

**MONTANA BOARD OF OIL AND GAS CONSERVATION  
FINANCIAL STATEMENT  
As of 3/29/2017  
Fiscal Year 2017: Percent of Year Elapsed - 75%**

		Budget	Expends	Remaining	%
Regulatory	Personal Services	1,312,453	758,335	554,118	57.8
UIC	Personal Services	<u>211,630</u>	<u>150,653</u>	<u>60,977</u>	71.2
	<b>Total Expended</b>	<b>1,524,083</b>	<b>908,987</b>	<b>615,096</b>	<b>59.6</b>
Regulatory	Equipment & Assets	39,477	10,238	29,239	25.9
UIC	Equipment & Assets	<u>17,073</u>	<u>2,247</u>	<u>14,826</u>	13.2
	<b>Total Expended</b>	<b>56,550</b>	<b>12,485</b>	<b>44,065</b>	<b>22.1</b>
Regulatory	Operating Expenses:				
	Contracted Services	175,279	78,241	97,038	44.6
	Supplies & Materials	48,500	25,483	23,017	52.5
	Communication	49,835	29,466	20,369	59.1
	Travel	38,000	15,016	22,984	39.5
	Rent	33,000	17,219	15,781	52.2
	Utilities	20,615	12,237	8,378	59.4
	Repair/Maintenance	21,234	20,623	611	97.1
	Other Expenses	<u>25,614</u>	<u>14,714</u>	<u>10,900</u>	57.4
	<b>Total Operating Expenses</b>	<b>412,077</b>	<b>213,000</b>	<b>199,077</b>	<b>51.7</b>
UIC	Operating Expenses:				
	Contracted Services	16,152	11,078	5,074	68.6
	Supplies & Materials	12,561	4,673	7,888	37.2
	Communication	8,350	5,352	2,998	64.1
	Travel	9,213	1,605	7,608	17.4
	Rent	4,175	2,055	2,120	49.2
	Utilities	7,000	2,272	4,728	32.5
	Repair/Maintenance	9,000	4,255	4,745	47.3
	Other Expenses	<u>15,052</u>	<u>1,226</u>	<u>13,826</u>	8.1
	<b>Total Operating Expenses</b>	<b>81,503</b>	<b>32,516</b>	<b>48,987</b>	<b>39.9</b>
	<b>Total Expended</b>	<b>493,580</b>	<b>245,516</b>	<b>248,064</b>	<b>49.7</b>

	Budget	Expends	Remaining	%
Carryforward FY15				
Personal Services	40,249	-	40,249	0.0
Operating Expenses	80,497	-	80,497	0.0
Equipment & Assests	<u>80,497</u>	-	<u>80,497</u>	0.0
<b>Total</b>	<b>201,243</b>	<b>-</b>	<b>201,243</b>	<b>0.0</b>

Funding Breakout	Regulatory Budget	Regulatory Expends	UIC Budget	UIC Expends	2017 Total Budget	2017 Total Expends	%
State Special	1,764,007	981,573	310,206	185,415	2,074,213	1,166,988	56.3
Federal 2016 UIC (10-1-2015 to 9-30-2016)			108,000	108,000	108,000	108,000	100.0
Federal 2017 UIC (10-1-2016 to 9-30-2017)			<u>105,676</u>	-	<u>105,676</u>	-	0.0
<b>Total</b>	<b>1,764,007</b>	<b>981,573</b>	<b>523,882</b>	<b>293,415</b>	<b>2,287,889</b>	<b>1,274,988</b>	<b>55.7</b>

**REVENUE INTO STATE SPECIAL REVENUE ACCOUNT as of 3/29/17**

	FY 17	FY 16
Oil & Gas Production Tax	\$ 205,281	\$ 813,345
Oil Production Tax	186,806	758,083
Gas Production Tax	18,475	55,261
Drilling Permit Fees	9,100	15,025
UIC Permit Fees	242,800	239,600
Interest on Investments	6,214	10,513
Copies of Documents	268	1,407
Public Information Request	221	
Miscellaneous Reimbursements	-	37,500
<b>TOTAL</b>	<b>\$ 463,883</b>	<b>\$ 1,117,390</b>

**REVENUE INTO DAMAGE MITIGATION ACCOUNT as of 3/29/17**

	FY 17	FY 16
RIT Investment Earnings:	\$ -	\$ 490,672
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:	15,000	234,904
Interest on Investments	4,469	2,016
<b>TOTAL</b>	<b>\$ 19,469</b>	<b>\$ 1,218,264</b>

