

STATE OF MONTANA  
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION  
MINUTES OF THE  
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING  
October 12 & 13, 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, October 12, 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 Ben Jones, Ben Davis, Caitlin Buzzas, Jennifer Breton, Jodi Fischer, and John Gizicki.

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

No comments were made.

**APPROVAL OF MINUTES**

A motion was made by Mr. Durrett, seconded by Mr. Gatzemeier and unanimously passed, to approve the minutes of the August 17, 2022, business meeting.

**PLUGGING AND RECLAMATION BOND REVIEW**

Mr. Jones reviewed Exhibit 1 regarding an overview of plugging and reclamation bonding and the steps that the Board has taken to ensure adequate bonding is in place since 2019. Referrals from the Board's change of operator policy has resulted in \$935,000 of additional bonding over the standard bonding requirements. Also, the inactive well review has resulted in 88 wells being plugged, transferred, or re-activated.

Legislative requirements prohibit any rulemaking after October 1<sup>st</sup> of the year prior to the legislative session. Since the Board cannot engage in rulemaking today, it can wait to see if bonding is addressed during the upcoming legislative session. If it is not addressed during session, the Board can engage in rulemaking in the spring if it deems it necessary.

Mr. Patrick Montalban, President and CEO of Montalban Oil & Gas Operations, Inc. (MOGO). Mr. Montalban complimented the Board on its bonding efforts over the last few years. Many of the wells that MOGO operates are stripper wells. Mr. Montalban is concerned that if the Board is too aggressive on bonding, it will force small operators out of business and leave additional orphan wells for the State to plug. He recommends working with all parties on this issue and to not put the burden on small operators. All wells, including stripper wells, are considered assets. He also recommended utilizing the Resource Indemnity Trust Funds to assist operators in plugging its wells.

Ms. Susann Beug with Northern Plains Resource Council stated that the Board is responsible for ensuring an operator's bond covers the plugging and abandonment cost of a well. The value of the well must be determined along with the liability. Inactive wells are contributing methane into the environment and the timeframe the wells are inactive should be reviewed.

### **LONGEVITY & SERVICE AWARDS**

Chairman Brown recognized Sam Thielen's five years of service to the state with a certificate and longevity pin. Mr. Thielen was unable to attend.

### **PROPOSED HEARING SCHEDULE FOR 2023**

The Board discussed and approved the 2023 meeting schedule, attached as Exhibit 2. Below are the 2023 meeting and hearing dates:

February 1 & 2, 2023  
April 12 & 13, 2023  
June 14 & 15, 2023  
August 9 & 10, 2023  
October 4 & 5, 2023  
December 6 & 7, 2023

### **FINANCIAL REPORT**

Mrs. Breton discussed the financial statement, attached as Exhibit 3.

### **BOND SUMMARY & INCIDENT REPORT**

Mr. Jones presented the bond report and the incident report, attached as Exhibit 4 & 5.

### **DOCKET SUMMARY**

Mr. Jones presented the docket summary, attached as Exhibit 6.

### **GAS FLARING EXCEPTIONS**

Mr. Jones discussed the gas flaring report, attached as Exhibit 7. There are six Kraken Operating, LLC (Kraken) wells flaring in excess of 100 MCFG/day with an exception request.

All of these wells are connected to a gas pipeline, but due to the high line pressure Kraken has had limited success selling the gas. Kraken has had success selling excessive gas to Crusoe Energy Systems, that uses the gas to generate power for running remote network systems that mine digital cryptocurrency. Still, Kraken is flaring over the limit.

Mr. Jones recommended a six-month exception for Kraken.

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

### **INACTIVE WELL REVIEW**

Mr. Gizicki brought to the Board's attention four inactive well operators.

1. Darrah Oil Company, LLC (Darrah) has three inactive wells and has submitted intents to abandon the wells in the spring. Staff will continue to monitor Darrah.
2. Hofland, James D. has five wells. Hofland plans to return two wells back to production. The status of the other three wells is unknown. Mr. Gizicki will follow up with Hofland.
3. Omimex Canada, Ltd. (Omimex) has 23 inactive gas wells. The letter regarding the inactive wells was not delivered and staff will allow Omimex additional time to respond. Mr. Patrick Montalban stated he will work with Omimex and present a plan of the inactive wells at the December meeting.
4. 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. A year has been given to accomplish this task.

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

Mr. Jones provided the Board an update of the Bipartisan Infrastructure Law Sec. 40601: Initial Grants. In May 2022, the Board applied for the large-scale grant (up to \$25 million) that will provide money for states to plug and abandon orphan wells under a federal grant program.

The Department of Interior (DOI) awarded Montana \$25 million. There are 13 contracts out for bid that cover all the orphan wells in the state. Contractors will have until October 31<sup>st</sup> to bid on the contracts. October 1<sup>st</sup> starts the 90-day contracting period and all funds must be obligated by December 30<sup>th</sup>.

### **STAFF REPORTS**

#### **Ben Jones**

Mr. Jones provided a staffing update. Since the last meeting, the Shelby field inspector position has been filled by Greg Larson and he is expected to begin working on October 24<sup>th</sup>. That position had been open for several months with no other qualified candidates. The technical program coordinator, Ben Davis, accepted the position and started working at the end of September. The UIC director position was accepted by Dustin Anderson, and he is expected to begin work on October 24<sup>th</sup>. The Board's production permitting technician recently resigned to be a full-time stay at home mom. Mr. Jones plans to continue to evaluate staff and their workload prior to hiring any new office personnel.

The governor's office approved a pay increase for the five field inspectors. Staff will rely heavily on the inspectors in the upcoming months with the federal grant of plugging orphan wells.

The temporary assignment of chief field inspector was approved for Mr. Gizicki.

