities	7,000	3,025	3,975	0.43
	Repair/Maintenance	9,000	3,885	5,115	0.43
	Other Expenses	13,876	6,201	7,675	0.45
	Total Operating Expenses	81,626	46,723	34,903	0.57
	Total Expends	498,844	367,157	131,687	0.74

	Budget	Expends	Remaining	%
Carryforward FY14				
Personal Services	20,331	-	20,331	0.00
Operating Expenses	30,497	-	30,497	0.00
Equipment & Assests	50,828	-	50,828	0.00
Total	101,656	-	101,656	0.00
Carryforward FY15				
Personal Services	40,249	-	40,249	0.00
Operating Expenses	80,497	-	80,497	0.00
Equipment & Assests	80,497	-	80,497	0.00
Total	201,243	-	201,243	0.00

Funding Breakout	Regulatory Budget	Regulatory Expends	UIC Budget	UIC Expends	2016 Total Budget	2016 Total Expends	%
State Special	1,745,490	1,436,499	289,742	241,135	2,035,232	1,677,634	0.82
Federal 2016 UIC (10-1-2015 to 9-30-2016)			109,000	53,472	109,000	53,472	0.49
Total	1,745,490	1,436,499	398,742	294,607	2,144,232	1,731,106	0.81

REVENUE INTO STATE SPECIAL REVENUE ACCOUNT as of 6/30/16

	FY 16	FY 15
Oil & Gas Production Tax	\$ 608,701	\$ 1,672,097
Oil Production Tax	563,672	1,550,985
Gas Production Tax	45,029	121,112
Drilling Permit Fees	15,025	39,925
UIC Permit Fees	239,600	231,890
Interest on Investments	10,513	5,616
Copies of Documents	1,407	4,448
Miscellaneous Reimbursements	37,500	13,000
TOTAL	\$ 912,746	\$ 3,639,073

REVENUE INTO DAMAGE MITIGATION ACCOUNT as of 6/30/16

	FY 16	FY 15
RIT Investment Earnings:	\$ 490,672	\$ -
June	-	-
July	-	-
August	-	-
September	49,110	-
October	40,670	-
November	37,753	-
December	49,344	-
January	37,052	-
February	37,189	-
March	47,949	-
April	35,271	-
May	36,482	-
June	119,853	-
Bond Forfeitures:	234,904	45,128
Cavalier Petroleum	15,000	-
Coastal Petroleum Company	50,000	-
Alturas Energy	50,000	-
Custom Carbon Processing, Inc.	20,000	-
Kelly Oil & Gas LLC (UIC wells)	30,000	-
Kelly Oil & Gas LLC (Producing wells)	50,000	-
Cavalier Petroleum	10,000	-
Miocene Oil & Gas	9,904	-
Interest on Investments	2,016	588
TOTAL	\$ 727,593	\$ 45,716

INVESTMENT ACCOUNT BALANCES as of 5/31/16

Regulatory Account	\$ 2,417,404
Damage Mitigation Account	\$ 991,722

REVENUE INTO GENERAL FUND FROM FINES as of 6/30/16

	FY 16
BENSUN ENERGY	7/17/15 \$ 120
CCG LLC / GRYNBERG, JACK	7/17/15 70
HOFLAND JAMES D. / J. H OIL COMPANY	7/17/15 210
ALTURAS ENERGY LLC	7/24/15 1,000
GRAY WOLF PRODUCTION COMPANY INC	7/24/15 100
ROARK, DANIEL/TINA / DANIELSON, PATRICIA	7/31/15 140
STATOIL OIL AND GAS LP	7/31/15 70
SONKAR INC	8/5/15 70
RIMROCK COLONY INC.	8/14/15 130
KLANIKA KENNETH / STATOIL OIL AND GAS LP	8/14/15 70
MONTANA OIL FIELD ADQUISITION	8/21/15 360
J BURNS BROWN OPERATING COMPANY	9/4/15 400
MONTANA LAND AND MINERAL COMPANY	10/2/15 60
BALKO INC	10/2/15 530
WINDY BUTTE RECLAMATION FACILITY LLC	10/30/15 120
HINTO ENERGY / HERICK, GARY J.	11/13/15 1,360
HINTO ENERGY / HERICK, GARY J.	12/11/15 20
KYKUIT RESOURCES LLC / OSAIR INC	12/14/15 1,520
DENBURY ONSHORE LLC	1/11/16 3,000
PINNACLE ENERGY GROUP LLC	4/4/16 90
COALRIDGE DISPOSAL AND PETROLEUM	4/8/16 140
JUSTICE SWD LLC	4/8/16 80
WHITING OIL AND GAS CORP	4/8/16 60
OASIS PETROLEUM NORTH AMERICA LLC	4/28/16 80
HAWLEY OIL LLP	4/29/16 560
YELLOWSTONE PETROLEUMS INC	5/6/16 70
TYLER ROCKIES EXPLORATION LTD	5/16/16 120
HAWLEY OIL LLP	6/3/16 90
KYKUIT RESOURCES LLC / SLEEPY HOLLOW OIL & GAS LLC	6/6/16 940
SHADWELL RESOURCES GROUP LLC	6/10/16 140
HINTO ENERGY / HERICK, GARY J.	6/24/16 300
TOTAL	\$ 12,020

