

MONTANA BOARD OF OIL AND GAS CONSERVATION
FINANCIAL STATEMENT

As of 2/8/18

Fiscal Year 2018: Percent of Year Elapsed - 61%

		Budget	Expends	Remaining	%
Regulatory	Personal Services	1,155,411	392,567	762,844	34.0
UIC	Personal Services	<u>253,626</u>	<u>106,240</u>	<u>147,386</u>	41.9
	Total Expended	1,409,037	498,807	910,230	35.4
Regulatory	Equipment & Assets	46,371	-	46,371	0.0
UIC	Equipment & Assets	<u>10,179</u>	-	<u>10,179</u>	0.0
	Total Expended	56,550	-	56,550	0.0
Regulatory	Operating Expenses:				
	Contracted Services	166,680	47,782	118,898	28.7
	Supplies & Materials	46,745	18,926	27,820	40.5
	Communication	63,336	25,282	38,054	39.9
	Travel	36,206	11,934	24,272	33.0
	Rent	25,877	11,906	13,971	46.0
	Utilities	16,394	8,366	8,028	51.0
	Repair/Maintenance	24,633	15,246	9,387	61.9
	Other Expenses	<u>26,215</u>	<u>16,206</u>	<u>10,009</u>	61.8
	Total Operating Expenses	406,086	155,648	250,438	38.3
UIC	Operating Expenses:				
	Contracted Services	36,587	6,214	30,373	17.0
	Supplies & Materials	10,262	4,560	5,701	44.4
	Communication	13,903	4,730	9,173	34.0
	Travel	7,948	1,579	6,369	19.9
	Rent	5,680	1,578	4,102	27.8
	Utilities	3,599	1,283	2,316	35.6
	Repair/Maintenance	5,407	2,985	2,422	55.2
	Other Expenses	<u>5,755</u>	<u>1,758</u>	<u>3,997</u>	30.5
	Total Operating Expenses	89,140	24,687	64,453	27.7
	Total Expended	495,226	180,336	314,891	36.4

	Budget	Expends	Remaining	%
Carryforward FY16				
Personal Services	21,416	-	21,416	0.0
Operating Expenses	42,833	-	42,833	0.0
Equipment & Assests	<u>42,833</u>	-	<u>42,833</u>	0.0
Total	107,082	-	107,082	0.0
Carryforward FY17				
Personal Services	63,132	-	63,132	0.0
Operating Expenses	63,132	-	63,132	0.0
Equipment & Assests	<u>30,000</u>	-	<u>30,000</u>	0.0
Total	156,264	-	156,264	0.0

Funding Breakout	Regulatory Budget	Regulatory Expends	UIC Budget	UIC Expends	2018 Total Budget	2018 Total Expends	%
State Special	1,607,868	548,215	352,945	130,928	1,960,813	679,143	34.6
Federal	-	-	96,432	54,852	96,432	54,852	56.9
Total	1,607,868	548,215	449,377	185,780	2,057,245	733,995	35.7

REVENUE INTO STATE SPECIAL REVENUE ACCOUNT

	FY 18	FY 17
Oil & Gas Production Tax	\$ 767,805	\$ 2,399,050
Oil Production Tax	667,990	2,210,579
Gas Production Tax	99,815	188,471
Drilling Permit Fees	7,675	12,575
UIC Permit Fees	237,000	242,800
Interest on Investments	3,085	8,826
Copies of Documents	274	541
Public Information Request	-	221
Miscellaneous Reimbursements	23,045	6,801
TOTAL	\$ 1,038,884	\$ 2,670,814

REVENUE INTO DAMAGE MITIGATION ACCOUNT

	FY 18	FY 17
RIT Investment Earnings:	\$ 65,731	\$ -
July	-	-
August	12,531	-
September	9,947	-
October	10,149	-
November	12,509	-
December	10,203	-
January	10,392	-
February	-	-
March	-	-
April	-	-
May	-	-
June	-	-
Bond Forfeitures:	160,381	15,000
Interest on Investments	4,478	7,562
TOTAL	\$ 230,590	\$ 22,562