**INVESTMENT ACCOUNT BALANCES as of 3/29/17**

Regulatory Account	\$ 716,536
Damage Mitigation Account	\$ 970,079

**REVENUE INTO GENERAL FUND FROM FINES as of 3/29/17**

	FY 17
STEALTH ENERGY INC	7/1/16 \$ 1,420
ENERGY QUEST II LLC	7/8/16 80
HOFLAND JAMES D	7/8/16 70
MONTANA LAND AND MINERAL COMPANY	7/8/16 60
UNIT PETROLEUM COMPANY	7/8/16 60
VECTA OIL AND GAS LTD	7/8/16 60
TNT OIL LLC	7/15/16 60
STATOIL & GAS LP	8/1/16 420
RINCON OIL AND GAS LLC	8/19/16 70
MONTANA LAND AND EXPLORATION INC	9/2/16 60
WHITING OIL AND GAS CORP	9/9/16 250
GRASSY BUTTE LLC	9/16/16 70
TEMPEL CONTRACTING INC	9/16/16 80
SOLOMON EXPLORATION/SOLOMON, TED / GAIL	9/23/16 60
RANCH OIL CO INC	9/30/16 60
YELLOWSTONE PETROLEUMS INC	10/6/16 50
BRAINSTORM ENERGY INC	10/7/16 60
BRAINSTORM ENERGY INC	10/7/16 60
YELLOWSTONE PETROLEUMS INC	10/7/16 70
MOUNTAIN VIEW ENERGY INC	10/11/16 120
SHADWELL RESOURCES GROUP LLC	10/11/16 1,000
HERCO EXPLORATION LLC	10/14/16 70
COALRIDGE DISPOSAL AND PETROLEUM	10/21/2016 90
JUSTICE SWD LLC	10/21/2016 80
MONTANA OILFIELD ACQUISITION I LLC	10/28/2016 220
BALLANTYNE VENTURES LLC	11/4/2016 90
MCOIL MONTANA ONE LLC	11/9/2016 110
SLOHCIN INC	11/9/2016 70
WIND RIVER HYDROCARBONS	11/9/2016 70
SDOCO LLC	11/18/2016 60
SHADWELL RESOURCES GROUP LLC	11/18/2016 90
SEYMOUR OIL & GAS	12/5/2016 140
WHITING OIL AND GAS CORP	12/22/2016 250
BENSUN ENERGY LLC	1/9/2017 120
MOUNTAINVIEW ENERGY INC	1/10/2017 70
<b>HINTO ENERGY INC</b>	<b>1/30/2017 160</b>
<b>MONTANA LAND AND MINERAL COMPANY</b>	<b>1/30/2017 120</b>
<b>TYLER ROCKIES EXPLORATION LTD</b>	<b>1/30/2017 70</b>
<b>SEYMOUR OIL AND GAS</b>	<b>2/1/2017 1,380</b>
<b>HEAVY WATER HAULERS INC</b>	<b>2/1/2017 60</b>
<b>SLEEPY HOLLOW OIL / GAS LLC KYKUIT RESOURCES, LLC</b>	<b>2/2/2017 520</b>
<b>ABRAXAS PETROLEUM CORPORATION</b>	<b>2/17/2017 70</b>
<b>HAWLEY OIL LLP</b>	<b>2/24/2017 420</b>
<b>GUDINO SERVICES LLC / FAIRWAYS EXPLORATION AND PRODUCTION LL</b>	<b>3/3/2017 70</b>
<b>DRAWINGS LLC</b>	<b>3/3/2017 70</b>
<b>JP OIL INC / ANTELOPE RESOURCES INC</b>	<b>3/17/2017 260</b>
<b>TOTAL</b>	<b>\$ 8,970</b>

**GRANT BALANCES - 3/29/17**

<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	\$ 204,951	\$ -	9/30/2016
2011 Northern/Eastern RIT 13-8753	332,642	332,642	-	9/30/2016
<b>TOTAL</b>	<b>\$ 537,593</b>	<b>\$ 537,593</b>	<b>\$ -</b>	

\* includes match requirement for grant

**CONTRACT BALANCES - 3/29/17**

<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	\$ 591,180	\$ 272,725	Under Contract	12/31/2017
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	-	Completed	8/31/2017
Agency Legal Services 2017	70,000	34,784	35,216	Under Contract	6/30/2017
COR Enterprises - Billings Janitorial	15,188	10,600	4,588	Under Contract	6/30/2017
Kelly #1 Well	19,360	12,744	6,616	Completed	7/31/2016
Big Wall Site	18,451	18,450	-	Completed	9/30/2016
Re-Enter, Re-Plug, and Reclaim Kopp #1 Well	263,930	249,937	13,993	Completed	11/1/2016
Flack #1 Plugging	45,493	2,708	42,785	Under Contract	6/30/2017
O&G Plugging FY 2017 (A)	177,504	62,507	114,997	Under Contract	12/31/2017
<b>TOTAL</b>	<b>\$ 1,474,630</b>	<b>\$ 983,710</b>	<b>\$ 490,920</b>		

**Agency Legal Services  
Expenditures in FY17**

<u>Case</u>	<u>Amt Spent</u>
BOGC Duties	\$ 20,171
Hekkel	162
CCRC	866
Ostby	-
Interstate	3,486
Malsam	5,352
Hydraulic	4,747
<b>Total</b>	<b>\$ 34,784</b>



**PLUGGING PROJECTS & FIELD INSPECTOR SUMMARY**

April 4, 2017

**Inspector Training:**

811 One Call training. All Inspectors have completed this training. The training was presented throughout the state and the inspectors will be able to attend a class near their home towns. Also scheduled for this year will be the annual H2S re-certification course. State Lands personal also attend the H2S course held here at the billings office. There will be a driving class included again this year. Driving class schedules have just been released and signup is under way.

**Orphaned Well Flack #1 (Contracted):**

Contract is in place with an ending date of June 30, 2017. Weather has delayed the start of the project as a large amount of precipitation has been received in the area. Exploratory work was completed November 4, 2016 and work to plug and reclaim the well will commence as soon conditions allow.

**Orphaned Wells Kendrick #3, State E-2, Sprinkle #1 (Contracted):**

The wells in this project where combined into a 3 well package. The contract has an ending date of December 31, 2017. The Kendrick #3 in Big Horn County was plugged December 1, 2016. The contractor moved the service rig on March 28<sup>th</sup> to the State E-2 in Musselshell County. Weather permitting plugging operations should begin the week of April 3<sup>rd</sup>. Plugging operations on the Sprinkle #1 in Blain County are expected to start as soon as weather permits. The Sprinkle well is located in an alfalfa field and the ground is still wet and soft.