GRANT BALANCES - 6/30/16

<u>Name</u>	<u>Authorized Amt*</u>	<u>Expended</u>	<u>Balance</u>	<u>Expiration Date</u>
2011 Southern - Tank Battery2 RIT 12-8723	\$ 204,951	\$ 170,173	\$ 34,778	9/30/2016
2011 Northern/Eastern RIT 13-8753	332,642	218,223	114,419	9/30/2016
TOTAL	\$ 537,593	\$ 388,397	\$ 149,196	

* includes match requirement for grant

CONTRACT BALANCES - 6/30/16

<u>Name</u>	<u>Authorized Amt</u>	<u>Expended</u>	<u>Balance</u>	<u>Status</u>	<u>Expiration Date</u>
MT Tech - Elm Coulee EOR Study (MOU 127220)	\$ 863,905	\$ 540,773	\$ 323,132	Under Contract	12/31/2017
MT Tech - Survey of Native Proppant (SNaP)	383,101	379,161	3,940	Completed	12/31/2015
Agency Legal Services (ALS - Legal) (ALS-2016)	50,000	43,461	6,539	Completed	6/30/2016
Automated Maintenance Services, Inc. (OG-AMS-149)	24,197	24,197	0	Completed	6/30/2016
Central Avenue Mall FY '16 (9/1/15 - 8/31/16)	400	400	-	Completed	8/31/2016
Central Avenue Mall FY '17 (9/1/16 - 8/31/17)	400	-	400	Under Contract	8/31/2017
HydroSolutions - EPA Primacy Class VI Injection (DNR12-2558T)	57,156	56,392	764	Completed	5/31/2016
Liquid Gold (Emergency install of No-Weld Control Equip for Kopp #1 well)	19,325	18,845	480	Completed	6/30/2016
Liquid Gold (Install Well Control Equipment for Kopp #1 Well)	24,864	17,090	7,774	Completed	12/31/2015
Kelly #1 Well	19,360	12,744	6,616	Completed	7/31/2016
Mad Dash Montana Delivery Courier	1,020	1,020	-	Completed	4/27/2016
TOTAL	\$ 1,443,728	\$ 1,094,083	\$ 349,645		

**Agency Legal Services
Expenditures in FY16**

<u>Case</u>	<u>Amt Spent</u>
BOGC Duties	\$ 31,417
Hekkel	663
CCRC	8,642
Omimex	1,226
Ostby	201
Malsam	1,311
Total	\$ 43,461