INVESTMENT ACCOUNT BALANCES

Regulatory Account	\$ 1,256,074
Damage Mitigation Account	\$ 823,337

REVENUE INTO GENERAL FUND FROM FINES

	FY 18
ROLAND OIL AND GAS	7/7/2017 \$ 110
EAGLE CREEK COLONY INC	7/14/2017 140
MONTANA LAND AND MINERAL COMPANY	9/8/2017 60
HAWLEY OIL LLP	9/22/2017 250
NINE POINT ENERGY LLC	9/22/2017 110
PETRO-HUNT LLC	9/22/2017 250
SCOUT ENERGY MANAGEMENT LLC	9/22/2017 2,730
PINNACLE ENERGY GROUP LLC	9/29/2017 90
GALUSKA GEORGE AND BARBARA REVOCABLE TRUST	10/13/2017 130
HIGHLANDS NATURAL RESOURCES CORP / HIGHLANDS MONTANA CORP.	10/20/2017 60
SHADWELL RESOURCES GROUP LLC	10/20/2017 70
CARRELL OIL COMPANY	10/26/2017 370
COALRIDGE DISPOSAL AND PETROLEUM	10/27/2017 80
DALCO INC CROW NUMBER 1 / LOREN P SMITH AND CHAS P FOSTER	10/27/2017 70
JUSTICE SWD LLC	10/27/2017 70
MONTANA PALLET ART AND DESIGN / BENSUN ENERGY LLC	10/31/2017 1,260
SOAP CREEK ASSOCIATES LLC	11/9/2017 110
SOLOMON EXPLORATION / SOLOMON, TED/GAIL	11/9/2017 70
DRAWINGS LLC	11/17/2017 70
THREE FORKS RESOURCES LLC	11/17/2017 70
HOFLAND, JAMES D	11/22/2017 140
MISC OIL CO	12/21/2017 60
AB ENERGY LLC	12/26/2017 90
BRAINSTORM ENERGY INC	1/5/2018 60
HERCO LLC	1/5/2018 70
YOUNG BROS LLC / GRASSY BUTTE LLC	1/12/2018 70
HIGHLINE EXPLORATION INC	2/1/2018 980
TOTAL	\$ 7,640

DAMAGE MITIGATION CONTRACTS

<u>Name</u>	<u>Authorized Amt</u>	<u>Expended</u>	<u>Balance</u>	<u>Status</u>	<u>Expiration Date</u>
Flack #1 Plugging	\$ 50,356	\$ 49,098	\$ 1,258	Completed	12/31/2017
Danielson 1 Well Plug and Reclaim	23,805	21,306	2,499	Completed	6/30/2018
Goeddertz 1	20,480	-	20,480	Under Contract	6/30/2018
Beery 2 and Beery 22-24 Wells Plug and Reclaim	176,500	-	176,500	Under Contract	6/30/2018
Krone-Augusta 31-32-1 Well Plug and Reclaim	600,000	-	600,000	Under Contract	9/30/2018
TOTAL	\$ 871,141	\$ 70,404	\$ 800,737		

CONTRACTS

<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	\$ 681,394	\$ 182,511	Under Contract	12/31/2019
Agency Legal Services 2018	70,000	15,523	54,477	Under Contract	6/30/2018
COR Enterprises - Billings Janitorial	30,876	23,285	7,591	Under Contract	6/30/2018
Production and Injection Form Data Entry	1,134	1,134	-	Completed	10/31/2017
Production and Injection Form Data Entry	3,402	2,740	662	Under Contract	1/31/2018
TOTAL	\$ 969,317	\$ 724,075	\$ 245,242		

Agency Legal Services Expenditures in FY18	
<u>Case</u>	<u>Amt Spent</u>
BOGC Duties	\$ 14,441
Malsam	316
MEIC	765
Total	\$ 15,523

