

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING
February 3 & 4, 2021

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, February 3, 2021, at its office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Chairman Steven Durrett, Roy Brown, Paul Gatzemeier, Mac McDermott, Mike Weber, Corey Welter, and Jeff Wivholm. Staff present was Jennifer Breton, Drew Cziok, John Gizicki, Jim Halvorson, George Hudak, and Ben Jones.

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.

BOARD APPOINTMENTS

Mr. Durrett welcomed two new appointees to the Board, Roy Brown and Jeff Wivholm. The new members took the oath of office.

APPROVAL OF MINUTES

A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and passed, to approve the minutes of the December 2, 2020, business meeting.

PUBLIC COMMENT ON AGENDA AND NON-AGENDA ITEMS

Charles Selby, President of ANG Holding (USA) Corp. (ANG), attended the meeting via teleconference. ANG is the operator of 90 wells in Blaine County, Montana.

At the December 3, 2020, public hearing, ANG was docketed for show cause for failure to file production reports and pay the administrative fine assessed for delinquent production reporting. As a result of that hearing, the fine assessed to ANG was waived, but ANG was ordered to continue to file reports in accordance with Board rules.

Mr. Selby stated ANG has been unable to raise funds for the operations of its wells. As a result, the wells have been shut-in and the company can no longer file the required production reports.

Mr. Halvorson stated the next step would be to plug and abandon the wells. Mr. Selby agreed. ANG must show cause at the April 8, 2021, public hearing for why it should not have to provide a plan and timeline for the plugging and abandonment of its wells.

WELL DONE FOUNDATION PROJECT UPDATE

Curtis Shuck, chairman and founder of Well Done Foundation, Inc. (Well Done) presented highlights from its orphan well adoption program. A handout of the presentation is attached as Exhibit 1.

Well Done has taken over nine orphan wells in Toole County, Montana. Well Done monitors the wells for gas emissions and then once the monitoring phase is complete, the wells are plugged and the surface reclaimed. So far, three orphan wells have been plugged.

Well Done estimates it will take over 30 orphan wells in 2021. Mr. Shuck is working with the surface owners to secure the agreements.

CAT CREEK HOLDINGS LLC UPDATE REQUIRED BY BOARD ORDER 30-2020

Cat Creek Holdings LLC (Cat Creek) submitted an update to the Board detailing what it has done since the August 2020 change of operator hearing and its plans going into 2021, attached as Exhibit 2. This update was required by Board Order 30-2020.

Travis Leck with Cat Creek attended the meeting via teleconference and reviewed the exhibits. Cat Creek completed significant work since August 2020. The work included replacing all the flowlines to active wells, the plugging and abandonment of the Fifer 3 well, and returning nine shut-in wells back to production.

Mr. Welter commended Cat Creek for all its work.

SAMSON RESOURCES COMPANY RECLAMATION RELEASE

Ben Jones discussed Samson Resources Company (Samson), attached as Exhibit 3. Samson recently submitted sundries with landowner releases for three wells that were plugged and abandoned in 2015. Very little reclamation had taken place at these locations and some conditions were not in compliance with board rules. Staff wanted this issue to come before the Board for review and approval prior to removing the wells from Samson's bond.

Prior to the meeting, Samson addressed staff's concerns and cleaned up the locations.

No further Board action is necessary.

FINANCIAL REPORT

Mrs. Breton discussed the financial statement, attached as Exhibit 4.

BOND SUMMARY & INCIDENT REPORT

Mr. Halvorson presented the bond report and the incident report, attached as Exhibit 5 & 6.

DOCKET SUMMARY

Mr. Halvorson presented the docket summary, attached as Exhibit 7.

GAS FLARING EXCEPTIONS

Mr. Jones did not have any flaring exceptions to review.

Mr. Jones provided an overview of gas flaring for the new Board members. A gas flaring exception is required when a well is flaring in excess of 100 MCFG/day following an initial 60-day test period.