**Orphaned Well Beery 22-24 and Beery 2 (Out for Bid):**

Invitations for Bids have been posted on the State web-site. On-site meetings are scheduled for April 5<sup>th</sup>. Ownership of surface and downhole equipment remains to be determined. McCone County has no current tax liens on the personal property.

**Orphaned Well Danielson 1 (Out for Bid):**

Invitation for bid has been posted on the State web-site. The on-site meeting is scheduled for April 6<sup>th</sup>.

**Krone-Augusta 31-32 (Out for Bid):**

Request for Proposal (RFP) has been posted on the State web-site. The on-site meeting is scheduled for April 11<sup>th</sup>.

**Orphaned Well Goeddertz 1:**

Invitation for Bid has been completed. Posting on the State website is expected the week of April 3<sup>rd</sup>. The on-site meeting is scheduled for April 12<sup>th</sup>.

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

2/1/2017 Through 4/4/2017

### Approved

Hesla Oil, LLC Kevin MT	734 G9	Approved	3/29/2017
		Amount:	\$1,500.00
		Purpose:	Single Well Bond
Certificate of Deposit	\$1,500.00	FIRST STATE BANK OF SHELBY	ACT
Strategic Holdings LLC Bainville MT	817 T1	Approved	2/13/2017
		Amount:	\$10,126.00
		Purpose:	UIC Single Well Bond
Certificate of Deposit	\$10,125.78	STOCKMAN BANK, SIDNEY	ACT

### Canceled

Emerald Oil, Inc. Denver CO	771 M1	Canceled	4/3/2017
		Amount:	\$50,000.00
		Purpose:	Multiple Well Bond
Linn Operating Inc. Houston TX	568 M1	Canceled	2/22/2017
		Amount:	\$50,000.00
		Purpose:	Multiple Well Bond
Omimex Petroleum, Inc. Fort Worth TX	5585 M1	Canceled	2/22/2017
		Amount:	\$50,000.00
		Purpose:	Multiple Well Bond
PT Energy, LLC Choteau MT	484 L2	Canceled	3/13/2017
		Amount:	\$4,500.00
		Purpose:	Limited Bond
PT Energy, LLC Choteau MT	484 L1	Canceled	3/13/2017
		Amount:	\$10,000.00
		Purpose:	Single Well Bond
Windy Butte Reclamation Facility, LLC Bainville MT	695 T1	Canceled	2/13/2017
		Amount:	\$10,000.00
		Purpose:	UIC Single Well Bond

### Forfeited

McMinn Operating Company Hempstead TX	514 G2	Forfeited	2/10/2017
		Amount:	\$5,000.00
		Purpose:	Single Well Bond
Stratex Oil and Gas, Inc. Watertown CT	703 G1	Forfeited	2/13/2017
		Amount:	\$10,000.00
		Purpose:	Single Well Bond

### Instrument Change

Enerplus Resources USA Corporation Denver CO	118 T2	Instrument Change	3/13/2017
		Amount:	\$10,000.00
		Purpose:	UIC Single Well Bond
Surety Bond	\$10,000.00	Liberty Mutual Insurance Company	ACT

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

2/1/2017 Through 4/4/2017

**Instrument Change**

Enerplus Resources USA Corporation Denver CO	118 T1		Instrument Change	3/13/2017
			Amount:	\$10,000.00
			Purpose:	UIC Single Well Bond
Surety Bond	\$10,000.00	Liberty Mutual Insurance Company		ACT

Enerplus Resources USA Corporation Denver CO	118 M1		Instrument Change	3/13/2017
			Amount:	\$50,000.00
			Purpose:	Multiple Well Bond
Surety Bond	\$50,000.00	Liberty Mutual Insurance Company		ACT

**Letter Sent**

McMinn Operating Company Hempstead TX	514 G2		Letter Sent	2/6/2017
			Amount:	\$5,000.00
			Purpose:	Single Well Bond

Stratex Oil and Gas, Inc. Watertown CT	703 G1		Letter Sent	2/6/2017
			Amount:	\$10,000.00
			Purpose:	Single Well Bond

