

STATE OF MONTANA  
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION  
MINUTES OF THE  
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING  
June 15 & 16, 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, June 15, 2022, 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, Caitlin Buzzas, John Gizicki, Jim Halvorson, George Hudak, and Ben Jones.

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

Mr. Edward Barta from Northern Plains Resource Council (NPRC) thanked the Board and its staff for its hard work in applying for federal funding to plug Montana's orphan wells through the Bipartisan Infrastructure Law.

NPRC wants to prevent companies without financial means from operating wells. The plugging and reclamation bonds do not cover the full amount to plug wells. Mr. Barta requested the Board to consider adding bonding levels to the next business meeting agenda to start the conversation. NPRC is willing to work with industry in this matter.

Mr. Jerry Croteau provided the Board a letter of his concerns about the Cynthia 1 well in the Dwyer Field and what action he wants the Board to consider as a follow up from the February 2022 meeting, attached as Exhibit 1.

**APPROVAL OF MINUTES**

A motion was made by Mr. Welter, seconded by Mr. Weber and unanimously passed, to approve the minutes of the April 13, 2022, business meeting.

**D90 ENERGY, LLC**

In 2020, D90 Energy, LLC (D90) took over TAQA USA, Inc.'s (TAQA) 199 wells in Sheridan County, Montana. Since then, D90 has had issues filling production and injection reports and currently has more inactive wells than when the change of operator from TAQA was approved. Staff wanted a compliance review of D90. D90 was unable to attend the last meeting due to weather.

Uriah Price, attorney, Daniel Silverman, president and a petroleum engineer, Tami Newman, controller, and Jeff Swanson, analyst, provided the Board an update on D90's operations, attached as Exhibit 2.

Mr. Jones reviewed Exhibit 3 that shows D90's inactive well count of when the transfer was approved and its current inactive well count.

D90 stated that its goal is to return ten wells to production and plug five wells in the next 18 months. D90 plugged the Hjelm 1 well last fall.

Mr. Jones stated that the Board has no record of D90 plugging the Helm 1 well.

Mr. Silverman commented that the Hjelm 1 well failed its MIT and D90 was given verbal approval to plug the well.

Mr. Welter reminded D90 that paperwork must be submitted immediately following a verbal approval.

Mr. Jones brought up the four wells that TAQA plugged but still needs surface reclamation.

Mr. Silverman was not aware that surface reclamation was still needed, and he was going to looking into the issue.

Ms. Newman discussed D90's report filing. Their production system had many issues that took D90 significant time to address. The system has since been corrected and D90 is currently filing timely reports.

D90 will provide a plan regarding the reclamation of the four plugged wells, and the one plugged well that staff failed to receive paperwork on, prior to the next meeting in August.

### **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**

Mr. Jones discussed the gas flaring report, attached as Exhibit 8. There are three Petro-Hunt wells flaring in excess of 100 MCFG/day with an exception request. 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.

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

### **INACTIVE WELL REVIEW**

Mr. Gizicki provided the Board an update on six inactive well operators.

1. Baldwin Lynch Energy Corp. plans to plug its inactive well and use the casing in a new well.
2. Big Snowy Resources LP is transferring a well to the landowner to be used as a water well. The landowner filed a water right, but the gate is locked so the field inspector cannot inspect the well and approve the transfer. The remaining seven wells will be either returned to production or plugged within the next 24 months.
3. Goldrock Minerals LLC is transferring its well to the landowner to be used as a water well. The landowner filed a water right. The landowner requested that the field inspection happen after the growing season.
4. Fulco plans to have the well plugged by the end of June 2022.
5. 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.
6. Hesla Oil, LLC has nine inactive wells. The owner of the company is both the surface and mineral owner and states this is his retirement project. Staff will continue to monitor the situation.

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

Mr. Halvorson and Mr. Jones provided the Board an update of the Bipartisan Infrastructure Law Sec. 40601: Initial Grants. 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.

At the last meeting, the Board approved staff to proceed with applying for the small-scale grant of \$5 million. There was no immediate deadline to apply for the grant, states have one year to commit funds and use the committed funds by 2030, and the goal would be to prioritize the high-cost wells. The main reason to not apply for the large-scale grant was due to the 90-day deadline to commit funds through contracting.

