

STATE OF MONTANA  
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION  
MINUTES OF THE  
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING  
June 9 & 10, 2021

**CALL TO ORDER**

The regular business meeting of the Montana Board of Oil and Gas Conservation was called to order by Chairman Roy Brown at 2:00 p.m., Wednesday, June 9, 2021, at its office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Chairman Roy Brown, Steven Durrett, Paul Gatzemeier, Mac McDermott, Mike Weber, Corey Welter, and Jeff Wivholm. 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 Brown provided the Board and public instructions on how the meeting was going to be conducted.

**VICE CHAIR SELECTION**

Chairman Brown thanked Steve for his service and for being a great leader while being the chairman of the Board.

The Board discussed the Board's vice chair appointment. Mr. Welter nominated Mr. Durrett.

**Motion:** Mr. Welter made the motion to nominate Mr. Durrett as vice chairman. Mr. McDermott seconded and the motion passed unanimously.

**APPROVAL OF MINUTES**

A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed, to approve the minutes of the April 7, 2021, business meeting.

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

Mr. Welter commented about this being the time for members of the public to express their concerns and issues with action taken by the Board. Comments being made outside of this setting do not allow the Board to understand these concerns and potentially improve on future decisions.

## **FINANCIAL REPORT**

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

## **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.

Mr. Halvorson also reviewed the default docket policy, attached as Exhibit 5. This policy was adopted by the Board to speed up lengthy board hearings. Dockets that qualify for the default docket are temporary spacing unit requests, underground injection permit applications, increased well density requests within an existing spacing unit, etc. If no protests are received, items on the default docket are entered as one motion. Protested dockets are heard as a normal docket and applicants are expected to be available to provide testimony unless the “default docket with automatic continuance” option was requested at the time of application.

## **GAS FLARING EXCEPTIONS**

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

Petro-Hunt is asking for three exception requests. Due to no gas capture infrastructure in the area, it is not economical for these wells to connect to a pipeline. Mr. Jones recommended a year exception for Petro-Hunt.

Kraken Operating, LLC (Kraken) is asking for five exception requests. Three of the wells are connected to a gas pipeline, but due to the high line pressure Kraken has had limited success selling the gas. The other two wells are not connected to a pipeline and the closest connection station is near capacity. Mr. Jones recommended a six-month exception for Kraken.

Kraken has had success selling excessive gas to Crusoe Energy Systems (Crusoe). Crusoe uses the gas to generate power for running remote network systems that mine digital cryptocurrency.

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

## **STAFF REPORTS**

### **George Hudak**

Mr. Hudak reported that since the last meeting Grassy Butte paid its annual \$200 injection fee for its one

permitted UIC well and the \$100 late fee that was assessed at the April business meeting.

Summit Gas Resources, Inc. (Summit) is going through bankruptcy and has not paid the annual \$200 injection fee per well for its seven saltwater disposal wells in Big Horn County, Montana or the \$100 per well late fee. As of June 9, 2021, the outstanding balance is \$2,100.

Mr. Hudak recommended that Summit be docketed at the August 12, 2021, public hearing for why it's seven injection permits for wells in Big Horn County, Montana should not be revoked for failure to pay the annual injection fee for its permitted injection wells and the late fee previously assessed for nonpayment.

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

### **John Gizicki**

Mr. Gizicki brought to the Board's attention Highlands Montana Corporation (Highlands). An overview is attached as Exhibit 7.

Highlands is the bonded operator of the following two wells and one expired permit location that are located on state lands in Section 16, T5N-52E, Custer County Montana.

Helios 5-52 16-22, API # 25-017-21177, status: shut in  
Helios 5-52 16-32, API # 25-017-21178, status: plugged and abandoned, unapproved for release  
Helios 5-52 16-21, API # 25-017-21179, status: expired permit; location built

The Helios 5-52 16-22 well was drilled and completed as an Eagle gas well in 2016. The last reported non-zero production was in October 2018. There is an open drilling pit and evaporation pit associated with the well that need to be closed.

The Helios 5-52 16-21 is an expired permit to drill a saltwater disposal well. The well was never drilled but the surface location was built and requires reclamation.

The Helios 5-52 16-32 well was drilled and plugged in 2016. Board staff has made multiple requests for missing well data required by ARM 36.22.1013 with no response from Highlands.

In 2019, the company was contacted and Highlands stated that they planned to reclaim the location of the Helios 5-52 16-21 and plug the Helios 5-52 16-22. The work was never done, and Highlands was sent a certified letter and email in November 2020 explaining the compliance issues. Highlands responded in November 2020 that it planned to either sell or plug and reclaim the locations in the summer of 2021.

