

STATE OF MONTANA  
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION  
MINUTES OF THE  
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING  
September 30 & October 1, 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, September 30, 2020, at its office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Chairman Steven Durrett, Paul Gatzemeier, Linda Nelson, Dennis Trudell, Mike Weber, and Corey Welter. Board member Mac McDermott was present via teleconference. Staff present was John Gizicki, Jim Halvorson, George Hudak, Ben Jones, Erin Ricci, 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 Mr. Gatzemeier, seconded by Mr. Welter and passed via roll call vote, to approve the minutes of the August 5, 2020, business meeting.

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

Mr. Jerry Croteau commented about his concern that his minerals, which lay just across the North Dakota boundary, were being drained by the Cynthia 1 well in the Dwyer Field. He has worked with the governor's office and was directed to speak during public comment of the Board's Business Meeting.

**PROPOSED 2021 HEARING SCHEDULE**

The Board discussed and approved on the 2021 meeting schedule, attached as Exhibit 1. Below are the 2021 meeting and hearing dates:

February 3 & 4, 2021  
April 7 & 8, 2021  
June 9 & 10, 2021  
August 11 & 12, 2021  
October 13 & 14, 2021  
December 1 & 2, 2021

## **LONGEVITY AND SERVICE AWARDS**

Due to COVID-19 employees who were receiving service awards were unable to attend. Chairman Durrett presented certificates and gifts for Jennifer Breton and John Brown for their 5 years of service to the state. The awards and gifts will be given to Jennifer and John by staff.

## **SCOUT ENERGY MANAGEMENT LLC**

Mr. Halvorson stated Scout Energy Management LLC (Scout) had sent a letter to the Board with its current plan for plugging and reclaiming its non-producing wells, attached as Exhibit 2, and as required by Board Order 2-2020. Lucas Moore and Will Saint with Scout attended the meeting via teleconference. They stated the plan is to move forward and plug the Jonsson 17-1 well. They were also looking into four other non-producing oil wells to determine the lease status prior to committing to plug them.

Mr. Halvorson recommended Scout have an approved plugging plan in place for the Jonsson 17-1 well by the December 2, 2020 business meeting.

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

## **FINANCIAL REPORT**

No financial report was prepared for this meeting. A complete report will be prepared for the December hearing after a new tax distribution is received.

## **BOND SUMMARY & INCIDENT REPORT**

Mr. Halvorson presented the bond report and the incident report, attached as Exhibit 3 & 4.

## **DOCKET SUMMARY**

Mr. Halvorson presented the docket summary, attached as Exhibit 5.

## **GAS FLARING EXCEPTIONS**

Mr. Jones discussed the gas flaring report, attached as Exhibit 6. There are 15 wells flaring in excess of 100 MCFG/day and seven exception requests at this time.

Mr. Jones recommended a six-month exception for all seven requests.

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

## **STAFF REPORTS**

### **Jim Halvorson**

Mr. Halvorson reported staff had received a letter (Exhibit 7) from Mr. Scheveck, attorney representing Lance Benson concerning board action taken against Bensun Energy, LLC at the June 25, 2020 hearing. Mr. Stutz reached out to Mr. Scheveck regarding the letter. Mr. Scheveck said he had not been asked by Mr. Benson to do anything further than sending the letter, but he would reach out to Mr. Benson. Prior to the business meeting Mr. Stutz has not received any new word from Mr. Scheveck.

Mr. Halvorson reported receiving letters and phone calls regarding TOI Operating's (TOI) MT Ag. Sta. 28-41, and Theil 14-23. It was reported that the MT Ag. Sta. 28-41 equipment had been stripped from the site. A developer wants to know when the Theil 14-23 will be plugged so he can put in a subdivision. Mr. Lenny Carver, TOI owner, has been telling everyone he no longer is responsible for the wells listed above and to contact the Board with their issues.

### **Rob Stutz**

Mr. Stutz discussed the legal action the Board is taking against TOI regarding their unpaid fine and seeking to enforce the plugging and abandonment of the Moerman 14-30, MT Ag. Sta 28-41, and Theil 14-23.

Mr. Stutz also informed the Board he has accepted a new position and would no longer be the board's attorney. The new attorney will be Kyle Chenoweth. The board wished Mr. Stutz luck on his future adventures and thanked him for his time as the board attorney.

## **OTHER BUSINESS**

No other business discussed.

## **PUBLIC HEARING**

The Board reconvened on Thursday, October 1, 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 42-2020 – The application of Poplar Resources LLC was continued to the December 2020 hearing.

Docket 43-2020 – A motion was made by Mr. Gatzemeier, seconded by Mr. Trudell and unanimously passed, to approve the application of Cline Production Company as set forth in Board Order 37-2020.

Docket 44-2020 – A motion was made by Mr. Trudell, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Cline Production Company as set forth in Board Order 38-2020.

Docket 45-2020 – A motion was made by Mr. Welter, seconded by Mr. Trudell and unanimously passed, to approve the application of Prima Exploration, Inc. as set forth in Board Order 39-2020.

Docket 46-2020 – A motion was made by Mr. Welter, seconded by Mr. Trudell and unanimously passed, to approve the application of Prima Exploration, Inc. as set forth in Board Order 40-2020.

