

STATE OF MONTANA  
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION  
MINUTES OF THE  
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING  
April 13 & 14, 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, April 13, 2022, at its office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Chairman Roy Brown, Steven Durrett, Paul Gatzemeier, Mike Weber, and Corey Welter. Board members Mac McDermott and Jeff Wivholm were absent. Staff present was Jennifer Breton, Caitlyn Buzzas, John Gizicki, Jim Halvorson, George Hudak, and Ben Jones.

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

No comments were made.

**APPROVAL OF MINUTES**

A motion was made by Mr. Welter, seconded by Mr. Weber and unanimously passed, to approve the minutes of the February 16, 2022, business meeting.

**PROPOSED AMENDMENT OF ARM 36.22.307 AND 36.22.1243 PERTAINING TO REPORTS FROM TRANSPORTERS, PURCHASERS, AND GASOLINE OR EXTRACTION PLANTS AND REMOVE THE REQUIREMENT FOR FILING FORMS NO. 9 AND NO. 10.**

Mr. Halvorson reviewed the proposed rule amendment draft that would repeal Form 9 and 10, attached as Exhibit 1. These forms are no longer necessary and there are no public requests for the information provided on the forms.

The last legislative session prohibits any rulemaking after October 1<sup>st</sup> of the year prior to the legislative session. If the Board starts rulemaking today, the rule should be effective by September 24, 2022.

Mr. Halvorson recommended that the Board proceed with the elimination of Form 9 and 10.

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

**D90 ENERGY, LLC**

In 2020, D90 Energy, LLC (D90) took over TAQA USA, Inc.'s (TAQA) 199 wells in Sheridan County, Montana. D90 was delinquent on production reports and showed more inactive wells than when TAQA was operator. Staff wanted a compliance review of D90.

D90 responded to staff and submitted the required reports. D90 planned to present to the Board today but was unable to attend and requested a delay till the June business meeting.

Mr. Halvorson requested the removal of this agenda item.

### **REPORTING POLICY**

Mr. Halvorson reviewed the proposed revisions to the reporting policy, attached as Exhibit 2. The revisions would require that any operator docketed under the reporting policy submit any delinquent production or injection reports no later than 10 days prior to the hearing for the docket to be dismissed. These revisions are noted in red.

In the exhibit, there is a schedule of when an operator is delinquent on reporting. Staff sends letters to delinquent operators with deadlines. At the time of the hearing, the operator is already 5-7 months delinquent, so the operator has had time to file the reports. Usually only a quarter of the operators who are delinquent on reporting come before the Board.

In 2011, the penalty amounts were increased. The Board discussed whether increasing the penalty would be beneficial. This penalty is applied mostly to the smaller operators. Mr. Durrett suggested a frequent delinquent reporter penalty where the fine gets more expensive for each delinquency. The Board ultimately decided to not raise the penalty amount.

**Motion:** Mr. Durrett made the motion to approve Mr. Halvorson's recommendation to require delinquent reports to be received no later than 10 days prior to the hearing for the docket to be dismissed. Mr. Weber seconded, and the motion passed unanimously.

### **DELINQUENT ANNUAL UIC FEES**

Mr. Hudak brought to the Board's attention the remaining two UIC operators who have not paid the 2022 annual injection fee of \$200 that was due on January 31, 2022. The operators are Justice SWD, LLC and Montana Energy Company, LLC.

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 and both operators must appear and show cause, if any it has, why additional penalties should not be imposed for failure to pay the annual injection fee for its permitted injection wells and the late fee assessed for nonpayment. Board staff has authority to dismiss the docket if the operators achieve compliance prior to the June 16, 2022, public hearing.

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

The Board issued two Administrative Orders regarding these operators, attached as Exhibit 3.

### **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 five inactive well operators he is currently working with and provided an updated.

1. Habets Oil & Gas, LLC requested additional time to address its inactive well because the owner had a stroke. These are low risk wells and staff will continue to monitor the situation.
2. Big Snowy Resources LP is waiting for the landowner to file a water right on one well and the remaining seven wells the operator is working on obtaining leases. Mr. Gizicki recommended waiting till June for Board action.
3. Goldrock Minerals LLC is waiting for the landowner to file a water right on its inactive well. Mr. Gizicki recommended waiting till June for Board action.
4. Baldwin Lynch Energy Corp. filed a notice of intent to abandon its inactive well.
5. Fulco filed a notice of intent to abandon its inactive well.

