

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING
October 3 & 4, 2018

CALL TO ORDER

The regular business meeting of the Montana Board of Oil and Gas Conservation was called to order by Chairman Ron Efta at 2:00 p.m., Wednesday, October 3, 2018, at its office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Chairman Ron Efta, Steve Durrett, Paul Gatzemeier, Mac McDermott, Peggy Ames-Nerud, Dennis Trudell, and Corey Welter. Staff present was John Gizicki, Jim Halvorson, George Hudak, Ben Jones, Erin Ricci and Rob Stutz.

PUBLIC COMMENT ON AGENDA AND NON-AGENDA ITEMS

Matt Dahren and Greg Schneche from Denbury presented an overview of the company and its plans for extension of the CO2 pipeline from Bell Creek Field to the Cedar Creek Anticline. Denbury discussed tax rates for enhanced recovery projects in Montana and North Dakota. The Denbury handout is attached as Exhibit 1.

Susann Beug from Northern Plains Resource Council thanked the Board for entering into rule making concerning hydraulic fracturing.

RULEMAKING UPDATE

Mr. Stutz presented the responses to the comments that were received during the hydraulic fracturing rulemaking comment period and at the rule hearing, attached as Exhibit 2. The comments were discussed by the Board.

Motion: Mr. Gatzemeier made the motion to approve the responses to comments and proceed with publication of the notice of adoption. Mr. Welter seconded the motion and it passed unanimously.

FINANCIAL REPORT

Ms. Ricci and Mr. Halvorson discussed the financial statement, attached as Exhibit 3.

PLUGGING AND RECLAMATION PROGRAM UPDATE

There were no updates to report for the plugging and reclamation program.

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 discussed the gas flaring report, attached as Exhibit 7. There are nine wells flaring in excess of 100 MCF/day with approved flaring exception requests. There are eleven exceptions requests at this time.

Kraken Operating, LLC (Kraken) is asking for exception requests for six wells that are connected to a gathering system, but due to the high line pressure Kraken has had limited success selling the gas.

Petro-Hunt LLC is asking for exception requests for two wells due to a lack of infrastructure in the area.

Whiting Oil & Gas Corporation (Whiting) is asking for exception requests for three wells due to insufficient compression capacity in the area.

Mr. Jones recommended a six-month exception for Kraken and Whiting and a year exception for Petro-Hunt LLC.

Motion: Mr. Welter made the motion to approve the recommendations. Mr. Gatzemeier seconded and the motion passed unanimously.

STAFF REPORTS

George Hudak

Mr. Hudak reported that a new field inspector had been hired for the Glendive area.

John Gizicki

Mr. Gizicki reported that Apex Energy LLC (Apex) has six well sites that have compliance issues. An overview of the compliance issues is attached as Exhibit 8. Buxaum #1 well has weeds in or on the flare pit. Propp 1-41X well has windblown tin at the treater. Sundheim 29-1 well has a snow blower, wood and pipe treater, junk treater, and other debris. Lois Roberta Bailey 32-2 well has exposed wires and conduit, contaminated soil at recycle pump, 5-gallon bucket with oil, and contaminated soil at Ajax motor. The A. Egan 1 well has crane counter weights, pumpjack, Ajax, and miscellaneous iron on the site.

Motion: Mr. Welter made the motion to schedule Apex for a show-cause hearing on December 13, 2018. Mr. Gatzemeier seconded. Mr. Durrett made a second motion to give staff administrative authority to dismiss the docket if the sites return to compliance prior to the December 13, 2018, board hearing. Ms. Ames-Nerud seconded the motion, and the amended motion passed unanimously.

Rob Stutz

Mr. Stutz reported there are no legal updates.

OTHER BUSINESS

Ms. Ames-Nerud announced that she was resigning from the Board after the October 4, 2018, hearing. The Board and staff thanked her for her time spent on the Board.

PUBLIC HEARING

The Board reconvened on Thursday, October 4, 2018, at 9:00 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 57-2018 – 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 48-2018.

Docket 58-2018 – 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 49-2018.

Docket 59-2018 – A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 50-2018.

Docket 60-2018 – A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 51-2018.

Docket 61-2018 – A motion was made by Mr. Durrett, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 52-2018.

Docket 62-2018 – A motion was made by Mr. Welter, seconded by Mr. Durrett and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 53-2018.

Docket 63-2018 – 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 54-2018.

Docket 64-2018 – A motion was made by Mr. Gatzemeier, seconded by Mr. Durrett and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 55-2018.

Docket 65-2018 – A motion was made by Ms. Ames-Nerud, seconded by Mr. Durrett and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 56-2018.

Docket 66-2018 – A motion was made by Mr. Durrett, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 57-2018.

Docket 67-2018 – A motion was made by Mr. McDermott, seconded by Mr. Durrett and unanimously passed, to approve the application of Behm Energy, Inc. as set forth in Board Order 60-2018.

