

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING
February 16 & 17, 2022

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, February 16, 2022, 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, Caitlyn Buzzas, John Gizicki, Jim Halvorson, George Hudak, and Ben Jones.

APPROVAL OF MINUTES

A motion was made by Mr. Welter, seconded by Mr. Weber and unanimously passed, to approve the minutes of the December 1, 2021, business meeting.

PUBLIC COMMENT ON AGENDA AND NON-AGENDA ITEMS

Mr. Jerry Croteau commented about his concern that his minerals, which lay on the Montana and North Dakota boundary, were being drained by the Cynthia 1 well in the Dwyer Field. Mr. Croteau believes this is a national security issue and that any produced oil needs to be accounted for on site prior to the oil being transported. He has spoken with the governor's office, DNRC Director, Department of Revenue, Department of Interior, and US Senators about this matter.

Chairman Brown requested Mr. Croteau provide the Board a report of his concerns and what action he wants the Board to consider.

Mr. Croteau stated that he is unable to provide the requested report to the Board.

Ms. Susann Beug from Northern Plains Resource Council (NPRC) thanked the Board and staff for its efforts of addressing inactive wells. The Board has the opportunity to receive federal funding for plugging orphaned wells. The funding from the government is complicated and there is concern the government is not taking into consideration the length of time it takes to secure contracts, the length of time it takes to plug and reclaim wells, weather, contractor scheduling, etc. NPRC stated they are willing to ask Montana's senators and/or representatives to assist the Board with the short time frames. NPRC also encourages the Board to look into the 2nd and 3rd stage of government funding.

Ms. Beug thanked the Board for all its efforts and encouraged industry to be more responsive to plugging its inactive wells.

Mike Creeden had a few requests: 1) public comment should be specific to what is in the Board's authority; 2) all agenda items with exhibits should be available online prior to the meeting; 3) prior to any Board vote, the public should be given the opportunity to comment.

Mr. Creeden was upset that the Board reduced Zeiders Bros. Oil & Gas Company, LLC's fine from \$12,500 to \$2,000. Mr. Creeden stated this was a travesty to the State of Montana and that the Board should not be lenient on fines.

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.

GAS FLARING EXCEPTIONS

There were no flaring exceptions to review.

INACTIVE WELL REVIEW

Mr. Gizicki discussed the inactive well review spreadsheets, attached as Exhibit 5.

Mr. Gizicki recommended Butler Petroleum LLC, Cremer Energy Inc., Heavy Water Haulers Inc., and Lynn Stewart to show cause at the April 14, 2022, public hearing, as to why it should not immediately plug and abandon its inactive wells.

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

The Board issued four Administrative Orders regarding these operators with inactive wells, attached as Exhibit 6.

Mr. Gizicki is working with the five remaining operators listed on the last page of Exhibit 5.

ORPHAN WELL UPDATE

Mr. Halvorson reviewed Montana's orphaned well site plugging, remediation, and restoration cost estimates that were submitted for the Federal Infrastructure Investment and Jobs Act, Notice of Intent to Apply for Formula Grant Funding, attached as Exhibit 7. This federal infrastructure bill may provide money for states to plug and abandon orphan wells under a federal grant program.

There is confusion among the IOGCC and the other states of the rules, eligibility, and stipulations that will be tied to the grant. A lot is still unknown. A draft grant application should be released in the next few weeks. Staff anticipates there will be tight contracting deadlines.

STAFF REPORTS

Jim Halvorson

Caitlyn Buzzas is the Board's new attorney.

OTHER BUSINESS

No other business discussed.

PUBLIC HEARING

The Board reconvened on Thursday, February 17, 2022, 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 1-2022 – A&S Mineral Development Company, LLC withdrew its protest of Lustre Oil Company LLC's permit to drill. Docket 1-2022 was dismissed.

Docket 2-2022 – A motion was made by Mr. Welter, seconded by Mr. Weber and unanimously passed, to approve the application of Lustre Oil Company LLC as set forth in Board Order 1-2022.

Docket 3-2022 – A motion was made by Mr. Weber, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 2-2022.

Docket 4-2022 – A motion was made by Mr. Weber, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 3-2022.

Docket 5-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. Weber and unanimously passed, to approve the application of Petro-Hunt, LLC as set forth in Board Order 4-2022.

Docket 6-2022 – A motion was made by Mr. Weber, seconded by Mr. Welter and unanimously passed, to approve the application of Petro-Hunt, LLC as set forth in Board Order 5-2022.

Docket 7-2022 – 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 10-2022.