EXECUTIVE ORDER 1-2021

Mr. Halvorson discussed the Executive Order 1-2021 that Governor Gianforte issued to reduce government waste by August 1, 2021.

Mr. Halvorson provided a list of potential changes that could be made to reduce government waste. On the list was the elimination of Form 9: monthly gas report and Form 10: Gasoline or Extraction Plant Report. There is no public demand for the data that is submitted on these forms.

Mr. Halvorson asked the Board for suggestions to reduce government waste.

An update will be provided at the April hearing.

STAFF REPORTS

Ben Jones

Mr. Jones reviewed the plugging and reclamation orphan well list, attached as Exhibit 8. The next two wells with the highest plugging priority are the Kelly Oil and Gas LLC's Stensvad 2X-25 well, API # 25-065-21376 and TOI Operating's MT AG Sta. 28-41 well, API # 25-083-21384.

Mr. Jones requested the Board's authorization to spend damage mitigation funds for the emergency well plugging and cleanup of the Stensvad 2X-25 well and the plugging and abandonment of the MT AG Sta. 28-41 well.

Motion: Mr. Welter made the motion to approve the recommendations. Mr. Gatzemeier seconded and the motion passed unanimously.

John Gizicki

During a routine field inspection on January 29, 2021, the aftermath of a substantial spill was discovered in Western Meadowlark Resources' (Western Meadowlark) Mosser Dome field. The spill had been cleaned up and the contaminated soil was piled on location with a berm surrounding it.

On February 1, 2021, Mr. Gizicki reached out to Western Meadowlark's former pumper. The pumper explained that a small 15-20 gallon spill occurred and was reported in December 2020. Later, the tank overflowed and became a larger, more significant spill that was not reported. Western Meadowlark was required to submit a written report of the spill within 5 business days of the incident, as required under ARM 36.22.1103.

On February 2, 2021, a spill report for the large spill was received.

Mr. Gizicki notified Western Meadowlark that this matter would be brought up at the board meeting for failure to properly report the spill.

Mr. Gizicki is not recommending corrective actions at this point but wants to know what Western Meadowlark is doing to prevent this from happening again in the future.

John Patteson, Western Meadowlark's general council, attended the meeting via teleconference. Mr. Patteson stated that once Western Meadowlark became aware of the larger spill on December 21, 2020, a company representative flew to Montana to assess the release. Western Meadowlark bermed the area and had 2-4 inches of frozen soil removed. There was a break of communication internally to report the spill. Western Meadowlark has taken action to ensure future reporting requirements are met.

As part of the inactive well review, Mr. Gizicki discussed The Daube Company, Grynberg, Jack J., and Elenburg Exploration, Inc. These operators have submitted intents to abandon its inactive wells, but the wells remain unplugged.

Before the next meeting, Mr. Gizicki will mail each of the operators a letter requesting an update and plugging schedule of the abandonment of the wells to review at the April business meeting. If no update or plans are received, the Board will docket the operator to show cause at the June hearing.

Mr. Gizicki discussed Forward Energy, LLC (Forward) three inactive shut-in wells in Yellowstone County, Montana, attached as Exhibit 9. These wells have been shut-in for over 10 years.

- Forquer 42-25, API # 25-111-21237, located in the SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 25, T4N-R24E (gas)
- Brown 1-12, API # 25-111-21174, located in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 12, T4 N-R25E (oil)
- Brown 2-12, API # 25-111-21192, located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 12, T4 N-R25E (oil)

A landowner requested the Brown 1-12 and Brown 2-12 wells be plugged and abandoned. The landowner claims the mineral lease covering these wells has expired and has no intent to renew the lease.

On December 2, 2020, Mr. Tim Beeman with Forward submitted a sundry for each of the three inactive wells. On the Brown 1-12 and Brown 2-12 sundries, Mr. Beeman indicated the price of oil needs to be above \$80 a barrel for six months to economically produce the oil wells. On the sundry notice received for the Forquer 42-25 gas well, Mr. Beeman indicated someone may be interested in purchasing the well, but no change of operator request has been filed.