After the business meeting, the Department of Interior (DOI) released its final guidance for applying for the initial grant with an updated timeline to have the funds committed to a contract. States will have the ability to negotiate up to 90 days from the date the funds are awarded to the date the funds are received by the state. The received date starts the 90-day clock to have the funds contracted. This extends what was thought to be only a 90-day contracting period to 180 days. Considering the updated timeline, Board staff decided it was in the best interest of the state to put in for the \$25 million large scale grant and attempt to plug all current orphaned wells. The grant allows 10% to be used for overhead costs. After one year, any uncommitted funds must be given back to the federal government and the work must be completed prior to 2030.

The DOI has 30 days to tell the Board its awarded amount once the application is determined to be complete

and then the time till the date of receipt of funds will be negotiated. Currently, we are in the waiting period to see if the application is complete. Mr. Halvorson and Mr. Jones have been working on preparing contracts so they can be released for bid as soon as possible when the awarded amount is known.

Mr. Weber thinks we need to anticipate outrageous bids and be prepared to reject and re-bid if necessary.

Ms. Buzzas noted that Agency Legal Service has 3-4 new attorneys that will be able to help with contract review.

Mr. Welter noted that rig availability and service will be an issue.

**Motion:** Mr. Weber made the motion to amend last meeting's motion of staff to apply for the small-scale grant of \$5 million and update it to apply for the large-scale grant. Mr. Welter seconded, and the motion unanimously passed.

## **STAFF REPORTS**

### **Caitlin Buzzas**

Ms. Buzzas provided the Board a litigation updated. The two remaining Bison Oil & Gas III, LLC's (Bison) lawsuits were voluntarily dismissed by Bison. The remaining lawsuit is with Phoenix Capital and Ms. Buzzas is working on discovery.

### **Jim Halvorson**

Mr. Halvorson reviewed the division's staffing situation with the division organizational chart, attached as Exhibit 9. Within the next year, eight positions will be vacant.

The Shelby field inspector position has only received one applicant and has been open for over a month.

The chief field inspector position has also been difficult to fill. Mr. Halvorson suggested using the Board's vacant exempt position. The Board has four exempt staff positions in statute that it is responsible for hiring and setting the pay. This position could share the legislative duties and tie the compliance process together. Filling an exempt position requires approval from the Board.

Mr. Halvorson retirement date is set for July 29<sup>th</sup> and the division administrator position needs to be addressed.

The Board discussed the administrator position.

**Motion:** Mr. Gatzemeier made the motion to assign Mr. Ben Jones as administrator and to make the chief field inspector position exempt. Mr. Welter seconded, and the motion passed unanimously.

Mr. Welter requested the chief field inspector to have downhole experience.

The Board thanked Mr. Halvorson for his dedication for the last 32 years with the Board and wished him well in his retirement.

**OTHER BUSINESS**

No other business discussed.

## **PUBLIC HEARING**

The Board reconvened on Thursday, June 16, 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 51-2022 – A motion was made by Mr. Weber, seconded by Mr. Welter and unanimously passed, to approve the application of White Rock Oil & Gas, LLC as set forth in Board Order 41-2022.

Docket 52-2022 – White Rock Oil & Gas, LLC provided the Board an update of its efforts to reduce its plugging liability. No board action took place.

Docket 53-2022 – 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 42-2022.

Docket 54-2022 – 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 43-2022.

Docket 55-2022 – A motion was made by Mr. Durrett, seconded by Mr. Wivholm and unanimously passed, to approve the application of Behm Energy, Inc. as set forth in Board Order 44-2022.

Docket 56-2022 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Lonewolf Operating, LLC as set forth in Board Order 45-2022.

Docket 57-2022 – A motion was made by Mr. Wivholm, seconded by Mr. Weber and unanimously passed, to approve the application of Denbury Onshore LLC as set forth in Board Order 46-2022.

Docket 58-2022 – A motion was made by Mr. Weber, seconded by Mr. McDermott and unanimously passed, to approve the application of Denbury Onshore LLC as set forth in Board Order 47-2022.

Docket 59-2022 – A motion was made by Mr. Wivholm, seconded by Mr. McDermott and unanimously passed, to approve the application of Vecta Oil & Gas, Ltd. as set forth in Board Order 49-2022.

Docket 60-2022 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Vecta Oil & Gas, Ltd. as set forth in Board Order 50-2022.

Docket 61-2022 – A motion was made by Mr. Weber, seconded by Mr. McDermott and unanimously passed, to approve the application of Vecta Oil & Gas, Ltd. as set forth in Board Order 51-2022.

Docket 62-2022 – 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 D&H Energy, LLC was approved as set forth in Board Order 48-2022. Mr. McDermott recused himself and took no part in this matter.

