

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

IN THE MATTER OF SCOUT ENERGY MANAGEMENT
LLC'S FAILURE TO FILE PRODUCTION REPORTS IN
ACCORDANCE WITH A.R.M 36.22.1242.

ADMINISTRATIVE ORDER 3-A-2019

Scout Energy Management LLC (Scout) is the operator of approximately 2,600 wells and report production on over 350 production reporting units in Fallon, Phillips, Richland, Roosevelt, and Valley Counties, Montana. In January 2019, Board staff discovered Scout had been incorrectly reporting production volumes. Scout was notified and subsequently given a deadline of April 10, 2019, to achieve compliance.

Scout proposed to remedy the matter by submitting amended monthly reports for the period of January 2017 to the present. Scout also stated that significant changes in accounting software should alleviate future reporting problems. Approximately two months after the initial notification, Scout submitted the first batch of amended reports. It was found that the reports contained errors, and it took several attempts to resolve those errors. Once the initial errors were resolved, it was able to submit its next month of amended production. However, as of this date Scout has amended only two months of reports.

In addition to the required amendments, two months of reports are delinquent for a current calculated late reporting penalty of \$7,190. This penalty was not initially applied under the adopted penalty schedule due to the operator's continuing attempts to achieve compliance, but additional months have since become delinquent.

As the largest natural gas producer in the state, errors and delinquencies in Scout's production reports impede the Board's ability to provide timely and accurate data to public and private users and impact forecasts of future state revenues.

ARM 36.22.1242 requires that each operator file production reports which are due the end of the month following the month being reported.

IT IS THEREFORE ORDERED by the Board that Scout's amended and delinquent production reports must be submitted, processed, and error free by the May 9, 2019, hearing application deadline, or the delinquent reporting penalty will be immediately applied. If reporting is not current at the close of business on May 9, 2019, a \$500 per day fine will be imposed until compliance is achieved, and Scout will be required to appear at the Board's June hearing to show cause as to why additional penalties for failure to file accurate and timely production reports should not be considered.

Dated this 10th day of April, 2019

Montana Board of Oil and Gas Conservation

James W. Halvorson, Administrator