## **ORPHAN WELL AND FEDERAL GRANT UPDATE**

Mr. Halvorson reviewed the Bipartisan Infrastructure Law Sec. 40601: Initial Grants, attached as Exhibit 8. There are two grants available, a large-scale grant (up to \$25 million) and a small-scale grant (up to \$5 million) that may provide money for states to plug and abandon orphan wells under a federal grant program.

Mr. Halvorson recommended applying for the small-scale grant. Staff estimates half to three quarters of the wells could be plugged with \$5 million. The goal would be to prioritize the high-cost wells. Additionally, there is no immediate deadline to apply for the grant, states have one year to commit funds and use the committed funds by 2030.

It would be difficult to commit to the large-scale grant due to the 90-day commitment of contracting. Whereas the small-scale grant allows 1 year to commit the funds.

Mr. Gatzemeier wanted to know if there is any way to prescreen contracts to speed up the contracting process. Mr. Halvorson said there is not a way, the contract must have the money value and it's currently unknown how much Montana will receive. It is possible to establish individual contracts with a preferred vendor, but it takes more work and time to get this established and preferred vendor agreements must be renegotiated every two years.

Susann Beug from Northern Plains Resource Council thinks the small grant should be used to fund the forming of an orphan well program and fund the staffing costs during the plugging and reclamation

contracts. Ms. Beug recommends taking advantage of both the large- and small-scale grants.

Mr. Halvorson stated a State cannot apply for both the large- and small-scale grant. The small-scale grant has fewer limitations and the Board has an existing orphan well program. The intent would be for the \$5 million to be used only for the plug and reclaim of orphan wells and not for any personnel costs, except for the required DNRC indirect costs.

Mr. Jones stated that the large-scale grant allows 10% to be used for overhead costs.

**Motion:** Mr. Gatzemeier made the motion to approve staff recommendation and apply for the small-scale grant of \$5 million. Mr. Weber seconded, and the motion passed.

## **STAFF REPORTS**

### **John Gizicki**

Mr. Gizicki brought to the Board's attention Bluebird Energy LLC and Cardinal Oil LLC, attached as Exhibit 9. The Board issued two Administrative Orders regarding the operators, attached as Exhibit 10.

**Motion:** Mr. Gatzemeier made the motion to approve the recommendation. Mr. Weber seconded, and the motion passed. Mr. Welter recused himself and took no part in this matter.

### **George Hudak**

Mr. Hudak brought to the Board's attention Three Forks Resources, LLC. The Board issued an Administrative Order regarding this operator, attached as Exhibit 11.

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

### **Jim Halvorson**

Mr. Halvorson reviewed the divisions staffing situation. Within the next year, six of the division's staff will be retiring or leaving. Three of the six staff are in the Shelby office.

The chief field inspector, Dave Popp, is retiring May 6<sup>th</sup>. This position will be advertised with a pay range of \$70,000 - \$80,000. If this position is difficult to fill, Mr. Halvorson suggested using the Board's vacant exempt position. Mr. Halvorson requested that a board member volunteer to be a part of the review and interview process. Mr. Durrett volunteered.

A job offer was recently made for the license permitting technician position in the Billings office.

## **OTHER BUSINESS**

No other business discussed.

## **PUBLIC HEARING**

The Board reconvened on Thursday, April 14, 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 24-2022 – The application of Kraken Oil & Gas LLC was withdrawn.

Docket 25-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. Weber and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 18-2022.

Docket 26-2022 – The application of Kraken Oil & Gas LLC was continued to the June 2022 hearing.

Docket 27-2022 – The application of Kraken Oil & Gas LLC was continued to the June 2022 hearing.

Docket 28-2022 – The application of Kraken Oil & Gas LLC was continued to the June 2022 hearing.

Docket 29-2022 – 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 19-2022.

Docket 30-2022 – 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 20-2022.

Docket 31-2022 – A motion was made by Mr. Durrett, seconded by Mr. Weber and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 21-2022.

Docket 32-2022 – A motion was made by Mr. Durrett, seconded by Mr. Weber and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 22-2022.

Docket 33-2022 – 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 23-2022.

Docket 34-2022 – 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 24-2022.