Mr. Davis introduced himself to the Board.

**Caitlin Buzzas**

Ms. Buzzas provided the Board a litigation update. The Board is in active litigation and a trial regarding the Phoenix Capital Group Holdings, LLC case is expected before Thanksgiving, but it may be delayed.

**OTHER BUSINESS**

Mr. Welter notified the Board that Alan Olson's wife, Jean, had passed away and a funeral will take place in Roundup on October 15<sup>th</sup>.

## **PUBLIC HEARING**

The Board reconvened on Thursday, October 13, 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 101-2022 – A motion was made by Mr. Weber, seconded by Mr. Welter and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 91-2022.

Docket 102-2022 – A motion was made by Mr. Weber, seconded by Mr. Welter and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 92-2022.

Docket 103-2022 – A motion was made by Mr. Durrett, seconded by Mr. Weber and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 93-2022.

Docket 104-2022 – A motion was made by Mr. Durrett, seconded by Mr. Weber and unanimously passed, to approve the application of Continental Resources, Inc. as set forth in Board Order 94-2022.

Docket 105-2022 – A motion was made by Mr. Weber, seconded by Mr. Welter and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 95-2022.

Docket 106-2022 – A motion was made by Mr. Weber, seconded by Mr. Welter and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 96-2022.

Docket 107-2022 – 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 97-2022.

Docket 108-2022 – 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 98-2022.

Docket 109-2022 – 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 99-2022.

Docket 110-2022 – 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 100-2022.

Docket 111-2022 – 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 101-2022.

Docket 112-2022 – 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 102-2022.

Docket 113-2022 – 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 103-2022.

Docket 114-2022 – 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 104-2022.

Docket 115-2022 – A motion was made by Mr. Weber, seconded by Mr. Gatzemeier and unanimously passed, to continue the application of Forza Operating, LLC to the December 2022 hearing, as set forth in Board Order 105-2022.

Docket 116-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. McDermott and passed, to approve the application of Avanti Energy Montana, Inc. as set forth in Board Order 106-2022. Mr. Welter recused himself and took no part in this matter.

Docket 117-2022 – A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed, to approve the application of Lustre Oil Company LLC as set forth in Board Order 107-2022.

Docket 118-2022 – The application of Hydra MT LLC was continued to the December 2022 hearing.

Docket 85-2022 – A motion was made by Mr. Wivholm, seconded by Mr. Gatzemeier and passed, to approve the application of Bluebird Energy, LLC as set forth in Board Order 108-2022. Mr. Welter recused himself and took no part in this matter.

Docket 86-2022 – A motion was made by Mr. Durrett, seconded by Mr. Gatzemeier and passed, to approve the application of Bluebird Energy, LLC as set forth in Board Order 109-2022. Mr. Welter recused himself and took no part in this matter.

Docket 119-2022 – The application of Ridge Energy, LLC was withdrawn.

Docket 94-2022 – A motion was made by Mr. Welter, seconded by Mr. Wivholm and unanimously passed, that staff may proceed with administrative review and approval of the change of operator request from Croft Petroleum Co to Montalban Oil & Gas Operations, Inc. This is set forth in Board Order 110-2022.

Docket 120-2022 – A motion was made by Mr. Durrett, seconded by Mr. Gatzemeier and unanimously passed that Apex Energy LLC must submit a written plan for controlling vegetation for the upcoming year and provide future plans of the FLB Spokane 1 well, API # 25-083-21188, located in the NE¼SE¼ of Section 7, T22N-R60E, Richland County, Montana. Docket 120-2022 is continued until the December 8, 2022, public hearing. Board staff has the authority to dismiss the docket if the plans are received prior to the December 8, 2022, public hearing. This is set forth in Board Order 111-2022.

Docket 121-2022 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed for forfeit the plugging and reclamation bond for Butler Petroleum LLC. This is set forth in Board Order 112-2022.

Docket 122-2022 – A motion was made by Mr. Welter, seconded by Mr. Durrett and unanimously passed that Genesis Operating LLC must submit a written plan for controlling vegetation for the upcoming year. Docket 122-2022 is continued until the December 8, 2022, public hearing. Board staff has the authority to dismiss the docket if the plans are received prior to the December 8, 2022, public hearing. This is set forth in Board Order 113-2022.

Docket 123-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. Weber and unanimously passed that Seymour, James & Lorraine must begin to plug and abandon its State 8-8 well, API # 25-101-22239, located in the W½SE¼NE¼ of Section 8, T37N-R4W, Toole County, Montana, prior to the December 8, 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 114-2022.

Docket 108-2021 – A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed that Black Gold Energy Resource Development, LLC must be in full compliance with Board rules by December 31, 2022. Black Gold's outstanding fine of \$183,500 is reduced to the statutory maximum of \$125,000 and must be paid through a monthly payment plan of \$10,500 for twelve months with the first payment due January 3, 2023. Subsequent payments are due by February 1st, March 1st, April 3rd, May 1st, June 1st, July 3rd, August 1st, September 1st, October 2nd, November 1st, and December 1st. Docket 108-2021 is continued until the June 2023, public hearing at which time compliance will be reviewed and a determination will be made concerning the remainder of the fine. This is set forth in Board Order 116-2022.

Docket 109-2021 – A motion was made by Mr. Gatzemeier, seconded by Mr. Durrett and unanimously passed to dismiss Docket 109-2021, Black Gold Energy Richland Facility, Inc., and that compliance must be confirmed by inspection prior to commencing operations at the Velma SWD 1-10 well. This is set forth in Board Order 115-2022.

## NEXT MEETINGS

The next business meeting of the Board will be Wednesday, December 7, 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, December 8, 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 December 8<sup>th</sup> public hearing is November 3, 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