

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING
April 29 & 30, 2020

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, April 29, 2020, at its office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Chairman Steven Durrett, Paul Gatzemeier, Linda Nelson, and Corey Welter. Board members present via teleconference were Mac McDermott, Dennis Trudell, and Mike Weber. Staff present was Jennifer Breton, John Gizicki, Jim Halvorson, George Hudak, Ben Jones, and Rob Stutz.

ROLL CALL & INSTRUCTIONS

Due to the Covid-19 pandemic, the business meeting was available via teleconference to Board members and the public.

Chairman Durrett provided the Board and public instructions on how the meeting was going to be conducted.

APPROVAL OF MINUTES

A motion was made by Mrs. Nelson, seconded by Mr. Weber and unanimously passed, to approve the minutes of the February 12, 2020, business meeting.

PUBLIC COMMENT ON AGENDA AND NON-AGENDA ITEMS

Mr. Curtis Shuck, managing member of Well Done Montana, LLC, informed the Board that on April 22, 2020, it plugged the Big West Anderson 3 orphan well. Mr. Shuck thanked the Board and staff for their help.

FINANCIAL REPORT

No questions were asked regarding the financial statement, attached as Exhibit 1.

AMENDMENT OF ARM 36.22.1242 – PRIVILEGE AND LICENSE TAX RATE

Mr. Halvorson discussed with the Board the privilege and license (P&L) tax, attached as Exhibit 2.

In June 2019, the Board lowered the P&L tax rate from the statutory maximum of 0.30% to 0.25% to allow Cities and Counties to receive 0.05% of the Board's P&L taxes collected.

Due to the drop-in oil prices, Mr. Halvorson recommended initiating the rulemaking process to raise the P&L tax rate to the statutory maximum. Cities and counties will no longer received a share of revenue.

There is no impact to industry and oil and gas producers will continue to pay 0.30%.

Motion: Mr. Gatzemeier made the motion to approve the recommendation to authorize the staff to proceed with rulemaking to raise the privilege and license tax rate to 100% of the rate allowed in statute, or 0.30 % effective October 1, 2020. Mrs. Nelson seconded, and the motion passed via roll call vote.

The notice of the proposed amendment to the P&L tax rate is attached as Exhibit 3.

The Board is required to give the Department of Revenue a required 90-day notice prior to the rule's effective date of October 1, 2020.

DAMAGE MITIGATION ACCOUNT AUTHORITY

Mr. Halvorson reviewed the CBSU 15-15 orphan well in Exhibit 4. The well has been moved up in plugging priority due to pressure on the casing annulus and a leak.

Mr. Halvorson requested the Board's authorization to expend funds from the Damage Mitigation Account to plug and restore the location of the CBSU 15-15 well.

Motion: Mr. Welter made the motion to approve the recommendation. Mrs. Nelson seconded, and the motion passed via roll call vote.

Mr. Halvorson plans to proceed with the plugging of this well this spring.

DOCKET SUMMARY

The April hearing had over 40 dockets prior to reducing the docket down to time sensitive applications, attached as Exhibit 5. The show cause dockets were continued to the June hearing.

With Covid-19 travel restrictions, board members, applicants, and the public can call into the hearing.

OTHER BUSINESS

Mr. Halvorson polled the Board to see if they would be interested in combining the June meeting and hearing on the same day. The majority of the Board wished to keep it over two days.

Mr. Rob Stutz provided an update on the Molen Drilling Co., Inc. \$10,000 bond that was forfeited at the August 15, 2019, hearing. Travelers Casualty & Surety Co. of America (Travelers) stated a statute of limitation and would not pay the full amount of the bond but offered a "nuisance" payment of \$2,500 to settle the claim. The Board made a counter offer of \$5,000 to Travelers. Travelers accepted the counter offer and payment was submitted to the Board.

PUBLIC HEARING

The Board reconvened on Thursday, April 30, 2020, 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 9-2020 – The application of Kraken Oil & Gas LLC was continued to the August 2020 hearing.

Docket 10-2020 – The application of Kraken Oil & Gas LLC was continued to the August 2020 hearing.