Docket 68-2018 – A motion was made by Mr. McDermott, seconded by Mr. Durrett and unanimously passed, to approve the application of Behm Energy, Inc. as set forth in Board Order 61-2018.

Docket 69-2018 – A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed, to approve the application of Alta Vista Oil Corporation as set forth in Board Order 63-2018.

Docket 70-2018 – A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed, to approve the application of Alta Vista Oil Corporation as set forth in Board Order 64-2018.

Docket 71-2018 – The application of Continental Resources, Inc. was withdrawn.

Docket 72-2018 – The application of Continental Resources, Inc. was withdrawn.

Docket 73-2018 – The application of Denbury Onshore, LLC was continued to the December 2018 hearing.

Docket 74-2018 – A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed, to approve the application of Denbury Onshore, LLC as set forth in Board Order 65-2018.

Docket 75-2018 – A motion was made by Mr. Gatzemeier, seconded by Mr. Welter and unanimously passed, to approve the application of Denbury Onshore, LLC as set forth in Board Order 66-2018. Ms. Ames-Nerud was absent.

Docket 76-2018 – Board staff placed this application on the Default Docket for approval without hearing if no protests or requests for hearing were received by 10:00 a.m. on the day of the hearing. None were received. The application of Denbury Onshore, LLC was approved as set forth in Board Order 67-2018.

Docket 21-2018 – A motion was made by Mr. Welter, seconded by Mr. Durrett and unanimously passed, to approve the application of Montana Land & Exploration, Inc. as set forth in Board Order 62-2018.

Docket 42-2018 – A motion was made by Mr. Gatzemeier, seconded by Mr. Welter and unanimously passed, to approve the application of Kraken Oil & Gas, LLC as set forth in Board Order 58-2018.

Docket 43-2018 – A motion was made by Mr. Gatzemeier, seconded by Mr. Trudell and unanimously passed, to approve the application of Kraken Oil & Gas, LLC as set forth in Board Order 59-2018.

Docket 77-2018 – A motion was made by Mr. Gatzemeier, seconded by Mr. Trudell and unanimously passed, to revoke the injection permit of Pronghorn Petroleum Joint Venture's (Pronghorn) Halmans - Federal 1-26 well. Pronghorn is ordered to plug and abandon the Halmans-Federal 1-26 well prior to December 13, 2018. The failure to begin to plug and abandon the well 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. Pronghorn is fined \$1,000 for failure to appear to the show-cause hearing. As set forth in Board Order 68-2018. Ms. Ames-Nerud was absent.

Docket 78-2018 – A motion was made by Mr. Durrett, seconded by Mr. Gatzemeier and unanimously passed, to fine Shadwell Resources Group, LLC \$1,000 for failure to appear as set forth in Board Order 69-2018. Ms. Ames-Nerud was absent.

Docket 79-2018 – A motion was made by Mr. Gatzemeier, seconded by Mr. Welter and unanimously passed, to forfeit the plugging and reclamation bond of Wind River Hydrocarbons, Inc. as set forth in Board Order 70-2018. Ms. Ames-Nerud was absent.

Docket 80-2018 – The show-cause hearing of Intermountain Leasing, Inc. was dismissed.

Docket 81-2018 – A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed, to stop Bensus Energy, LLC (Bensus) unresolved \$250 a day fine for the Loucks 33-27 well at the date of August 30, 2018. Docket 81-2017 is continued to the December 13, 2018, public hearing. Board staff is authorized to dismiss the docket if the total fine of \$13,750 is received and there are no further field violations prior to the December 13, 2018, public hearing. As set forth in Board Order 73-2018. Ms. Ames-Nerud and Mr. Gatzemeier were absent.

Docket 60-2017 – A motion was made by Mr. Welter, seconded by Mr. Durrett and unanimously passed, to continue the show-cause hearing of Black Gold Energy Resources Development, LLC to the December 13, 2018, public hearing, as set forth in Board Order 71-2018. Ms. Ames-Nerud and Mr. Gatzemeier were absent.

Docket 77-2017 – A motion was made by Mr. McDermott, seconded by Mr. Welter and unanimously passed, to require Hinto Energy, LLC to appear at the December 13, 2018, public hearing and show cause, if any it has, why its plugging and reclamation bond should not be forfeited for failure to plug its wells in Musselshell County, Montana, as set forth in Board Order 72-2018. Ms. Ames-Nerud was absent.

NEXT MEETINGS

The next business meeting of the Board will be Wednesday, December 12, 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, December 13, 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 December 13th public hearing is November 8, 2018.

BOARD OF OIL AND GAS CONSERVATION OF THE STATE OF MONTANA

Ronald S. Efta, Chairman
Steven Durrett, Vice-Chairman
Paul Gatzemeier, Board Member
Mac McDermott, Board Member
Peggy Ames-Nerud, Board Member
Dennis Trudell, Board Member
Corey Welter, Board Member

ATTEST:

Erin Ricci, Administrative Assistant