

STATE OF MONTANA  
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION  
MINUTES OF THE  
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING  
August 14 & 15, 2019

**CALL TO ORDER**

The regular business meeting of the Montana Board of Oil and Gas Conservation was called to order by Chairman Steven Durrett at 2:00 p.m., Wednesday, August 14, 2019, at its office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Chairman Steven Durrett, Mac McDermott, Linda Nelson, Dennis Trudell, Mike Weber, and Corey Welter. Staff present was Jennifer Breton, John Gizicki, Jim Halvorson, George Hudak, Ben Jones, Dave Popp, Erin Ricci, and Rob Stutz. Board member Paul Gatzemeier was absent.

**APPROVAL OF MINUTES**

A motion was made by Mr. Trudell, seconded by Mr. Welter and unanimously passed, to approve the minutes of the June 12, 2019, business meeting.

**PUBLIC COMMENT ON AGENDA AND NON-AGENDA ITEMS**

No comments were made.

**FINANCIAL REPORT**

Mrs. Breton discussed the financial statement, attached as Exhibit 1.

**PLUGGING AND RECLAMATION PROGRAM UPDATE**

There are two damage mitigation contracts outstanding. The first contract is for the Beery 2 and the Beery 22-24 orphan wells that were plugged and now requires surface reclamation. The second contract is for the plugging of three orphan wells in Richland County that were formerly operated by Alturas Energy, LLC. The contract is in the amount of \$250,000.

No additional contracts will be written until the Board receives its monthly deposits into the Damage Mitigation account from the Resource Indemnity Trust (RIT) fund. The monthly deposits start on July 1, 2019.

**BOND SUMMARY & INCIDENT REPORT**

Mr. Halvorson presented the bond report and the incident report, attached as Exhibit 2 & 3.

## **DOCKET SUMMARY**

Mr. Halvorson presented the docket summary, attached as Exhibit 4.

## **GAS FLARING EXCEPTIONS**

Mr. Jones discussed the gas flaring report, attached as Exhibit 5. There are 19 wells flaring in excess of 100 MCFG/day and one exception request at this time.

Whiting Oil and Gas (Whiting) is asking for one exception request that is due to insufficient compression capacity on Oneok's system.

Mr. Jones recommended a six-month exception for Whiting.

**Motion:** Mrs. Nelson made the motion to approve the recommendation. Mr. Trudell seconded, and the motion passed unanimously.

## **INACTIVE WELL REVIEW**

The next step for staff in the inactive well review is to review single well bonds and limited well bonds covering wells that have not produced for a number of years. There will be an update of this review at the October hearing. Staff wants to find an additional step in the review process that does not involve bond forfeiture.

## **STAFF REPORTS**

### **Jim Halvorson**

Mr. Halvorson provided the Board a privilege and license tax rulemaking update. The rule is currently being reviewed by the Director of the Department of Natural Resources Conservation. After the director's review, the rule then goes to the Governor's office for review.

### **John Gizicki**

Mr. Gizicki discussed Zeiders Bros. Oil & Gas Company, LLC (Zeiders), attached as Exhibit 6. Zeiders is the operator of the Rudolph Haynie 1-5 well, API # 25-055-21207, located in the SE¼NE¼ of Section 5, T22N-R47E, McCone County, Montana. This well was drilled in 2011 and never produced.

At the December 12, 2018, board business meeting, Zeiders was one of several operators brought to the Board's attention for its producing well that has been inactive for two or more years.

On December 17, 2018, a certified letter was sent to Zeiders requesting a schedule of abandonment of the well or justification for leaving the well unplugged.

On January 31, 2019, Zeiders responded that it was in the process of determining if the well could be completed in an upper zone as a commercial gas well or if the well could be converted to a SWD well.

On February 26, 2019, a certified letter was sent requesting additional information of its plans for the well with a deadline of August 1, 2019. A return receipt was received, but no additional information was provided.

On August 6, 2019, Zeiders was notified that the matter would be presented to the board at the August 14, 2019, business meeting if the additional information was not received prior to that date. No plans were received.

Mr. Gizicki recommended that Zeiders must show cause at the October 10, 2019, public hearing, for why they should not be required to immediately plug and abandon the Rudolph Haynie 1-5 well.

**Motion:** Mr. Trudell made the motion to approve the recommendation. Mr. Welter seconded, and the motion passed unanimously.

#### **OTHER BUSINESS**

No other business discussed.

## **PUBLIC HEARING**

The Board reconvened on Thursday, August 15, 2019, 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 68-2019 – 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 60-2019.

Docket 69-2019 – The application of Lonewolf Operating, LLC was withdrawn.

Docket 70-2019 – A motion was made by Mr. Welter, seconded by Mrs. Nelson and unanimously passed, to approve the application of Denbury Onshore, LLC as set forth in Board Order 61-2019.

Docket 71-2019 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed, to continue the application of Continental Resources Inc to the October 10, 2019, public hearing as set forth in Board Order 62-2019.

Docket 72-2019 – The application of Baldwin Lynch Energy Corporation was withdrawn.

Docket 73-2019 – A motion was made by Mr. Gatzemeier, seconded by Mrs. Nelson and unanimously passed, that staff may proceed with administrative review and approval of Black Gold Energy Dore Facility, Inc.'s change of operator request. This is set forth in Board Order 76-2019.

Docket 74-2019 – A motion was made by Mr. Gatzemeier, seconded by Mr. Welter and unanimously passed, to continue Docket 74-2019, Foothills Exploration, LLC, to the October 10, 2019, public hearing. This is set forth in Board Order 63-2019.