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

EXHIBIT 2

12/13/2017 Through 2/13/2018

Approved

Badlands Resource Recovery, Inc. Baker MT	828 T2	Approved Amount: Purpose:	12/28/2017 \$10,000.00 UIC Single Well Bond
Certificate of Deposit	\$10,000.00 BANK OF BAKER		ACT
Badlands Resource Recovery, Inc. Baker MT	828 T1	Approved Amount: Purpose:	12/28/2017 \$10,000.00 UIC Single Well Bond
Certificate of Deposit	\$10,000.00 BANK OF BAKER		ACT
Murex Petroleum Corp. Humble TX	314 G1	Approved Amount: Purpose:	2/2/2018 \$10,000.00 Single Well Bond
Surety Bond	\$10,000.00 U.S. Specialty Insurance Co.		ACT
Powder Battalion Holdings LLC Sheridan WY	829 M1	Approved Amount: Purpose:	1/8/2018 \$50,000.00 Multiple Well Bond
Surety Bond	\$50,000.00 Argonaut Insurance Company		ACT
Sage Creek Colony Chester MT	6662 G5	Approved Amount: Purpose:	1/23/2018 \$5,000.00 Single Well Bond
Certificate of Deposit	\$5,000.00 FIRST STATE BANK OF SHELBY		ACT
White Rock Oil & Gas, LLC Plano TX	779 T8	Approved Amount: Purpose:	1/9/2018 \$10,000.00 UIC Single Well Bond
Surety Bond	\$10,000.00 Aspen American Insurance Company		ACT
White Rock Oil & Gas, LLC Plano TX	779 T11	Approved Amount: Purpose:	1/9/2018 \$10,000.00 UIC Single Well Bond
Surety Bond	\$10,000.00 Aspen American Insurance Company		ACT
White Rock Oil & Gas, LLC Plano TX	779 T10	Approved Amount: Purpose:	1/9/2018 \$10,000.00 UIC Single Well Bond
Surety Bond	\$10,000.00 Aspen American Insurance Company		ACT
White Rock Oil & Gas, LLC Plano TX	779 T9	Approved Amount: Purpose:	1/9/2018 \$10,000.00 UIC Single Well Bond
Surety Bond	\$10,000.00 Aspen American Insurance Company		ACT

Canceled

Antelope Resources, Inc. Billings MT	365 M1	Canceled Amount: Purpose:	2/7/2018 \$50,000.00 Multiple Well Bond
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Montana Board of Oil and Gas Conservation Summary of Bond Activity

12/13/2017 Through 2/13/2018

Canceled

Antelope Resources, Inc. Billings MT	365 T1	Canceled Amount: Purpose:	2/7/2018 \$5,000.00 UIC Single Well Bond
Great Northern Drilling Company Billings MT	3060 M1	Canceled Amount: Purpose:	1/5/2018 \$25,000.00 Multiple Well Bond
Leivestad, Dale LLC Baker MT	464 T1	Canceled Amount: Purpose:	2/5/2018 \$10,000.00 UIC Single Well Bond
Leivestad, Dale LLC Baker MT	464 T3	Canceled Amount: Purpose:	2/5/2018 \$10,000.00 UIC Single Well Bond
Nearburg Producing Company Dallas TX	535 M1	Canceled Amount: Purpose:	1/19/2018 \$50,000.00 Multiple Well Bond
Shadwell Resources Group, LLC Billings MT	687 T2	Canceled Amount: Purpose:	1/31/2018 \$10,000.00 UIC Single Well Bond
Storm Cat Energy (USA) Operating Corporation Denver CO	699 M1	Canceled Amount: Purpose:	1/8/2018 \$50,000.00 Multiple Well Bond

Forfeited

K2 America Corporation Calgary AB	117 M1	Forfeited Amount: Purpose:	12/26/2017 \$50,000.00 Multiple Well Bond
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Letter Sent

K2 America Corporation Calgary AB	117 M1	Letter Sent Amount: Purpose:	12/15/2017 \$50,000.00 Multiple Well Bond
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Released

