

STATE OF MONTANA  
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION  
MINUTES OF THE  
BOARD OF OIL AND GAS CONSERVATION MEETING AND PUBLIC HEARING  
February 1 & 2, 2023

**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 1, 2023, at its office at 2535 St. Johns Avenue in Billings, Montana. Board members present were Chairman Roy Brown, Paul Gatzemeier, Mac McDermott, Mike Weber, Corey Welter, and Jeff Wivholm. Board member Steven Durrett was absent. Staff present was Ben Jones, Ben Davis, Jennifer Breton, John Gizicki, Kris Goll, and Gary Klotz.

**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 December 7, 2022, business meeting.

**FORZA OPERATING, LLC**

Mr. Jones brought to the Board's attention Forza Operating, LLC (Forza). Forza is in violation of the conditions of approval listed on the sundry notice filed on October 22, 2022, for three wells in Toole County, Montana, attached as Exhibit 1. The conditions of approval stated that no flowback fluid from the wellbore were to be released into the fresh water frac pits; however, Forza did flowback into the pits after completion of the wells.

Mr. Jones recommended assessing a penalty of \$500 per well violation (\$1,500 total) for failure to meet the sundry notice conditions of approval requirements.

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

The Board issued Forza Administrative Order 1-A-2023, attached as Exhibit 2.

**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**

There were no flaring exceptions to review.

## **INACTIVE WELL REVIEW**

Mr. Davis reviewed a list of inactive well operators and the status, attached as Exhibit 7.

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

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

There were 13 contracts awarded in the amount of approximately \$12.9 million to cover the plugging and abandonment of all orphan wells in the state at the time of the award. One contractor has begun plugging wells.

The DOI has recently released the draft guidance for the formula grants authorized in the BIL which may have more stringent requirements that will be costly to implement. A notice of intent was submitted at the end of 2021 for the formula grant, and Montana is currently eligible for up to approximately \$5.1 million through that grant. Staff will participate in multiple webinars and roundtables with DOI and IOGCC in the coming weeks to get further clarification on formula grant requirements.

No decision is needed at this time from the Board. This will be reviewed at the June business meeting.

## **STAFF REPORTS**

### **Ben Jones**

Mr. Jones provided a legislative update. The budget presentation on section C took place last week. BOGC has one request for appropriations that include field inspector's overtime, the Board member's per diem, and additional funding for increased equipment costs. There was no public comment on the budget and there were few questions. There is currently one oil and gas related bill that modifies the presumption of failure to pay costs in the pooling statute, §82-11-202, MCA. This bill has passed through committee.

The EPA sent a letter to all the state governors notifying them of \$50 million of funding that is available for states who are applying for underground injection control class VI primacy. Filing an application for class VI would require rulemaking and potentially a full time FTE dedicated to the program. A Notice of Intent to participate in this grant program must be filed by March 20, 2023. Staff plans to file the notice of intent and gather information on the grant as more information becomes available.

There are several operators who have not paid the 2023 annual injection fee of \$200 per well that was due on January 31, 2023. The initial letters were mailed in November 2022 and reminder letters will be mailed next week. A few weeks later if there has been no response, a certified letter will be mailed, and the operator will be discussed at the April business meeting.

Mr. Perry Fields has verbally accepted the job offer as UIC director. He will be moving from Oklahoma and needs to sell his house. The planned start date is March 13, 2023. Mr. Jones requested a closed session meeting with the Board to finalize the offer.

### **Ben Davis**

Mr. Davis provided the Board an update on well activity. There were three APDs for horizontal wells, seven APD renewals, four expired permits and nine well completions since the last business meeting.

### **OTHER BUSINESS**

The Board closed the next portion of the meeting to discuss staffing in which individuals' privacy exceeds the merits of public disclosure.

## **PUBLIC HEARING**

The Board reconvened on Thursday, February 2, 2023, 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 1-2023 – A motion was made by Mr. Gatzemeier, seconded by Mr. Welter and unanimously passed, to approve the application of Huntington Energy, LLC as set forth in Board Order 1-2023.

Docket 2-2023 – A motion was made by Mr. Gatzemeier, seconded by Mr. Welter and unanimously passed, to approve the application of Huntington Energy, LLC as set forth in Board Order 2-2023.

Docket 3-2023 – A motion was made by Mr. McDermott, seconded by Mr. Weber and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 3-2023.

Docket 4-2023 – 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 4-2023.

Docket 5-2023 – 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 5-2023.

Docket 6-2023 – A motion was made by Mr. Gatzemeier, seconded by Mr. Wivholm and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 6-2023.

Docket 7-2023 – A motion was made by Mr. Gatzemeier, seconded by Mr. Wivholm and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 7-2023.

Docket 8-2023 – A motion was made by Mr. Welter, seconded by Mr. Weber and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 8-2023.

Docket 9-2023 – The application of Kraken Oil & Gas LLC was continued to the April 2023 hearing.

Docket 10-2023 – The application of Kraken Oil & Gas LLC was continued to the April 2023 hearing.

Docket 11-2023 – 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 9-2023.

Docket 12-2023 – 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 10-2023.

