

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING
December 13 & 14, 2017

CALL TO ORDER

The regular business meeting of the Montana Board of Oil and Gas Conservation was called to order by Vice Chairman Steven Durrett at 2:00 p.m., Wednesday, December 13, 2017, at its office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Vice Chairman Steven Durrett, Paul Gatzemeier, Mac McDermott, Peggy Ames-Nerud, and Dennis Trudell. Staff present was Jennifer Breton, John Gizicki, Jim Halvorson, George Hudak, Ben Jones, and Rob Stutz. Chairman Ron Efta and Board member Corey Welter were absent.

APPROVAL OF MINUTES

A motion was made by Mr. Gatzemeier, seconded by Mr. Trudell and unanimously passed, to approve the minutes of the October 25, 2017, business meeting.

PUBLIC COMMENT ON AGENDA AND NON-AGENDA ITEMS

Ms. Susann Beug, member of Northern Plains Resource Council and Carbon County Resource Council, requested that the Board establish a timeline for the hydraulic fracturing rulemaking process that includes deadlines for public comment.

Mr. Stutz handed out a letter from Earthjustice that also had a similar request for a timeline and deadlines for submitting written comments from the public. Earthjustice also requested a defined opportunity for public comment prior to the Board drafting the proposed rule. The letter is attached as Exhibit 1.

Vice Chairman Durrett noted there will be plenty of opportunities for comment before the rule proposal.

RULEMAKING UPDATE

Vice Chairman Durrett reviewed, from a previous meeting, the volunteers for the hydraulic fracturing subcommittee. The volunteers were Mr. Gatzemeier, Mr. Trudell, and Mr. Welter. All volunteers agreed to be a part of the hydraulic fracturing subcommittee. The subcommittee will meet with staff several times to come up with a recommendation for the Board. The subcommittee planned to meet before the next business meeting and will try to have a recommendation for the Board.

Mr. Trudell noted that a recommendation at the next hearing might be difficult, due to the timing of the year.

Mr. Halvorson handed out a guideline that lays out the steps for the Board's subcommittee and the steps for the rulemaking process, attached as Exhibit 2. The subcommittee will review the specific changes that are required by SB 299 and review the forms that require updating or removal.

FINANCIAL REPORT

Mrs. Breton discussed the financial statement, attached as Exhibit 3.

Mr. Halvorson reviewed the Board's \$107,000 in FY16 carryforward authority. The Board does not have a specific need for the carryforward at this time, so Mr. Halvorson requested the authority to give the carryforward authority to the Director's office if the need arises.

Motion: Mr. Gatzemeier made the motion to approve the recommendation. Mr. Trudell seconded and the motion passed unanimously.

Vehicle purchases are not allowed this fiscal year.

PLUGGING AND RECLAMATION PROGRAM UPDATE

The Beery 2 and the Beery 22-24 orphan wells were plugged and now requires surface reclamation.

The Augusta well plugging contract in the amount of \$600,000 was approved by the Director of the Department of Natural Resources Conservation. The well is anticipated to be plugged in the spring of 2018.

BOND SUMMARY & INCIDENT REPORT

Mr. Halvorson presented the bond report and the incident report, attached as Exhibit 4 & 5.

DOCKET SUMMARY

Mr. Halvorson presented the docket summary, attached as Exhibit 6.

GAS FLARING EXCEPTIONS

Mr. Jones stated there are three wells flaring in excess of 100 MCFG/day with approved flaring exception requests from the October meeting. There are no new exceptions at this time.

STAFF REPORTS

Rob Stutz

Mr. Stutz gave a litigation update. In the MEIC / Earthjustice lawsuit against the Board, the case is continued and the Board provides status reports to the court.

OTHER BUSINESS

Mr. Trudell requested that the 2018 public hearings start at 9:00 a.m.

Motion: Mr. Trudell made the motion to change the public hearing start time from 8 a.m. to 9 a.m. Mr. Gatzemeier seconded and the motion passed unanimously.

Mr. Halvorson handed out a pricing sheet on baseline water quality testing provided by Energy Laboratories, attached as Exhibit 7.

The Board's 2018 public hearing schedule is attached as Exhibit 8.