Murex Petroleum Corp. Humble TX	314 M1	Released Amount: Purpose:	2/2/2018 \$50,000.00 Multiple Well Bond
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Incident Report

EXHIBIT 3

Company	Responsibility	Date	Incident	Oil Released	Water Released	Source	Contained	Latitude	Longitud	County	T-R-S
Continental Resources Inc	BOG	12/18/2017	Spill or Release	5 Barrels	15 Barrels	Flow Line - Production	No	46.28405	-104.07599	Fallon	6N-61E-9 SESE
Shadwell Resources Group, LLC	BOG	12/29/2017	Spill or Release		15 Barrels	Tank or Tank Battery	Yes	47.81507	-104.17133	Richland	24N-59E-29 SWNE
Continental Resources Inc	BOG	1/2/2018	Spill or Release		110 Barrels	Tank or Tank Battery	Yes	48.96272	-104.30267	Sheridan	37N-56E-14 SENW
Denbury Onshore, LLC	VAR	1/8/2018	Spill or Release		250 Barrels	Flow Line - Injection	Yes	46.27912	-104.17426	Fallon	6N-60E-14 NWNW
Rim Operating, Inc.	BOG	1/12/2018	Spill or Release		180 Barrels	Tank or Tank Battery	No	47.91336	-104.13393	Richland	25N-59E-17 SWSW
Chelin LLC	BOG	1/13/2018	Spill or Release	8 Barrels		Tank or Tank Battery	Yes	48.70814	-111.92416	Toole	34N-2W-18 NWNW
Kraken Operating, LLC	BOG	1/17/2018	Spill or Release	1 Barrels		Treater	No	48.10507	-104.29068	Roosevelt	27N-57E-12 NESE
Bayswater Exploration & Production, LLC	BOG	1/17/2018	Spill or Release	20 Barrels	100 Barrels	Tank or Tank Battery	No	46.62508	-108.37835	Musselshell	10N-27E-18 NESW
True Oil LLC	BOG	1/17/2018	Spill or Release	5 Barrels	45 Barrels	Tank or Tank Battery	Yes	46.62636	-108.03179	Musselshell	10N-29E-14 SESE
Bad Water Disposal, LLP	BOG	1/17/2018	Spill or Release		10 Barrels	Well Head	Yes	47.67583	-104.05933	Richland	22N-60E-7 SESE
Oasis Petroleum North America LLC	BOG	1/20/2018	Spill or Release	3 Barrels		Well Head	Yes	48.14490	-104.20062	Roosevelt	28N-58E-26 SWSW
Continental Resources Inc	BOG	2/7/2018	Fire	10 Gallons		Flare Pit	Yes	47.76048	-104.73774	Richland	23N-54E-13 NWNW

