

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING
December 1 & 2, 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, December 1, 2021, at its office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Chairman Roy Brown, Steven Durrett, Mac McDermott, Mike Weber, Corey Welter, and Jeff Wivholm. Board member Paul Gatzemeier was absent. Staff present was Jennifer Breton, Drew Cziok, John Gizicki, Jim Halvorson, George Hudak, and Ben Jones.

APPROVAL OF MINUTES

A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed, to approve the minutes of the October 13, 2021, business meeting.

PUBLIC COMMENT ON AGENDA AND NON-AGENDA ITEMS

No comments were made.

PHOENIX CAPITAL HOLDINGS, LLC REQUEST FOR REHEARING OF DOCKET 77-2021

The Board reviewed the rehearing request of Phoenix Capital Holdings, LLC, attached as Exhibit 1, and Kraken Oil & Gas LLC's protest of that request, attached as Exhibit 2. The Board issued Administrative Order 11-A-2021, attached as Exhibit 2A.

Motion: Mr. Weber made the motion to deny the rehearing request of Docket 77-2021. Mr. Welter seconded and the motion passed unanimously.

ZEIDERS BROS. OIL & GAS COMPANY, L.L.C. REQUEST FOR DISMISSAL OF FINES

The Board issued Administrative Order 12-A-2021, attached as Exhibit 2B.

Motion: Mr. Welter made the motion that Zeiders must pay \$2,000 of the \$12,500 outstanding fine and the remaining \$10,500 fine is waived. Mr. Weber seconded, and the motion passed unanimously.

PROPOSED HEARING SCHEDULE FOR 2022

The Board discussed the 2022 meeting schedule, attached as Exhibit 3. Below are the proposed 2022 meeting and hearing dates:

February 16 & 17, 2022 (approved by the Board at the October business meeting)
April 13 & 14, 2022
June 15 & 16, 2022
August 17 & 18, 2022
October 12 & 13, 2022
December 7 & 8, 2022

Motion: Mr. Welter made the motion to approve the remaining 2022 hearing dates. Mr. Weber seconded and the motion passed unanimously.

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

There were no flaring exceptions to review.

INACTIVE WELL REVIEW

Mr. Gizicki discussed the inactive well review spreadsheets, attached as Exhibit 8.

The first page are inactive well referrals to the Board. The three operators indicated in red, Janssen Gas, Powder River Gas, LLC, and Powers Energy Inc. have several producing wells that have been inactive for two or more years. There have been several certified letters mailed requesting a plan and schedule of abandonment for the inactive wells or justification with supporting documentation for leaving the inactive wells unplugged. This request was made in accordance with ARM 36.22.1307. The letters were returned as undeliverable. It was determined these operators are unlocatable.

Mr. Gizicki recommended that Janssen Gas, Powder River Gas, LLC, and Powers Energy Inc. must show cause at the February 17, 2022, public hearing, as to why it should not immediately plug and abandon its wells in Big Horn and Powder River Counties, Montana. The Board issued Administrative Order 13-A-2021, attached as Exhibit 8A.

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

The remaining eight operators on the referral list have been either unresponsive or the reasons are not adequate for why their wells remain inactive. Mr. Gizicki plans to send another certified letter to these operators with a deadline of the February 16, 2022, business meeting. Mr. McDermott volunteered to reach out to Fulco regarding its one inactive well.

The second page of Exhibit 8 is a list of eight operator where Mr. Gizicki is either working with the operator or the issue has been resolved by plugging the well.

STAFF REPORTS

Jim Halvorson

Mr. Halvorson reviewed the Federal Infrastructure Invest and Jobs Act, Notice of Intent to Apply for Formula Grant Funding, attached as Exhibit 9. This is based on the federal infrastructure bill that was approved to and may provide money for states to plug and abandon orphan wells under a federal grant program. The deadline to apply is December 31, 2021. Orphaned well site plugging, remediation, and restoration cost estimates are a required part of the notice of intent to apply and these cost estimates are also attached with Exhibit 9.

