

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING
April 7 & 8, 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, April 7, 2021, at its office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Chairman Steven Durrett, Roy Brown, Mike Weber, Corey Welter, and Jeff Wivholm. Board member present via teleconference was Mac McDermott. Board member Paul Gatzemeier was absent. Staff present was Jennifer Breton, Drew Cziok, Brea Frickle, 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.

APPROVAL OF MINUTES

A motion was made by Mr. Welter, seconded by Mr. Brown and passed, to approve the minutes of the February 3, 2021, business meeting.

PUBLIC COMMENT ON AGENDA AND NON-AGENDA ITEMS

Matt Dahan with Denbury Resources, Inc. presented an updated of its Cedar Creek Anticline CO₂ enhanced oil recovery project. A handout of the presentation is attached as Exhibit 1.

FINANCIAL REPORT

Mrs. Breton discussed the financial statement, attached as Exhibit 2.

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 did not have any flaring exceptions to review.

INACTIVE WELL REVIEW

Mr. Gizicki discussed The Daube Company (Daube), Elenburg Exploration, Inc. (Elenburg) and Grynberg, Jack J. (Grynberg), attached as Exhibit 6, 7, and 8. These operators have submitted intents to abandon its inactive wells, but the wells remain unplugged. Since the last meeting, Mr. Gizicki mailed each of these operators a letter requesting an update and plugging schedule of the abandonment of the wells to review at this business meeting.

Daube plans to plug its two inactive wells, Kober Farms 1-7 and 7T Land & Livestock 2-27, once the weather clears. Mr. Gizicki recommended no board action be taken at this time.

Elenburg has one inactive well, the Meissner 11-14. According to the Montana Secretary of State's website, Elenburg had a name change to Capstar Drilling, Inc. (Capstar). Capstar is the responsible party of the well. On September 23, 2019, an intent to abandon sundry notice from Elenburg / CapStar for the Meissner 11-14 well was received. Since that time, the Meissner 11-14 well remains unplugged.

On March 30, 2021, staff spoke with Chris Ellison, CapStar's general manager. Mr. Ellison claims the well was transferred to the landowner. The Board has no record of this transfer in its files.

Mr. Gizicki recommended Capstar Drilling, Inc., FKA Elenburg Exploration, Inc. show cause at the June 10, 2021, public hearing for why it should not immediately plug and abandon the Meissner 11-14 well.

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

Grynberg has two inactive wells, the B. Stefl 13-1 and Lipp 18-16. The conservator for Grynberg has been in contact with staff and stated she is in the process of getting bids from service companies to plug the wells. Mr. Gizicki recommended no board action be taken at this time.

STAFF REPORTS

George Hudak

Mr. Hudak brought to the Board's attention the remaining two UIC operators who have not paid the 2021 annual injection fee of \$200 that was due on January 31, 2021. The first operator, Summit Gas Resources, Inc., is going through bankruptcy and stated that it is unable to pay the annual fee for its seven UIC wells. The second operator is Grassy Butte LLC (Grassy Butte), who has one permitted UIC well. There have been several attempts to contact Grassy Butte. An overview of the mailing dates to these operators is attached as Exhibit 9.

Mr. Hudak recommended the Board assess these operators a \$100 late fee per well for failure to submit its

injection well payment prior to the deadline.

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

Jim Halvorson

Mr. Halvorson provided a follow-up of the Board's discussion in February regarding the Executive Order 1-2021 that Governor Gianforte issued to reduce government waste by August 1, 2021.

Attached as Exhibit 10 is a list of documents that the Board could accept via fax or email with signature and a list of documents that require an original signature (organization report, bonding documents, and drilling permits). There will be a policy created of what will require an original signature vs. electronic signature.

Also, 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. Staff will propose rulemaking to vacate Forms 9 and 10 at a future date.

Mr. Halvorson provided a legislature update. There are two Legislative bills that affect oil and gas operators, county zoning and a revision of tax for stripper oil and gas wells.

OTHER BUSINESS

No other business discussed.

PUBLIC HEARING

The Board reconvened on Thursday, April 8, 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 9-2021 – 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 14-2021.

Docket 10-2021 – 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 15-2021.

Docket 11-2021 – A motion was made by Mr. Gatzemeier, seconded by Mr. Brown and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 16-2021.

Docket 12-2021 – A motion was made by Mr. Gatzemeier, seconded by Mr. Brown and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 17-2021.

Docket 13-2021 – A motion was made by Mr. Gatzemeier, seconded by Mr. Brown and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 18-2021.

Docket 14-2021 – A motion was made by Mr. Gatzemeier, seconded by Mr. Brown and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 19-2021.

Docket 15-2021 – A motion was made by Mr. Welter, seconded by Mr. Wivholm and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 20-2021.

Docket 16-2021 – A motion was made by Mr. Welter, seconded by Mr. Wivholm and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 21-2021.

Docket 17-2021 – 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 22-2021.

Docket 18-2021 – 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 23-2021.

Docket 19-2021 – 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 24-2021.