Docket Summary

2/15/2018 Hearing

1-2018	Denbury Onshore, LLC	Designate a portion of the Bell Creek Consolidated Unit as an expanded tertiary recovery project effective 11/1/17.			<input type="checkbox"/>
2-2018	Slawson Exploration Company Inc	Temporary 160-acre spacing unit, Charles Formation, 25N-52E-3: SWSW, 4: SESE, 9: NENE, 10: NWNW, authorization to recomple the Saber 1-4H well (530' FSL / 300' FEL in Section 4). Default Docket requested.	Continued	Vacate if recompletion unsuccessful? Application continued to the April hearing, email received 2/8/18.	<input type="checkbox"/>
3-2018	Kraken Oil & Gas LLC	Amend Order 193-2014, single Bakken/Three Forks Formation well, 25N-59E-6: all, 7: all, 200' heel/toe, 500' lateral setbacks. Apply for permanent spacing within 90 days of completion. Operations must commence within one year of date of order.		Special statewide - 380-2011 193-2004 authorized up to four wells, common drillpad.	<input type="checkbox"/>
4-2018	Kraken Oil & Gas LLC	Amend Order 363-2011, (Temporary spacing unit, Bakken/Three Forks Formation, 25N-59E-17: all, 20: all), single well, 200' heel/toe, 500' lateral setbacks. Apply for permanent spacing within 90 days of completion. Operations must commence within one year of date of order.			<input type="checkbox"/>
5-2018 1-2018 F	Kraken Oil & Gas LLC	Amend Order 380-2011, (temporary spacing unit, Bakken/Three Forks Formation, 27N-57E-4: all, 9: all), single well, 200' heel/toe, 500' lateral setbacks. Operations must commence within one year of date of order.		Special statewide spacing.	<input type="checkbox"/>
6-2018	Denbury Onshore, LLC	Convert the NPRR-G (NCT-5) 1, T15N-R54E-25: 660' FSL, 660' FWL (SWSW), (API # 021-05086) to a Class II injection well, Mission Canyon - Lodgepole Formation.	Default		<input type="checkbox"/>
7-2018	Denbury Onshore, LLC	Convert the S&H Rentals #23X-08, T14N-R55E-8: 1606' FSL, 2160' FWL (NESW), (API # 021-21121) to a Class II injection well, Mission Canyon - Lodgepole Formation.	Default		<input type="checkbox"/>
73-2017	Balko, Inc.	Convert the Briggs #1, 27N-4W-33: NW SW (API # 099-21019) to Class II Injection well (SWD), Madison Formation. Aquifer exemption requested.	Default		<input type="checkbox"/>
74-2017	Balko, Inc.	Convert the Caskey 44-5, 25N-3W-5: SE SE (API # 099-21253) to Class II Injection well (SWD), Madison Formation. Aquifer exemption requested.	Continued	Application continued to the April hearing, email received 2/13/18.	<input type="checkbox"/>
8-2018	Stealth Energy USA, Inc.	Show Cause: why its plugging and reclamation bond should not be forfeited for failure to plug its wells or to provide a plan for plugging its wells, as required by Board Order 71-2017, in accordance with § 82-11-123(5), MCA.			<input type="checkbox"/>
9-2018	Highline Exploration, Inc.	Show Cause: failure to file production reports and pay administrative fees.	Dismissed	Reports and fine received: 2/1/18	<input type="checkbox"/>

60-2017	Black Gold Energy Resource Development, LLC	Show Cause: why its plugging and reclamation bond should not be forfeited for failure to begin to plug and abandon its Indian Mound 1 SWD well located in the NE¼SW¼SW¼ of Section 15, T23N, R55E, Richland County, Montana as required by Board Order 45-2017, in accordance with § 82-11-123(5), MCA.	<input type="checkbox"/>
76-2017	Bensun Energy, LLC	Show Cause: to provide to the Board a progress update of its efforts to come into full compliance with field violations and show-cause, if any it has, why additional penalties should not be assessed for failure to file delinquent production reports, failure to pay the penalty assessed for delinquent reporting, and for failure to appear at the October 26, 2017, public hearing.	<input type="checkbox"/>
77-2017	Hinto Energy, LLC	Show Cause: failure to file production reports and pay administrative fees.	<input type="checkbox"/>