PUBLIC HEARING

The Board reconvened on Thursday, December 14, 2017, at 8:00 a.m. at the Board's hearing room at its office at 2535 St. Johns Avenue in Billings, Montana, to hear the matters docketed for public hearing. As a result of the discussion, testimony, technical data, and other evidence placed before the Board, the following action was taken in each matter.

Docket 63-2017 – A motion was made by Mr. Trudell, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 68-2017.

Docket 64-2017 – A motion was made by Ms. Ames-Nerud, seconded by Mr. Trudell and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 69-2017.

Docket 65-2017 – A motion was made by Mr. Trudell, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 70-2017.

Docket 66-2017 – The application of Kraken Oil & Gas LLC was withdrawn.

Docket 67-2017 – The application of Kraken Oil & Gas LLC was withdrawn.

Docket 68-2017 – The application of Kraken Oil & Gas LLC was withdrawn.

Docket 69-2017 – The application of Kraken Oil & Gas LLC was withdrawn.

Docket 70-2017 – The application of Kraken Oil & Gas LLC was withdrawn.

Docket 71-2017 – The application of Kraken Oil & Gas LLC was withdrawn.

Docket 72-2017 – The application of Kraken Oil & Gas LLC was withdrawn.

Docket 73-2017 – The application of Balko Inc. was continued to the February 2018 hearing.

Docket 74-2017 – The application of Balko Inc. was continued to the February 2018 hearing.

Docket 75-2017 – A motion was made by Mr. Gatzemeier, seconded by Ms. Ames-Nerud and unanimously passed that Stealth Energy USA, Inc. begin to plug and abandon its wells prior to the February 15, 2018, public hearing. The failure to begin to plug and abandon the wells as required by this order may result in forfeiture of the plugging and reclamation bond in its entirety, as permitted by § 82-11-123(5), MCA. This is set forth in Board Order 71-2017.

Docket 76-2017 – A motion was made by Mr. Trudell, seconded by Ms. Ames-Nerud and unanimously passed that Bensun Energy, LLC immediately cease operation of its wells until violations are remedied and authorization to resume production is granted by the Board's administrator. The wells operated by Bensun that are subject to the order are:

Loucks 33-27	API # 25-091-21676
Bedwell 33-52 1-1H	API # 25-091-21920
Gartner Denowh 31-7H	API # 25-083-21846
Richardson 25 1	API # 25-091-21852
Richardson 30 1	API # 25-091-21856
Friedrich Trust 31 1	API # 25-091-21859

Bensun was fined \$1,000 for failure to appear at the December 14, 2017, public hearing and Docket 76-2017 was continued until the February 15, 2018, public hearing. This is set forth in Board Order 72-2017.

Docket 77-2017 –A motion was made by Mr. Gatzemeier, seconded by Mr. Trudell and unanimously passed to continue Docket 77-2017, Hinto Energy, LLC, until the February 15, 2018, public hearing. This is set forth in Board Order 73-2017.

Docket 60-2017 – A motion was made by Mr. Gatzemeier, seconded by Mr. McDermott and unanimously passed that Black Gold Energy Resource Development, LLC injection permit for the Indian Mound 1 SWD well located in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 15, T23N, R55E, Richland County, Montana is temporarily reinstated for a year for disposal of fluid on location. Commercial injection into the well is not permitted. Black Gold must submit an updated written plan of action to remedy the violations at the Indian Mound 1 well within one week of this order. Docket 60-2017 is continued until the February 15, 2018, public hearing. This is set forth in Board Order 74-2017.

NEXT MEETINGS

The next business meeting of the Board will be Wednesday, February 14, 2018, at 2:00 p.m. at the Board's hearing room at its office at 2535 St. Johns Avenue in Billings, Montana. The next regular public hearing will be Thursday, February 15, 2018, beginning at 9:00 a.m. at the Board's hearing room at its office at the 2535 St. Johns Avenue in Billings, Montana. The filing deadline for the February 15, public hearing is January 11, 2018.

BOARD OF OIL AND GAS CONSERVATION OF THE STATE OF MONTANA

Steven Durrett, Vice-Chairman
Paul Gatzemeier, Board Member
Mac McDermott, Board Member
Peggy Ames-Nerud, Board Member
Dennis Trudell, Board Member

ATTEST:

Jennifer Breton, Program Specialist