# Incident Report

Company	Responsibility	Date	Incident	Oil Released	Water Released	Source	Contained	Latitude	Longitud	County	T-R-S
Whiting Oil and Gas Corporation	BOG	1/4/2017	Spill or Release	10 Barrels		Tank or Tank Battery	Yes	47.95467	-104.25585	Richland	26N-58E-32 SWS
TAQA USA, Inc.	BOG	1/4/2017	Spill or Release	80 Barrels		Flow Line - Production	No	48.98073	-104.18007	Sheridan	37N-57E-10 NENE
Newfield Production Company	BOG	1/7/2017	Fire		70 Barrels	Tank or Tank Battery	No	47.62214	-104.14110	Richland	22N-59E-34 NWS
True Oil LLC	BOG	1/9/2017	Spill or Release	35 Barrels		Treater	No	47.95394	-104.24045	Richland	25N-58E-4 NENW
Anadarko Minerals, Inc.	BOG	1/12/2017	Spill or Release		10 Barrels	Flow Line - Injection	No	48.40195	-106.03544	Valley	31N-44E-32 SEN
Anadarko Minerals, Inc.	BOG	1/12/2017	Spill or Release		80 Barrels	Treater	Yes	48.42313	-106.08365	Valley	31N-43E-24 SWS
Rim Operating, Inc.	BOG	1/13/2017	Spill or Release		270 Barrels	Tank or Tank Battery	Yes	48.70257	-104.26715	Sheridan	34N-57E-16 SEN
Northern Oil Production, Inc.	BOG	1/18/2017	Fire			Treater	Yes	48.76938	-104.23923	Sheridan	35N-57E-22 SWS
Citation Oil & Gas Corp.	BOG	1/19/2017	Spill or Release	50 Barrels		Tank or Tank Battery	Yes	48.49539	-109.22854	Blaine	32N-19E-35 NEN
D & M Welding LLC	BOG	1/21/2017	Fire	100 Barrels	200 Barrels	Tank or Tank Battery	Yes	48.74675	-111.90339	Toole	35N-2W-32 NWS
EnergyQuest II, LLC	BOG	1/26/2017	Spill or Release	168 Barrels		Other	No	47.69809	-104.08484	Richland	22N-59E-1 SWNE
Somont Oil Company, Inc.	BOG	2/28/2017	Spill or Release	50 Barrels	30 Barrels	Tank or Tank Battery	No	48.71304	-111.78656	Toole	34N-1W-7 SESW
Landtech Enterprises, LLC	BOG	3/6/2017	Spill or Release		15 Barrels	Tank or Tank Battery	Yes	47.74963	-104.18180	Richland	23N-59E-17 SWS
MCR, LLC	BOG	3/15/2017	Spill or Release	80 Barrels		Tank or Tank Battery	No	48.94486	-111.17270	Liberty	37N-4E-23 SESW
Wesco Operating, Inc.	BOG	3/17/2017	Spill or Release		10 Barrels	Tank or Tank Battery	Yes	46.63594	-104.43111	Fallon	10N-58E-9 SENW
Carrell Oil Company Dbaco	FED	3/21/2017	Spill or Release			Well Head	No	47.06749	-107.99458	Petroleum	15N-29E-13 NWN
Abraxas Petroleum Corporation	BOG	3/30/2017	Spill or Release	1 Barrels		Well Head	Yes	47.74179	-104.18173	Richland	23N-59E-20 SWN
Brown, J. Burns Operating Company	VAR	3/31/2017	Spill or Release			Well Head	No	48.78181	-109.38038	Blaine	35N-18E-21 NWN