Montana Board of Oil and Gas Conservation Summary of Bond Activity

6/13/2016 Through 8/11/2016

Approved

Big Gully Oil, LLC Roundup MT	793 G5	Approved	6/30/2016
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$5,000.00	Wells Fargo Bank Montana	ACT
Big Gully Oil, LLC Roundup MT	793 G4	Approved	6/30/2016
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$5,000.00	Wells Fargo Bank Montana	ACT
Big Gully Oil, LLC Roundup MT	793 G6	Approved	6/30/2016
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$5,000.00	Wells Fargo Bank Montana	ACT
Caskey, Nevin R. Dutton MT	806 G1	Approved	7/13/2016
		Amount:	\$5,000.00
		Purpose:	Domestic Well Bond
Certificate of Deposit	\$5,000.00	Teton Banks	ACT
Forward Energy, LLC Mt. Juliet TN	492 G4	Approved	8/5/2016
		Amount:	\$10,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$10,000.00	FIRST INTERSTATE BANK	ACT
Forward Energy, LLC Mt. Juliet TN	492 G5	Approved	8/5/2016
		Amount:	\$10,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$10,000.00	FIRST BANK BILLINGS	ACT
Glick, Nelson N. and Clara Hardin MT	803 G1	Approved	6/28/2016
		Amount:	\$5,000.00
		Purpose:	Domestic Well Bond
Certificate of Deposit	\$5,000.00	FIRST INTERSTATE BANK	ACT
Mountain View Energy, Inc. Cut Bank MT	344 T7	Approved	7/7/2016
		Amount:	\$5,000.00
		Purpose:	UIC Limited Bond
Certificate of Deposit	\$5,000.00	FIRST INTERSTATE BANK	ACT
Phoenix Exploration Group, Inc. Butte MT	596 G3	Approved	7/7/2016
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$5,000.00	Opportunity Bank of Montana	ACT

Canceled

Cirque Resources LP Denver CO	583 M1	Canceled	7/6/2016
		Amount:	\$50,000.00
		Purpose:	Multiple Well Bond

**Montana Board of Oil and Gas Conservation
Summary of Bond Activity**

6/13/2016 Through 8/11/2016

Canceled

Devon Energy Production Co., LP Oklahoma City OK	286 M1	Canceled Amount: Purpose:	6/20/2016 \$50,000.00 Multiple Well Bond
Landtech Enterprises, LLC Sidney MT	4245 T4	Canceled Amount: Purpose:	7/28/2016 \$10,000.00 UIC Single Well Bond
Lizotte, Larry Hardin MT	4309 W1	Canceled Amount: Purpose:	6/28/2016 \$5,000.00 Domestic Well Bond
New Western Montana Oil and Gas Corp. Irvine CA	782 G1	Canceled Amount: Purpose:	8/5/2016 \$10,000.00 Single Well Bond
New Western Montana Oil and Gas Corp. Irvine CA	782 G2	Canceled Amount: Purpose:	8/5/2016 \$10,000.00 Single Well Bond
Whiting Oil and Gas Corporation Denver CO	404 U1	Canceled Amount: Purpose:	7/15/2016 \$50,000.00 UIC Limited Bond