Docket 13-2023 – A motion was made by Mr. Wivholm, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 11-2023.

Docket 14-2023 – A motion was made by Mr. Wivholm, seconded by Mr. Gatzemeier and unanimously passed, to approve the application of Kraken Oil & Gas LLC as set forth in Board Order 12-2023.

Docket 15-2023 – A motion was made by Mr. Welter, seconded by Mr. Weber and unanimously passed, that staff will provide the Board an update at the April 12, 2023, business meeting of Empire North Dakota LLC's progress to reduce its plugging liability. Empire North Dakota LLC is to appear at the June 15, 2023, public hearing to provide an update of its activities to reduce its plugging liability by either plugging wells or returning wells to production. This is set forth in Board Order 13-2023.

Docket 124-2022 – A motion was made by Mr. Gatzemeier to continue docket 124-2022, Empire North Dakota LLC, to the June 2023 hearing. The motion failed.

A second motion was made by Mr. McDermott, seconded by Mr. Wivholm and passed, to approve the application of Empire North Dakota LLC as set forth in Board Order 14-2023. Mr. Gatzemeier opposed the motion.

Docket 127-2022 – The application of Karsted Operating, LLC was withdrawn.

Docket 128-2022 – A motion was made by Mr. Gatzemeier, seconded by Mr. Welter and unanimously passed, to approve the application of Forza Operating, LLC as set forth in Board Order 15-2023.

Docket 16-2023 – A motion was made by Mr. Welter, seconded by Mr. McDermott and unanimously passed, that A.B Energy LLC is to appear at the October 5, 2023, public hearing to review A.B. Energy's plugging and reclamation bonds and staff may proceed with administrative review and approval of the change of operator requests from J. Burns Brown Operating Company and Balko, Inc. This is set forth in Board Order 16-2023.

Docket 17-2023 – 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 change of operator request from EOG Resources, Inc. to Grayson Mill Operating, LLC. This is set forth in Board Order 17-2023.

Docket 18-2023 – A motion was made by Mr. Welter, seconded by Mr. Weber and passed that Docket 18-2023, Fairways Exploration & Production, LLC, is continued until the October 5, 2023, public hearing. This is set forth in Board Order 18-2023.

Docket 19-2023 – A motion was made by Mr. Welter, seconded by Mr. Wivholm and passed that Mystique Resources Company is fined \$1,000 for failure to appear at the February 2, 2023, public hearing. Mystique Resources Company must begin to plug and abandon its Murray 1 well, API # 25-091-21621, located in the S½N½ of Section 1, T33N-R55E, Sheridan County, Montana, prior to the April 13, 2023, 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 19-2023.

Docket 20-2023 —A motion was made by Mr. Wivholm, seconded by Mr. Welter and passed that North Range Exploration, LLC is fined \$1,000 for failure to appear at the February 2, 2023, public hearing and that any future bond release request be referred to the Board, and Docket 20-2023 is dismissed. This is set forth in Board Order 20-2023.

Docket 21-2023 — The show-cause hearing of Ballantyne Ventures LLC was dismissed.

Docket 22-2023 —A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed that Docket 22-2023, Big Sky Energy, LLC, is continued until the April 13, 2023, public hearing. Staff may dismiss this matter should the delinquent reports and penalties for delinquent reporting are received prior to the April 13, 2023, public hearing. This is set forth in Board Order 21-2023.

Docket 23-2023 —The show-cause hearing of Black Gold Energy Richland Facility, Inc. was dismissed.

Docket 24-2023 —The show-cause hearing of Bootstrap Oil LLC was dismissed.

Docket 25-2023 —The show-cause hearing of Hawley Hydrocarbons, Merrill&Carol Hawley DbA was dismissed.

Docket 26-2023 —The show-cause hearing of Hawley Oil Company was dismissed.

Docket 27-2023 —A motion was made by Mr. Welter, seconded by Mr. Gatzemeier and unanimously passed that Landtech Enterprises, LLC is fined \$1,000 for failure to appear at the February 2, 2023, public hearing. Landtech Enterprises, LLC is to appear at the April 13, 2023, 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. This is set forth in Board Order 22-2023.

Docket 28-2023 — A motion was made by Mr. Gatzemeier, seconded by Mr. Weber and unanimously passed that Docket 28-2023, Lyon, John J., is dismissed. This is set forth in Board Order 23-2023.

Docket 29-2023 —A motion was made by Mr. Welter, seconded by Mr. Weber and unanimously passed that McOil Montana One LLC is fined \$1,000 for failure to appear at the February 2, 2023, public hearing and is to appear at the April 13, 2023, 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. The Board will consider waiving the \$1,000 fine issued for failure to appear if McOil Montana One LLC appears at the April 13, 2023, public hearing and is in compliance at that time. This is set forth in Board Order 24-2023.

## NEXT MEETINGS

The next business meeting of the Board will be Wednesday, April 12, 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, April 13, 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 April 13<sup>th</sup> public hearing is March 9, 2023.

## BOARD OF OIL AND GAS CONSERVATION OF THE STATE OF MONTANA

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Roy Brown, Chairman  
Steven Durrett, Vice-Chairman (absent)  
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