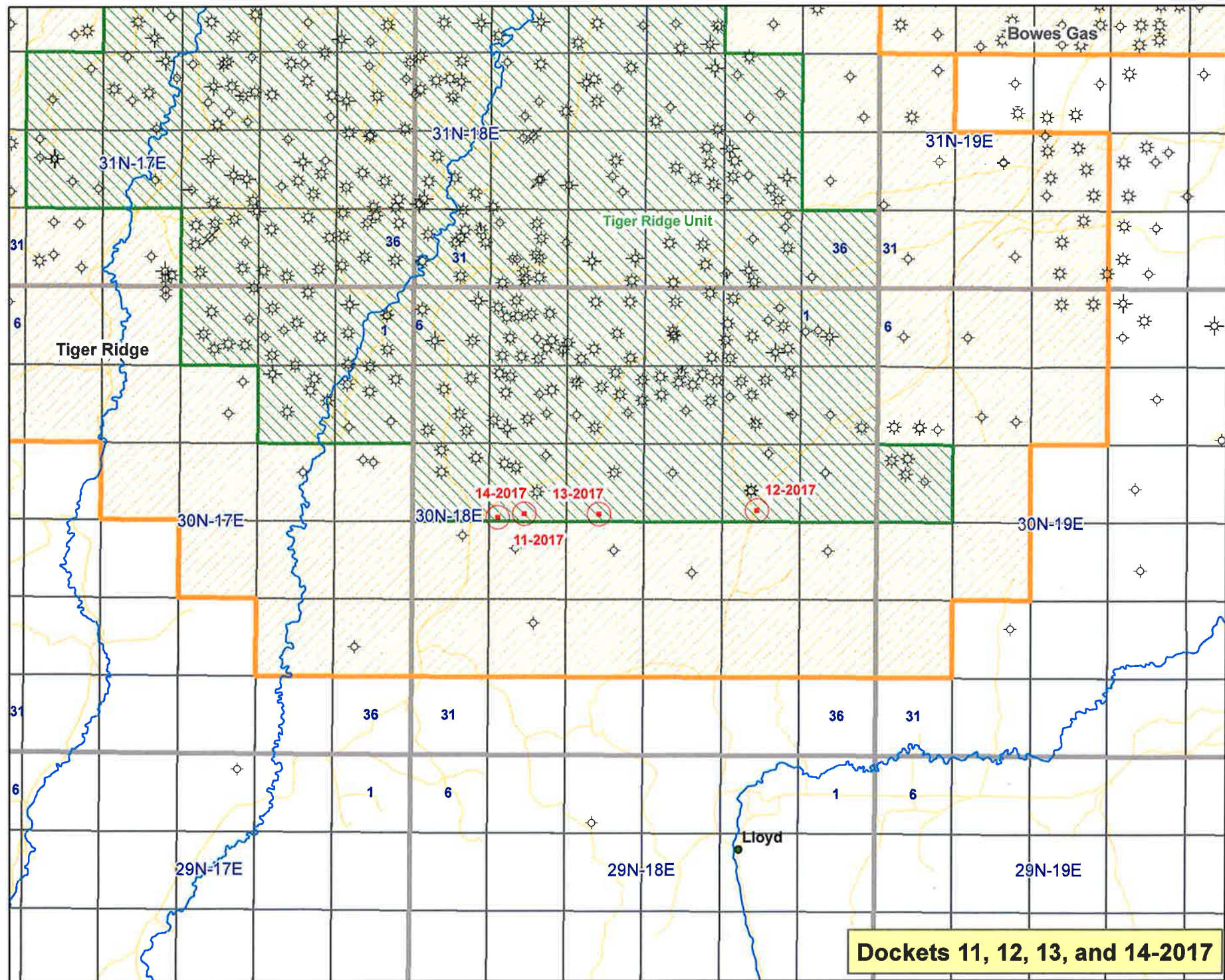


## Docket Summary

4/6/2017 Hearing

9-2017	Behm Energy, Inc.	Exception to statewide drilling and temporary spacing rules, approx depth 4,000 ft Sawtooth Formation test well, 35N-20E-27; SW SE. Well to be located approximately 70' from north boundary, 130' from east boundary of SW SE in Section 27. Application for permanent spacing upon successful completion. Default docket requested.	Withdrawn	Application withdrawn, email received 3/29/17.	<input type="checkbox"/>
10-2017	Montana Land & Exploration, Inc.	Exception to statewide drilling and temporary spacing rules, Niobrara Formation test well, 30N-17E-2: 1,914' FNL, 472' FWL. Application for permanent spacing upon successful completion. Default docket requested.	Withdrawn	Application withdrawn, email received 3/20/17.	<input type="checkbox"/>
11-2017	Montana Land & Exploration, Inc.	Exception to statewide drilling and temporary spacing rules, Muddy Formation natural gas test well, 30N-18E-17: 225' FSL, 636' FWL. Application for permanent spacing upon successful completion. Default docket requested.			<input type="checkbox"/>
12-2017	Montana Land & Exploration, Inc.	Exception to statewide drilling and temporary spacing rules, Cat Creek Formation test well, 30N-18E-14: 750' FSL, 2,386' FWL. Application for permanent spacing upon successful completion. Default docket requested.			<input type="checkbox"/>
13-2017	Montana Land & Exploration, Inc.	Exception to statewide drilling and temporary spacing rules, Cat Creek Formation test well, 30N-18E-16: 466' FSL, 2,271' FWL. Application for permanent spacing upon successful completion. Default docket requested.			<input type="checkbox"/>
14-2017	Montana Land & Exploration, Inc.	Exception to statewide drilling and temporary spacing rules, Cat Creek Formation test well, 30N-18E-17: 483' FSL, 2,441' FWL. Application for permanent spacing upon successful completion. Default docket requested.			<input type="checkbox"/>
15-2017	Montana Oil Field Acquisition I, LLC	Show Cause: why its wells should not be plugged and abandoned and why additional penalties should not be assessed for failure to file productions reports, to pay the outstanding fine of \$34,000, and to appear at the February 2, 2017, public hearing.			<input type="checkbox"/>
16-2017	Mountain Pacific General Inc.	Show Cause: appear and provide a plan for the plugging and abandonment of its wells at the Board's April 6, 2017, public hearing.			<input type="checkbox"/>
17-2017	Kykuit Resources, LLC	Show Cause: why additional penalties should not be imposed for failure to pay the \$520 administrative penalty assessed for delinquent reporting and for failure to pay the \$1,000 fine assessed for not appearing at the February 2, 2017, public hearing.		Docket republished to hear staff request to vacate penalty for failure to appear. Notice of violation initially sent to incorrect address, penalty was received the day of hearing.	<input type="checkbox"/>
18-2017	Antelope Resources, Inc.	Show Cause: failure to pay administrative fees assessed for delinquent reporting.	Dismissed	Fine received on 3/15/17 and docket was administratively dismissed under adopted delinquent reporting policy.	<input type="checkbox"/>

97-2015	Augusta Exploration, LLC	Show Cause: why its plugging and reclamation bond should not be forfeited for failure to provide a plan and timeline of its Krone-Augusta 31-32 well, API # 25-049-21111, located in Section 32, T18N-R5W, Lewis and Clark County, Montana.	<i>Action has been delayed due to lack of response from federal receiver. Approval for bond forfeiture may be received prior to the April hearing.</i>	<input type="checkbox"/>
48-2016	Shadwell Resources Group, LLC	Show Cause: why it should not have to complete or plug and abandon the Ft. Gilbert 3 SWD well (API # 25-083-21074) located in the SW NE of Section 32, T24N-R59E, Richland County, Montana prior to the April 6, 2017, public hearing and why it should not pay the \$2,000 fine for failure to complete or plug the well prior to the October 27, 2016, public hearing.	<i>Must have well plugged prior to April 6, 2017 hearing.</i>  <i>\$2,000 fine for not plugging well prior to 10/27/16 hearing.</i>	<input type="checkbox"/>
49-2016	Storm Cat Energy (USA) Operating Corporation	Show Cause: why it should not provide a plan and timeline for the plugging and abandonment or transfer of its three wells and why additional penalties should not be assessed for failure to pay the outstanding fine of \$1,340, and appear at the August 11, 2016, public hearing.	<i>Received call on 3/30/2017; bankruptcy court has not authorized the transfer of wells from Storm Cat to Summit Resources and no action can be taken until court approval. Remain issues primarily involve wells located in Wyoming. One fee well included in the initial board action has been transferred to the surface owner as a water well.</i>  <i>Staff will recommend continuance until June hearing date.</i>	<input type="checkbox"/>