In April 2021, a letter was sent to Highlands requesting a sundry notice with its abandonment plans for the Helios 5-52 16-22 well and its reclamation plans for the Helios 5-52 16-21 well location. Included in the letter was a request that Highlands respond prior to the Board's June business meeting. No response was received.

Mr. Gizicki recommended that Highlands show cause at the August 12, 2021, public hearing for why it should not begin to restore the location of the Helios 5-52 16-21 well, file missing completion data for the Helios 5-52 16-32 well, and begin to plug and abandon the Helios 5-52 16-22.

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

Mr. Gizicki discussed Lyon Oil Company (Lyon Oil), an overview is attached as Exhibit 8. Lyon Oil submitted a notice of intent to change operator request in May 2019 for the orphaned Joe Fey 2R-34 well, API # 25-101-21079, located in the NW¼SE¼ of Section 34, T37N-R2E, Toole County, Montana. Lyon Oil submitted the proper bonding paperwork and organization report but is not registered with the Montana Secretary of State and the change of operator request has not been approved.

The Joe Fey 2R-34 well became orphaned in June 2017. The last production report received for this well was for July 2019 and this was submitted in April 2020. This report showed the well produced 50 barrels of oil in July 2019 and the reporting operator was listed as Mountain Pacific General, Inc. A field inspection performed on June 8, 2021 found that the well appeared to have been recently produced.

Certified letters identifying the outstanding compliance issues were sent in both February and May 2021, but Lyon Oil has not come into compliance.

Mr. Gizicki recommended that Lyon Oil must register with the Montana Secretary of State and submit the delinquent production reports prior to the July 8, 2021, hearing application deadline. Should compliance not be achieved by that date, Lyon Oil will be ordered to show cause at the August 12, 2021, public hearing as to why additional penalties should not be considered for failure to comply with Board rules.

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

## **OTHER BUSINESS**

Chairman Brown discussed the meetings and hearings being available via teleconference to Board members and the public during the Covid-19 pandemic. Since the Governor has lifted the mask mandate and vaccines are readily available, Chairman Brown recommended that starting in August the Board go back to in-person attendance, with the remote option no longer available. If a board member is unable to attend in person and a quorum of the Board is present, the hearing will be ok to proceed.

Mr. Durrett and Mr. Welter were in support of no teleconference access. The business meetings and hearings can be more complicated with remote options.

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

Mr. Welter requested the Board review operators with inactive wells since oil prices are higher.

Mr. Halvorson stated staff will provide the Board a list at the August meeting of operators who have 100% of their wells shut in.

Drew Cziok discussed Bison Oil and Gas III, LLC (Bison) request for Jamie Leigh Jost, a licensed attorney in Colorado, to appear before the Board at the June hearing pro hac vice with Kelley Lewis, a licensed Montana attorney.

The State Bar of Montana found Ms. Jost's application acceptable and Mr. Cziok recommended the Board approve her request to appear. Ms. Jost's application to the State Bar of Montana is attached as Exhibit 9.

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

## **PUBLIC HEARING**

The Board reconvened on Thursday, June 10, 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 38-2021 – 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 Kraken Oil & Gas LLC was approved as set forth in Board Order 42-2021.

Docket 39-2021 – 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 Slawson Exploration Company Inc. was approved as set forth in Board Order 43-2021.

Docket 40-2021 – 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 Prima Exploration, Inc. was approved as set forth in Board Order 44-2021.

Docket 41-2021 – The application of Lonewolf Operating, LLC was continued to the August 2021 hearing.

Docket 42-2021 – The application of Lonewolf Operating, LLC was continued to the August 2021 hearing.

Docket 43-2021 – A motion was made by Mr. Durrett, seconded by Mr. Wivholm and unanimously passed, to approve the application of Denbury Onshore LLC as set forth in Board Order 41-2021.

Docket 44-2021 – A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed, to approve the application of Denbury Onshore LLC as set forth in Board Order 45-2021.

Docket 45-2021 / 1-2021 FED – A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed, to approve the application of Poplar Resources LLC as set forth in Board Order 38-2021.

Docket 46-2021 / 2-2021 FED – A motion was made by Mr. Gatzemeier, seconded by Mr. Welter and unanimously passed, to approve the application of Poplar Resources LLC as set forth in Board Order 39-2021.

Docket 47-2021 / 3-2021 FED – A motion was made by Mr. Welter, seconded by Mr. Weber and unanimously passed, to approve the application of Poplar Resources LLC as set forth in Board Order 40-2021.

Docket 48-2021 – A motion was made by Mr. Gatzemeier, seconded by Mr. McDermott and unanimously passed that staff may proceed with administrative review and approval of the Equinor Energy LP to Grayson Mill Operating, LLC change of operator request. This is set forth in Board Order 46-2021.