Docket 35-2022 / 2-2022 FED – A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 25-2022.

Docket 36-2022 / 3-2022 FED – A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 26-2022.

Docket 37-2022 – The application of Denbury Onshore LLC was continued to the June 2022 hearing.

Docket 38-2022 – The application of Denbury Onshore LLC was continued to the June 2022 hearing.

Docket 39-2022 – A motion was made by Mr. Welter, seconded by Mr. Weber and unanimously passed that Docket 39-2022, Lustre Oil Company, LLC, is dismissed. This set forth in Board Order 27-2022.

Docket 92-2021 – A motion was made by Mr. Weber, seconded by Mr. Gatzemeier and passed, to approve the application of Prima Exploration, Inc. as set forth in Board Order 28-2022. Mr. Welter recused himself and took no part in this matter.

Docket 93-2021 – A motion was made by Mr. Weber, seconded by Mr. Gatzemeier and passed, to approve the application of Prima Exploration, Inc. as set forth in Board Order 29-2022. Mr. Welter recused himself and took no part in this matter.

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

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

Docket 40-2022 – The application of Chelin LLC was continued to the June 2022 hearing.

Docket 41-2022 – A motion was made by Mr. Durrett, seconded by Mr. Gatzemeier and unanimously passed, that staff may proceed with administrative review and approval of the change of operator request from Cowry Enterprises, Ltd. to Ridge Energy, LLC. Staff will continue to monitor Ridge Energy's efforts to reclaim the Duperow Unit 7, RDU 5, and RDU 4 well locations. This is set forth in Board Order 30-2022.

Docket 42-2022 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed, that staff may proceed with administrative review and approval of Well Done Foundation, Inc.'s change of operator requests. This is set forth in Board Order 16-2022.

Docket 43-2022 – A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed that Docket 43-2022, Butler Petroleum LLC, is continued until the June 16, 2022, public hearing. Butler Petroleum is fined \$1,000 for failure to appear at the April 14, 2022, public hearing. This is set forth in Board Order 31-2022.

Docket 44-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. Welter and unanimously passed that Docket 44-2022, Cremer Energy, Inc., is dismissed. This is set forth in Board Order 32-2022.

Docket 45-2022 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed that Docket 45-2022, Heavy Water Haulers Inc., is dismissed with the expectation that the well will be plugged and the location reclaimed within 18 months of order. This is set forth in Board Order 33-2022.

Docket 46-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. Weber and unanimously passed that Docket 46-2022, Lynn Stewart, is dismissed. This is set forth in Board Order 17-2022.

Docket 47-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. Durrett and unanimously passed to forfeit the plugging and reclamation bond of Janssen Gas. This is set forth in Board Order 34-2022.

Docket 48-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. Weber and unanimously passed to forfeit the plugging and reclamation bond of Powder River Gas, LLC. This is set forth in Board Order 35-2022.

Docket 49-2022 – A motion was made by Mr. Weber, seconded by Mr. Gatzemeier and unanimously passed to forfeit the plugging and reclamation bond of Powers Energy Inc. This is set forth in Board Order 36-2022.

Docket 50-2022 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed to forfeit the plugging and reclamation bonds of Forward Energy, LLC. This is set forth in Board Order 37-2022.

Docket 108-2021 – A motion was made by Mr. Gatzemeier, seconded by Mr. Welter and unanimously passed that Black Gold Energy Resource Development, LLC is fined \$1,000 for failure to appear at the April 14, 2022, public hearing. Docket 108-2021 is continued until the June 16, 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 38-2022.

Docket 109-2021 – A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed that Black Gold Energy Richland Facility, Inc. is fined \$1,000 for failure to appear at the April 14, 2022, public hearing. Docket 109-2021 is continued until the June 16, 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 39-2022.

Docket 13-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. Weber and unanimously passed that the \$4,440 fine is waived and Docket 13-2022, Roland Oil and Gas, is dismissed. This is set forth in Board Order 40-2022.

## NEXT MEETINGS

The next business meeting of the Board will be Wednesday, June 15, 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, June 16, 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 June 16<sup>th</sup> public hearing is May 12, 2022.

## 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 (absent)  
Joseph Michael Weber, Board Member  
Corey Welter, Board Member  
Jeff Wivholm, Board Member (absent)

ATTEST:

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Jennifer Breton, Program Specialist