

STATE OF MONTANA
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
MINUTES OF THE
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING
December 7 & 8, 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, December 7, 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, Liz Leman, Jennifer Breton, and John Gizicki.

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. Gatzemeier and unanimously passed, to approve the minutes of the October 12, 2022, business meeting.

EMPIRE NORTH DAKOTA LLC REDUCTION OF PLUGGING LIABILITY, REQUIRED BY BOARD ORDER 55-2022

Mr. Jones provided an update on Empire North Dakota LLC (Empire), attached as Exhibit 1.

Mr. Jones recommended Empire to appear at the February 2, 2023, public hearing to provide an update of its actions taken to reduce its plugging liability.

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

The Board issued Empire Administrative Order 13-A-2022, attached as Exhibit 2.

Mr. Jones noted that Empire and its attorney were aware of today's discussion.

FINANCIAL REPORT

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

Mr. Jones provided a vehicle update. The division was granted authorization from the State Procurement Bureau to purchase four field trucks at a local dealership. A dealership had four trucks in stock that met our needs and we have placed a down payment securing those trucks for the division.

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

There were no flaring exceptions to review.

INACTIVE WELL REVIEW

Mr. Davis reviewed a list of inactive well operators and their current statuses, attached as Exhibit 7. Mr. Davis noted that Omimex Canada, Ltd. (Omimex) should be added to the list. Mr. Montalban with Montalban Oil and Gas, Inc. is working with Omimex to get a plugging and abandonment plan together.

Mr. Davis recommended Fairways Exploration & Production, LLC to show cause at the February 2, 2023, public hearing, as to why it should not immediately plug and abandon its well in Teton County, Montana.

Motion: Mr. Welter made the motion to approve the recommendation. Mr. Wivholm seconded, and the motion passed unanimously. The Board issued Fairways Exploration & Production, LLC Administrative Order 14-A-2022.

Mr. Davis recommended North Range Exploration, LLC to show cause at the February 2, 2023, public hearing, as to why it should not have to file missing completion data for the Pillars 32-2 well in Yellowstone County, Montana.

Motion: Mr. Gatzemeier made the motion to approve the recommendation. Mr. Weber seconded, and the motion passed unanimously. The Board issued North Range Exploration, LLC Administrative Order 15-A-2022.

Mr. Davis recommended Mystique Resources Company to show cause at the February 2, 2023, public hearing, as to why it should not immediately plug and abandon its well in Sheridan County, Montana.

Motion: Mr. Wivholm made the motion to approve the recommendation. Mr. Welter seconded, and the motion passed unanimously. The Board issued Mystique Resources Company Administrative Order 16-A-2022.

The three administrative orders issued by the Board are attached as Exhibit 8.

ORPHAN WELL AND FEDERAL GRANT UPDATE

Mr. Jones provided the Board an update of the Bipartisan Infrastructure Law Sec. 40601: Initial Grants. The Department of Interior (DOI) awarded Montana \$25 million to plug and abandon orphan wells under a federal grant program.

There were 13 contracts that went out for bid that cover all the orphan wells in the state. Contractors had until the end of October to submit their bid. All contracts received bids, and to date, 12 of the 13 contracts have been awarded, while one contract is still being evaluated. Most contractors who were awarded a contract are well known and established in the State of Montana.

All contracts must be executed before the end of the year. The money not committed to the contracts will need to be returned to the DOI on September 30, 2023. Mr. Jones had estimated the total cost to be around \$12.5 million and the actual total contracted amount is approximately \$12.9 million.

STAFF REPORTS

Ben Jones

Mr. Jones provided a staffing update. The recent hire for the UIC director position resigned after a few days. The position is currently open and being advertised. One applicant has applied for the position and comes highly recommended. A zoom interview is scheduled for tomorrow.

The online data server in Helena has been replaced due to age and security issues. Over the past few months, Mr. Jones has been working with IT to get the new system running. This has been challenging due to the number of bugs that needed to be worked out. One major issue was that the web production filing has been down for the past 1-2 months, but it should be working now. Staff will be lenient with delinquent online filers.

Ben Davis

Mr. Davis informed the Board that the check in / check out policy has been activated for the year.

Mr. Davis has received the 26 BLM plans of development within the state. Of those well plans, 9 of the wells have been drilled.

Recent well activity consists of three APDs for vertical wells, nine APDs for horizontal wells, and six APD renewals.

Liz Leman

Ms. Liz Leman provided the Board a litigation update. The Phoenix Capital Group Holdings, LLC trial took place before Thanksgiving. Ms. Leman is working on a proposed order, as requested by the Judge. She estimates in a month there will be a ruling.

OTHER BUSINESS

No other business discussed.

PUBLIC HEARING

The Board reconvened on Thursday, December 8, 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 124-2022 – The application of Empire North Dakota LLC was continued to the February 2023 hearing.

Docket 125-2022 / 1-2023 FED – A motion was made by Mr. Durrett, seconded by Mr. Welter and unanimously passed, to approve the application of CWT Operating, LLC as set forth in Board Order 117-2022.

Docket 126-2022 – A motion was made by Mr. Weber, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of CWT Operating, LLC as set forth in Board Order 118-2022.

Docket 127-2022 – The application of Karsted Operating, LLC was continued to the February 2023 hearing.

Docket 128-2022 – The application of Forza Operating, LLC was continued to the February 2023 hearing.

Docket 115-2022 – A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed, to withdraw the application of Forza Operating, LLC as set forth in Board Order 120-2022.

Docket 129-2022 – 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 122-2022.

Docket 118-2022 – 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 Hydra MT LLC was approved as set forth in Board Order 123-2022.

Docket 130-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. McDermott 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 119-2022.

Docket 131-2022 – The show-cause hearing of D&A Water Disposal LLC was dismissed.

Docket 132-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. Weber and unanimously passed, to forfeit the plugging and reclamation bond for Seymour, James & Lorraine. This is set forth in Board Order 121-2022.

Docket 120-2022 – The show-cause hearing of Apex Energy LLC was dismissed.

Docket 122-2022 – The show-cause hearing of Genesis Operating LLC was dismissed.

NEXT MEETINGS

The next business meeting of the Board will be Wednesday, February 1, 2023, 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 2, 2023, 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 2nd public hearing is January 5, 2023.

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA

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:

Jennifer Breton, Program Specialist