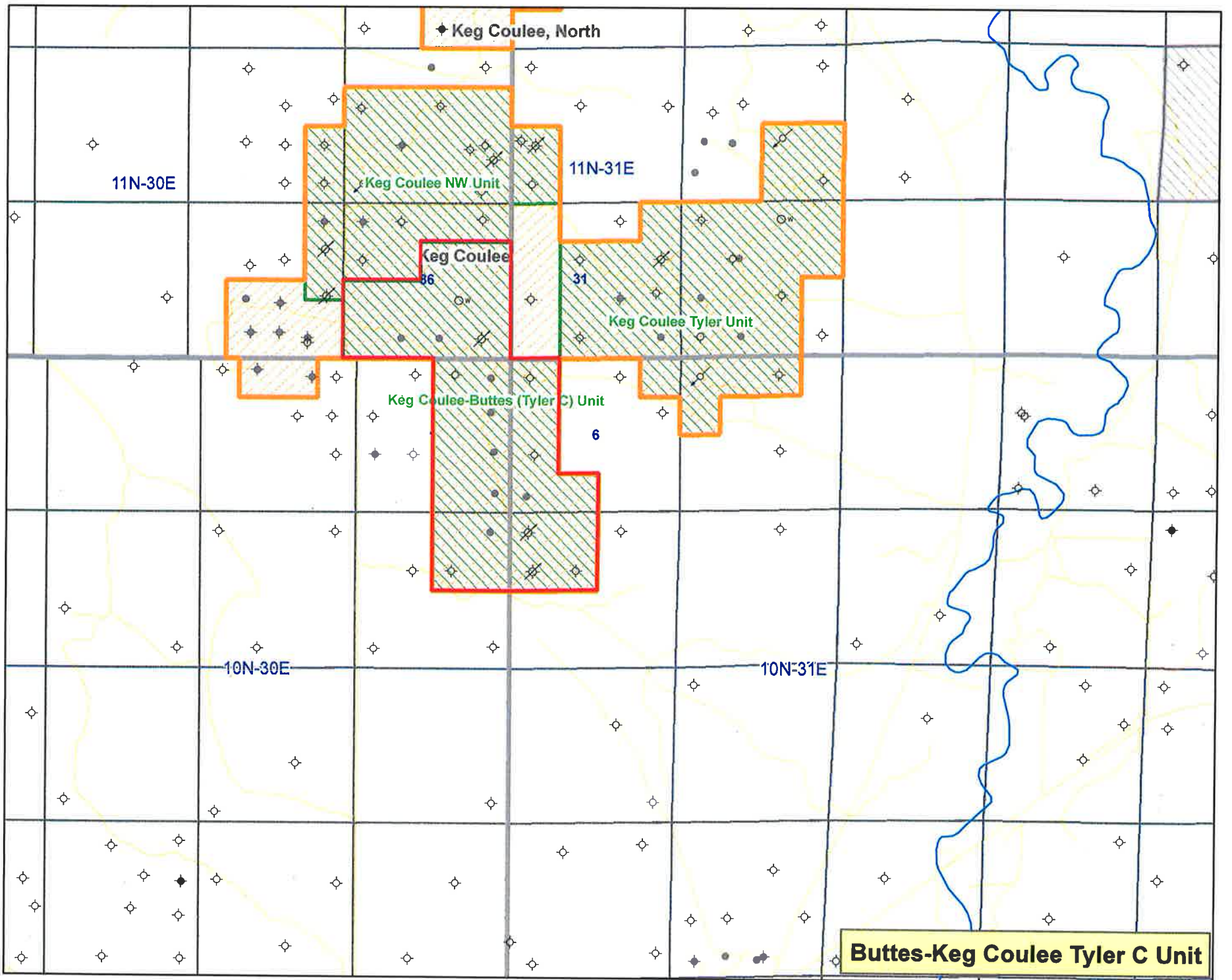
Buttes-Keg Coulee (Tyler "C" Sand) Unit

Request that a hearing be scheduled to vacate Board Order 18-69 that approved a waterflood project and unit agreement for the Buttes-Keg Coulee (Tyler "C" Sand) Unit.

The unit was established as a federal waterflood unit effective November 1, 1969 and was terminated by the Bureau of Land Management (BLM) on September 27, 2017.

There are no unplugged injection wells in the unit. The remaining oil wells were orphaned by Kelly Oil and Gas when its bond was forfeited.

Unit map, BLM letter of termination, and Order 18-69 attached.