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SENATE BILL NO. 299

INTRODUCED BY T. RICHMOND, P. CONNELL

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING PUBLIC DISCLOSURE OF FRACTURING FLUID INFORMATION IN OIL AND GAS OPERATIONS; ESTABLISHING INFORMATION TO BE DISCLOSED; ALLOWING AN OWNER, OPERATOR, OR SERVICE COMPANY TO REQUEST INFORMATION BE WITHHELD; DIRECTING THE ADMINISTRATOR OF THE BOARD OF OIL AND GAS CONSERVATION TO DETERMINE IF INFORMATION MAY BE WITHHELD; ESTABLISHING REQUIREMENTS TO REQUEST INFORMATION BE WITHHELD; ESTABLISHING A FEE; REQUIRING THE BOARD OF OIL AND GAS CONSERVATION TO AMEND ARM 36.22.608, 36.22.1015, AND 36.22.1016 RELATED TO DISCLOSURE OF FRACTURING FLUIDS; AMENDING SECTION 82-11-117, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

WHEREAS, Board of Oil and Gas Conservation rules related to the disclosure of fracturing fluids are made redundant by passage of this bill; and

WHEREAS, ARM 36.22.608 contradicts the provisions of this bill because a description of the requirements for a proposed well stimulation do not conform to the requirements which would be reflected in law; and

WHEREAS, ARM 36.22.1015 contradicts the provisions of this bill because disclosure of well stimulation fluids do not conform to the requirements which would be reflected in law; and

WHEREAS, ARM 36.22.1016 contradicts the provisions of this bill because options for the protection of proprietary chemicals and trade secrets do not conform to the requirements which would be reflected in law.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Legislative findings -- purpose.** The purpose of [sections 1 through 3] is to provide a fair process for disclosure of fracturing fluids to facilitate transparency, while protecting valuable trade secrets and allowing well owners, operators, and service companies to protect their right to obtain an advantage over competitors.



1           **NEW SECTION. Section 2. Fracturing fluid disclosure -- requirements.** (1) The board of oil and gas  
2 conservation shall require the disclosure of fracturing fluids in accordance with [section 3] and this section.

3           (2) The fracturing fluid disclosure required by subsection (1) must include:

4           (a) except as provided in [section 3], the chemical compound name and the chemical abstracts service  
5 registry number of the ingredients, including any hazardous component listed on a material safety data sheet as  
6 defined in 50-78-102, the product name, and the type of additives used; and

7           (b) the proposed rate or concentration for each ingredient or additive, which may be expressed as  
8 percent by weight, percent by volume, parts per million, or parts per billion.

9           (3) Except as provided in [section 3(4)(b)], the administrator shall post the information submitted pursuant  
10 to subsection (2) to the board of oil and gas conservation's website or to a website established for education and  
11 disclosure of fracturing fluids hosted by a nonprofit organization dedicated to ground water protection with  
12 members consisting of state ground water regulatory agencies, the interstate oil and gas compact commission,  
13 or both or their successors.

14           (4) For the purposes of this part the following definitions apply:

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

16           (b) "Fracturing" means the introduction of fluid that may carry in suspension a propping agent under  
17 pressure into a formation containing oil or gas for the purpose of creating cracks in the formation to serve as  
18 channels for fluids to move to or from the well bore.

19           (c) "Systems approach" means the reporting of the identity of chemicals separately from the additive  
20 products they go into or the reporting of fracturing chemicals without attribution to the specific products in the  
21 fracturing fluid.

22

23           **NEW SECTION. Section 3. Confidentiality request for trade secrets.** (1) (A) If the owner or operator  
24 or service company providing fracturing services for a well believes that disclosing the complete composition of  
25 the fracturing fluid, including a specific ingredient's identity, concentrations, or both required in accordance with  
26 [section 2(2)], will, if disclosed, reveal information entitled to protection as trade secrets as defined in 30-14-402  
27 that should be exempt from public disclosure, the owner, operator, or service company may request that the  
28 administrator withhold the information.

29           (B) WHEN AN OWNER, OPERATOR, OR SERVICE COMPANY REQUESTS THAT INFORMATION BE WITHHELD, THE  
30 DEPARTMENT SHALL CHARGE A FEE OF NO MORE THAN \$25 PER INGREDIENT OR CONCENTRATION FOR THE REQUEST.

1           (2) To meet the requirement of subsection (1), the owner, operator, or service company shall provide  
2 the administrator with information demonstrating all of the following:

3           (a) the ingredient identity, its concentrations, or both, as appropriate, has not appeared in a public source  
4 or been publicly disclosed pursuant to a:

5           (i) federal or state law or regulation;

6           (ii) professional trade publication; or

7           (iii) through any other media or publication available to the public or competing oil and gas owners,  
8 operators, or service companies;

9           (b) to what extent the identity of the ingredient, concentrations, or both, as appropriate, is known within  
10 a company and how the information is housed in the company and what steps employees, officers, agents, and  
11 directors take to prevent disclosure of the information;

12           (c) whether any other federal or state entity has determined that the ingredient identity, concentrations,  
13 or both, as appropriate, is not entitled to protection from public disclosure. A copy of the regulatory entity's  
14 determination, along with any explanation as to why the administrator should not make a similar determination,  
15 must be provided. Any information concerning prior requests for confidentiality that an owner, operator, or service  
16 company determines to be relevant also must be provided to the administrator;

17           (d) how the identity of the ingredient, its concentrations, or both, as appropriate, is commercially valuable  
18 to the owner, operator, or service company. A description of why the use of the ingredient, its concentrations, or  
19 both, as appropriate, is not common knowledge in the industry, including any novel or unusual aspects about the  
20 ingredient must be provided.

21           (e) the ease or difficulty with which the complete composition of the fracturing fluid, including the  
22 ingredient identity, concentrations, or both, as appropriate, could be determined because of public disclosure.  
23 The information must explain why a systems approach format would not adequately protect a proprietary interest.