Docket 11-2020 – A motion was made by Mrs. Nelson, seconded by Mr. Gatzemeier and passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 9-2020.

Docket 12-2020 – The application of Kraken Oil & Gas LLC was continued to the August 2020 hearing.

Docket 13-2020 – The application of Kraken Oil & Gas LLC was continued to the August 2020 hearing.

Docket 14-2020 – The application of Kraken Oil & Gas LLC was continued to the August 2020 hearing.

Docket 15-2020 – The application of Kraken Oil & Gas LLC was continued to the August 2020 hearing.

Docket 16-2020 – A motion was made by Mrs. Nelson, seconded by Mr. Gatzemeier and passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 10-2020.

Docket 17-2020 – A motion was made by Mrs. Nelson, seconded by Mr. Gatzemeier and passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 11-2020.

Docket 18-2020 – A motion was made by Mr. Gatzemeier, seconded by Mrs. Nelson and passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 12-2020.

Docket 19-2020 – A motion was made by Mr. Gatzemeier, seconded by Mrs. Nelson and passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 13-2020.

Docket 20-2020 – A motion was made by Mrs. Nelson, seconded by Mr. Gatzemeier and passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 14-2020.

Docket 21-2020 – A motion was made by Mrs. Nelson, seconded by Mr. Gatzemeier and passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 15-2020.

Docket 22-2020 – A motion was made by Mr. Gatzemeier, seconded by Mrs. Nelson and passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 16-2020.

Docket 23-2020 – A motion was made by Mr. Gatzemeier, seconded by Mrs. Nelson and passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 17-2020.

Docket 24-2020 – A motion was made by Mr. Gatzemeier, seconded by Mrs. Nelson and passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 18-2020.

Docket 25-2020 – A motion was made by Mr. Gatzemeier, seconded by Mrs. Nelson and passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 19-2020.

Docket 26-2020 – A motion was made by Mrs. Nelson, seconded by Mr. Gatzemeier and passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 20-2020.

Docket 27-2020 – A motion was made by Mrs. Nelson, seconded by Mr. Gatzemeier and passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 21-2020.

Docket 28-2020 – A motion was made by Mrs. Nelson, seconded by Mr. Gatzemeier and passed, to approve the application of Petro-Hunt, LLC as set forth in Board Order 23-2020.

Docket 29-2020 – 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 Big Sky Energy, LLC was approved as set forth in Board Order 22-2020.

Docket 30-2020 – A motion was made by Mr. Gatzemeier, seconded by Mrs. Nelson and passed, to approve the application of Briscoe Petroleum, LLC as set forth in Board Order 24-2020.

Docket 31-2020 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and passed, that D90 Energy, LLC must increase its multiple well plugging and reclamation bond to \$100,000. Staff may proceed with administrative review and approval of TAQA USA, Inc. to D90 Energy, LLC's change of operator request upon the receipt of the increased multiple well bond. D90 Energy, LLC must appear at the December 2, 2020, business meeting and provide the Board a summary of its plugging and reclamation plans for its non-producing wells. This is set forth in Board Order 25-2020.

Docket 32-2020 – The application of Crazy Mountain Oil & Gas LLC was continued to the June 2020 hearing.

Docket 1-2020 – The application of Lonewolf Operating, LLC was continued to the June 2020 hearing.

Docket 2-2020 – The application of Lonewolf Operating, LLC was continued to the June 2020 hearing.

Docket 33-2020 – The show-cause hearing of PARMT LLC was continued to the June 2020 hearing.

Docket 34-2020 – The show-cause hearing of APEX Energy, LLC was continued to the June 2020 hearing.

Docket 35-2020 – The show-cause hearing of BNV Energy Company LLC was continued to the June 2020 hearing.

Docket 113-2019 – The show-cause hearing of Bensun Energy, LLC was continued to the June 2020 hearing.

NEXT MEETINGS

The next business meeting of the Board will be Wednesday, June 24, 2020, 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, June 25, 2020, 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 June 25th public hearing is May 21, 2020.

BOARD OF OIL AND GAS CONSERVATION OF THE STATE OF MONTANA

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

ATTEST:

Jennifer Breton, Program Specialist