Mr. Gizicki recommended that Forward show cause at the April 8, 2021, public hearing for why it should not have to provide a plan and timeline for the plugging and abandonment of its wells.

Motion: Mr. Gatzemeier made the motion to approve the recommendation. Mr. Welter seconded, and the motion passed.

Mr. Gizicki discussed Young Sanders E&P, LLC's (Young Sanders) State 16-16 well, API # 25-101-24084, located in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 16, T35N-R1E, Toole County, Montana, attached as Exhibit 10. This well was drilled in 2007 and never produced.

On June 7, 2019, a certified letter was sent to Young Sanders requesting the plan for the well. A return receipt was received by staff, but no response was received to this letter.

On August 28, 2019, and November 28, 2019, follow up letters were sent and received no response.

On January 27, 2021, a letter was sent to Young Sanders notifying them that this issue was going to be brought up at the February Board Business meeting. No response was received to this letter.

Eric Johnson, consultant, attended the meeting via teleconference. Mr. Johnson stated that Young Sanders is working on the abandonment plans for the well and will submit a sundry notice with its intent to staff.

Mr. Gizicki recommended that Young Sanders must provide a plan and timeline for the plugging and abandonment of its State 16-16 well prior to the March 4, 2021, hearing application deadline. Failure to submit a plan and timeline will result in Young Sanders being ordered to show cause at the April 8, 2021, public hearing for why it should not have to plug and abandon its well.

Motion: Mr. Brown made the motion to approve the recommendation. Mr. Gatzemeier seconded, and the motion passed.

Jim Halvorson

Mr. Halvorson provided a legislature update. There are currently no Legislative bills that affect oil and gas.

The Billings office has not had telephones for the past last two months. Mr. Halvorson would like the hearing room to be rewired to accommodate telephone connection when the building gets a new wireless network. DNRC has offered to pay for the wireless network.

The Board gives staff the authorization to investigate wire communications for the hearing room.

OTHER BUSINESS

No other business discussed.

PUBLIC HEARING

The Board reconvened on Thursday, February 4, 2021, 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 61-2020 – The application of Denbury Onshore LLC was continued to the April 2021 hearing.

Docket 63-2020 – The application of Denbury Onshore LLC was continued to the April 2021 hearing.

Docket 64-2020 – The application of Denbury Onshore LLC was continued to the April 2021 hearing.

Docket 1-2021 – The application of Montalban Oil & Gas Operations, Inc. was continued to the April 2021 hearing.

Docket 2-2021 – A motion was made by Mr. Welter, seconded by Mr. Weber and unanimously passed, that staff may proceed with administrative review and approval of the change of operator request from Grizzly Operating, LLC to Contango Resources, Inc. This is set forth in Board Order 1-2021.

Docket 3-2021 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed, that Black Gold Energy Richland Facility, Inc. must submit a UIC plugging and reclamation bond in the amount of \$20,000 for the Velma SWD 1-10H. Staff may proceed with administrative review and approval of the change of operator request from Shadwell Resources Group, LLC to Black Gold Energy Richland Facility, Inc. This is set forth in Board Order 2-2021.

Docket 4-2021 – A motion was made by Mr. Gatzemeier, seconded by Mr. Brown and passed, that Black Gold Energy Indian Mound Facility, Inc. must submit a plugging and reclamation bond in the amount of \$20,000 for the Indian Mound 1 well. Staff may proceed with administrative review and approval of the change of operator request from Black Gold Energy Resource Development, LLC to Black Gold Energy Indian Mound Facility, Inc. This is set forth in Board Order 4-2021.

Docket 70-2020 – A motion was made by Mr. Welter, seconded by Mr. Weber and unanimously passed, that A&S Mineral Development Co., LLC must submit a multiple well plugging and reclamation bond in the amount of \$100,000. Staff may proceed with administrative review and approval of the change of operator request from Anadarko Minerals, Inc. to A&S Mineral Development Co., LLC. This is set forth in Board Order 5-2021.