24           (3) An owner, operator, or service company shall provide the administrator with a description of the  
25 investigation completed by the owner, operator, or service company to meet the requirements of subsection (2).

26           (4) (a) Within 5 days of receiving the information provided in accordance with subsection (2), the  
27 administrator shall determine whether an owner, operator, or service company must disclose the ingredient  
28 identity, concentrations, or both, as appropriate.

29           (b) If the administrator determines disclosure of the ingredient identity, concentrations, or both, as  
30 appropriate, is not required, the administrator shall:

1 (i) post the information required in accordance with [section 2] to the board of oil and gas conservation's  
2 website or to a website hosted by a nonprofit organization dedicated to ground water protection with members  
3 consisting of state ground water regulatory agencies, the interstate oil and gas compact commission, or both or  
4 their successors and redact the specific information about the ingredient identity, concentrations, or both, as  
5 appropriate, that the administrator has determined may be withheld from public disclosure in accordance with this  
6 section;

7 (ii) make available to the public the chemical family name in lieu of a specific chemical compound name  
8 and number for any ingredient, concentration, or both, as appropriate, that is being withheld; and

9 (iii) maintain the unredacted version of the information in the board of oil and gas conservation's  
10 confidential files.

11 (5) If the administrator makes a determination in accordance with subsection (4)(b) that information must  
12 be withheld from public disclosure, the owner, operator, or service company shall every 3 years update the  
13 information required in accordance with subsection (2) to confirm that the ingredient identity, concentrations, or  
14 both, as appropriate, has not been disclosed to the public in another forum.

15 (6) If an owner, operator, or service company disagrees with a determination by the administrator in  
16 accordance with subsections (1) through (5) that certain material will not be maintained as confidential, the owner,  
17 operator, or service company may file a declaratory judgment action in a court of competent jurisdiction to  
18 establish the existence of a trade secret if the owner, operator, or service company wishes the information to  
19 enjoy confidential status. The board must be served in the action and may intervene as a party. Information  
20 submitted to the board or administrator by an owner, operator, or service company and contested in accordance  
21 with this subsection may only be publicly disclosed after a determination is made by a court of competent  
22 jurisdiction. Information submitted in accordance with [section 2] must be treated in accordance with [sections  
23 1 and 2] and this section.

24

25 **NEW SECTION. Section 4. Board to amend rules.** The board of oil and gas conservation shall amend  
26 ARM 36.22.608, 36.22.1015, and 36.22.1016 as needed to comply with the requirements of [sections 1 through  
27 3].

28

29 **Section 5.** Section 82-11-117, MCA, is amended to read:

30 **"82-11-117. Confidentiality of records.** (1) Any Except as provided in subsection (4), any information

1 that is furnished to the board or the board's staff or that is obtained by either of them is a matter of public record  
 2 and open to public use. ~~However, any~~ Except as provided in subsection (4), information unique to the owner or  
 3 operator that would, if disclosed, reveal methods or processes entitled to protection as trade secrets must be  
 4 maintained as confidential if so determined by the board.

5 (2) If an owner, ~~or operator, or service company~~ disagrees with a determination by the board in  
 6 accordance with this section or by the administrator in accordance with [sections 1 through 3] that certain material  
 7 will not be maintained as confidential, the owner, ~~or operator, or service company~~ may file a declaratory judgment  
 8 action in a court of competent jurisdiction to establish the existence of a trade secret if the owner, ~~or operator,~~  
 9 or service company wishes the information to enjoy confidential status. The ~~department board~~ must be served  
 10 in the action and may intervene as a party. Information submitted to the board or administrator by an owner,  
 11 operator, or service company and contested in accordance with this subsection may only be publicly disclosed  
 12 after a determination is made by a court of competent jurisdiction.

13 (3) Any information not intended to be public when submitted to the board or the board's staff must be  
 14 submitted in writing and clearly marked as confidential.

15 (4) Information submitted in accordance with [section 2] must be treated in accordance with [sections 1  
 16 through 3].

17 ~~(4)(5)~~ Data describing physical and chemical characteristics of a liquid, gaseous, solid, or other  
 18 substance injected or discharged into state waters under this chapter or [sections 1 through 3] may not be  
 19 considered confidential.

20 ~~(5)(6)~~ The board may use any information in compiling or publishing analyses or summaries relating to  
 21 water pollution if the analyses or summaries do not identify the owner or operator or reveal any information that  
 22 is otherwise made confidential by this section."  
 23

24 NEW SECTION. Section 6. Codification instruction. [Sections 1 through 3] are intended to be codified  
 25 as an integral part of Title 82, chapter 10, part 1, and the provisions of Title 82, chapter 10, part 1, apply to  
 26 [sections 1 through 3].  
 27

28 NEW SECTION. Section 7. Effective date. [This act] is effective on passage and approval.  
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- END -



SENATE BILL NO. 93

INTRODUCED BY T. RICHMOND

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A BILL FOR AN ACT ENTITLED: "AN ACT REVISING OIL AND GAS OPERATIONS' NOTICE REQUIREMENTS; REQUIRING NOTICE BE PROVIDED TO CERTAIN PROPERTY OWNERS; DEFINING TERMS; REQUIRING NOTICE TO ALLOW FOR THE EVALUATION OF DRILLING AND COMPLETION OPERATIONS; AND AMENDING SECTIONS 82-10-502 AND 82-10-503, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 82-10-502, MCA, is amended to read:  
**"82-10-502. Definitions.** As used in this part, the following definitions apply:

(1) "Agricultural production" means the production of any growing grass, crops, or trees attached to the surface of the land or farm animals with commercial value.