Docket 75-2019 – A motion was made by Mr. Welter, seconded by Mrs. Nelson and unanimously passed, that Grassy Butte, LLC is fined \$1,000 for failure to appear at the August 15, 2019, public hearing and \$1,000 for failure to maintain mechanical integrity on the Kesterson #5 well, API # 25-087-21488, located in the SW¼NW¼ of Section 34, T10N-R33E, Rosebud County. Grassy Butte, LLC must return the Kesterson #5 well to compliance prior to the October 10, 2019, public hearing. Docket 75-2019 is continued until the October 10, 2019, public hearing. This is set forth in Board Order 64-2019.

Docket 76-2019 – A motion was made by Mr. Gatzemeier, seconded by Mr. Trudell and unanimously passed, that Summit Gas Resources, Inc. must return the Visborg 22-0841 11SA well, API # 25-003-22690, located in the NE¼SW¼ of Section 22, T8S-R41E and the DP 31-0842 05SA well, API # 25-003-22725, located in the SW¼NW¼ of Section 31, T8S-R42E to compliance prior to the October 10, 2019, public hearing. Docket 76-2019 is continued until the October 10, 2019, public hearing. This is set forth in Board Order 65-2019.

Docket 77-2019 – The show-cause hearing of Cline Production Company was continued until the October 10, 2019, public hearing.

Docket 78-2019 – A motion was made by Mrs. Nelson, seconded by Mr. Gatzemeier and unanimously passed, that Docket 78-2019, A & G Oil & Gas, is continued until the October 10, 2019, public hearing. This is set forth in Board Order 66-2019.

Docket 79-2019 – A motion was made by Mr. Trudell, seconded by Mr. Gatzemeier and unanimously passed, to forfeit the plugging and reclamation bond of Compass Energy, Inc. This is set forth in Board Order 67-2019.

Docket 80-2019 – A motion was made by Mr. Trudell, seconded by Mr. Gatzemeier and unanimously passed, to forfeit the plugging and reclamation bond of Molen Drilling Co., Inc. This is set forth in Board Order 68-2019.

Docket 81-2019 – A motion was made by Mr. Trudell, seconded by Mr. Gatzemeier and unanimously passed, to forfeit the plugging and reclamation bond of TDW Gas Processing, LLC. This is set forth in Board Order 69-2019.

Docket 82-2019 – A motion was made by Mr. Trudell, seconded by Mr. Gatzemeier and unanimously passed, to forfeit the plugging and reclamation bond of Uniontown Energy Montana LLC. This is set forth in Board Order 70-2019.

Docket 83-2019 – A motion was made by Mr. Welter, seconded by Mr. Trudell and unanimously passed, that TOI Operating is fined \$1,000 for failure to appear at the August 15, 2019, public hearing. TOI must begin the process to plug and abandon its Moerman 14-30 well, API # 25-109-21053, located in the SW¼SW¼ of Section 30, T18N-R59E, Wibaux County, Montana within 30 days or TOI is subject to a \$250 fine for each day after the deadline that the violations remain unresolved. The fine will remain in effect until compliance is confirmed by inspection. TOI must appear at the October 10, 2019, public hearing to discuss its plan for the remaining two wells on its multiple well bond. This is set forth in Board Order 71-2019.

Docket 84-2019 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and passed, that Samson Oil and Gas USA, Inc. must achieve compliance on its well locations within 30 days or Samson is subject to a \$250 fine for each day after the deadline that the violations remain unresolved. The fine will remain in effect until compliance is confirmed by inspection. This is set forth in Board Order 72-2019.

Docket 85-2019 – A motion was made by Mr. Gatzemeier, seconded by Mrs. Nelson and unanimously passed, that Docket 85-2019, Drawings, LLC, is dismissed upon the receipt of the fine that was assessed for delinquent production reports. This is set forth in Board Order 73-2019.

Docket 86-2019 – A motion was made by Mr. Trudell, seconded by Mr. Welter and unanimously passed, that PARMT LLC must have an approved plan to plug and abandon the Guenther 2-8 well, located in the SW¼NE¼ of Section 8, T33N-R58E, Sheridan County, Montana by the October 10, 2019, public hearing. This is set forth in Board Order 74-2019.

Docket 87-2019 – The show-cause hearing of Hofland, James D. was dismissed.

Docket 60-2017 – A motion was made by Mrs. Nelson, seconded by Mr. Gatzemeier and unanimously passed, that Black Gold Energy Resource Development, LLC must achieve compliance by October 10, 2019, public hearing or the outstanding fine of \$112,500 will be immediately payable. Docket 60-2017 is continued until the October 10, 2019, public hearing. This is set forth in Board Order 75-2019.

Docket 81-2018 – A motion was made by Mr. Welter, seconded by Mrs. Nelson and unanimously passed, that Bensun Energy must immediately pay the outstanding fine in the amount of \$9,120. Bensun must begin to plug and abandon or transfer its wells prior to the October 10, 2019, public hearing. The failure to begin to plug and abandon or transfer the wells as required by this order may result in forfeiture of the plugging and reclamation bond in its entirety, as authorized under § 82-11-123(5), MCA. This is set forth in Board Order 77-2019.

#### NEXT MEETINGS

The next business meeting of the Board will be Wednesday, October 9, 2019, 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, October 10, 2019, beginning at 9:00 a.m. at the Board's hearing room at its office at 2535 St. Johns Avenue in Billings, Montana. The filing deadline for the October 10<sup>th</sup> public hearing is September 5, 2019.

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

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Steven Durrett, Chairman  
Mac McDermott, Board Member  
Linda Nelson, Board Member  
Dennis Trudell, Board Member  
Joseph Michael Weber, Board Member  
Corey Welter, Board Member

ATTEST:

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Jennifer Breton, Program Specialist