Incident Report

Company	Responsibility	Date	Incident	Oil Released	Water Released	Source	Contained	Latitude	Longitud	County	T-R-S
Bad Water Disposal, LLP	BOG	1/3/2016	Spill or Release		1 Barrels	Tank or Tank Battery	Yes	47.67583	-104.05933	Richland	22N-60E-7 SESE
True Oil LLC	BOG	1/4/2016	Spill or Release	5 Barrels		Flow Line - Injection	Yes	47.69997	-104.22246	Richland	22N-58E-1 SENW
Vanguard Operating, LLC	BOG	1/4/2016	Spill or Release	30 Barrels		Treater	Yes	47.80845	-104.31887	Richland	24N-58E-30 SESE
Slawson Exploration Company Inc	BOG	1/5/2016	Spill or Release	25 Barrels		Well Head	Yes	47.60080	-104.16075	Richland	21N-59E-4 S2SW
Beren Corporation	BOG	1/6/2016	Spill or Release	10 Barrels		Tank or Tank Battery	Yes	48.89783	-112.33396	Glacier	36N-6W-12 NEN
Whiting Oil and Gas Corporation	BOG	1/13/2016	Spill or Release		70 Barrels	Trucking/Transportati	Yes	47.88042	-104.10357	Richland	25N-59E-33 NWN
Denbury Onshore, LLC	FED	1/15/2016	Spill or Release		30 Barrels	Flow Line - Production	No	46.42465	-104.31825	Fallon	8N-59E-26 NWN
Denbury Onshore, LLC	BOG	1/19/2016	Spill or Release	2 Barrels	6 Barrels	Flow Line - Production	No	46.64879	-104.47051	Fallon	10N-58E-6 SENW
Anadarko Minerals, Inc.	BOG	1/22/2016	Spill or Release		100 Barrels	Tank or Tank Battery	Yes	48.40199	-106.09383	Valley	31N-43E-35 SWN
Anadarko Minerals, Inc.	BOG	1/23/2016	Spill or Release	246 Barrels		Tank or Tank Battery	No	48.39135	-105.99121	Valley	30N-44E-3 NENW
Triangle USA Petroleum Corporation	BOG	1/24/2016	Spill or Release	21 Gallons		Treater	No	48.44814	-104.12378	Sheridan	31N-58E-12 SES
Slawson Exploration Company Inc	BOG	1/26/2016	Spill or Release		55 Barrels	Tank or Tank Battery	Yes	47.74773	-104.95982	Richland	23N-53E-18 SESE
Denbury Onshore, LLC	BOG	1/28/2016	Spill or Release		95 Barrels	Tank or Tank Battery	Yes	46.96400	104.77000	Dawson	14N-55E-17 SESE
XTO Energy Inc.	BOG	2/6/2016	Spill or Release	10 Barrels		Flare Pit	No	47.86640	-104.58588	Richland	24N-56E-6 NW
Montana Oil Field Acquisition I, LLC	BOG	2/9/2016	Spill or Release	25	100 Barrels	Tank or Tank Battery	No	48.13352	-112.19001	Pondera	28N-5W-36 SESW
Denbury Onshore, LLC	BOG	2/11/2016	Spill or Release		1 Barrels	Flow Line - Production	No	46.33495	-104.13515	Fallon	7N-61E-30 SWNW
Denbury Onshore, LLC	FED	2/12/2016	Spill or Release		20 Barrels	Flow Line - Production	Yes	46.73053	-104.56138	Wibaux	11N-57E-4 SWSW
Statoil Oil & Gas LP	BOG	2/12/2016	Spill or Release	5 Gallons		Flare Pit	No	48.01505	-104.14176	Richland	26N-59E-7 SESE
Anadarko Minerals, Inc.	BOG	2/17/2016	Spill or Release		50 Barrels	Tank or Tank Battery	Yes	48.35826	-105.87184	Valley	30N-45E-16 NENE
Denbury Onshore, LLC	BOG	2/17/2016	Spill or Release	2 Barrels		Well Head	Yes	45.13324	-105.06646	Powder River	8S-54E-23 NWNE
Denbury Onshore, LLC	BOG	2/18/2016	Spill or Release		5209 Barrels	Flow Line - Injection	No	46.62010	-104.45500	Fallon	10N-58E-17 NEN
Denbury Onshore, LLC	BOG	2/20/2016	Spill or Release		200 Barrels	Flow Line - Injection	No	46.72068	-104.52096	Wibaux	11N-57E-10 NESE
Denbury Onshore, LLC	BOG	2/22/2016	Spill or Release	5 Barrels	1 Barrels	Flow Line - Production	No	46.58160	-104.43094	Fallon	10N-58E-33 NEN
Abraxas Petroleum Corporation	BOG	2/23/2016	Spill or Release	10 Barrels		Treater	No	48.63004	-104.46446	Sheridan	33N-55E-12 SEN
Continental Resources Inc	BOG	2/28/2016	Fire			Flare Pit	No	47.93818	-104.67918	Richland	25N-54E-12 NENE
Denbury Onshore, LLC	BOG	2/29/2016	Spill or Release	3 Barrels	7 Barrels	Vessel/Container	Yes	46.39615	-104.25414	Fallon	8N-60E-32 SESW
Bayswater Exploration & Production, LLC	BOG	3/10/2016	Spill or Release		150 Barrels	Flow Line - Production	Yes	46.61965	-108.37834	Musselshell	10N-27E-19 NEN
Yellowstone Petroleums, Inc.	BOG	3/19/2016	Spill or Release	20 Barrels	100 Barrels	Tank or Tank Battery	No	48.75364	-112.02185	Toole	35N-3W-32 NWN
Montana Oil Field Acquisition I, LLC	BOG	3/28/2016	Fire	50 Barrels		Tank or Tank Battery	Yes	48.12988	-112.18730	Teton	27N-5W-1 NWNE
Denbury Onshore, LLC	BOG	4/8/2016	Spill or Release		100 Barrels	Flow Line - Injection	No	46.44315	-104.28404	Fallon	8N-59E-13 SE
Slawson Exploration Company Inc	BOG	4/11/2016	Spill or Release	70 Barrels		Tank or Tank Battery	No	47.83445	-104.87855	Richland	24N-53E-14 SWS
Denbury Onshore, LLC	BOG	4/12/2016	Spill or Release	5 Barrels	3 Barrels	Flow Line - Production	No	46.55239	-104.39942	Fallon	9N-58E-10 NENE
True Oil LLC	BOG	4/13/2016	Fire		1 Barrels	Tank or Tank Battery	Yes	47.95245	-104.22585	Richland	25N-58E-4 NENE
Vanguard Operating, LLC	BOG	4/15/2016	Fire			Treater	Yes	47.69387	-104.14448	Richland	22N-59E-4 NESE
Petro-Hunt, LLC	BOG	4/15/2016	Spill or Release		48 Barrels	Tank or Tank Battery	Yes	47.71549	-104.48523	Richland	23N-56E-36 NWN
Poor Boy Oil, LLP	BOG	4/20/2016	Spill or Release	1 Barrels	30 Barrels	Tank or Tank Battery	No	47.81771	-104.18282	Richland	24N-59E-29 NWN
Foundation Energy Management, LLC	BOG	4/23/2016	Spill or Release		100 Barrels	Well Head	Yes	48.29975	-104.51691	Roosevelt	29N-55E-1 NWN
Continental Resources Inc	BOG	5/2/2016	Fire			Flare Pit	Yes	47.89731	-104.41079	Richland	25N-57E-19 SES
Montana Oil Field Acquisition I, LLC	BOG	5/25/2016	Spill or Release	25 Barrels	100 Barrels	Tank or Tank Battery	No	48.81327	-111.96281	Toole	35N-3W-2 SESW
Somont Oil Company, Inc.	BOG	5/26/2016	Spill or Release	10 Barrels		Well Head	Yes	48.73232	-111.81937	Toole	34N-2W-2 NESE
Legacy Reserves Operating LP	BOG	6/2/2016	Fire			Treater	No	48.63085	-104.08340	Sheridan	33N-58E-11 SENE
Denbury Onshore, LLC	BOG	6/9/2016	Spill or Release	21 Gallons	10 Barrels	Flow Line - Production	No	46.62501	-104.45237	Fallon	10N-58E-17 NEN
Denbury Onshore, LLC	BOG	6/9/2016	Fire			Other	No	46.40367	-104.22031	Fallon	8N-60E-33 SENE