(2) "Lost land value" means the value of the highest and best reasonably available use of the land directly utilized by oil and gas operations and production, other than uses appurtenant to the mineral estate.

- (3) "Occupied dwelling" means any permanent structure that is:
  - (a) designed to be primarily occupied by humans as a dwelling;
  - (b) being used for human habitation; and
  - (c) within 660 990 feet of a wellbore's surface location at a proposed drilling operation.

~~(3)~~(4) "Oil and gas developer or operator" means the person who acquires the oil and gas lease for the purpose of extracting oil and gas.

~~(4)~~(5) "Oil and gas estate" means an estate in or ownership of all or part of the oil and gas underlying a specified tract of land.

~~(5)~~(6) "Oil and gas operations" means the exploration for or drilling of an oil and gas well that requires entry upon the surface estate and is begun subsequent to June 1, 1981, and the production operations directly related to the exploration or drilling.

~~(6)~~(7) "Reasonably available use" means the present use or a future use for which a permit, if necessary, has been issued under applicable law.

~~(7)~~(8) "Surface owner" means the person who holds record title to or has a purchaser's interest in the



1 surface of the land."

2

3 **Section 2.** Section 82-10-503, MCA, is amended to read:

4 **"82-10-503. Notice of drilling and completion operations.** (1) In addition to the requirements for  
5 geophysical exploration activities governed by Title 82, chapter 1, part 1, the oil and gas developer or operator  
6 shall give the surface owner, the owner of an occupied dwelling, and any purchaser under contract for deed  
7 written notice of the drilling and completion operations that the oil and gas developer or operator plans to  
8 undertake. The notice must be given to the record surface owner, the owner of an occupied dwelling, and any  
9 purchaser under contract for deed at their addresses as shown by the records of the county clerk and recorder  
10 at the time the notice is given. The notice must include a copy of this part and, if available, a current publication  
11 produced by the environmental quality council entitled "A Guide to Split Estates in Oil and Gas Development".  
12 The notice must sufficiently disclose the plan of work and operations to enable the surface owner or the owner  
13 of an occupied dwelling to evaluate the effect of drilling and completion operations on the surface owner's or the  
14 occupied dwelling owner's use of the property. The notice must be given no more than 180 days and no fewer  
15 than 20 days before any activity that disturbs the land surface. The surface owner or the owner of an occupied  
16 dwelling may waive the notice requirement.

17 (2) The surface owner or the owner of an occupied dwelling is responsible for providing the name and  
18 address of the oil and gas developer or operator to any lessees, tenants, or other parties responsible for surface  
19 operations on the property.

20 (3) Prior to the oil and gas developer or operator providing the notice required in subsection (1), a person  
21 qualified under 70-16-111 may enter the land to investigate and use boundary evidence and perform boundary,  
22 well site location, and access road surveys if the notice requirements of 70-16-111 are met. However, the oil and  
23 gas developer or operator shall provide the notice required pursuant to subsection (1) prior to any activity that  
24 disturbs the land surface."

25

- END -

## 1 HOUSE BILL NO. 648

2 INTRODUCED BY C. GLIMM

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING TRANSFERS AND OTHER NECESSARY  
 5 MEASURES TO IMPLEMENT THE GENERAL APPROPRIATIONS ACT; CLARIFYING ALLOCATIONS OF THE  
 6 COAL SEVERANCE TAX; ESTABLISHING AN ENTERPRISE FUND FOR DEPOSIT OF FEES FOR CERTAIN  
 7 SERVICES PROVIDED BY THE DEPARTMENT OF LIVESTOCK; CLARIFYING FUNDING SOURCES FOR  
 8 LIEN PURCHASES; ~~DIRECTING COAL SEVERANCE TAX TO THE GENERAL FUND FOR STATUTORY~~  
 9 ~~APPROPRIATION TO THE PENSION SYSTEM; PROVIDING FOR A STATUTORY APPROPRIATION;~~  
 10 AMENDING SECTIONS 15-35-108, ~~47-7-502~~, 81-2-102, 85-1-615, AND 90-6-1001, MCA; AND PROVIDING  
 11 EFFECTIVE DATES."

12

13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14

15 NEW SECTION. Section 1. Fund transfers. By August 15, 2017, the state treasurer shall make the  
 16 following transfers from **the oil and gas production damage mitigation account:**

17

(1) \$120,000 to the ground water assessment account established in 85-2-905;

18

(2) \$30,000 to the department of fish, wildlife, and parks for the purposes of 87-1-283; and

19

(3) \$165,000 to the hazardous waste/CERCLA special revenue account provided for in 75-10-621.

20

21 NEW SECTION. Section 2. Fund transfer. By [10 days after the effective date of this section], the state  
 22 treasurer shall transfer \$2 million from the account provided for in 75-10-532 for junk vehicles to the natural  
 23 resources operations state special revenue account established in 15-38-301.

24

25 ~~NEW SECTION. Section 3. Supplemental state contribution -- appropriation.~~ (1) (a) For the fiscal  
 26 year beginning July 1, 2018, the state shall contribute \$31.386 million and for the fiscal year beginning July 1,  
 27 2019, the state shall contribute \$31.958 million from the general fund to the public employees' retirement system  
 28 pension trust as a supplemental contribution to the public employees' retirement system.

29

~~(b) Starting in the fiscal year beginning July 1, 2019, and each fiscal year thereafter, the state shall  
 30 contribute from the general fund to the public employees' retirement system pension trust 101% of the~~