Docket 5-2021 – A motion was made by Mr. Gatzemeier, seconded by Mr. Welter and passed, that Kykuit Resources, LLC is fined \$1,000 for failure to appear at the February 4, 2021, public hearing. Kykuit is to appear at the April 8, 2021, public hearing and show-cause, if any it has, why additional penalties should not be assessed for failure to pay the penalty assessed for delinquent reporting and failure to appear at the February 4, 2021, public hearing. This is set forth in Board Order 6-2021.

Docket 6-2021 – A motion was made by Mr. Brown, seconded by Mr. Gatzemeier and passed, that Docket 6-2021, Lyon, John J., is continued until the April 8, 2021, public hearing. This is set forth in Board Order 7-2021.

Docket 7-2021 – The show-cause hearing of MBI Oil and Gas, LLC was dismissed.

Docket 8-2021 – The show-cause hearing of Painted Pegasus Petroleum LLC dba P3 Petroleum LLC was dismissed.

Docket 41-2020 – A motion was made by Mr. Brown, seconded by Mr. Gatzemeier and passed, that Shadwell Resources Group, LLC's outstanding fine of \$13,750 is reduced to \$6,875 and the remaining balance of \$2,937.50 must be submitted prior to staff approval of the change of operator request. Staff may proceed with administrative review and approval of the change of operator request. This is set forth in Board Order 3-2021.

Docket 51-2020 – A motion was made by Mr. Gatzemeier, seconded by Mr. Brown and passed, that Roland Oil and Gas must show cause at the April 8, 2021, public hearing for why it should not have to provide a plan and timeline for the plugging and abandonment of its wells in Glacier and Pondera Counties, Montana. This is set forth in Board Order 8-2021.

Docket 52-2020 – A motion was made by Mr. Welter, seconded by Mr. McDermott and passed, that Docket 52-2020, Zeiders Bros. Oil & Gas, LLC, is continued until the June 10, 2021, public hearing. This is set forth in Board Order 9-2021.

Docket 71-2020 – A motion was made by Mr. Gatzemeier, seconded by Mr. Weber and passed, that Docket 71-2020, Pamect Oil, Keith E. Tyner DBA, is continued until the June 10, 2021, public hearing. This is set forth in Board Order 10-2021.

Docket 73-2020 – A motion was made by Mr. Gatzemeier, seconded by Mr. McDermott and passed, that Docket 73-2020, Hawley Hydrocarbons, Merrill&Carol Hawley DBA, is continued until the April 8, 2021, public hearing. Hawley Hydrocarbons is subject to a \$50 fine for each day after March 4, 2021, hearing deadline that the reporting violations remain unresolved. If compliance is achieved prior to the deadline, the docket is dismissed. This is set forth in Board Order 11-2021.

Docket 74-2020 – A motion was made by Mr. Gatzemeier, seconded by Mr. Brown and passed, to dismiss Docket 74-2020, Hawley Oil Company. This is set forth in Board Order 12-2021.

Docket 75-2020 – A motion was made by Mr. Gatzemeier, seconded by Mr. Brown and passed, that Docket 75-2020, Hawley-Northrup, is continued until the April 8, 2021, public hearing. Hawley-Northrup is subject to a \$50 fine for each day after March 4, 2021, hearing deadline that the penalty remains unpaid. If compliance is achieved prior to the deadline or the payment of penalty can be confirmed, the docket is dismissed. This is set forth in Board Order 13-2021.

NEXT MEETINGS

The next business meeting of the Board will be Wednesday, April 7, 2021, 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, April 8, 2021, 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 April 8th public hearing is March 4, 2021.

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA

Steven Durrett, Chairman
Paul Gatzemeier, Vice-Chairman
Roy Brown, Board Member
Mac McDermott, Board Member
Joseph Michael Weber, Board Member
Corey Welter, Board Member
Jeff Wivholm, Board Member

ATTEST:

Jennifer Breton, Program Specialist