

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

IN THE MATTER OF THE REQUEST OF REHEARING OF  
DENBURY ONSHORE, LLC DOCKET 73-2018 BY CHACO  
ENERGY COMPANY IN ACCORDANCE WITH SECTION  
82-11-143, M.C.A.

ADMINISTRATIVE ORDER 2-A-2019

Docket No. 73-2018

At the Board's December 13, 2018, public hearing, the Board approved the application of Denbury Onshore, LLC's (Denbury) Mystery Creek (Red River Formation) enhanced recovery unit that comprised 8,158.28 acres in Fallon County, Montana. Denbury demonstrated that the requirements of Title 82, chapter 11, part 2, MCA, had been met. The Board issued Board Order 89-2018 providing for creation of the unit.

At that hearing, attorney Don Lee appeared on behalf of Chaco Oil Company (Chaco) and Kirkwood Oil & Gas LLC. Mr. Lee's clients' well, BN #31-11, is located within the unit area and produces from the Red River Formation and the Interlake Formation. Mr. Lee stated that neither company opposed the unitization, but that he had questions for Denbury and comments related to his clients' interests in the proposed unit.

After that hearing, Chaco filed a rehearing request of Docket 73-2018 under § 82-11-143, MCA. Chaco argued that Denbury violated its correlative rights by shutting in the Interlake Formation and depriving Chaco of the Interlake production of the well without just compensation in violation of § 82-11-206(9), MCA.

Denbury filed an objection to Chaco's petition arguing that Chaco raised no new issues in its rehearing request, that Chaco's correlative rights were not violated, and that the unitization order met the statutory requirements and should be remain unchanged.

When Chaco's rehearing request was considered at the Board's next regularly scheduled meeting on February 13, 2019, no one appeared on behalf of Chaco or Denbury.

At the meeting, the Board considered and discussed the rehearing request. Chaco did not demonstrate that a rehearing should be granted. A motion was made and unanimously passed by the Board to deny the request for rehearing of Docket 73-2018.

IT IS THEREFORE ORDERED by the Board that the request to rehear Docket 73-2018 is denied.

Dated this 13<sup>th</sup> day of February, 2019

Montana Board of Oil and Gas Conservation

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James W. Halvorson, Administrator