United States Department of the Interior



BUREAU OF LAND MANAGEMENT
Montana State Office
5001 Southgate Drive
Billings, Montana 59101-4669
www.blm.gov/montana-dakotas

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MONTANA BOARD OF OIL &
GAS CONSERVATION • BILLINGS

In Reply Refer To:

Buttes Keg Coulee Tyler "C" Sand Unit
MTM 68653X
(MT9221.MP)

September 27, 2017

Ms. Beth Rodgers
Xeric Oil & Gas Corporation
P.O. Box 352
Midland, Texas 79702-0352

Dear Ms. Rodgers:

The Buttes Keg Coulee Tyler "C" Sand Unit was approved effective November 1, 1969, as a water flood secondary recovery unit located in Musselshell County, Montana. There are 232.22 acres of Federal lands, 441.89 acres of State lands and 656.16 acres of Fee lands in the unit.

As part of its Chapter 7 bankruptcy procedures, Xeric Oil & Gas Corporation (Xeric) entered into a purchase and sale agreement with Kelly Oil & Gas LLC in 2010. Mr. Kelly Gebhardt, co-manager of Kelly Oil & Gas, and his attorney Mr. Floyd Brower met with our Miles City Field Office staff in 2013 to discuss their acquisition of Xeric's properties. They were notified of the bonding requirements and the forms required to become the successor unit operator. Although contacted by the Bureau of Land Management (BLM) on more than one occasion, Kelly Oil & Gas LLC has not provided the necessary forms nor the required bonding to become the unit operator of the Buttes Keg Coulee Tyler "C" Sand Unit.

Section 8 of the unit agreement states "If no successor unit operator is selected and qualified as herein provided, the Director as his election may declare this unit agreement terminated." Therefore, the BLM hereby terminates the Buttes Keg Coulee Tyler "C" Sand Unit in Musselshell County, Montana, effective as of the date of this letter.

If you need clarification or would like to discuss this further, please contact Mark Robillard at (406) 896-5035.

Sincerely,

Travis Kern, Chief
Branch of Fluid Minerals

cc: Mr. Monte Mason
Minerals Management Bureau
Department of Natural Resources and Conservation
P.O. Box 201601
Helena, Montana 59620-1601

Montana Board of Oil and Gas Conservation
2535 St. John's Avenue
Billings, Montana 59102

Field Manager, Miles City Field Office (electronic copy)

Mr. Glen Reese
Office of Natural Resources Revenue (electronic copy)

Mr. Kelly Gebhardt
Kelly Oil & Gas LLC
P.O. Box 724
Roundup, Montana 59072-0724

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MONTANA BOARD OF OIL &
GAS CONSERVATION • BILLINGS

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER OF THE APPLICATION OF)
BG&O CO. FOR APPROVAL OF A WATERFLOOD)
PROJECT IN THE BUTTES-KEG COULEE)
(TYLER "C" SAND) UNIT AREA, SOUTH KEG)
COULEE FIELD, MUSSELSHELL COUNTY, MON))
TANA.)

ORDER NO. 18-69

Docket No. 14-69)

Report of the Commission

The above entitled cause came on regularly for hearing on the 17th day of July, 1969, at 4:00 o'clock P.M., in Room 605, County Courthouse, City of Billings, County of Yellowstone, State of Montana, pursuant to the order of the Oil and Gas Conservation Commission of the State of Montana, hereinafter referred to as the "Commission", and notice of said hearing was duly given as required by law. Testimony was presented, statements and exhibits received, and the Commission then took the cause under advisement; and, the Commission having fully considered the testimony, statements and exhibits, and all things and matters presented to it for its consideration by all parties in the docket, and being well and fully advised in the premises, finds and concludes as follows:

Findings of Fact

1. Legal notice was published and given of this matter, of the hearing hereon, and of the time and place of said hearing, as well as the purpose of said hearing. All parties were afforded ample opportunity to present evidence, oral and documentary.