Docket 20-2021 – The application of Bison Oil and Gas III, LLC was withdrawn.

Docket 21-2021 – The application of Bison Oil and Gas III, LLC was withdrawn.

Docket 22-2021 – The application of Bison Oil and Gas III, LLC was withdrawn.

Docket 23-2021 – The application of Bison Oil and Gas III, LLC was withdrawn.

Docket 24-2021 – A motion was made by Mr. Weber, seconded by Mr. Brown and unanimously passed, to continue the application of Bison Oil and Gas III, LLC to the June 10, 2021, public hearing as set forth in Board Order 25-2021.

Docket 25-2021 – A motion was made by Mr. Wivholm, seconded by Mr. Welter and unanimously passed, to amend Board Order 10-2020 to remove the expiration date of the temporary spacing unit comprised of all of sections 1, 12, and 13, T26N-R59E, Richland and Roosevelt Counties, Montana, as set forth in Board Order 26-2021.

Docket 26-2021 – A motion was made by Mr. Wivholm, seconded by Mr. Welter and unanimously passed, to amend Board Order 10-2020 to remove the expiration date of the temporary spacing unit comprised of all of sections 1, 12, and 13, T26N-R59E, Richland and Roosevelt Counties, Montana, as set forth in Board Order 26-2021.

Docket 27-2021 – The application of Prima Exploration, Inc. was withdrawn.

Docket 28-2021 – 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 Denbury Onshore LLC was approved as set forth in Board Order 27-2021.

Docket 29-2021 – Montana Energy Company, LLC provided the Board an update of its efforts to reduce its plugging liability. No board action took place.

Docket 42-2020 – The application of Poplar Resources LLC was continued to the June 2021 hearing.

Docket 61-2020 – A motion was made by Mr. Weber, seconded by Mr. Gatzemeier and unanimously passed to approve the application of Denbury Onshore LLC as set forth in Board Order 28-2021.

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

Docket 30-2021 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed that staff may proceed with administrative review and approval of the Croft Petroleum Co. to A.B. Energy, LLC's change of operator request. A.B. Energy is to appear at the October 14, 2021, public hearing to review its plugging and reclamation bonds. This is set forth in Board Order 29-2021.

Docket 49-2020 – 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 Croft Petroleum Co. to Three Forks Resources, LLC change of operator request. This is set forth in Board Order 30-2021.

Docket 1-2021 – A motion was made by Mr. Wivholm, seconded by Mr. Brown and unanimously passed that the applicant's proposed \$200,000 plugging and reclamation bond is accepted and staff may proceed with administrative review and approval of the Omimex Canada, Ltd. to Montalban Oil & Gas Operations, Inc. change of operator request when bonding is established. This is set forth in Board Order 31-2021.

Docket 31-2021 – A motion was made by Mr. Gatzemeier, seconded by Mr. Weber and unanimously passed that ANG Holding (USA) Corp. must show cause at the June 10, 2021, public hearing for why it should not immediately plug and abandon its wells in Blaine County, Montana. This is set forth in Board Order 32-2021.

Docket 32-2021 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed that Forward Energy, LLC must submit a detailed operations plan to staff by May 10, 2021. Docket 32-2021 is continued until the August 12, 2021, public hearing. This is set forth in Board Order 33-2021.

Docket 33-2021 – A motion was made by Mr. Weber, seconded by Mr. Gatzemeier and unanimously passed that Young Sanders E&P, LLC is fined \$1,000 for failure to appear at the April 8, 2021, public hearing. Young Sanders must begin to plug and abandon its 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 prior to the June 10, 2021, public hearing. Failure to begin to plug and abandon the State 16-16 well may result in additional penalties or the forfeiture of the plugging and reclamation bond in its entirety, as permitted by § 82-11-123(5), MCA. This is set forth in Board Order 34-2021.

Docket 34-2021 – The show-cause hearing of Black Gold Energy Resource Development, LLC was dismissed.

Docket 35-2021 – The show-cause hearing of Rincon Oil & Gas LLC was dismissed.

Docket 36-2021 – A motion was made by Mr. Welter, seconded by Mr. Brown and unanimously passed that Kykuit Resources, LLC is fined \$1,000 for failure to appear at the April 8, 2021, public hearing. Docket 36-2021 is continued until the June 10, 2021, public hearing. This is set forth in Board Order 35-2021.

Docket 37-2021 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed that Roland Oil and Gas must file delinquent production reports prior to May 6, 2021, hearing deadline. If the necessary reports are received prior to the June hearing deadline, Docket 37-2021 will be continued until the August 12, 2021, public hearing. This is set forth in Board Order 36-2021.

Docket 41-2020 – A motion was made by Mr. Gatzemeier, seconded by Mr. Welter and unanimously passed to dismiss Docket 41-2020, Shadwell Resources Group, LLC. This is set forth in Board Order 37-2021.

NEXT MEETINGS

The next business meeting of the Board will be Wednesday, June 9, 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, June 10, 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 June 10th public hearing is May 6, 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