Docket 47-2020 – The application of Lonewolf Operating, LLC was withdrawn.

Docket 48-2020 – The application of Lonewolf Operating, LLC was withdrawn.

Docket 49-2020 – The application of Three Forks Resources, LLC was continued to the December 2020 hearing.

Docket 50-2020 – A motion was made by Mrs. Nelson, seconded by Mr. Gatzemeier and unanimously passed, that staff may proceed with administrative review and approval of Diamond Halo Group, LLC's change of operator request. This is set forth in Board Order 41-2020.

Docket 9-2020 – A motion was made by Mr. Trudell, seconded by Mrs. Nelson and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 42-2020.

Docket 10-2020 – A motion was made by Mr. Trudell, seconded by Mrs. Nelson and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 43-2020.

Docket 12-2020 – A motion was made by Mr. Weber, seconded by Mrs. Nelson and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 44-2020.

Docket 13-2020 – A motion was made by Mr. Weber, seconded by Mrs. Nelson and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 45-2020.

Docket 14-2020 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 46-2020.

Docket 15-2020 – 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 47-2020.

Docket 51-2020 – A motion was made by Mr. Trudell, seconded by Mr. Welter and unanimously passed, that Docket 51-2020 is continued until the December 3, 2020, public hearing. This is set forth in Board Order 48-2020.

Docket 52-2020 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed, that Docket 52-2020 is continued until the December 3, 2020, public hearing. This is set forth in Board Order 49-2020.

Docket 53-2020 – The show-cause hearing of Alta Vista Corporation was dismissed.

Docket 54-2020 – A motion was made by Mr. Welter, seconded by Mrs. Nelson and passed, that ANG Holding (USA) Corp. come into compliance with reporting requirements and submit a letter to Board staff explaining the ownership status of its wells by the December 3, 2020, public hearing. Docket 54-2020 is continued until the December 3, 2020, public hearing. This is set forth in Board Order 50-2020.

Docket 55-2020 – The show-cause hearing of BBX Operating Co. LLC was dismissed.

Docket 56-2020 – A motion was made by Mrs. Nelson, seconded by Mr. Trudell and unanimously passed, that Drawings, LLC was fined \$1,000 for failure to appear at the October 1, 2020, public hearing. Drawings must come into reporting compliance and pay its fines by October 29, 2020, or it must immediately shut-in its wells for illegal production per ARM 36.22.1245. Drawings is to appear at the December 3, 2020, public hearing and show-cause, if any it has, why additional penalties should not be assessed for failure to file delinquent production reports, failure to pay the penalty assessed for delinquent reporting, and failure to appear at the October 1, 2020, public hearing. This is set forth in Board Order 51-2020.

Docket 57-2020 – A motion was made by Mr. Trudell, seconded by Mr. Gatzemeier and unanimously passed, that Hawley Hydrocarbons, Merrill&Carol Hawley Dba is fined \$1,000 for failure to appear at the October 1, 2020, public hearing. Hawley Hydrocarbons is to appear at the December 3, 2020, public hearing and show-cause, if any it has, why additional penalties should not be assessed for failure to file delinquent production and injection reports, failure to pay the penalty assessed for delinquent reporting, and failure to appear at the October 1, 2020, public hearing. This is set forth in Board Order 52-2020.

Docket 58-2020 – A motion was made by Mr. Trudell, seconded by Mrs. Nelson and unanimously passed, that Hawley Oil Company is fined \$1,000 for failure to appear at the October 1, 2020, public hearing. Hawley Oil is to appear at the December 3, 2020, public hearing and show-cause, if any it has, why additional penalties should not be assessed for failure to file delinquent production and injection reports, failure to pay the penalty assessed for delinquent reporting, and failure to appear at the October 1, 2020, public hearing. This is set forth in Board Order 53-2020.

Docket 59-2020 – A motion was made by Mr. Welter, seconded by Mr. Trudell and unanimously passed, that Hawley-Northrup is fined \$1,000 for failure to appear at the October 1, 2020, public hearing. Hawley-Northrup is to appear at the December 3, 2020, public hearing and show-cause, if any it has, why additional penalties should not be assessed for failure to file delinquent production reports, failure to pay the penalty assessed for delinquent reporting, and failure to appear at the October 1, 2020, public hearing. This is set forth in Board Order 54-2020.

Docket 128-2019 – The show-cause hearing of Carrell Oil Company DBA COCO was dismissed.

Docket 41-2020 – A motion was made by Mrs. Nelson, seconded by Mr. Gatzemeier and unanimously passed, that Shadwell Resources Group, LLC is fined \$1,000 for failure to appear at the October 1, 2020, public hearing. The \$250 fine for each day after August 24, 2020, that the violations remain unresolved is immediately doubled to \$500 for each day after October 1, 2020, that the violations remain unresolved. The fine will remain in effect until compliance is confirmed by inspection. Docket 41-2020 is continued until the December 3, 2020, public hearing. This is set forth in Board Order 55-2020.

#### NEXT MEETINGS

The next business meeting of the Board will be Wednesday, December 2, 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, December 3, 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 December 3<sup>rd</sup> public hearing is October 29, 2020.

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

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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:

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Erin Ricci, Administrative Assistant