GAS FLARING

August 10, 2016

Company	Wells Flaring over 100	Wells Flaring over 100 w/o Exception	Current Exceptions (over 100)	Exception Requests	Wells over 100 Hooked to Pipeline
Continental	2	1	1	1	1
Petro-Hunt	3	0	3	0	0
Whiting	8	2	6	0	0
Totals	13	3	10	1	1

Flaring Requests

Summary

There are 13 wells flaring over 100 MCFG per day based on current production numbers.

10 of the 13 wells have approved exceptions due to distance, pipeline capacity issues, or time to connection.

There is 1 exception requested at this time.

Continental Resources –

Mabel 1-14H – API #25-083-23138, 26N-56E-14

1. Flaring 129 MCF/D. Third exception request.
2. Completed: 8/2013.
3. Estimated gas reserves: 271 MMCF.
4. Proximity to market: 300 ft to pipeline.
5. Estimated cost of marketing the gas: \$800,000.
6. Flaring alternatives: None.
7. Amount of gas used in lease operations: 32 MCF/D.
8. Justification to flare: Connection is dependent on connecting two other wells raising cost significantly. At this time it is not economic to connect.

Montana Oil Field Acquisition 1, LLC

Date: August 10, 2016

Regarding: Cleanup Efforts at the Montana A/MC Brownell/Haugen Leases

Dear John,

As you know, on June 15th, 2016 MOFA was given 45 days to get their leases that incurred incidents back into compliance with the MT Board of Oil & Gas. Due to unforeseen circumstances cleanup has not been completed at this time; this is not due to lack of action. Please see below progress at each lease and I hope leniency can be granted in regards to fines associated with current non-compliance.

Montana A

On February 9th, 2016, a quick dump valve was opened without authorization gushing gun barrel contents into the stock tank through lines that had been tampered with. As a result, 20 barrels of oil ended up on the ground surrounding the tank battery along with roughly 100 barrels of water.

In cleanup efforts, ten barrels of the spilled oil were preserved and added back to the stock tank with the remainder being mixed with dirt and hauled to landfill; it was dug down 2 inches.