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

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

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

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

Docket 104-2021 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed that staff may proceed with administrative review and approval of the Synergy Offshore LLC to New Horizon Resources LLC change of operator request. New Horizon must submit a \$250,000 multiple well plugging and reclamation bond and a \$314,375 UIC plugging and reclamation bond prior to administrative approval of the transfer. New Horizon is to appear at the August 18, 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 6-2022.

Docket 8-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. Durrett and unanimously passed that Janssen Gas is fined \$1,000 for failure to appear at the February 17, 2022, public hearing. Janssen Gas must begin to plug and abandon its wells in Powder River County, Montana prior to the April 14, 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 7-2022.

Docket 9-2022 – A motion was made by Mr. Welter, seconded by Mr. Weber and unanimously passed that Powder River Gas, LLC is fined \$1,000 for failure to appear at the February 17, 2022, public hearing. Powder River Gas, LLC must begin to plug and abandon its wells in Powder River County, Montana prior to the April 14, 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 8-2022.

Docket 10-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. Wivholm and unanimously passed that Powers Energy Inc. is fined \$1,000 for failure to appear at the February 17, 2022, public hearing. Powers Energy Inc. must begin to plug and abandon its Jensen 1 well, API # 25-003-21202, located in the NW¼SE¼SE¼ of Section 28, T9S-R39E, Big Horn County, Montana prior to the April 14, 2022, public hearing. Failure to begin to plug and abandon the 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 9-2022.

Docket 11-2022 – A motion was made by Mr. Welter, seconded by Mr. Durrett and unanimously passed that Forward Energy, LLC is fined \$2,000 for failure to appear at the February 17, 2022, public hearing. Forward Energy, LLC must begin to plug and abandon its wells in Yellowstone County, Montana prior to the April 14, 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 11-2022.

Docket 12-2022 – A motion was made by Mr. Wivholm, seconded by Mr. Gatzemeier and unanimously passed, to forfeit the plugging and reclamation bonds of Pamect Oil, Keith E. Tyner DbA and Lowrance-Tyner Operating. This is set forth in Board Order 12-2022.

Docket 13-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. Weber and unanimously passed that Docket 13-2022, Roland Oil and Gas, is continued until the April 14, 2022, public hearing. This is set forth in Board Order 13-2022.

Docket 14-2022 – The show-cause hearing of D90 Energy, LLC was dismissed.

Docket 15-2022 – The show-cause hearing of Digital Operating Company LLC was dismissed.

Docket 16-2022 – The show-cause hearing of Enneberg Oil & Gas was dismissed.

Docket 17-2022 – The show-cause hearing of Foster Energy Group L.L.C. was dismissed.

Docket 18-2022 – The show-cause hearing of Grassy Butte, LLC was dismissed.

Docket 19-2022 – The show-cause hearing of Hawley Hydrocarbons, Merrill&Carol Hawley DbA was dismissed.

Docket 20-2022 – The show-cause hearing of Hawley – Northrup was dismissed.

Docket 21-2022 – The show-cause hearing of Hesla Oil, LLC was dismissed.

Docket 22-2022 – The show-cause hearing of Black Gold Energy Resource Development, LLC was dismissed.

Docket 23-2022 – The show-cause hearing of Black Gold Energy Richland Facility, Inc. was dismissed.

Docket 108-2021 – A motion was made by Mr. Gatzemeier, seconded by Mr. Welter and unanimously passed that Black Gold Energy Resource Development, LLC must fence, screen and net the pit by March 3, 2022. Black Gold Energy Resource Development, LLC is subject to a \$250 fine for each day after the deadline that the violation remains unaddressed. The fine will remain in effect until compliance is confirmed by inspection. Black Gold Energy Resource Development, LLC is fined \$1,000 for failure to appear at the February 17, 2022, public hearing. Docket 108-2021 is continued until the April 14, 2022, public hearing where additional penalties will be applied should the Indian Mount 1 well and location not be in full compliance with Board rules. This is set forth in Board Order 14-2022.

Docket 109-2021 – A motion was made by Mr. Gatzemeier, seconded by Mr. Welter and unanimously passed that Black Gold Energy Richland Facility, Inc. is fined \$1,000 for failure to appear at the February 17, 2022, public hearing. Docket 109-2021 is continued until the April 14, 2022, public hearing where additional penalties will be applied should the Velma SWD 1-10H well and location not be in full compliance with Board rules. This is set forth in Board Order 15-2022.

NEXT MEETINGS

The next business meeting of the Board will be Wednesday, April 13, 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, April 14, 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 April 14th public hearing is March 10, 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