Docket 49-2021 – The application of Digital Operating Company LLC was continued to the August 2021 hearing.

Docket 50-2021 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed to deny to application of Bison Oil and Gas III, LLC. This is set forth in Board Order 47-2021.

Docket 51-2021 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed to deny to application of Bison Oil and Gas III, LLC. This is set forth in Board Order 47-2021.

Docket 52-2021 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed to deny to application of Bison Oil and Gas III, LLC. This is set forth in Board Order 47-2021.

Docket 53-2021 – The application of Bison Oil and Gas III, LLC was withdrawn.

Docket 54-2021 – The application of Bison Oil and Gas III, LLC was withdrawn.

Docket 55-2021 – The application of Bison Oil and Gas III, LLC was withdrawn.

Docket 24-2021 – A motion was made by Mr. Wivholm, seconded by Mr. Welter and unanimously passed that authority is granted to drill up to three additional horizontal Bakken/Three Forks Formation wells anywhere within the permanent spacing unit. This is set forth in Board Order 48-2021.

Docket 56-2021 – A motion was made by Mr. Durrett, seconded by Mr. McDermott and unanimously passed to deny to application of Bison Oil and Gas III, LLC. This is set forth in Board Order 48-2021.

Docket 57-2021 – A motion was made by Mr. Durrett, seconded by Mr. Weber and passed to deny to application of Bison Oil and Gas III, LLC. This is set forth in Board Order 49-2021. Mr. Welter recused himself and took no part in this matter.

Docket 58-2021 – A motion was made by Mr. Durrett, seconded by Mr. Weber and passed to approve the application of Prima Exploration, Inc. This is set forth in Board Order 49-2021. Mr. Welter recused himself and took no part in this matter.

Docket 59-2021 – The application of Prima Exploration, Inc. was dismissed.

Docket 60-2021 – The application of Prima Exploration, Inc. was dismissed.

Docket 61-2021 – The show-cause hearing of Hofland, James D. was dismissed.

Docket 62-2021 – A motion was made by Mr. Wivholm, seconded by Mr. Welter and unanimously passed that Docket 62-2021, Capstar Drilling, Inc., FKA Elenburg Exploration, Inc. is continued until the August 12, 2021, public hearing. Board staff has the authority to dismiss the docket if the Meissner 11-14 well, API # 25-051-21588, located in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 14, T29N-R6E in Liberty County, Montana is plugged prior to the August 12, 2021, public hearing. This is set forth in Board Order 50-2021.

Docket 63-2021 – A motion was made by Mr. Welter, seconded by Mr. Durrett and unanimously passed that ANG Holding (USA) Corp. must begin to plug and abandon its wells in Blaine County, Montana prior to the August 12, 2021, public hearing. Failure to begin to plug and abandon the wells 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 51-2021.

Docket 64-2021 – A motion was made by Mr. McDermott, seconded by Mr. Weber and unanimously passed that Docket 64-2021, Young Sanders E&P, LLC, is dismissed. This is set forth in Board Order 52-2021.

Docket 52-2020 – A motion was made by Mr. Weber, seconded by Mr. Wivholm and unanimously passed that Docket 52-2020, Zeiders Bros. Oil & Gas, LLC, is continued to the August 12, 2021, public hearing. This is set forth in Board Order 53-2021.

Docket 71-2020 – A motion was made by Mr. McDermott, seconded by Mr. Weber and unanimously passed that Pamect Oil, Keith E. Tyner DbA and Lowrance-Tyner Operating is to appear at the August 12, 2021, 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 to Pamect for delinquent reporting in the amount of \$240, and for failure to pay the outstanding \$200 annual injection well fee for both companies. This is set forth in Board Order 54-2021.

Docket 36-2021 – A motion was made by Mr. Welter, seconded by Mr. Durrett and unanimously passed that Kykuit Resources, LLC is fined \$1,000 for failure to appear at the June 10, 2021, public hearing. Kykuit must show cause at August 12, 2021, public hearing as to why additional penalties should not be applied for failure to submit production reports and failure to appear at the February 4, 2021, and April 8, 2021, public hearings and to provide a plan for reducing its plugging liability related to its non-producing wells. This is set forth in Board Order 55-2021.

Docket 37-2021 – A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed that Docket 37-2021, Roland Oil and Gas, is continued until the August 12, 2021, public hearing. This is set forth in Board Order 56-2021



## NEXT MEETINGS

The next business meeting of the Board will be Wednesday, August 11, 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, August 12, 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 August 12<sup>th</sup> public hearing is July 8, 2021.

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

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

ATTEST:

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Jennifer Breton, Program Specialist