2. Applicant is an interest owner in the South Keg Coulee Field, Musselshell County, Montana and has applied to the Commission for an order approving a waterflood injection pressure maintenance program, the Buttes-Keg Coulee (Tyler "C" Sand) Unit Area and for approval of the Buttes-Keg Coulee (Tyler "C" Sand) Unit Agreement. The Unit Area contains approximately 1,330.27 acres and covers the following described land in Musselshell County, Montana:

Township 10 North, Range 30 East, MP11

Section 1: Lots 1 and 2, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$
Section 12: NE $\frac{1}{4}$

Township 10 North, Range 31 East, MP11

Section 6: Lots 4, 5, 6 and 7, SE $\frac{1}{4}$ SW $\frac{1}{4}$
Section 7: Lots 1 and 2, E $\frac{1}{2}$ NW $\frac{1}{4}$

Township 11 North, Range 30 East, MP11

Section 36: Lots 2, 3 and 4, SW $\frac{1}{4}$ NE $\frac{1}{4}$,
SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$

Applicant proposes to inject water into the Tyler "C" Sand using two injection wells, one located in the SE $\frac{1}{4}$ of Section 36, Township 11 North, Range 30 East and the other located in the SW $\frac{1}{4}$ of Section 7, Township 10 North, Range 31 East, said water to be obtained by drilling a well to the Madison Limestone. As the waterflood progresses, additional water input wells will be required. Primary energy of the Reservoir is gradually being depleted. Inauguration of waterflood injection pressure maintenance program such as that proposed by the applicant will result in the recovery of a substantial amount of additional oil which would otherwise remain in place. The proposed Unit Agreement has been signed by all interest owners within the proposed Unit Area. No objections have been filed to the application.

3. Approval of the application as applied for will be in the interest of conservation of oil and gas in the State of Montana.

Conclusion of Law

The Commission concludes, as a matter of law, that the application of BG&O Co. should be granted as applied for.

Order

IT IS THEREFORE ORDERED by the Oil and Gas Conservation Commission of the State of Montana that the application of BG&O Co. to institute and operate a waterflood project in the South Keg Coulee Field, Musselshell County, Montana, is hereby granted as applied for. The applicant is further authorized to use water produced from the Madison Limestone for injection into the Tyler "C" Sand in the waterflood project in the Unit Area.

IT IS FURTHER ORDERED that applicant may expand this project to final stages of waterflooding throughout the proposed field and convert present wells for additional input wells without further notice and hearing but subject to administrative authorization by this Commission for each additional input well.

Done and performed by the Oil and Gas Conservation Commission of the State of Montana, at Billings, Montana, this 17th day of July, 1969.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF MONTANA

Winston L. Cox, Chairman
Allen Zimmerman, Vice-Chairman
E. G. Balsam, Commissioner
C. J. Iverson, Commissioner

(Seal)

ATTEST:

Norman J. Beaudry, Executive Secretary

White Rock Oil & Gas, LLC

- 103 oil wells (74 producing and 29 shut-in*) currently on \$50,000 multiple well bond
- 13 injection wells on a separate \$50,000 multiple well bond.

Initial injection well bond is limited to 13 wells.

White Rock also has 5 gas wells and 8 oil wells (6 producing and 2 shut-in*) that are federally bonded.

Pending Change of Operator Requests

Vanguard Operating, LLC to White Rock Oil & Gas, LLC

- 28 oil wells (12 producing, 16 shut-in*) to be added to White Rock's \$50,000 multiple well bond.
- 2 disposal wells to be placed on 2 new single well bonds @ \$10,000 per well.

Oasis Petroleum North America LLC

- 39 oil wells (22 producing, 17 shut-in*) to be added to White Rock's \$50,000 multiple well bond.
- 3 disposal wells to be placed on 3 new single well bonds @ \$10,000 per well.
- The transfer includes 4 producing oil wells that will be federally bonded.

If pending Change of Operator requests are approved the \$50,000 multiple well bond would cover 170 wells, and based upon most recent reported production the breakout would be 108 producing and 62 shut-in wells.

Options

- Approve the change of operator as requested;
or
- The approval of the change of operator could be referred to the Board (ARM 36.22.309);
or
- Under ARM 36.22.1308(3), the Board may docket a hearing to either:
 - Consider doubling the amount of the multiple well bond
 - Consider limiting the number of wells covered by the multiple well bond.

* Based upon most recent production reports