Mr. Halvorson requested the Board's approval to commit orphan wells to this program and provide the requested information to the federal government.

Motion: Mr. Weber made the motion to approve the recommendation. Mr. Wivholm seconded.

A member of the public objected that this matter was not properly noticed. Mr. Weber and Mr. Wivholm agreed to rescind their motion as Board approval was not necessary at this time. Staff will provide a list of wells to be contracted for abandonment in compliance with DNRC accounting procedures at a future meeting.

Drew Cziok

Mr. Cziok reported that Bison Oil & Gas III, LLC's (Bison) lawsuit involving Slawson Exploration Company Inc. has been dismissed since Bison did not exhaust their administrative procedures by filing for a re-hearing request.

The other two Bison cases are ongoing with oral arguments in January.

OTHER BUSINESS

No other business discussed.

PUBLIC HEARING

The Board reconvened on Thursday, December 2, 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 91-2021 – A motion was made by Mr. Gatzemeier, seconded by Mr. Weber and passed, to approve the application of Prima Exploration, Inc. as set forth in Board Order 86-2021. Mr. Welter recused himself and took no part in this matter.

Docket 92-2021 – The application of Prima Exploration, Inc. was continued to the February 2022 hearing.

Docket 93-2021 – The application of Prima Exploration, Inc. was continued to the February 2022 hearing.

Docket 94-2021 – A motion was made by Mr. Durrett, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Denbury Onshore, LLC as set forth in Board Order 87-2021.

Docket 95-2021 – A motion was made by Mr. Durrett, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Denbury Onshore, LLC as set forth in Board Order 88-2021.

Docket 96-2021 – A motion was made by Mr. Durrett, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Denbury Onshore, LLC as set forth in Board Order 89-2021.

Docket 97-2021 / 1-2022 FED – A motion was made by Mr. Gatzemeier, seconded by Mr. Welter and unanimously passed, to approve the application of Denbury Onshore, LLC as set forth in Board Order 90-2021.

Docket 98-2021 – 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 Karsted Operating, LLC was approved as set forth in Board Order 93-2021.

Docket 99-2021 – The application of Falcon Energy Partners LLC was continued to the February 2022 hearing.

Docket 100-2021 – The application of Falcon Energy Partners LLC was continued to the February 2022 hearing.

Docket 77-2021 – The rehearing request was denied.

Docket 79-2021 – The application of Kraken Oil & Gas LLC was withdrawn.

Docket 80-2021 – The application of Kraken Oil & Gas LLC was withdrawn.

Docket 101-2021 – 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 Enerplus Resources USA Corporation to EMEP Operating, LLC change of operator request. This is set forth in Board Order 91-2021.

Docket 102-2021 – A motion was made by Mr. Durrett, seconded by Mr. Welter and passed that White Rock Oil & Gas, LLC must submit a multiple well plugging and reclamation bond in the amount of \$200,000 to cover the XTO Energy Inc. and Burlington Resources Oil & Gas Company LP producing wells and a \$10,000 UIC plugging and reclamation bond to cover the injection well currently bonded to XTO. Staff may proceed with administrative review and approval of the XTO and Burlington to White Rock change of operator requests. White Rock is to appear at the June 16, 2022, public hearing to provide an update of its activities including any reduction in abandonment liability by either plugging wells or returning wells to production. This is set forth in Board Order 92-2021. Mr. Weber and Mr. Wivholm opposed the motion.

Docket 103-2021 – A motion was made by Mr. Durrett, seconded by Mr. Welter and passed that White Rock Oil & Gas, LLC must submit a multiple well plugging and reclamation bond in the amount of \$200,000 to cover the XTO Energy Inc. and Burlington Resources Oil & Gas Company LP producing wells and a \$10,000 UIC plugging and reclamation bond to cover the injection well currently bonded to XTO. Staff may proceed with administrative review and approval of the XTO and Burlington to White Rock change of operator requests. White Rock is to appear at the June 16, 2022, public hearing to provide an update of its activities including any reduction in abandonment liability by either plugging wells or returning wells to production. This is set forth in Board Order 92-2021. Mr. Weber and Mr. Wivholm opposed the motion.