Docket 63-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. Wivholm and passed, to approve the application of Cardinal Oil, LLC as set forth in Board Order 58-2022. Mr. Welter recused himself and took no part in this matter.

Docket 99-2021 – A motion was made by Mr. McDermott, seconded by Mr. Weber and unanimously passed, to approve the application of Falcon Energy Partners LLC as set forth in Board Order 53-2022.

Docket 100-2021 – A motion was made by Mr. McDermott, seconded by Mr. Weber and unanimously passed, to approve the application of Falcon Energy Partners LLC as set forth in Board Order 54-2022.

Docket 28-2022 – The application of Kraken Oil & Gas LLC was withdrawn.

Docket 64-2022 – 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 Unit Petroleum Company to Empire North Dakota LLC. Staff will continue to monitor Empire North Dakota LLC's efforts to reduce its plugging liability. Staff will provide the Board an update in six months of Empire North Dakota LLC's progress to reduce its plugging liability. This is set forth in Board Order 55-2022.

Docket 65-2022 – The application of W-H Productions LLC was withdrawn.

Docket 40-2022 – A motion was made by Mr. McDermott, seconded by Mr. Welter and unanimously passed, that staff may proceed with administrative review and approval of the change of operator request from Falcon Energy Partners LLC and MLB, LLC to Chelin LLC. This is set forth in Board Order 52-2022.

Docket 66-2022 – The show-cause hearing of Justice SWD, LLC was dismissed.

Docket 67-2022 – The show-cause hearing of Three Forks Resources, LLC was dismissed.

Docket 68-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. Wivholm and passed that Docket 68-2022, Bluebird Energy, LLC, is dismissed and that the penalty assessed in Administrative Order 7-A-2022 scheduled to begin on June 20, 2022, is vacated. This is set forth in Board Order 56-2022. Mr. Welter recused himself and took no part in this matter.

Docket 69-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. Wivholm and passed that Docket 69-2022, Cardinal Oil, LLC, is dismissed and that the penalty assessed in Administrative Order 8-A-2022 scheduled to begin on June 20, 2022, is vacated. This is set forth in Board Order 57-2022. Mr. Welter recused himself and took no part in this matter.

Docket 70-2022 – The show-cause hearing of Big Sky Energy, LLC was dismissed.

Docket 71-2022 – The show-cause hearing of Montana Land & Mineral Co. was dismissed.

Docket 72-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. Weber and unanimously passed that Seymour, James & Lorraine is fined \$1,000 for failure to appear at the June 16, 2022, public hearing. Seymour James & Lorraine is to appear at the August 18, 2022, public hearing and show-cause, if any it has, why additional penalties should not be assessed for failure to pay the penalty assessed for delinquent reporting. Staff may dismiss this matter should the penalties for delinquent reporting and failure to appear at this hearing are received prior to the August 18, 2022, public hearing. This is set forth in Board Order 59-2022.

Docket 73-2022 – The show-cause hearing of Strategic Holdings LLC was dismissed.

Docket 108-2021 – A motion was made by Mr. Durrett, seconded by Mr. Weber and passed that Black Gold Energy Resource Development, LLC must have all violations addressed by August 1, 2022. The \$250 fine per day will continue until the pit is fenced and the fine will remain in effect until compliance is confirmed by inspection. Docket 108-2021 is continued until the August 18, 2022, public hearing where additional penalties will be applied should the Indian Mound 1 well and location not be in full compliance with Board rules. This is set forth Board Order 60-2022. Mr. Welter opposed the motion.

Docket 109-2021 – A motion was made by Mr. Durrett, seconded by Mr. Weber and passed that Black Gold Energy Richland Facility, Inc must have all violations addressed by August 1, 2022. Docket 109-2021 is continued until the August 18, 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 Board Order 61-2022. Mr. Welter opposed the motion.

Docket 43-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. McDermott and unanimously passed to fine Butler Petroleum LLC \$1,000 for failure to appear at the June 16, 2022, public hearing and that Docket 43-2022 is continued until the August 18, 2022, public hearing. This is set forth Board Order 62-2022.



## NEXT MEETINGS

The next business meeting of the Board will be Wednesday, August 17, 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, August 18, 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 August 18<sup>th</sup> public hearing is July 14, 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  
Joseph Michael Weber, Board Member  
Corey Welter, Board Member  
Jeff Wivholm, Board Member

ATTEST:

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Jennifer Breton, Program Specialist