The following efforts are in place to get the lease in compliance:

The contaminated area around the gun barrel and stock tanks will be raked up/removed and then fresh soil will be thrown down

Any pads left over in the water pit will be removed

All the dark oily spots on the property will be dug up with fresh soil thrown on top

Any junk/debris on the lease will be removed

Efforts since June 15th, 2016 – Lease is 90% complete

Tanks have been washed

In and round tank battery is clean

Piles of junk have been removed

Skim pit and water pit have ben cleaned

Remaining cleanup includes a couple areas where oil had migrated to

Lease should be complete shortly

MC Brownell

There were two workers on location. One was lighting the stock tanks in order to ship; the first tank lit fine but when the lit fire wand was placed into the second tank the fire pushed back and caught on the open valve. At that point both men ran, immediately called the fire department and made sure the area was evacuated. The fire was contained by the fire department and a report was filed with the sheriff. Both the fire department and sheriff have preliminarily suggested the fire started because of vandalism.

In efforts to clean up, immediately, the rogue oil was contained by building berms and some of it has since been sucked up and put in the stock tank to which gravel was then mixed in and removed. The MOFA team dug down to clean dirt and removed some contaminated matter which was hauled to landfill.

Estimated barrels of oil lost: 65

The following efforts are in place to get the lease in compliance:

The oily catch pit by Brownell #1 will be properly cleaned up

Berm will be built around gun barrel and stock tanks after free oil and contamination areas are cleaned up

All loose oil on the ground will be cleaned up and contaminated soils removed. Open stock tank hatches will be sealed shut

Efforts since June 15th, 2016 – Lease is 75% complete

All tanks have been washed out

Area surrounding tank battery as well as all locations on lease contaminated with loose oil has been removed to disposal. The only thing left to do is bring in fresh soil/gravel to bring grounds up to grade

In addition, there is a piece of equipment left by the previous lease owner that needs to be moved in order to clean up an old oil patch; relocation is in the works, once gone this last patch will be cleaned immediately

Haugen

On June 1, 2016, the Haugen tank battery was approached, oil was overflowing from the gun barrel and stock tanks; closed siphon being the cause. Further investigation revealed that the battery and solar panels were missing suggesting vandalism. Report has been filed with the Toole County Sheriff's office.

Immediate efforts to clean up included laying of pads to absorb any loose oil with continuing efforts to include bringing in a vac truck this week to get the remaining oil up and back into the stock tanks.

Estimated barrels of oil lost: 100

Estimated barrels of water lost: 75

The following efforts are in place to get the lease in compliance:

It is clearly evident the condition of this lease is dire and that not much work has been done as of yet

Oil in the skim pit will be removed and put back in the stock tank

Skim pit will be reclaimed once the oil is removed

The lower water pit will be skimmed with contaminated grass around the edge dug out

The trench from the skim pit to the water pit will be cleaned/dug up

The area around the tank battery and affected areas across the street will be cleaned of oil contamination

Siphon system has issues and will be evaluated as that is where the issue started

Efforts since June 15th, 2016 – Lease is 30% complete

Skim pits have been cleaned

Tanks have been washed
Propane tank has been washed
Soil removal needs to be implemented
Full time work at this lease should begin shortly

Please note the following in regards to all clean up efforts:

As cleanup has progressed (as of now most specifically with the MC Brownell), past issues that were not dealt with properly have been causing hindrances. These setbacks have been detrimental in getting things in order in a timely fashion.

The contractor hired to do the work is also a producer so needs to allot time to his own matters.

MOFA has fired the pumper who was operating leases at time of all incidents, currently employing competent labor to ensure leases are handled appropriately going forward.

At this time, MOFA is doing everything in their power to make sure they are in compliance with the Board of Oil & Gas as soon as possible.

Thank you,

Emmy Lambert
Vice President

*201 Route 17N, Suite 805
Rutherford, NJ 07070
201-842-7725*

August 10th, 2016**Black Gold Energy Resources Development**

Indian Mound 1 SWD
Section 15, Township 23N, Range 55E

A spill was reported to the field inspector by the lease operator on 6-28-2016. The spill was discovered by the landowner on 6-26-2016. Approximately 1200 bbls of produced water with a mixture of oil flowed 200 yards down a drainage. It was reported that 700 bbls of fluid was recovered.

- Incident report was not submitted to the Board of Oil and Gas.
- Substantial cleanup is still needed, no cleanup efforts taking place.



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