Docket 104-2021 – The application of Synergy Offshore LLC to New Horizon Resources LLC was continued to the February 2022 hearing.

Docket 105-2021 – A motion was made by Mr. Durrett, seconded by Mr. Wivholm and unanimously passed that staff may proceed with administrative review and approval of the Tyler Rockies Exploration Ltd. To Tomahawk Oil Company, Inc. change of operator request. This is set forth in Board Order 94-2021.

Docket 106-2021 – A motion was made by Mr. Gatzemeier, seconded by Mr. Welter and unanimously passed to dismiss the show-cause hearing of J&M Snake Creek Disposal, Inc. This is set forth in Board Order 95-2021.

Docket 107-2021 – A motion was made by Mr. Welter, seconded by Mr. Durrett and unanimously passed to dismiss the show-cause hearing of SDOCO, LLC. This is set forth in Board Order 96-2021.

Docket 108-2021 – A motion was made by Mr. Welter to fine Black Gold Energy Resource Development, LLC \$1,000 for failure to appear at the December 2, 2021, public hearing and to continue the docket until the February 17, 2022, public hearing. The motion failed.

A second motion was made by Mr. Gatzemeier, seconded by Mr. Weber and passed that Docket 108-2021 is continued until the February 17, 2022, public hearing. This is set forth in Board Order 103-2021. Mr. Welter opposed the motion.

Docket 109-2021 – A motion was made by Mr. Welter to fine Black Gold Energy Richland Facility, Inc. \$1,000 for failure to appear at the December 2, 2021, public hearing and to continue the docket until the February 17, 2022, public hearing. The motion failed.

A second motion was made by Mr. Gatzemeier, seconded by Mr. Weber and passed that Docket 109-2021 is continued until the February 17, 2022, public hearing. This is set forth in Board Order 104-2021. Mr. Welter opposed the motion.

Docket 110-2021 – A motion was made by Mr. Durrett, seconded by Mr. Gatzemeier and unanimously passed to forfeit the plugging and reclamation bonds of American Midwest Oil & Gas Corp. This is set forth in Board Order 97-2021.

Docket 111-2021 – A motion was made by Mr. Welter, seconded by Mr. Weber and unanimously passed to forfeit the plugging and reclamation bond of Kykuit Resources, LLC. This is set forth in Board Order 98-2021.

Docket 112-2021 – A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed that Pamect Oil, Keith E. Tyner Dba and Lowrance-Tyner Operating were fined \$1,000 for failure to appear at the December 2, 2021, public hearing. Pamect and Lowrance-Tyner must begin to plug and abandon its wells in Pondera and Teton Counties, Montana prior to the February 17, 2022, 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 99-2021.

Docket 32-2021 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed that Forward Energy, LLC is fined \$2,000 for failure to appear at the December 2, 2021, public hearing. Forward must show cause at the February 17, 2022, public hearing for why it should not immediately plug and abandon its wells in Yellowstone County, Montana. This is set forth in Board Order 100-2021.

Docket 73-2021 – A motion was made by Mr. Weber, seconded by Mr. Welter and unanimously passed to dismiss the show-cause hearing of Highlands Montana Corporation. This is set forth in Board Order 101-2021.

Docket 90-2021 – A motion was made by Mr. Welter, seconded by Mr. Weber and unanimously passed that Roland Oil and Gas is fined \$1,000 for failure to appear at the December 2, 2021, public hearing. Roland must begin to plug and abandon its wells in Glacier and Pondera Counties, Montana prior to the February 17, 2022, 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 102-2021.

NEXT MEETINGS

The next business meeting of the Board will be Wednesday, February 16, 2022, 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, February 17, 2022, 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 February 17th public hearing is January 13, 2022.

BOARD OF OIL AND GAS CONSERVATION OF THE STATE OF MONTANA

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

ATTEST:

Jennifer Breton, Program Specialist